

# Fortress Global Funds Quarterly Reports

Fixed Income Fund

Global Opportunity Wealth Fund

US Equity Fund

International Equity Fund

Emerging Markets Fund

Income Builder US Fund

Income Builder International Fund

March 31, 2019



Your Future. Our Business.



April 2019.

Dear investors,

This year started with solid gains across all major capital markets and the Fortress funds participated in these gains, generating mid-high single-digit returns across the board. In a replay of some of the trends from early 2018, the top performing assets in the world were U.S. growth shares, especially small cap, the information technology sector, and (in a complete *reversal* from last year) mainland Chinese shares. Lagging areas, though still squarely positive, included some international markets like Japan, Germany and South Korea, and higher quality value shares in the U.S. and elsewhere. In bonds, corporates and especially high yield led the way as riskier issues recovered from last year's weakness. In terms of relative performance, the Fortress Fixed Income Fund beat its benchmark handily while the U.S. Equity, International and Emerging Markets funds finished slightly behind theirs. The Income Builder funds posted gains ahead of target in the quarter and have continued to add to them in early April.

The first quarter in financial markets was in some respects simply a bounce back from a point of stress late last year – but with one important bonus. By December 2018, investors had responded to the self-inflicted wounds of trade tensions and higher interest rates from the U.S. Federal Reserve (Fed) by beginning to price assets as though a recession was starting. From our perspective as investors in individual companies we think the trade tensions were what mattered more, because we saw directly the effects of the uncertainty they brought. As it turned out, both the Fed and the U.S. Administration blinked at the same time in late December and, as a bonus, investors got a peek at how bad things had to get before the Fed would step in and that is important information. On balance investors liked the answer and liked knowing that there was an answer.

However, some economic damage had already been done. Our bottom-up work analyzing companies in developed and emerging markets around the world showed that the downturn in earnings last year was real. Company after company from as far afield as Germany, France, Japan, Canada and, ironically, to a lesser extent, the U.S. and China, saw earnings at least plateau and often decline. This makes sense against the highly uncertain backdrop of tariffs that seemed to appear overnight and threaten carefully laid out global supply chains. It's not surprising that a certain amount of economic activity just took a step back to wait for the dust to clear, and that such a response repeated over and over around the world would affect company revenues and therefore earnings, at least in the short term. That is exactly what we saw at individual companies and it's likely what the Fed saw, too – along with pronounced financial market weakness – that caused them to soften in December.

Now, in 2019 with the more conciliatory tone and near daily updates from U.S. Administration officials on progress towards a deal with China, earnings are showing signs of stabilizing and recovering. With equity prices especially in international and emerging markets still reflecting substantial stress from last year (they are still down year-over-year), we think the return

prospects within these areas are excellent as a moderate recovery builds and earnings growth in key areas resumes. But global growth is unlikely to be universal and the kind of damage inflicted last year will not vanish overnight. At the same time, the response from the Fed in December was driven by fears of a weakening economy. If these fears fade, we still think growth will eventually be met with fresh, if gradual, interest rate increases.

We wrote last quarter that falling markets pricing in an imminent recession might have been getting ahead of themselves. Today, we believe it's worth noting that markets rallying to price in a return to the "good old days" – with both a friendly Fed and growing earnings – might also be getting ahead of themselves. The truth over the next few years may be messier, duller, and involve something in the middle – a moderation of sorts. In a moderating environment, where earnings gradually improve but not everywhere and not rapidly, and where interest rates gradually inch higher, which investments might be at risk? One obvious category is those priced at high valuations and whose earnings growth may struggle to meet lofty expectations. There are certainly some of those, especially among U.S. equities. Another group at potential risk is those companies with stretched balance sheets. Many large companies in the U.S. now have *negative* equity after borrowing to buy back their own shares at ever increasing prices.

On the positive side, what investments are more likely to be resilient to a moderating environment and its inevitable surprises? As always, we are positioning selectively in shares with good, profitable operations, responsible balance sheets and fair valuations that leave lots of room for error. This is a good time to make sure the expectations embedded in the prices of investments aren't floating too far above the likely reality. Right now, we still see the best prospects in conservative, short-duration fixed income investments and well-valued shares in international and emerging markets, and the Fortress portfolios are positioned accordingly.

Thank you for investing with us.

Sincerely,

A handwritten signature in blue ink that reads "Peter Arender". The signature is fluid and cursive, with the first name "Peter" being more prominent than the last name "Arender".

Peter Arender, CFA  
Chief Investment Officer

# Fixed Income Fund



## HIGHLIGHTS:

The Fund gained 3.56% in the first quarter and is up 4.30% over the past year. Bond yields fell and credit spreads tightened to start the year as the Fed's late December move to a more neutral stance played out across various sectors of the financial markets. Credit spreads inched in to some of their tightest levels in months as fears of an imminent recession faded.

Bond prices rallied as investors breathed a sigh of relief as the Fed's rate hikes and balance sheet reductions have been put on "pause". Parts of the U.S. Treasury yield curve even became mildly inverted as some shorter maturities offered higher yields than longer ones. This relationship suggests investors believe there is a good chance of Fed rate cuts in the medium term. We feel this may be somewhat overdone but time will tell. Our response has been to continue to keep the Fund's duration relatively short. During the quarter we added a few new positions in investment grade corporate floating rate notes.

The average yield on the Fund's portfolio declined during the quarter as bond prices rose, especially among corporate holdings. This means that while the first quarter's return was welcome it is also extremely unlikely to be repeated in the months ahead. The portfolio's gross yield to maturity of just over 3% is a good estimate of its medium term return potential.

## FUND OBJECTIVE

**Consistent returns and protection of principal over the medium-term with investments in high-quality bonds.**

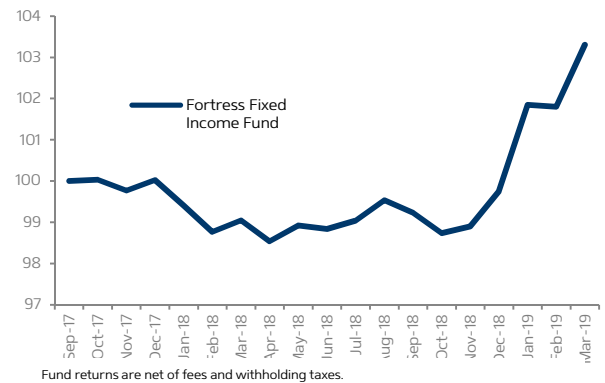
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 103.3079
<b>Fund Net Assets:</b>	US\$ 22,331,081
<b>Fund Inception:</b>	Oct 2, 2017
<b>Strategy Inception:</b>	Oct 2, 2017
<b>Bloomberg Ticker:</b>	FORFIFA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>3.56%</b>	<b>4.30%</b>	<b>n/a</b>	<b>n/a</b>	<b>2.21%</b>
<b>Index</b>	2.94%	4.48%	2.03%	2.74%	2.25%

*Periods longer than one year are annual compound returns*

## PERFORMANCE SINCE INCEPTION to 3/31/2019

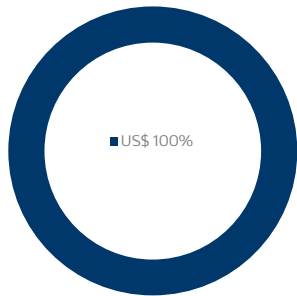


## PORTFOLIO SUMMARY

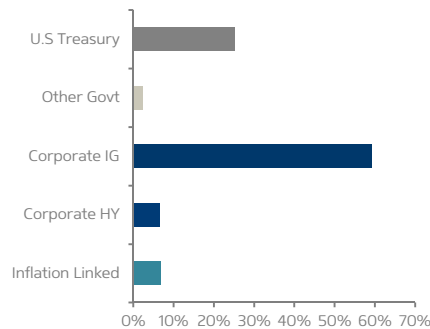
	Weight	Yield	Term to Maturity	Credit Rating*	Spread (bps)
<b>FUND</b>	<b>100%</b>	<b>3.04%</b>	<b>5.4 yrs</b>	<b>A</b>	<b>80</b>
Corporate securities	66.0%	3.74%	4.7 yrs	BBB+	123
Government securities	34.0%	2.15%	6.9 yrs	AAA	13

\* Source: Bloomberg

## CURRENCY ALLOCATION



## ALLOCATION SUMMARY



## TOP 10 HOLDINGS

US TREASURY N/B	2.25	2/15/2027	9.4%
TSY INFL IX N/B	0.25	1/15/2025	8.9%
US TREASURY N/B	2.875	8/15/2028	6.7%
US TREASURY N/B	2	7/31/2020	4.5%
US Dollar Cash			4.2%
JPMORGAN CHASE & CO FLOATING	10/24	10/24/2023	2.7%
CVS HEALTH CORP	4.1	3/25/2025	2.7%
JUNIPER NETWORKS INC	4.35	6/15/2025	2.7%
US TREASURY N/B	2.25	11/15/2024	2.7%
BECTON DICKINSON AND CO FLOATING	6/6	6/6/2022	2.7%

## EXPENSES

### Paid by the Fund

Management Fee: 0.35% of net assets per annum  
 Administrator Fee: 0.075% of net assets per annum

### Investor Redemption Fees

Within 3 months of purchase: 2%  
 All other times: 0.1%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited  
**ADMINISTRATOR**  
 Fortress Fund Managers Limited  
**PRIMARY CUSTODIAN**  
 Morgan Stanley  
**AUDITORS**  
 EY

## FORTRESS FUND MANAGERS DIRECTORS

Sir Geoffrey Cave	John Williams
Roger Cave	John Howard
David Bynoe	David Simpson

**FUND DIRECTORS**

David Bynoe	Roger Cave
John Howard	

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# Global Opportunity Wealth Fund

## HIGHLIGHTS:

The Fund gained 6.2% during the quarter as global financial markets began recovering from a weak year in 2018. The Fed stepped back from its previous timetable of rate hikes and balance sheet reductions, and the U.S.-China trade rhetoric quieted down. Both developments were positive for equities in particular.

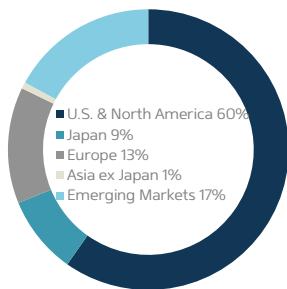
All the Fund's allocations contributed positive returns during the quarter with U.S. equities leading the way. International and emerging equities saw substantial gains and in our view the value in these portfolios remains some of the best in the world. Bond returns were also strong as government yields fell and corporate spreads tightened.

In terms of monetary policy, we think it is unlikely that the Fed will stay out of the picture for long. A number of data points suggest a recovery in economic activity and company earnings is already underway after the "self-inflicted" damage caused by trade tensions last year. This recovery will eventually bring with it tighter policy in the U.S. and possibly elsewhere because rates remain very low by historic standards. We are keeping the duration of the Fund's bond investments relatively short. There were no changes to the Fund's major allocations during the quarter.

## PORTFOLIO SUMMARY

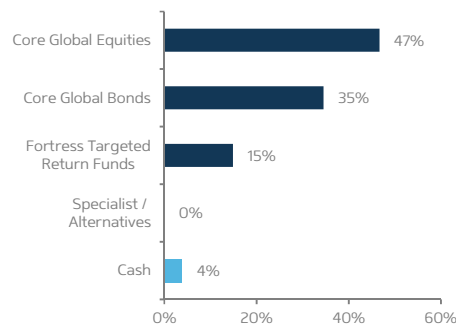
The Fund's portfolio is diversified across key asset classes and a combination of strategies to generate return and limit risk. The long term benchmark for the Fund is a blended index of **60%** global stocks and **40%** global bonds, though the Fund's positioning may differ from this both structurally and tactically. Limiting risk is a key objective of the overall asset allocation. The Fund will typically include allocations to the low volatility, targeted return Fortress Income Builder funds as an alternative to core equity and bond allocations.

## GEOGRAPHIC ALLOCATION



Geographic allocations estimated on a look-through basis.

## ASSET CLASS SUMMARY



## FUND OBJECTIVE

Long term wealth preservation and growth for the whole portfolio.

<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 111.7186
<b>Fund Net Assets:</b>	US\$ 5,746,892
<b>Fund Inception:</b>	May 31, 2013
<b>Strategy Inception:</b>	May 31, 2013
<b>Bloomberg Ticker:</b>	FORTGOW KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>6.2%</b>	<b>-3.3%</b>	<b>3.2%</b>	<b>1.4%</b>	<b>1.9%</b>
<b>Benchmark</b>	<b>8.1%</b>	<b>1.7%</b>	<b>6.9%</b>	<b>4.3%</b>	<b>5.3%</b>

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 3/31/2019



Fund returns are net of fees and withholding taxes.

## TOP 10 ALLOCATIONS

Fortress Fixed Income Fund	24.8%
Fortress International Equity Fund	18.9%
Fortress US Equity Fund	14.4%
Fortress Emerging Markets Fund	12.0%
Fortress Income Builder International Fund	7.5%
Fortress Income Builder US Fund	7.4%
PIMCO Global Investment Grade Credit Fund	6.4%
US Dollar Cash	3.9%
Legg Mason WA Asian Opportunities Fund	1.9%
Templeton Asian Smaller Companies Fund	1.4%

## EXPENSES

### Paid by the Fund

Management Fee: 0.65% of net assets p.a. (rebated for Fortress funds)

Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%

All other times: 0.2%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

### ADMINISTRATOR

Fortress Fund Managers Limited

### PRIMARY CUSTODIAN

Morgan Stanley

### AUDITORS

EY

## FORTRESS FUND MANAGERS DIRECTORS

Sir Geoffrey Cave John Williams

Roger Cave John Howard

David Bynoe David Simpson

### FUND DIRECTORS

David Bynoe Roger Cave

John Howard

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FORTRESS FUND MANAGERS, FIRST FLOOR, CARLISLE HOUSE, HINCKS STREET, BRIDGETOWN, BB11144, BARBADOS

TEL: (246) 431-2198 invest@fortressfund.com www.fortressfund.com



# US Equity Fund

## HIGHLIGHTS:

The Fund gained 9.6% during the first quarter as U.S. stocks bounced back from the declines seen in late 2018. A more supportive Fed and some toning down of the U.S.-China trade rhetoric led to higher prices across most global assets.

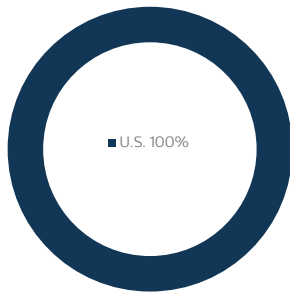
The Fed's move in late December to pause rate hikes and suggest it's near the end of its balance sheet reduction came amidst fears of a global economic slowdown resulting largely from trade uncertainties. From a bottom-up perspective we saw evidence of this slowdown across a range of companies. More recently, though, business appears to be returning closer to normal and growth has resumed. Moderate growth and low interest rates can be a reasonably supportive backdrop for asset prices.

During the quarter we moved out of a holding in Macy's and established a new position in retailer Target. In recent years some retailers have struggled while others appear to be finding their way in the "new" landscape. Portfolio holdings like Foot Locker and Kohl's, purchased at giveaway valuations, have rallied strongly since early 2018 as their fundamentals improved. Target is also seeing a gradual improvement in earnings, has a steady and growing dividend of over 3%, trades at a relatively undemanding price/earnings ratio of 14x and has been buying back stock as it needs less capital to run its business. The Fund's portfolio continues to be positioned quite differently from the broad market index, focusing where the value is best and avoiding the increasing areas of high-priced vulnerability. The average price/earnings ratio of 10x is consistent with substantial future returns and limited risk.

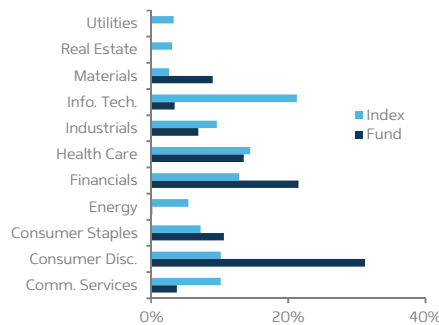
## PORTFOLIO SUMMARY

	P/E Ratio	P/B Ratio	Div Yld	ROE	Volatility
FUND	10.3	2.0	2.7%	19.4%	3.7%
Index	16.6	3.4	1.9%	20.5%	3.8%
+/-	-6.3	-1.4	0.8%	-1.1%	-0.1%

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## FUND OBJECTIVE

Long term growth with limited risk in U.S. large cap equities.

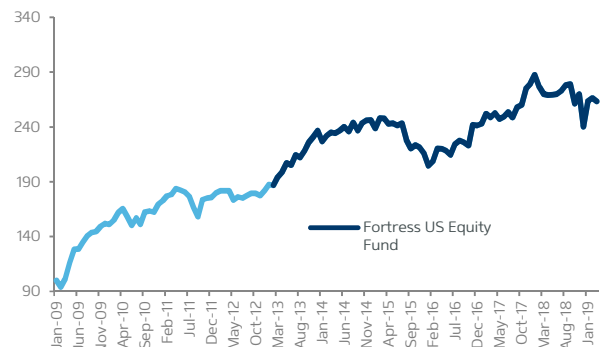
Minimum Investment:	US\$ 100,000
Net Asset Value per Share:	US\$ 140.8699
Fund Net Assets:	US\$ 11,438,681
Fund Inception:	Feb 28, 2013
Strategy Inception:	Feb 18, 2009
Bloomberg Ticker:	FORUEFA KY
Dealing/NAV Dates:	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
Fund	9.6%	-2.5%	6.1%	2.3%	10.0%
Index	13.5%	8.8%	12.8%	10.2%	16.0%

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 3/31/2019



Returns prior to Feb 28, 2013 are for the composite of segregated accounts managed with the identical strategy, adjusted for Fund management and administration fees. Fund returns are net of fees and withholding taxes.

## TOP 10 HOLDINGS

ANTHEM INC	4.0%
FOOT LOCKER INC	3.9%
HORMEL FOODS CORP	3.9%
TRACTOR SUPPLY COMPANY	3.5%
ROYAL CARIBBEAN CRUISES LTD	3.4%
AT&T INC	3.4%
INTERNATIONAL PAPER CO	3.4%
SNAP-ON INC	3.3%
KOHL'S CORP	3.3%
TYSON FOODS INC-CL A	3.2%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.2%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited  
**ADMINISTRATOR**  
 Fortress Fund Managers Limited  
**PRIMARY CUSTODIAN**  
 Morgan Stanley  
**AUDITORS**  
 EY

## FORTRESS FUND MANAGERS DIRECTORS

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# International Equity Fund

## HIGHLIGHTS:

The Fund gained 8.5% in the first quarter as global stocks rallied in response to friendlier central bank policy and an apparent easing in global trade tensions. The pressure on earnings that hit companies last year was real and was likely tied to the uncertainty around trade. More recently, earnings have stabilised and there are signs that normal growth is resuming, especially in Asia.

In spite of the ongoing political saga around Brexit, the Fund's UK investments were some of the best performers in the quarter and still represent among the best value in the world. Barratt Developments rallied 32% while Persimmon was up 21% and Legal & General up 22%. Even after meaningful gains to start the year the Fund's portfolio is still trading at a price/earnings ratio of less than 9x, consistent with well above average future returns.

During the quarter we took profits on a longstanding position in Old Mutual and established a new holding in Canadian Tire. Canadian Tire is one of the major retailers in Canada with steady earnings and dividend growth and after some recent share price weakness is trading at a price/earnings ratio of only 11x. Elsewhere we continue to find significant value among high-quality, well-run businesses in Japan. Some of these performed very well during the quarter: Tokyo Electron, for example, was up 29%. On average, though, Japanese shares have continued to lag returns elsewhere in the world even as their underlying fundamentals show steady improvement. We believe this has made them even more attractive and represents good potential for future returns.

## FUND OBJECTIVE

Long term growth with limited risk in non-U.S. large cap equities.

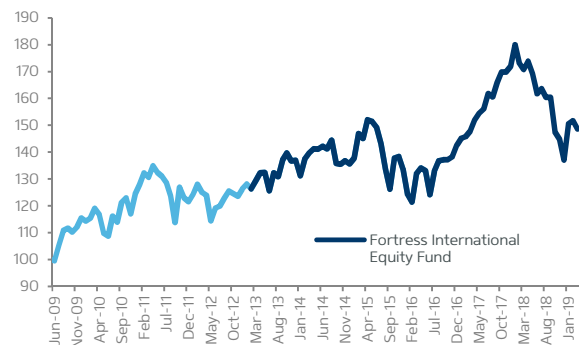
Minimum Investment:	US\$ 100,000
Net Asset Value per Share:	US\$ 117.6964
Fund Net Assets:	US\$ 30,447,899
Fund Inception:	Feb 28, 2013
Strategy Inception:	Jun 30, 2009
Bloomberg Ticker:	FORIEFA KY
Dealing/NAV Dates:	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
Fund	8.5%	-13.0%	4.1%	1.3%	4.2%
Index	10.3%	-4.2%	8.1%	2.6%	6.4%

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 3/31/2019

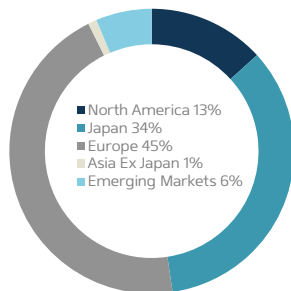


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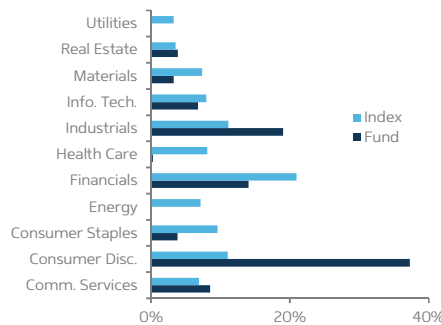
## PORTFOLIO SUMMARY

	P/E Ratio	P/B Ratio	Div Yld	ROE	Volatility
FUND	8.5	1.2	4.5%	14.1%	3.8%
Index	13.1	1.6	3.2%	12.2%	4.3%
+/-	-4.6	-0.4	1.3%	1.9%	-0.5%

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

MANULIFE FINANCIAL CORP	3.8%
CHINA OVERSEAS LAND & INVEST	3.8%
AXA SA	3.5%
KONINKLIJKE AHOLD DELHAIZE N	3.5%
ASSTEAD GROUP PLC	3.5%
TOKYO ELECTRON LTD	3.4%
MICHELIN (CGDE)	3.4%
DAIMLER AG-REGISTERED SHARES	3.4%
ITOCHU CORP	3.3%
MAGNA INTERNATIONAL INC	3.3%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.2%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

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# Emerging Markets Fund

## HIGHLIGHTS:

The Fund gained 8.1% in the first quarter as global markets recovered on relief at the Fed's move to a more neutral stance and a toning down of the trade tensions between the U.S. and China. Emerging markets shares have recovered significant ground relative to their fundamentals and still represent some of the best value in the world, in our view.

With China at the epicentre of the recent trade conflict it's not surprising that potential improvement on that front led to a relief rally among Chinese shares. The Fund benefited from this recovery, though it was by no means uniform. Great Wall Motor rallied 31%, Haier Electronics gained 18% and China Merchant Bank was up 33%. Some other China-related holdings were little changed, as were positions in Brazil and South Africa. After stalling through much of a painful 2018, company earnings appear to be recovering and resuming growth in many areas.

During the quarter we made a few adjustments to the portfolio. We moved out of holdings in Itau, China Resources Power and PICC Property & Casualty, and established new positions in China Longyuan Power and Ping An Insurance. Itau had rallied more than 50% since September last year and had become more fully valued. The other switches took advantage of market strength to move into higher quality shares and reduce risk. Longyuan trades on a price/earnings ratio of 8x and Ping An at 11x with solid earnings and dividend growth. The portfolio's average price/earnings ratio of 8x is higher than last quarter but still outstanding value especially if a benign backdrop permits earnings to continue recovering.

## FUND OBJECTIVE

Long term growth with limited risk in emerging markets equities.

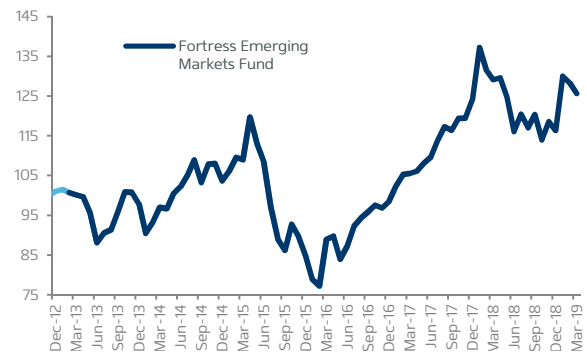
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 124.786
<b>Fund Net Assets:</b>	US\$ 36,940,496
<b>Fund Inception:</b>	Feb 28, 2013
<b>Strategy Inception:</b>	Dec 20, 2012
<b>Bloomberg Ticker:</b>	FORTEMA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
Fund	8.1%	-2.7%	12.2%	5.3%	3.7%
Index	9.9%	-7.4%	10.7%	3.7%	2.4%

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 3/31/2019

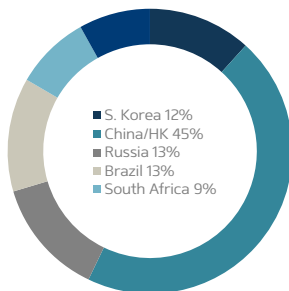


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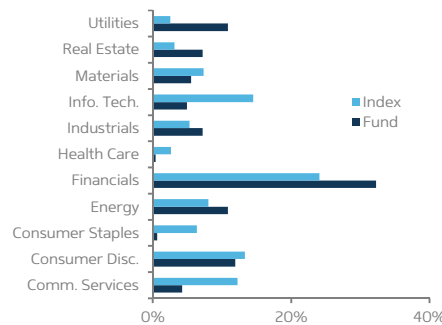
## PORTFOLIO SUMMARY

	P/E Ratio	P/B Ratio	Div Yld	ROE	Volatility
FUND	7.6	1.1	4.0%	14.5%	4.8%
Index	12.2	1.6	2.6%	13.1%	4.2%
+/-	-4.6	-0.5	1.4%	1.4%	0.6%

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

iShares MSCI South Korea ETF	6.1%
Shimao Property Holdings Ltd	4.3%
Sberbank of Russia PJSC	3.9%
Ping An Insurance Group Co of China Ltd	3.9%
Rosneft Oil Co PJSC	3.7%
China Merchants Bank Co Ltd	3.6%
Banco Bradesco SA	3.5%
China Overseas Land & Investment Ltd	3.4%
Barloworld Ltd	3.4%
Great Wall Motor Co Ltd	3.3%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.5%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

## ADMINISTRATOR

Fortress Fund Managers Limited

## PRIMARY CUSTODIAN

Morgan Stanley

## AUDITORS

EY

## FORTRESS FUND MANAGERS DIRECTORS

Sir Geoffrey Cave John Williams  
 Roger Cave John Howard  
 David Bynoe David Simpson

## FUND DIRECTORS

David Bynoe Roger Cave  
 John Howard

The Fund is a segregated portfolio of Fortress Global Funds SPC Inc., which is an exempted portfolio company incorporated in the Cayman Islands. Offering is to qualified investors only via Offering Memorandum and a Supplement related to this specific portfolio. This report is for information purposes only and does not constitute an offer or solicitation to purchase the Fund. **The Fund may not be sold to U.S. persons.**

FORTRESS FUND MANAGERS, FIRST FLOOR, CARLISLE HOUSE, HINCKS STREET, BRIDGETOWN, BB11144, BARBADOS

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