





# P r o s p e c t u s



## Fortress Caribbean Pension Fund

Prospectus & Information Circular

September 30th 2003



This document is a prospectus and information circular for the issue of an unlimited number of redeemable mutual fund shares designated as Redeemable Aggressive Accumulator Shares (hereinafter sometimes referred to as "AA shares", Redeemable Conservative Consolidator Shares (hereinafter sometimes referred to as "CC shares" and Redeemable Capital Secure Shares (hereinafter sometimes referred to as "CS shares") respectively, at a price equal to the net asset value per share of the assets underlying each class of share. The redeemable mutual fund shares of all classes shall collectively and exclusively constitute the Fund Shares.

A copy of this document has been registered with the Registrar of Companies in Barbados in accordance with the provisions of the Companies Act Cap 308 of the laws of Barbados and has also been filed with the Securities Commission. The Fund is an authorised mutual fund licensed under the Mutual Funds Act, 2002-22. The Registrar of Companies and The Securities Commission of Barbados take no responsibility as to the validity or the veracity of the contents of this prospectus and have neither approved nor disapproved the issue of any of the securities herein mentioned.

It is not the intention of the offeror to file a copy of this document or to register any of the securities herein mentioned with any regulatory authority or agency in any territory outside of Barbados.

No person receiving a copy of this document in any territory may treat this document as constituting an invitation to him or her to purchase or subscribe for

any shares nor should he in any event purchase or subscribe for any shares unless in the relevant territory such an invitation could lawfully be made to him or her without offeror compliance with any registration or other legal requirements. Any person wishing to subscribe for shares should satisfy himself that, in doing so, he or she complies with the laws of any relevant territory, and that he or she obtains any requisite governmental or other consents and observes any other applicable formalities.

### WARNING

### IMPORTANT

**If you are in any doubt about the contents of this offering document, you should consult your bank manager, an attorney, accountant or other financial adviser.**

**The price of shares and the income distributed from them (where income is distributed) is subject to fluctuation.**



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## DEFINITIONS

In this document, where the context permits, the expressions set out below bear the following meanings:

"THE COMPANY"	Fortress Caribbean Pension Fund Limited.
"THE FUND"	Fortress Caribbean Pension Fund.
"FUND SHARES"	The three classes of redeemable mutual fund shares to be issued by the Company designated as Redeemable Aggressive Accumulator Shares (hereinafter sometimes referred to as "AA shares"), Redeemable Conservative Consolidator Shares (hereinafter sometimes referred to as "CC shares") and Redeemable Capital Secure Shares (hereinafter sometimes referred to as "CS shares") respectively.
"FUND SHAREHOLDERS"	Holders for the time being of Fund Shares.
"THE DIRECTORS"	The Directors of the Company.
"THE MANAGER"	Fortress Fund Managers Limited.
"SUB-FUND"	The portfolio of money and assets comprising the fund established in respect of each class of Fund shares.
"BSE"	Barbados Stock Exchange Inc.
"SC"	The Securities Commission.
"TRINIDAD"	Trinidad and Tobago.
"TTSE"	Trinidad and Tobago Stock Exchange.
"JSE"	Jamaica Stock Exchange.
"BDS\$"	The currency of Barbados.
"TT\$"	The currency of Trinidad and Tobago.
"JAM\$"	The currency of Jamaica.
"US\$"	The currency of the United States of America.
"NAV"	Net Asset Value being the net asset value of the assets comprising a Sub Fund.



#### DIRECTORS

Mr. Geoffrey Cave, B.C.H. - Chairman  
Mr. David Bynoe  
Mr. Rene Delmas  
Mr. Ken Emery  
Sir Fred Gollop  
Mr. Desmond Kinch  
Mr. Roger Cave – Investment Manager

#### SECRETARY

Corporate Services Limited  
The Financial Services Centre  
Bishop's Court Hill  
St. Michael  
Barbados

#### REGISTERED OFFICE

1st Floor, Carlisle House  
Hincks Street  
Bridgetown  
St. Michael  
Barbados

#### INDEPENDENT AUDITORS

PricewaterhouseCoopers  
The Financial Services Centre  
Bishop's Court Hill  
St. Michael  
Barbados

#### ATTORNEY-AT-LAW

Sir Henry Forde Q.C.  
Juris Chambers  
Attorneys-at-law  
Fidelity House  
Wilkey Business Park  
St. Michael  
Barbados

#### CUSTODIAN

FirstCaribbean International Bank,  
Trustee Branch  
Broad Street  
Bridgetown  
Barbados

#### FUND MANAGERS & ADMINISTRATOR

Fortress Fund Managers Limited  
1st Floor, Carlisle House  
Hincks Street, Bridgetown  
St. Michael, Barbados  
Tel no: 246-431-2198  
Fax no: 246-431-0514  
Internet: [www.fortressfund.com](http://www.fortressfund.com)  
E-mail: [invest@fortressfund.com](mailto:invest@fortressfund.com)



## BOARD OF DIRECTORS

NAME AND RESIDENCE	POSITION WITH THE FUND	PRINCIPAL OCCUPATION
Mr. Geoffrey Cave, B.C.H. "Windermere" Britton's Hill St. Michael Barbados	Chairman & Director	Business Executive
Mr. David Bynoe Locust Hall St. George Barbados	Director	Business Executive
Mr. Rene Delmas, #8 Kent Avenue, Fort George Heights, St. Michael. Barbados	Director	Business Executive
Mr. Ken Emery The Glade Hutton Mount Brentwood, Essex CM13 2JL United Kingdom	Director	Consultant
Sir Fred Gollop Warner's Terrace Christ Church Barbados	Director	Attorney-at-Law
Mr. Desmond Kinch "Saltwhistle Bluff" Spotts Grand Cayman	Director	Investment Manager
Mr. Roger Cave Rowan's Park St. George Barbados	Director	Investment Manager



## STATUTORY REQUIREMENTS

1. Name, registered office, principal place of business in Barbados, place and date of creation of the fund, with an indication of its duration if limited.	Fortress Caribbean Pension Fund 1st Floor, Carlisle House, Hincks Street, Bridgetown, St. Michael Barbados  The fund was created in Barbados on October 9th 2002.
Investment objectives and restrictions:  2. Details of investment objectives and policy, including summary of the investment and borrowing restrictions.	Please see pages 15-21.
3. If the nature of the investment policy so dictates, a warning that investment in the fund is subject to risks and a description of the risks involved.	Please see page 22.
Operators and principals:  4. The names and addresses of the following parties	
a) The directors or partners of the fund	Please see page 4.
b) The administrator	Please see page 4.
c) The trustee or custodian	Please see page 4.
d) The investment adviser	Fortress Fund Managers Limited.
e) The representative	Fortress Fund Managers Limited.
f) The auditors	Please see page 4.





Characteristics of Shares	
5. Minimum initial subscription, minimum subsequent subscription and minimum holding.	Please see page 30.
6. Methods of calculating net assets and net asset value of shares.	Please see page 25.
7. Frequency of valuation and dealing, including dealing days.	Please see pages 24-25.
Application and Redemption Procedures:	
8. Procedure for subscribing and redeeming shares.	Please see pages 28.
9. The maximum interval between the request for redemption and the dispatch of the redemption proceeds.	Please see page 28.
10. The circumstances in which redemption of shares may be suspended or changed.	Please see page 28.
11. Authorised intermediaries	Please see page 30.
Distribution Policy:	
12. The distribution policy and the approximate dates on which dividends (if any) will be paid (if applicable).	Not applicable.
Limitation on Voting Powers:	
13. The voting powers of the holders of shares and any limitations thereon.	Please see page 24.



Fees and Charges:	
14. The level of all fees and charges payable by an investor, including all charges levied on subscription and redemption and switching (in the case of umbrella funds).	Please see page 22-23.
15. The level of all fees and charges payable by the fund, including management, custodian fees and start-up expenses.	Please see page 22-23.
16. Disclosure of entitlement to brokerage or other transaction benefits to any connected persons to the fund.	Please see page 23.
Reports and Accounts:	
17. The date of the fund's financial year-end.	Please see page 23.
18. Warnings	Please see page 1.
19. A list of constitutive documents and an address in Barbados where they can be inspected free of charge or purchased.	Please see page 14.
20. The date of the publication of the offering document.	October 2002.
21. A statement that the directors, partners or managers of the fund or the administrator accept responsibility for the information contained in the offering document as being accurate as at the start of publication.	Please see page 29.
22. If mention is made of any unauthorised funds in the offering document, a statement that such fund is not authorised to offer shares in or from Barbados.	Not applicable.



## SECTION ONE - ABOUT THE REGION

## Caribbean Economies & Capital Market

### Development

The Caribbean consists of a number of small island economies which are in the early stages of development in terms of their capital markets and portfolio of foreign investments but are well advanced in terms of business, banking, legal and political structures. Most of the Caribbean economies over the years have been characterised by closed, government dominated, commodity based economies, which have relied in part on financial aid and support for export prices from the major developed countries. Over the last decade Caribbean countries have begun to transform their economies through diversification away from the basic commodities of sugar and bananas to tourism, light manufacturing, off-shore financial services and informatics.

Over the past few years, Caribbean governments have committed themselves to a process of change towards more open and market driven economies. The most significant changes have taken place in Jamaica, Guyana, Trinidad and more recently in the OECS where exchange controls have been relaxed, currencies floated and governments have been downsized through major privatisation of government controlled organisations. In addition trade liberalisation policies have been enacted with reduced duties and quotas in the region. A number of changes have taken place in Barbados as well in an effort to open up the economy there.

The Caribbean can be considered as a classical "Emerging Capital Market" with six small stock

exchanges. With the exception of Jamaica, the activity on the exchanges has been very limited, and is typical of immature stock markets in developing countries. Both the supply and demand have been inhibited by factors such as fear of loss of family control, lack of tradition and understanding of equity investment and over reliance on bank overdraft financing. Private sector debt markets and

commercial paper have begun to develop in Jamaica and Trinidad and the remainder is characterised by the issuance of government paper and bonds by island governments primarily to state pension schemes and institutional investors with little secondary market activity.

This low level of market activity results in relatively inefficient markets which are characterised by comparatively low P/E ratios and buy and hold strategies by many investors who trade on a yield basis. It is these characteristics, which provide the investment opportunity now as these markets begin to develop and become more efficient. The ability to invest across the region offers attractive opportunities for equity risk management through portfolio diversification of investments in the various countries.

The countries to which Fortress Caribbean Pension Fund will initially have the majority of its investment exposure are Barbados, Jamaica and Trinidad where established stock markets currently exist. The Fund either directly or through its underlying investments is also actively seeking investment opportunities across the region and will continue to increase the diversification of the portfolio as other Caribbean capital markets develop.



During 1995, the Inter-American Development Bank (IADB) commenced funding for a project to harmonise the Caribbean Stock Exchanges. It was implemented by consultants from NASDAQ and the objective is to link the main stock exchanges in the Caribbean with electronic trading and a central depository system for settlement. The countries involved are Jamaica, Trinidad, Barbados, Bahamas and the Dominican Republic. So far Jamaica and Barbados have commenced electronic trading, with settlements taking place through a Central Securities Depository providing for settlement on a delivery versus payment basis. Trinidad has commenced settlement through a central securities depository and is expected to implement electronic trading later this year.

The Caribbean countries are likely to soon follow recent trends of merging their Stock Exchanges now happening around the world, thereby creating more active, dynamic and efficient stock exchanges.

The Directors believe that the expansion of the regional economies, the need for fresh capital investment particularly in the services and tourism sectors and the several incentives that are being provided by Governments, will increase the listings in the local markets.

The creation of a final withholding tax of 12.5% for dividend income for Barbadians and the taxation of dividends at zero percent for CARICOM territories that have signed the CARICOM Treaty is likely to further the demand for equities. The reduction of the corporation tax rate in Trinidad to 35% and the planned inclusion of the Trinidad and Jamaican Stock Exchanges in the IFC Emerging Markets index should all combine to increase the demand for Caribbean equities.



## SECTION TWO - ABOUT BARBADOS

### Political and Economic Background

Barbados is an independent sovereign state, having gained independence from Great Britain in 1966. Barbados remains a member of the Commonwealth and has the second oldest surviving parliament in the British Commonwealth.

The constitution of Barbados is based on the Westminster parliamentary model, which is a UK style representative system. Queen Elizabeth II is head of State and is represented by a Governor General. The Governor General appoints the person who commands the support of the majority of elected members of parliament to be Prime Minister.

The 21-member Senate is appointed by the Governor General (12 members on the advice of the Prime Minister, two on the advice of the leader of the opposition and seven by the Governor General in his own discretion.) The House of Assembly consists of 30 members who are directly elected to represent single-member constituencies for terms of five years. Judicial appointments are made by the Governor General on the recommendation of the Prime Minister after consultation with the leader of

the opposition. Final appeals rest with the Judicial Committee of the Privy Council in the United Kingdom.

Barbados has a long history of democracy and enjoys a stable political environment, good infrastructure and a declining level of unemployment. Although tourism is its main economic activity the establishment of an offshore and financial sector since the early 1990s has offered opportunities for economic diversification.

Barbados is a member of a number of regional and international organisations. These include CARICOM, The United Nations and its agencies, the International Monetary Fund (IMF) and the World Bank.

With the exception of Haiti and Cuba, almost all of the other Caribbean countries can be considered relatively stable democracies with varying forms of parliamentary governments that hold free and fair elections.



## SECTION THREE - ABOUT THE FUND

### Management

Fortress Caribbean Pension Fund Limited is a mutual fund investment company incorporated in Barbados and licensed under the Mutual Funds Act 2002-22.

The Fund will issue for subscriptions three (3) separate classes of investment shares to meet the differing needs of investors.

Fortress Fund Managers Limited ("the Manager") has been appointed to manage the fund.

The Manager is a privately incorporated Barbados company that is owned and controlled by the shareholders and directors of the Company; the representatives of the Manager's shareholders serve as Directors of the fund.

The Manager has overseen the establishment and development of the Fortress Caribbean Growth Fund, The Fortress Caribbean Property Fund and the Fortress Caribbean High Interest Fund to the satisfaction of the Boards of Directors and shareholders of those funds.

The Board of Directors of the Fund have appointed the Manager to procure, at the discretion of the Board, administrative, accounting and other required services for the Fund, including: (i) maintaining corporate and financial books and records of the Fund, (ii) preparing financial statements for the Fund and (iii) performing all other shareholder correspondence, accounting and clerical services necessary in connection with the administration of the Fund.

It is anticipated that the Manager will designate affiliated and unaffiliated entities to perform some or all of its duties. The Manager will have the authority to make investment decisions affecting the selection of the portfolio assets of the Fund. This authority will be exercised by Mr. Roger Cave and his investment team on behalf of the Manager.

### MANAGER SHAREHOLDERS & FUND DIRECTORS

The Manager is a privately incorporated Barbados company that is owned and controlled by the shareholders and directors of the company. The representatives of the Manager's shareholders serve as Directors of the Fund, together with Mr. Ken Emery, Mr. Desmond Kinch and Mr. Rene Delmas who are independent of the shareholders.

The shareholders of the Manager and their representatives who serve as Directors of the Fund are as follows:

Shareholders	Fund Directors
Cave Shepherd & Co. Ltd	Mr. Geoffrey Cave, B.C.H.
Barbados Shipping & Trading Co. Ltd	Mr. David Bynoe
The Nation Corporation	Sir Fred Gollop
	Mr. Ken Emery
	Mr. Rene Delmas
	Mr. Desmond Kinch
Mr. Roger Cave	Mr. Roger Cave



## MANAGERS, SHAREHOLDERS &amp; FUND DIRECTORS

## CAVE SHEPHERD &amp; CO. LTD

A public company listed on the BSE. Its principal business is that of retail, being the leading department store in Barbados. However the company is involved in property rental and third party processing of debit and credit services receivables. Mr. Geoffrey Cave is the Chairman and Managing Director of Cave Shepherd & Co. Ltd. He also sits on the boards of several of the island's leading companies.

## THE BARBADOS SHIPPING &amp; TRADING CO. LTD (BS&amp;T)

The largest public company in Barbados, it is listed on both the BSE and the TTSE. BS&T employs over 2,000 people and is involved in a range of business activities ranging from retail and distribution to manufacturing, tourism and financial services. BS&T through its Chairman Mr. David Bynoe will bring to the Fund tremendous knowledge of local and regional investment opportunities.

## THE NATION CORPORATION

The largest news and media company in Barbados. Its principal subsidiary, The Nation Publishing Co. Limited publishes the leading daily newspaper. Another subsidiary, Starcom Network Inc. operates four radio stations, including the Voice of Barbados. The Corporation's chairman, Sir Fred Gollop, is an Attorney-at-Law and is the President of the Barbados Senate with extensive experience in the public and private sectors. His knowledge of the media business will be extremely helpful in guiding the marketing and promotion policies of the Fund.

## MR. KEN EMERY

An independent consultant and adviser specialising in the development of mutual funds and related investment products. Mr. Emery retired as Director of the Save & Prosper Securities Ltd. in the UK where he worked for

26 years. During his distinguished career he was actively involved in the establishment of funds and investment products in the United Kingdom, Western and Eastern Europe and the Caribbean and the Channel Islands. He also assisted with the creation of the Fortress Caribbean Growth Fund, Fortress Caribbean Property Fund and Fortress Caribbean High Interest Fund as a consultant.

## MR. DESMOND KINCH CFA

The Chairman of Overseas Asset Management (Cayman) Ltd, OAM Asian Recovery Fund, OAM/Greenpark Secondaries Participation Fund and OAM European Value Fund. Mr. Kinch holds the Chartered Financial Analyst (CFA) designation and has eighteen years of experience as an Investment Manager. He is also a former President of the Cayman Islands Society of Financial Analysts, an affiliate chapter of the Association of Investment Management and Research.

## ROGER CAVE C.A., CFA

The Investment Manager, Mr. Cave holds the designation of Chartered Financial Analyst (CFA) and is a Chartered Accountant (C.A.) with four years of professional accounting experience with Coopers and Lybrand in Canada and Price Waterhouse in Barbados. Mr. Cave completed a two-year contract with the Commonwealth Development Corporation as an Executive in their East Caribbean office before joining Cave Shepherd in 1994. He is one of the leading promoters and founding shareholders of Fortress Fund Managers Limited.

## RENE DELMAS B.Sc., FLMI

Mr. Delmas is responsible for the marketing of the fund and the day to day administration of the individual pension plans investing with the fund. He has over 15 years experience in the pension business, having headed the pension department of Sagacor Life Inc. (formerly the Barbados Mutual) for many years.



## VIEWING OF PROSPECTUS, MATERIAL CONTRACTS & CONSENTS

The Fund has entered into the following contracts which are material to investors:

- a) The Management Agreement
- b) The Administration Agreement
- c) Custodian Agreement
- d) Rebate agreement with other Fortress Funds (see page 23).

Copies of the foregoing will be available for inspection during regular business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Fund's registered office at **1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados** from the opening date of the share issue.

The current Manager's contract has been in existence since the Fund's inception, and continues automatically thereafter unless terminated by six months' written notice by the company or twelve months' written notice by the Manager. The Manager will receive a monthly management fee in arrears from the Fund as described below.

### Administration Agreement

The Manager is the Administrator of the Fund. The Manager will at its discretion delegate certain administrative tasks to the Custodian in particular the recording and valuation of the Fund's assets and the calculation of the net asset value per share.

### Custodian Agreement

FirstCaribbean International Bank is the custodian of

the Fund. The Custodian holds the Fund's assets and is responsible for the settlement of all transactions with investors in the Fund's investments.

### Registrar

The Manager is the registrar of the Fund and all transactions are settled and reported to the Custodian on a weekly basis.

### Consents

The following have given and have not withdrawn their written consent in connection with the inclusion in the Prospectus of the information they provided in the form and context in which it is included;

- The Barbados Shipping & Trading Co. Ltd
- FirstCaribbean International Bank
- Cave Shepherd & Co. Ltd
- Fortress Fund Managers Limited
- Sir Henry Forde Q.C.
- The Nation Corporation
- PricewaterhouseCoopers

Copies of these consents have been lodged with the Registrar of Companies as required pursuant to section 292 of the Companies Act.





## OBJECTIVE & INVESTMENT POLICY

### Redeemable Aggressive Accumulator Shares

#### Investor Profiles and Needs

This class of shares will be targeted towards younger individuals with a long time horizon before retirement. The **Redeemable Aggressive Accumulator Shares** (hereinafter referred to as "Class AA Shares") will be suitable for individuals in the age bracket of 20 to 50 years old who are accumulating and aggressively growing their retirement assets. Given this very long time horizon, they will be seeking to maximise growth and capital appreciation and are generally able to assume short term volatility in order to maximise returns and reduce long-term inflation risk.

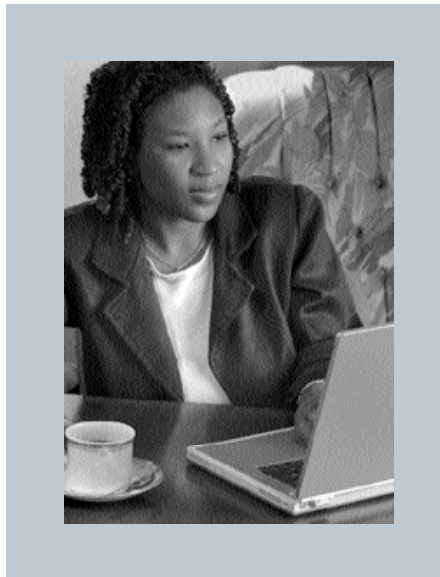
The Fund will invest through mutual funds whose underlying investments will provide an initial target asset allocation mix to the pension investor as follows.

#### Investment Objective

The investment objective of the AA class of shares is to achieve growth and capital appreciation of the assets over the long term. The investment time horizon is long and little consideration will be given to the generation of income. In this regard, there is a strong need for growth of the assets to protect against inflation risk over the long time period. The objective will be to achieve an above average level of growth in order to maximise the pool of assets that will be available in the investor's account at retirement.

The above needs require that an above average level

of risk tolerance must be taken in order to maximize total return over the period although it is important to bear in mind that regular contributions and investing for the long term should significantly reduce the risk. This is consistent with the younger demographic profile of participants in this Fund. The risk assumed will also be minimised through prudent diversification of the assets in the investment portfolio, both by asset class and by the individual securities within each asset class, and the emphasis will be on total return.



### Investment Policy and Guidelines

In order to meet the investment objective of growth and capital appreciation over the long term, the investment policy and guidelines need to be tailored to meet the objectives. The fund will seek to maximize allocations to equities and real estate, which will maximize returns over the period. There is no need for income or cash flows in the short term and therefore the allocations to fixed income securities will generally be relatively low.

The fund will seek to obtain its investment exposure through well diversified and well- managed mutual funds whose underlying investments will both meet the security guidelines and will offer a reasonable spread to ensure that the individual security risk is reduced.

The strategic asset allocation will be as follows:

Asset Class		Allocation Range	Historical Annual Compound Returns
Equities	Local regional & international securities	55%– 75%	11%*
Real Estate	Local & regional properties	10% - 15%	12.82%**
Fixed income	Local regional & international securities	10% - 30%	5.3%*

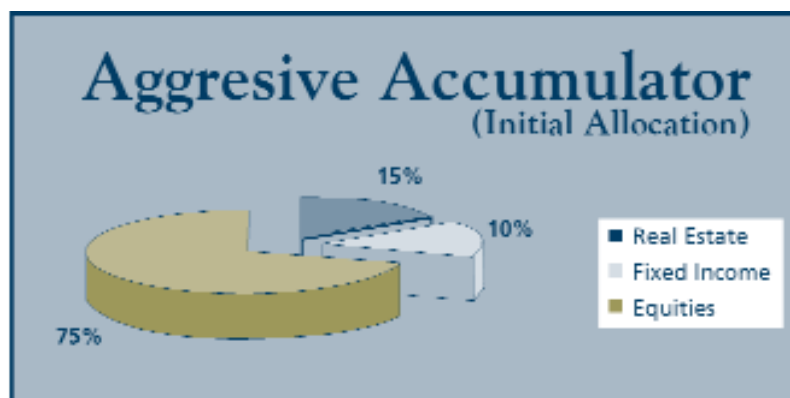
\* Source: 1925-2000 Ibbotson Associates.

\*\* Source: 20 year returns on Equity REITS. NAREIT™ Market Index.

The initial asset allocation and target portfolio will be as follows:

Asset Class	Mutual Funds/Securities	Portfolio
Equities	Fortress Caribbean Growth Fund and/or other Equity Funds	75%
Real Estate	Fortress Caribbean Property Fund and/or other Property Funds	15%
Fixed Income	Fortress Caribbean High Interest Fund and/or other Fixed Income Funds	10%
	Total Portfolio	100.00%



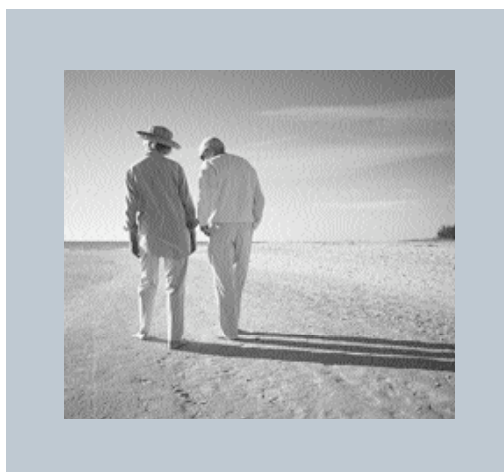


The manager will have the flexibility to add or change the actual funds within each asset class and/or change the percentage allocations in response to market conditions. Although the Fund will initially be invested in other Fortress Funds the manager may at a future date invest in non-Fortress Funds and securities which are considered to be appropriate.

The manager may also invest directly into securities and real estate and derivative instruments either as a method of reducing risk or of adding exposure to a particular geographic market or asset class but the manager may not leverage the fund.

The manager may not invest more than 10% of the fund's assets in any individual security other than those, which provide a spread of risk, but it may own a larger percentage of a fund with a diversified portfolio of underlying securities.

The illustrations shown above are based on historical data and no assurances can be given about future returns, which may be higher or lower.



## Redeemable Conservative Consolidator Shares

### Investor Profile & Needs

The typical investor profile in the Fortress Caribbean Pension Fund – **Redeemable Conservative Consolidator Shares** (hereinafter referred to as “Class CC Shares”) are working individuals who do not wish to be exposed to the greater risks of the AA Shares and are prepared to accept a lower potential return or who are in the later stages of their pension buildup period. The individual is likely to be between the ages of 45 to 60. The individual will be investing a percentage of their monthly earnings in savings towards a portfolio that will purchase a pension at retirement age, 5 years to 15 years in the future.

In this regard, the investor is seeking to have their monthly contributions go to work immediately in a diversified pool of investments, which will seek to maximise the total potential return while reducing their overall risk.

The investor will therefore be willing to accept a slightly lower return in order to obtain less exposure to risk. The investor will typically be a member of a defined contribution retirement plan and will therefore be bearing the investment risk. The investment returns will largely determine the size of their future pension. The accumulated balances in their accounts will be getting larger at this stage and it will be important that the investor obtains returns which exceed the inflation rate and provide continued growth in their savings.

### Investment Objective

The investment objective of the CC shares is to achieve growth and capital appreciation of the assets over the medium term. The investment time horizon is relatively long and the growth in the value of the shares will be sought by a combination of capital appreciation and reinvested income. In this regard, there is still a need for

growth of the net asset value of the shares to protect against inflation risk over the time period. However the need for preservation of capital and reduced volatility suggest a reduced exposure to equities and an increased exposure to fixed income securities.

The above needs require that a moderate level of risk tolerance must be taken in order to maximize total return over the period. This is consistent with the lower risk or middle age profile of participants in this Fund. The risk assumed will be minimized through prudent diversification of the assets in the investment portfolio, both by asset class and by the individual securities within each asset class. The emphasis will continue to be on total return from a balanced portfolio split between equities and fixed income securities and real estate.

### Investment Policy and Guidelines

In order to meet the investment objective of continued growth and capital appreciation over the medium term, the investment policy and guidelines need to be tailored to meet these objectives. The fund will provide a balanced portfolio with just over half the assets of the fund in equities and real estate, which will sustain growth of the net assets and provide a reasonable return and the balance will be invested in fixed income securities which provide the security of capital and reduced volatility. While there is still no need for income or cash flows during this period, higher allocations to fixed income securities are necessary in order to reduce the volatility risk of equities.

The fund will seek to obtain its investment exposure through well diversified and well- managed mutual funds whose underlying investments will both meet the security guidelines and will offer a reasonable spread to ensure that the individual security risk is reduced. The investments in the fixed income securities will be through accumulation units in a high interest fund.



The strategic asset allocation and target portfolio will be as follows:

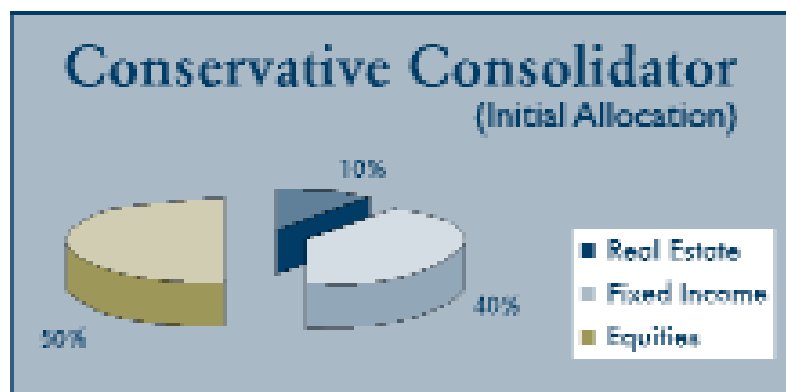
Asset Class		Allocation Range	Historical Annual Compound Returns
Equities	Local regional & international securities	30%– 60%	11%*
Real Estate	Local & regional properties	5% - 10%	12.82%**
Fixed income	Local regional & international securities	30%– 60%	5.3%*

\* Source: 1925-2000 Ibbotson Associates.

\*\* Source: 20 year returns on Equity REITS. NAREIT<sup>TM</sup> Market Index.

The initial asset allocation and target portfolio will be as follows:

Asset Class	Mutual Funds/Securities	Portfolio
Equities	Fortress Caribbean Growth Fund and/or other Equity Funds	50%
Real Estate	Fortress Caribbean Property Fund and/or other Property Funds	10%
Fixed Income	Fortress Caribbean High Interest Fund and/or other Fixed Income Funds	40%
	Total Portfolio	100.00%



The Manager will have the flexibility to add or change the actual funds within each asset class and/or change the percentage allocations in response to market conditions. Although the Fund will initially be invested in other Fortress Funds the manager may at a future date invest in non-Fortress Funds and securities which are considered to be appropriate.

The Manager may also invest directly in securities and real estate and in derivative instruments either as a method of reducing risk or of adding exposure to a

particular geographic market or asset class but the manager may not leverage the fund. The manager may not invest more than 10% of the fund's assets in any individual security other than those that provide a spread of risk, but it may own a larger percentage of a fund with a diversified portfolio of underlying securities.

The illustrations shown above are based on historical data and no assurances can be given about future returns, which may be higher or lower.



## Redeemable Capital Secure Shares

### Investor Profile and Needs

The target investor profile in the Fortress Caribbean Pension Fund – **Redeemable Capital Secure Shares** (hereinafter referred to as “Class CS Shares”) are working individuals at or very near their retirement age. The individual may have built up a substantial fund and wishes to switch into these shares to reduce the potential level of short term risk to their savings in the last few years before retirement. The individual may also be investing a percentage of their monthly earnings in saving towards a portfolio that will purchase an annuity within the next five years.

In this regard, the investor is seeking to have their accumulated account and their monthly contributions invested as conservatively as possible so as to avoid the risk of loss from short-term market fluctuations. Preservation of capital and the liquidity of the portfolio is more important than investment return.

The short time horizon makes it inappropriate to assume the risk associated with long- term investments. The investor will therefore be willing to accept lower returns associated with cash and short-term fixed income securities in order to ensure that the risk of loss of capital is minimised. The investor will typically be a member of a defined contribution retirement plan, whose primary objective will be the planned purchase of an annuity, in the very near future, with the accumulated balance in their account.

### Investment Objective

The investment objective of the CS shares is to

achieve the highest possible return compatible with the preservation of capital in the short term. The investment time horizon is very short and there is a need for liquidity of the assets and for the generation of income. In this regard, the objective is to preserve capital and receive immediate cash flows from any income generated. The short time period demands that potential volatility be reduced as much as possible and therefore any exposure to equities needs to be minimized with maximum allocations to cash and fixed income securities.

The above needs require that a low level of risk tolerance must be maintained in order to maximize capital security over the short time period. This is consistent with the retirement age profile of participants in this Fund. The risk assumed will be minimized through prudent diversification of the assets in the investment portfolio with emphasis on cash and fixed income securities.

### Investment Policy and Guidelines

In order to meet the investment objective of capital security over the short term, the fund will provide a portfolio with almost all of the assets invested in interest bearing securities and deposits, which should reduce the potential loss of capital, reduced volatility and provide the liquidity needed.

The fund will seek to obtain its investment exposure through well diversified and well- managed mutual funds whose underlying investments will both meet the security guidelines and will offer a reasonable spread to ensure that the individual security risk is reduced. The investments in the fixed income securities will be through income units in a high interest fund.



The strategic asset allocation will be as follows:

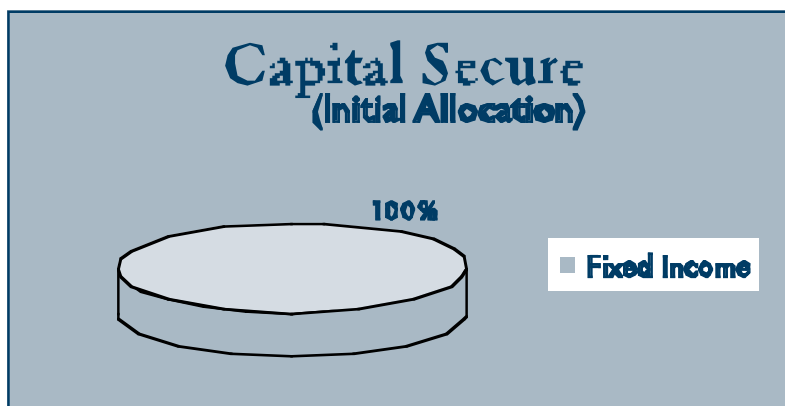
Asset Class		Allocation Range	Historical Annual Compound Returns
Equities	Local regional & international securities	0%– 10%	11% *
Real Estate	Local & regional properties	0%– 10%	12.82% **
Fixed income	Local regional & international securities	80% - 100%	5.3% *

\* Source: 1925-2000 Ibbotson Associates.

\*\* Source: 20 year returns on Equity REITS. NAREIT<sup>TM</sup> Market Index.

The initial asset allocation and target portfolio will be as follows:

Asset Class	Mutual Funds/Securities	Portfolio
Equities	Fortress Caribbean Growth Fund and/or other Equity Funds	0%
Real Estate	Fortress Caribbean Property Fund and/or other Property Funds	0%
Fixed Income	Fortress Caribbean High Interest Fund and/or other Fixed Income Funds	100%
	Total Portfolio	100.00%



The manager will have the flexibility to add or change the actual funds within each asset class and/or change the percentage allocations in response to market conditions. Although the Fund will initially be invested in other Fortress Funds the manager may at a future date invest in non-Fortress Funds and securities which are considered to be appropriate.

The Manager may also invest directly in real estate and derivative instruments either as a method of reducing risk of the portfolio or of adding exposure to a particular geographic market or asset class but the Manager may not leverage the fund.

The Manager may not invest more than 10% of the fund's assets in any individual security other than those that provide a spread of risk, but it may own a larger percentage of a fund with a diversified portfolio of underlying securities.

The illustrations shown above are based on historical data and no assurances can be given about future returns, which may be higher or lower.



## RISKS

It is important to note that the Fund will be principally invested in Funds managed by a common manager. However it should be noted that the three funds invest in very different asset classes, across the region as well as internationally. The ability to invest in non-Fortress products in the future could also help in reducing investor risk.

The main types of risk affecting the Fund are discussed below.

### Interest rate risk:

An increase in interest rates could cause the fixed income securities in the underlying funds to become less attractive when securities with higher yields become available. This could cause the Fund's NAVs to fall, resulting in a loss of principal. The longer a bond's maturity, the greater its potential for price declines if rates rise and for price gains if rates fall.

### Credit risk:

This is the risk that any of the holdings of the underlying Funds will default (fail to make its scheduled interest or principal payments) potentially reducing the Fund's income level and NAVs. The underlying funds will be investing primarily in equity and debt securities issued by Caribbean governments and corporations which typically have higher levels of credit risk than more developed countries and markets.

### Currency risk:

To the extent that the underlying funds hold foreign investments, they will be subject to special risks where those securities are denominated in foreign currencies. These risks include potentially adverse political and economic development overseas, greater volatility and lower liquidity and the possibility that foreign currencies will decline against the dollar, lowering the value of securities denom-

inated in those currencies and possibly the Fund's share prices. Currency risk can affect the underlying funds to the extent that they hold non US dollar securities.

### Liquidity risk:

The risk that the Fund will not be able to buy and sell an investment quickly without a substantial price concession.

### Market price risk:

To the extent that the underlying funds hold unquoted securities, they are susceptible to market price risk arising from uncertainties about future values of the investment securities.

## EXPENSES

### INITIAL CHARGE

There is no initial charge on amounts invested in the Fund.

### REDEMPTION CHARGE

There is no redemption charge on amounts redeemed from the Fund.

### ANNUAL CHARGES

#### Management and Administration fee

The Manager is paid a fee that is calculated on the net asset value of the Fund ("NAV"). This fee is equivalent to 0.5% per annum of the NAV of the Fund. The fee is calculated on the closing prices of the Fund's assets on monthly valuation day. The fee is paid to the Manager within one week of calculation.

The Manager is responsible for the administration of the Fund. Several of the administrative functions are delegated to the custodian. The fee charged for these functions is 0.03% per annum which is calculated and paid to the custodian on the same basis as the Manager's fees.





**CUSTODIAN**

Custodian fees payable to FirstCaribbean International Bank amount to \$2000 per annum on the first \$5 M to \$15 M in assets and will increase to a maximum of \$7,500 per annum on assets in excess of \$50 M. These fees are paid monthly. These annual operating expenses will be deducted from the assets of the Fund.

**BROKERAGE**

Buying and selling of securities in Barbados are handled by The Manager. This arrangement is done through one of the Manager's largest shareholders, Cave Shepherd & Co. Ltd which owns a seat on the stock exchange. The Manager trades for the account of Fortress Pension Fund Limited and charges the Fund out of pocket expenses for trades on the BSE. There are no actual brokerage costs. Trades on the Jamaica and Trinidad Stock Exchanges and in other territories are handled by other brokers and the fund incurs market brokerage costs. The settlement of all trades is done by the Administrator.

**OTHER EXPENSES**

The Fund bears the cost of other expenses of the Fund including audit, legal, printing and stationery costs. The organisation and set up costs have been borne by the Manager and the total percentage of other costs does not exceed one tenth of one percent of the assets of the Fund in any one year.

**INVESTING IN OTHER FUNDS**

Where the fund invests in other funds managed by The Manager and the aggregated rate of annual fees exceed 0.5% per annum, The Manager will rebate to the Fund part of the annual fee calculated as follows:

	<b>Managers'/ Advisers' Fee (a)</b>	<b>Pension Fund Management Fee (b)</b>	<b>Annual Rate (a) &amp; (b)</b>	<b>Less Rebate</b>	<b>Net fee</b>
Fortress Caribbean Growth Fund	1.75%	0.5%	2.25%	1.25%	1.00%
Fortress Caribbean Property Fund	1.50%	0.5%	2.00%	1.00%	1.00%
Fortress Caribbean High Interest Fund	0.75%	0.5%	1.25%	0.50%	0.75%

The fees to be rebated will be calculated and paid monthly in arrears and invested in the appropriate Sub fund.

**ACCOUNTING PERIOD AND MEMBER STATEMENTS**

The year-end of the Fund is September 30th. Statements of the number of shares held and the net asset value per share will be mailed to Fund shareholders at annual intervals.



## SECTION FOUR - ABOUT YOUR ACCOUNT

### SHARES AND NET ASSET VALUE

The Fund is structured as an open end mutual fund and is authorised to issue a maximum of 1,000 Common Shares and an unlimited number of mutual fund shares designated as Redeemable Aggressive Accumulator Shares, Redeemable Conservative Consolidator Shares and Redeemable Capital Secure Shares, with the authority to issue fractional shares.

The Common Shares are not intended for investors and have been fully subscribed by the Manager. Common shares will carry the voting rights but will not share in the profits of the Fund, but on winding up will be paid at par (face value of \$1.00).



The holder of shares in any class of mutual fund share is entitled to a proportionate share in the distribution of net income and net capital gains of the Sub Fund established and maintained in respect of that class of shares, participates equally in all other respects. Fund Shareholders shall not be entitled to vote at meetings of shareholders of the Company save and except as permitted under the Companies Act, CAP 308, for the following;

- (1) Disposal of the Assets of the Company.
- (2) Any change or abrogation of the rights of the shares or any variation affecting the rights of the shares
- 3) Any proposed amalgamation of the company with another company or any amalgamation of the Fund with another Mutual Fund.
- (4) Any proposed liquidation or dissolution of the Fund.

Upon a liquidation or winding-up of the Company each Fund Shareholders shall be entitled to share proportionately in the remaining assets and property of the Sub Fund to which his Fund Shares relate.



## PRICE OF SHARES

The price per share is determined by calculating "the net asset value" of the relevant share on valuation days. Currently there is no initial fee on purchases.

"The net asset value" of each class of mutual fund share is calculated as at the close of business on the last business day of the month (unless such is a bank holiday, in which case the valuation day shall be the close of business on the proceeding day) by dividing the value of the net assets of the Sub Fund pertaining to that class (i.e., the value of the Sub Fund's assets less its liabilities) by the total number of shares of that class in issue.



## **CALCULATION AND PUBLICATION OF THE NET ASSET VALUE**

In determining the net asset value of the Fund, securities owned are valued at their market value. Under normal trading conditions this will be determined by the closing price of the shares. In the event that there is limited or no trading in a particular security then, at the discretion of the directors a price within the limits of the bid and offer prices for that day will be used. In the event of unusual market conditions or in the event that a particular security value has become impaired, as evidenced by no bids being quoted and offers below the previous trade price, the Manager, in consultation with the Custodian/Trustee and on the advice of an independent broker will make a reasonable estimate of a fair price.

The net asset value per share of each class of mutual fund shares is calculated as at the close of business on the last business day of the month and is published in both Barbados newspapers, and on the [fortressfund.com](http://fortressfund.com) and the Lipper Overseas Fund Table.

## **TAX CONSIDERATIONS**

### **CORPORATION TAX**

The Fund is licensed as an authorized mutual fund



under the Mutual funds Act, 2002-22 of Barbados. In calculating the assessable income of the Fund for tax purposes, the act provides for a deduction of up to a 100% of the income that is designated to be income of the Fund shareholders. All of the profits of the Fund are designated to the Fund's Class "AA", "CC" and "CS" shareholders and consequently the Fund will not be subject to corporation tax.



#### WITHHOLDING TAX

The Fund is subject to withholding tax of 12.5% on interest income received from local sources. Whether the Fund pays taxes on receipts from CARICOM countries will be determined on a case by case basis depending on the terms of the agreement for the purchase of the security.

#### CAPITAL GAINS TAX

There is no capital gains tax in Barbados and therefore all capital gains earned by the Fund will not be subject to tax.

#### DIVIDENDS

Dividends received by the Fund from other resident companies registered in Barbados are not subject to the final 12.5% withholding tax on dividends. For countries in the Caribbean Community (CARICOM), which have signed the CARICOM Double Taxation Agreement, dividend income originating from those countries, is taxed at zero percent. The countries, which have so far signed this agreement, include Antigua, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica St. Kitts & Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad & Tobago.

Residents of countries outside of CARICOM are subject to a general withholding tax of 15%.



## PROPERTY TRANSFER TAX & STAMP DUTY

In accordance with section 55 of the Mutual Funds Act, 2002-22, the Fund is exempt from all provisions of the Stamp Duty Act and the Property Transfer Tax Act with respect to transactions concerning the ownership or transfer of shares in mutual funds.

## TAXATION OF SHAREHOLDERS

The Fund's policy is to reinvest all income into additional investments of the Fund. There is no capital gains tax in Barbados and therefore individuals resident in Barbados will not be subject to capital gains tax on profits realised from investing in the Fund.

## EXCHANGE CONTROLS

Barbados has a regime of exchange control regulations administered by the Central Bank of Barbados. These regulations require that residents convert foreign currency receipts to Barbados dollars and purchase their foreign currency requirements for goods and services from the commercial banks that have delegated authority to sell foreign exchange on behalf of the Central Bank of Barbados. Since 1975, Barbados has maintained a fixed exchange rate of BDS\$2.00:US\$1.00.

Capital transactions by non-residents involving the purchase of shares in Barbados corporations or the acquisition of real property and the payment of dividends or interest or the repayment of foreign currency debt are subject to the prior approval of the Central Bank of Barbados. Similar requirements exist for residents of Barbados to invest abroad or borrow in foreign currency.



In order to facilitate the trading of shares of the Company, the Central Bank has agreed to grant the company permission regarding the purchase and redemption of its shares. Consistent with the exchange control regulations for cross-border trading, the Exchange has designated authority for up to US\$ 2.5 million on investment and US\$ 250,000 on repatriation of dividends.



## SECTION FIVE - INVESTING WITH FORTRESS

### Opening A New Account

#### WAYS TO INVEST

##### (1) LUMP SUM CONTRIBUTIONS

Pension Plan Administrators can invest lump sums on behalf of their members at any time.

##### (2) REGULAR MONTHLY CONTRIBUTIONS

Pension Plan Administrators can invest regularly each month in which case they must provide the Manager with details of each member of the pension plan's contributions together with a single payment for the aggregate amount.

##### (3) SHARE EXCHANGE PLAN

Shares in existing pension plans may be transferred to the Fund in exchange for shares in the Fund, but the Manager reserves the right to accept only those shares it considers appropriate.

#### PURCHASE OF SHARES

The purchase price for a share is equal to the net asset value, which is calculated at the close of business on the valuation day next following the receipt of an application for the purchase of shares.

Pension Scheme Administrators may purchase shares of the Fund by completing an application form, which may be obtained from the Manager.

The Manager may in his discretion reject any application to purchase shares, such decision must however be made within three days after receipt of the application. If an application is rejected, all money received with the application will be returned immediately.

If an application is received and approved and the necessary funds received before 3 p.m. on a valuation day, then the purchase order will be processed that day using the net asset value for shares as of that valuation day. Orders received after 3:00 p.m. or on a day which is not a valuation day, will be processed using the net asset value as determined on the next valuation day.

#### RESTRICTIONS ON PURCHASE OF SHARES

No shares, other than Common Shares, shall be issued to any person, trust, body corporate, association, society or unincorporated body unless it is:

- a) a registered pension plan or pension fund; or
- b) an employee, member or pensioner of a registered pension plan or pension fund
- c) a registered retirement savings plan
- d) a member of a registered retirement savings plan; or
- e) some other similar approved and/or registered individual or collective retirement savings scheme, or any member thereof, without regard to the place of residence, domicile or registration of the any such person, trust, body corporate, association, society or unincorporated body.



## SWITCHING

The three Sub Funds have different investment objectives and risk profiles and members of pension plans may wish to switch all or part of their accrued investments during the build-up period. Instructions to switch investments must be given by the pension plan administrator to the Manager in writing. If a switching instruction is received before 3:00 p.m. on a valuation day the switch will be processed on that day. If the instruction is received after 3:00 p.m. the switch will be processed on the next valuation date.

The Manager will issue a confirmation of the transaction within seven (7) working days.

## REDEMPTION OR TRANSFER OF SHARES

Instructions for the redemption or transfer of shares of the Fund will only be accepted from authorised pension plan administrators issuing written instructions to the Manager.

Fund shares will be redeemed at their net asset value as determined at the valuation date next following the day on which the Fund receives the redemption order. If a redemption request is received before 3:00p.m. on a valuation day, the redemption will be processed on that valuation day. Redemption requests received after 3:00 p.m. or on a day, which is not a valuation day, will be processed at the next valuation date.

Provided the pension plan administrator has delivered all the documentation required, payment will be mailed in accordance with written instructions within seven (7) business days of the redemption date. In the case of transfers confirmation will be within seven (7) working days. The pension plan adminis-

trator may be asked to provide such reasonable documentation as the Fund Manager may require in completing the redemption request.

In the event of unusual circumstances and the Fund receives redemption requests, within any 30 consecutive days, represents more than 20% of the Fund's assets, the directors of the company reserve the right to suspend redemptions and to hold a special meeting of the fund to determine the future of the fund including the liquidation of the fund's assets. In any event, redemptions may be paid in cash or by an appropriate transfer in specie.

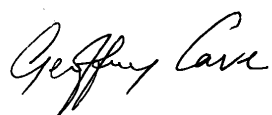




## SECTION SIX - TERMS AND CONDITIONS

This document contains particulars given in compliance with the regulations of the Board of the BSE and the Securities Commission of Barbados for the purpose of giving information to the public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This prospectus is dated September 30th 2003



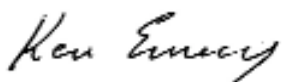
Mr. Geoffrey Cave B.C.H.



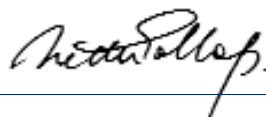
Mr. David Bynoe



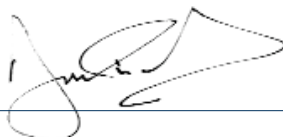
Mr. Rene Delmas



Mr. Ken Emery



Sir Fred Gollop



Mr. Desmond Kinch



Mr. Roger Cave



## GENERAL INFORMATION

- Save as disclosed there is no minimum subscription.
- The extracts included in this prospectus from referenced sources were not prepared for specific inclusion in this prospectus.
- Fractional shares of the company may be issued.
- No share certificates in the usual format and style will be issued by the company, but the company shall issue to each Fund shareholder a statement showing the number of Fund Shares held by each such person.
- The Barbados Shipping & Trading Co Ltd, Cave Shepherd, The Nation Corporation, FirstCaribbean International Bank, Corporate Services Limited, PricewaterhouseCoopers, Fortress Fund Managers Limited, Sir Henry Forde Q.C., have all given and have not withdrawn their written consent to the inclusion of their names in the prospectus in the form and context in which it is included.
- Save as disclosed there is no closing date for applications made pursuant to this prospectus, the purchase price for a share shall be equal to the net asset value which is calculated at the close of business on the valuation day next following the receipt of an application for the purchase of shares.
- The company, upon the advice of the Manager, may from time to time, close the subscription list for new shares of the company.



- Except for funds authorised pursuant to subsection (1) of section 4 of the Act, no money should be paid to any intermediary in Barbados who is not a licensed mutual fund administrator or the representative duly appointed under Part IV of the Regulations or broker, dealer, broker and dealer, investment counsel or underwriter licensed under the Securities Act 2001-13.

