



Your Future. Our Business.

Dear fellow investors,

Investment returns so far in 2018 have been relatively lacklustre as U.S. interest rates rise and global trade tensions increase. The Fortress funds showed small declines during the second quarter and are all still in positive territory over the last year. In equity markets we continue to find well-valued shares across a range of regions and industries where future return prospects are excellent. Some of those areas became even cheaper during the second quarter. You can read more about the portfolios' performance and positioning in the accompanying reports.

The most significant event for Barbados investors during the second quarter was the government of Barbados' bond restructuring announcement in early June. This initiated a process to reduce the government's debt burden by correspondingly reducing the value of investors' bond holdings. The affected bonds are held by a range of individuals and institutional investors such as banks, insurance companies and pension funds. This is part of a larger programme to restore fiscal sustainability to public finances, and we are encouraged by the open and clear approach being taken by the government so far. As Fortress clients know, we have had little or no exposure to government of Barbados bonds in recent years because the risks have been too high. This means the restructuring of existing debt has not affected the funds' results substantially, nor do we expect it to. As the restructuring process moves forward, likely over many months, we stand ready to invest again – once the credit risk and compensation to investors for taking that risk return to more sustainable levels.

We will keep you informed as we learn more. Thank you very much for investing with us.

Sincerely,
Fortress Fund Managers

OF INTEREST THIS QUARTER:

THE CARIBBEAN GROWTH FUND

declined 2.1% in the second quarter and gained 4.7% over the past year. International and Caribbean equities were mostly weaker during the quarter.

THE CARIBBEAN HIGH INTEREST FUND

declined 0.5% during the second quarter and gained 0.4% over the past year. The government of Barbados initiated a bond restructuring and the U.S. Federal Reserve raised rates.

THE CARIBBEAN PENSION FUND

shares declined between 0.7% and 1.7% during the second quarter and gained 0.9% to 4.7% over the past year. Stock and bond returns continue to be relatively weak so far in 2018.



ALWAYS ON THE LOOKOUT

At Fortress we are value investors. This means we continually search the Caribbean and global markets for investments whose prices and fundamentals imply attractive future returns with reasonable risks. Investors in the Fortress funds benefit from portfolios that are always focused in these areas.

Over the long-term, this means better returns, less risk and more peace of mind.

Learn more at www.fortressfund.com

Caribbean Growth Fund

HIGHLIGHTS:

- *The Fund declined 2.1% for the second quarter and gained 4.7% over the past year.*
- *Barbados and Trinidad stocks were lower due to ongoing economic and fiscal stress while trade tensions and rising rates were headwinds for international stocks.*

The Fund declined 2.1% during the second quarter and is up 4.7% over the past year. The net asset value (NAV) finished June 30 at \$5.8211. Net assets of the Fund were \$460 million, up from \$440 million this time last year. The Fund's annual compound rate of return since inception in 1996 is now 8.5% per year. Its portfolio remains well diversified by security, geography and currency.

Caribbean equity markets were mixed during the quarter as investors digested recent gains in Jamaica and grappled with the fiscal stress coming to a head in Barbados. Jamaica rose 0.7% while Trinidad fell 2.7% and the Barbados index, weighted heavily towards FirstCaribbean International Bank (FCIB), dropped 8.8%. FCIB's majority shareholder, CIBC, decided not to proceed with its plan to sell down some of its holding to U.S. investors and list the shares on the New York Stock Exchange. The offering price, even though a substantial discount to the trading level in Barbados, did not draw sufficient interest during the marketing period. The process pushed FCIB shares down as low as \$2.15 per share during the quarter from a starting point of \$2.90. They closed out the quarter at \$2.54, down 12%. The newly elected government of Barbados announced a debt default and restructuring in early June, and at this point it is unclear what the impact will be on Barbados banks and insurance companies. It is likely the negotiation process will be a long one. On a more positive note, Goddard Enterprises (GEL) gained 6% during the quarter as operating results continued to be relatively good and the company announced a 4-for-1 stock split. We were able to add to the Fund's position in GEL during the quarter. At 6% of the total it is the largest single holding in the portfolio.

Global equities continued to adjust to rising interest rates and during the quarter began to respond more negatively to escalating trade tensions. The U.S. Federal Reserve raised its target interest rate another 0.25% in June and is expected to hike twice more in 2018 in a strong economy operating at full employment. The U.S. administration upped the ante on trade measures against China, Canada, Mexico and others, and the U.S. dollar rose. We think eventually investors will have discounted equity and currency prices more than enough to allow for the greater trade risks – in some cases that may have already happened. In Asia, for example, we are still seeing plenty of individual companies with steady earnings, healthy, growing dividends and whose already reasonable share prices have been reduced further on negative trade headlines. In early July the European Union announced a free trade deal with Japan, offering a quiet and hopeful counterpoint to the recent U.S.-centred trade drama. The Fund's portfolio of holdings in Barbados, the wider Caribbean, and globally continues to be focussed in shares of companies with profitable, growing operations and whose shares are trading at reasonable prices. As the "trade" and other winds blow, and inevitably subside, we still see very good potential for long-term returns from these diversified investments.

The Fund is currently only open to monthly savings programmes and pensions. It remains closed to new lump sum investments.

FUND OBJECTIVE

Capital growth over the long term. The Fund uses a value approach to invest primarily in Caribbean and international equities.

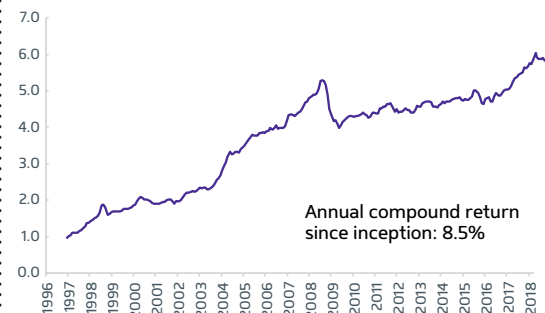
Minimum Investment	\$100
Net Asset Value per share	\$5.8211
Fund Net Assets	\$459,815,549
Fund Inception	Dec 9, 1996

INVESTMENT RETURNS

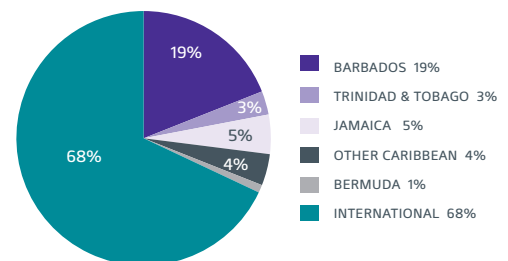
	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept
Fortress	-2.1%	4.7%	5.2%	4.8%	8.5%
Jamaica	0.7%	28.7%	40.9%	22.3%	7.9%
Trinidad	-2.7%	1.7%	-0.1%	0.7%	11.4%
Barbados	-8.8%	0.7%	10.4%	1.7%	5.0%
Global Index	1.9%	11.7%	9.1%	10.6%	8.5%

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO JUNE 30TH, 2018



GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



TOP 5 HOLDINGS

Holding	Country/Region
1 Fortress International Equity Fund	International
2 Fortress Emerging Markets Fund	International
3 Fortress Income Builder Intl Fund	International
4 Goddard Enterprises Limited	Barbados
5 Fortress OAM Overseas Fund	Europe/Asia

EXPENSES

Manager: 1.75% per annum of net assets
Custodian:
 0.0875% on first \$30M in net assets
 0.075% on amounts over \$30M in net assets
Administrator:
 0.10% on the first \$30M in net assets
 0.0875% on amounts over \$30M in net assets
Redemption Charge: none
Initial Charges: 2%

MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd.

CUSTODIAN

CIBC FirstCaribbean International Bank
 Wealth Management Division

AUDITORS

EY Barbados

ATTORNEY-AT-LAW

Clarke Gittens Farmer

DIRECTORS

Sir Geoffrey Cave, Chairman
 David Bynoe
 Ken Emery
 John Howard
 David Simpson
 John Williams
 Roger Cave, Investment Manager

Caribbean High Interest Fund



HIGHLIGHTS:

- *The Fund declined 0.5% for the second quarter and has returned 0.4% over the past year.*
- *The government of Barbados announced a debt default and restructuring in June. U.S. interest rates rose again, pressuring global bond prices but improving future return prospects.*

The Fund declined 0.5% during the second quarter and is up 0.4% over the past year. The net asset value (NAV) of the Fund's Accumulation share finished June 30 at \$1.9571, while the Distribution share finished at \$0.9946. Net assets of the Fund were \$133 million, up from \$125 million this time last year. The Fund's annual compound rate of return since inception in 2002 is now 4.2% per year. Its portfolio remains as diversified as possible across various issuers, industries, geographies and terms to maturity.

The Fund continues to have little or no exposure to Government of Barbados debt, and has been earning a lower than normal return because of unusually high cash balances in Barbados. The Barbados debt crisis finally came to a head in early June as government publicly defaulted to certain international creditors and announced its intention to restructure domestic and international obligations to reduce its unsustainable debt burden. This is part of a larger plan to stabilise public finances and gain balance of payments support from the International Monetary Fund (IMF), the early stages of which also included a mini-budget with tax changes and additional revenue measures. The next stages are expected to include spending cuts and reform of state-owned enterprises. Investors took note of these developments quickly. After the bond restructuring announcement, US\$ government of Barbados bonds traded down to approximately 55 cents on the dollar, implying investor losses of close to half. The negotiation process between the government and creditors will likely take many months. It is unknown at this point how large the losses incurred will be, but it seems certain that most current bondholders will see reductions in the present value of their investments. In the coming months, as the restructuring and fiscal reforms reduce credit risk, the Fund will likely be able to invest in a more normal way in government bonds and increase its overall expected return.

In broader global markets, the largest factor affecting fixed income investments continued to be rising rates in the U.S. The U.S. Federal Reserve (Fed) has been gradually ending a period of extreme monetary ease that began during the 2008 financial crisis. It raised its target rate another 0.25% in June, bring it to 1.75%-2.00%. This range is certainly higher than the zero rate that prevailed from 2008 to 2015, but it is still low. With a strong U.S. economy and very low unemployment, it is likely the Fed will continue to hike towards a more neutral level of 3% or so. Rising rates have put pressure on bond prices and this has exerted a headwind on the Fund's return in recent months. Looking forward, though, rising rates have also increased expected returns going forward due to the higher yields that now prevail. The average gross yield to maturity of the Fund's portfolio is currently 2.8%, with very limited term risk.

The Fund is currently only open to monthly savings programmes and pensions. It remains closed to new lump sum investments.

FUND OBJECTIVE

Income and capital preservation over the medium term. The Fund actively invests in a diversified portfolio of primarily Caribbean and international debt securities.

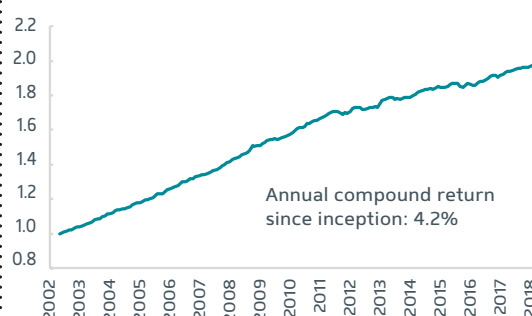
<i>Minimum Investment</i>	\$500
<i>Net Asset Value per share</i>	\$1.9571 / \$0.9946
<i>Fund Net Assets</i>	\$133,065,006
<i>Fund Inception</i>	May 17, 2002

INVESTMENT RETURNS

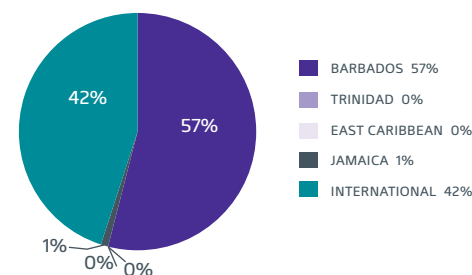
3 Months	1 Year	3 Years	5 Years	Inception
-0.5%	0.4%	1.6%	1.9%	4.2%

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO JUNE 30TH, 2018



GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



TOP 5 HOLDINGS

<i>Holding</i>	<i>Country</i>
1 Deposits - CIBC FirstCaribbean Intl Bank	Barbados
2 Fortress Fixed Income Fund	International
3 Legg Mason Asian Opportunités Debt Fund	International
4 PIMCO Global Investment Grade Credit Fund	Global
5 Stallion Property Holdings 12/31/2021	Global

EXPENSES

Manager: 0.75% per annum
Custodian & Administrator:
 0.20% on first \$30M in net assets
 0.175% on next \$50M in net assets
 0.15% on amounts over \$80M in net assets
Redemption Charge:
 2% for funds held less than 6 months
 Up to 1% for funds held less than 6 months - 2 years
 Nil after 2 years
Initial Charges: none

MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd.

CUSTODIAN

CIBC FirstCaribbean International Bank
 Wealth Management Division

AUDITORS

EY Barbados

ATTORNEY-AT-LAW

Clarke Gittens Farmer

DIRECTORS

Sir Geoffrey Cave, Chairman
 David Bynoe
 Ken Emery
 John Howard
 David Simpson
 John Williams
 Roger Cave, Investment Manager

Please see our **Fund Prospectus** for further important information.



Caribbean Pension Fund

HIGHLIGHTS:

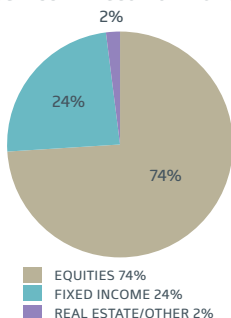
- Shares of the Pension Fund declined between 0.7% and 1.7% in the second quarter and are up between 0.9% and 4.7% over the past year. After a strong year in 2017, global equity and bond returns so far in 2018 have been lacklustre. The government of Barbados default has had only a minimal impact on the Fund because of its negligible exposure to government of Barbados bonds.
- Returns by class of share are shown in the table to the right.

"What does the government of Barbados' debt restructuring mean for my pension?" We've been getting this question a lot since early June. The short answer for Fortress pension investors is: not much. Our funds have very little exposure to government of Barbados bonds. But there is another angle to consider because so much of Barbados' debt is held by the National Insurance Scheme (NIS). Each of us is either receiving a pension from the NIS or hopes to at some point in the future. To the extent that value is extracted from the NIS during the bond restructuring exercise to reduce government's debt burden, one of two things will need to happen: 1) the burden on future taxpayers to fund current NIS promises will rise; or 2) the NIS promises will need to be reduced. Unfortunately, there is not a happy way around this one. Today's stresses mean NIS will almost certainly have a harder time keeping its current promises and that's something we should all bear in mind in planning for the future.

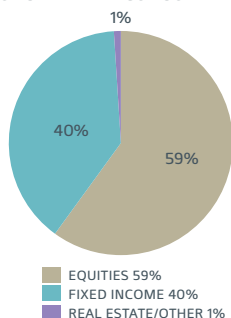
Regardless of where the chips land at the end of this debt restructuring, the need to save for retirement will continue just as it always has. We hope that as conditions permit, government will correct the unintended double taxation of pensions and RRSPs and once again provide appropriate incentives for persons to save and invest for their own financial independence in retirement and help foster an appropriate ecosystem of investments in which they can do so.

Investors in the Pension Fund typically select from three different classes of share, based on personal circumstances and risk tolerance. These classes differ in how their assets are spread across the major asset classes of equities, bonds, and real estate and other assets. The graphs below show how each of the classes (AA, CC, CS) is allocated currently. The reports on the Caribbean Growth Fund and Caribbean High Interest Fund on pages two and three of this quarterly report give you a direct look into the performance, positioning and outlook for the major underlying investments in the Pension Fund.

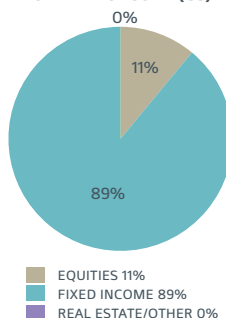
AGGRESSIVE ACCUMULATOR (AA)



CONSERVATIVE CONSOLIDATOR (CC)



CAPITAL SECURE (CS)



EXPENSES

Manager: 0.50% per annum of net assets at the Fund level. Fees from the underlying Fortress funds in which the Fund invests are capped at between 0.25% and 0.50% per annum of net assets, depending on the fund.
Custodian: \$7,500 per year paid by the Fund as a whole.
Administrator: 0.03% per annum.
Sales Charge: None
Redemption Charge: none

MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd

CUSTODIAN

CIBC FirstCaribbean International Bank
Wealth Management Division

AUDITORS

EY Barbados

ATTORNEY-AT-LAW

Clarke Gittens Farmer

FUND OBJECTIVE

Capital growth, income and security over the long term, as appropriate to each class of share. The Fund invests in equities, fixed income, and real estate assets primarily via the other Fortress funds.

Net Asset Value

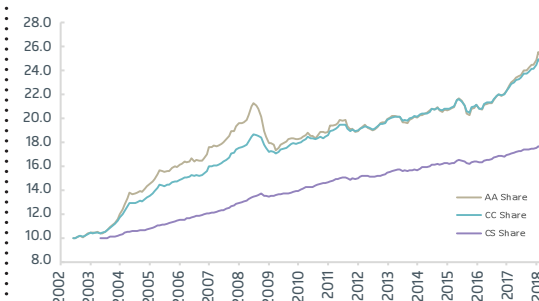
Per Share: \$24.72 / \$24.15 / \$17.48 (AA/CC/CS)
Fund Net Assets: \$296,099,986

INVESTMENT RETURNS

	3 Mo	1 Yr	3 Yrs	5 Yrs	Incept.
AA Share	-1.1%	4.7%	4.8%	4.6%	5.8%
CC Share	-1.7%	3.1%	4.1%	4.0%	5.6%
CS Share	-0.7%	0.9%	1.9%	2.3%	3.7%

*periods longer than 1 year are annual compound returns

NAV SINCE INCEPTION TO JUNE 30TH, 2018



BENEFITS AT A GLANCE

Company Pension (DC Scheme):

- Choose from three easy, professionally managed options to get the class of share that suits you.
- 25% of your pension can be withdrawn tax free at retirement.
- Employers match employee contributions up to certain amounts.

Personal Pension (RRSP):

- Choose from the same three easy, professionally managed options to get the class of share that suits you; or pick your mix of Fortress funds.
- Up to \$25,000 may be withdrawn tax free for the purchase of a first house.
- Flexibility to withdraw funds as necessary, provided tax paid in year of withdrawal.

Fortress is a leading provider of DB and DC pension management and administration services to companies of all sizes, and to individuals via the Personal Pension Plan (RRSP).

DIRECTORS

Sir Geoffrey Cave, Chairman
 David Bynoe
 René Delmas
 Ken Emery
 John Howard
 Desmond Kinch
 David Simpson
 John Williams
 Roger Cave, Investment Manager

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