

# 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

June 30, 2020



July 2020.

Dear investors,

After a very weak start to the year the second quarter brought an enormous recovery in just about every financial asset in the world, as the virus panic faded and central banks unleashed a wave of monetary policy support. The Fortress equity funds posted gains ranging from 10% to 25% in the quarter, and the more conservative fixed income fund was up a healthy 6%. The funds outperformed their benchmarks in fixed income and (for once) U.S. equities while trailing in international and emerging equities. So far in July the strength has continued with further increases across the board.

Last quarter we highlighted the multi-year value vs growth performance gap in U.S. and global equities and the substantial long-term opportunity that we believe now exists in shares commonly identified as “value”. These are occurring in many global markets but in our view are primarily outside the U.S. Even after 20% gains in global equities over the last few months this relationship is largely unchanged. There is still the potential for many years of relative and absolute gains from these profitable, growing, but less fashionable stocks. While not an exact proxy for the kinds of equities that make up our portfolios, it is a pretty good one. We remain exceptionally constructive on what the future holds *for this subset* of global equities even as the broad indexes and the more expensive parts of them become less and less appealing due to high valuations.

We also suggested last quarter five points to bear in mind as we work through the investment implications of the pandemic and its aftermath. Here they are again, with our updated notes.

**The range of outcomes for investors is still wide.** *No change.* Even with calmer markets and higher asset prices the range of outcomes is still wide – both up and down. It may take several more months for the real economic damage to work its way to the surface. Meanwhile, extraordinary monetary policy is clearly encouraging higher asset prices.

**The global economic pie is now smaller.** *No change.* The measures and initiatives to keep people safe are necessary but not immediately productive.

**The sheep are being separated from the goats faster than normal.** *This has stalled somewhat* due to the Fed’s aggressive easing and asset purchase programme. Companies can access (relatively) cheap financing to stay in the game. Equity investors have been more inclined, though, to distinguish between companies seen as thriving post-virus vs just surviving, with the former seeing their shares pushed to new highs in many cases.

**The Fed’s tide to lift all boats might become a tsunami.** *This has been happening and may continue.* Knowing the extent to which the Fed is willing to err on the side of caution to avoid widespread dysfunction and deflation may embolden investors to push asset prices higher than would normally appear reasonable. For healthy companies this is a huge tailwind. Investors appear to be feeling around for the potential inflation implications of the Fed tsunami in assets like gold.

**The rest of the world is not the Caribbean.** *No change.* Long-distance tourism will be one of the slowest industries to recover. Most of the rest of the world will be back to normal by then.

Some commentators have been puzzled recently by the seeming disconnect between the rising stock market and the depression in the real economy. But is there really a disconnect? Let us not forget that stocks are very long duration financial assets, and financial assets respond first and foremost to interest rates. The full economic damage from the virus and lockdowns will take months, if not years, to work through. But as the economy recovers – perhaps haltingly but recovering nonetheless – much of it is still functioning, profitable and growing. The Fed’s stated desire to make a policy wave big enough to lift ALL boats *in the real economy* could keep conditions exceptionally supportive for *financial assets* for years. This does not mean all stocks rise, but it might mean that many can – especially those that are profitable and priced today at reasonable valuations.

The most fashionable stocks in the U.S. have risen first and farthest so far but, in our view, they have the disadvantage of valuations that leave very little room for error. Around the world there are shares in companies with steady, growing earnings, consistent dividends of 3% or more, and that trade at undemanding valuations with plenty of room for error. Against the backdrop of the Fed’s tsunami, its support for financial assets and its potential impact on the value of the U.S. dollar, we think well-valued global equities are one of the few places left where investors can earn the kinds of returns they expect and require in the years to come.

We are here to answer any questions you may have – please let us know if you would like to discuss your investment or conditions generally.

Thank you for investing with us.

Sincerely,

A handwritten signature in blue ink that reads "Peter Arender". The signature is written in a cursive, flowing style.

Peter Arender, CFA  
Chief Investment Officer



# Fixed Income Fund

## HIGHLIGHTS:

The Fund gained 5.6% in the second quarter and is up 7.7% over the past year. A strong recovery in corporate bonds contributed gains after a weak first quarter, as did outperformance of our substantial holdings in inflation-linked U.S. Treasury bonds. Market conditions slowly normalised as COVID-19 lockdowns eased and the Federal Reserve (Fed) kept rates at zero and supported the corporate bond market directly.

The Fed's calming support for the corporate market enabled dozens of major issuers to raise capital in a market that was not functioning as recently as March. The enthusiasm of issuers brought some bargains for investors, but unfortunately the ongoing recovery has now brought yields back down to levels that imply lower future returns. Yields on 10-yr U.S. Treasury notes were unchanged during the quarter at around 0.5% but BBB corporate spreads tightened from 3.5% to less than 2%.

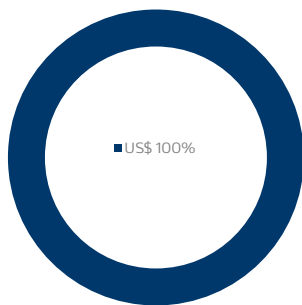
Early in the quarter we continued to add selectively to the Fund's subset of BB and BBB-rated corporate holdings. We moved out of positions in higher rated credits at yields of 1-1.5% and added positions in credits such as General Motors and Kohl's at yields of 5-9% which had priced in risk meaningfully greater than their operations and balance sheets would imply. As prices rallied in recent weeks, and no longer reflected the same level of stress, we have begun switching back into higher grade bonds. The portfolio's gross yield to maturity is now approximately 2.1%, a good estimate of its medium term return potential.

## PORTFOLIO SUMMARY

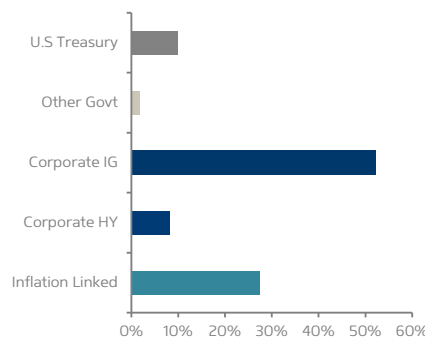
|                       | Weight      | Yield        | Term to Maturity | Credit Rating* | Spread (bps) |
|-----------------------|-------------|--------------|------------------|----------------|--------------|
| <b>FUND</b>           | <b>100%</b> | <b>2.10%</b> | <b>7.4 yrs</b>   | <b>A</b>       | <b>95</b>    |
| Corporate securities  | 60.5%       | 3.05%        | 3.9 yrs          | BBB            | 143          |
| Government securities | 39.5%       | 0.63%        | 12.5 yrs         | AAA            | 22           |

\* Source: Bloomberg

## CURRENCY ALLOCATION



## ALLOCATION SUMMARY



## FUND OBJECTIVE

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

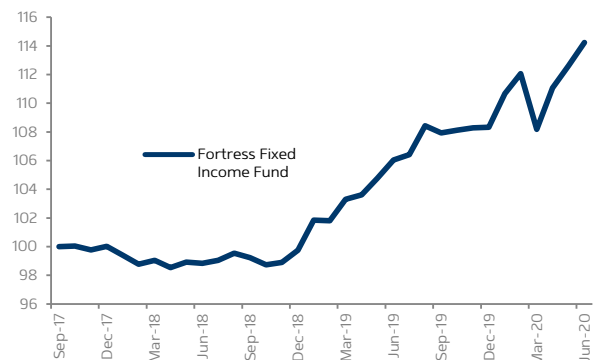
|                            |                            |
|----------------------------|----------------------------|
| Minimum Investment:        | US\$ 100,000               |
| Net Asset Value per Share: | US\$ 114.2306              |
| Fund Net Assets:           | US\$ 28,927,017            |
| Fund Inception:            | Oct 2, 2017                |
| Strategy Inception:        | Oct 2, 2017                |
| Bloomberg Ticker:          | FORFIFA KY                 |
| Dealing/NAV Dates:         | 15th and end of each month |

## INVESTMENT RETURNS

|             | 3mo          | 1yr          | 3yr        | 5yr        | Inception    |
|-------------|--------------|--------------|------------|------------|--------------|
| <b>Fund</b> | <b>5.60%</b> | <b>7.73%</b> | <b>n/a</b> | <b>n/a</b> | <b>4.97%</b> |
| Index       | 2.90%        | 8.74%        | 5.32%      | 4.30%      | 5.51%        |

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 6/30/2020



Fund returns are net of fees and withholding taxes.

## TOP 10 HOLDINGS

|   |       |
|---|-------|
| TSY INFL IX N/B 0.625 2/15/2043           | 13.6% |
| TSY INFL IX N/B 0.875 1/15/2029           | 8.0%  |
| US TREASURY N/B 2.875 8/15/2028           | 6.2%  |
| TSY INFL IX N/B 0.25 1/15/2025            | 5.9%  |
| US TREASURY N/B 2.25 2/15/2027            | 3.9%  |
| US DOLLAR CASH                            | 3.0%  |
| MORGAN STANLEY FLOATING 10/24/2023        | 2.5%  |
| VERIZON COMMUNICATIONS FLOATING 5/15/2025 | 2.1%  |
| AT&T INC FLOATING 6/12/2024               | 2.1%  |
| AMERICAN EXPRESS CO FLOATING 2/27/2023    | 2.1%  |

## 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 Simpson         | Tracey Shuffler |
| Maria Nicholls        |                 |
| <b>FUND DIRECTORS</b> |                 |
| Roger Cave            |                 |
| John Howard           |                 |

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# Global Opportunity Wealth Fund



## HIGHLIGHTS:

The Fund gained 12.9% in the second quarter and is down 2.4% over the past year. The Fund's allocations all showed substantial strength in the quarter as global equities and bonds recovered from the profound stress seen in March. With COVID-19 lockdowns easing and the range of outcomes likely narrowing, financial markets responded positively to the tidal wave of monetary support being provided by the U.S. Federal Reserve (Fed) and other central banks.

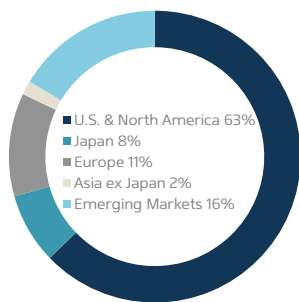
As government bond yields hover near zero in most maturities, it is likely that future asset returns will be centred in equities, and to a lesser extent, credit. Among equities, we continue to find very good investments among well-valued shares of profitable companies that have been left behind in relative terms from the recent surge in prices (and valuations) of the largest technology and communications stocks. Much of this value is outside the U.S. and the Fund's equity positioning continues to reflect this, with healthy weights in the Fortress International Equity and Emerging Markets funds. In bonds we remain very selective on credit and continue to invest tactically in inflation-linked notes to cover a range of outcomes.

Early in the quarter we rebalanced the Fund's portfolio out of fixed income and increased equity allocations across the board at lower prices. We believe the Fund's well-valued and globally diversified portfolio is still priced for substantial future returns.

## PORTFOLIO SUMMARY

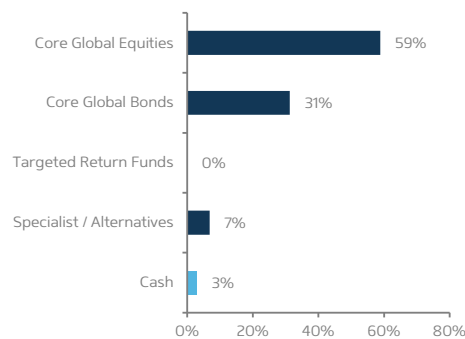
The Fund's portfolio is spread across core global equities and high-quality bonds with a long-term value orientation. The benchmark for the Fund is a blended index of **60%** global stocks and **40%** global bonds, though positioning may differ from this both structurally and tactically. The Fund may include smaller allocations to specialist managers and alternative assets depending on the value available in areas such as small capitalisation shares, real estate and emerging markets debt.

## 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\$ 111.2961              |
| <b>Fund Net Assets:</b>           | US\$ 6,293,812             |
| <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>12.9%</b> | <b>-2.4%</b> | <b>0.2%</b> | <b>0.7%</b> | <b>1.5%</b> |
| Benchmark   | 12.5%        | 4.7%         | 5.7%        | 5.5%        | 5.7%        |

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 6/30/2020



Fund returns are net of fees and withholding taxes.

## TOP ALLOCATIONS

|  |       |
|--|-------|
| Fortress Fixed Income Fund             | 31.3% |
| Fortress International Equity Fund     | 26.0% |
| Fortress US Equity Fund                | 21.5% |
| Fortress Emerging Markets Fund         | 10.3% |
| Templeton Asian Smaller Companies Fund | 5.0%  |
| US Dollar Cash                         | 3.0%  |
| Legg Mason WA Asian Opportunities Fund | 1.9%  |
| Vanguard Total World Stock ETF         | 1.2%  |

## 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 Simpson         Tracey Shuffler

### FUND DIRECTORS

Roger Cave  
 John Howard

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# US Equity Fund



## HIGHLIGHTS:

The Fund gained 24.8% in the second quarter and is down 8.2% over the past year. U.S. equities staged a solid rally from the March lows, fed by generous monetary policy and earnings resilience among some of the largest companies. As virus outbreaks came under control in much of the U.S. there were periods of hope for a quick return to "normal", but economic recovery will almost certainly take time and will remain uneven. Investors continued to favour growth shares over value, with some of the leading technology shares hitting new highs.

Within the Fund's portfolio of well-valued shares nearly all showed gains. Homebuilder DR Horton (+64%) led the way as housing benefited from low interest rates and a "stay at home" trend. Rural retailer Tractor Supply (+56%) rallied to new highs on continued strong operating performance, while our holdings among financials gained 35% on average.

During the quarter we took advantage of the broad recovery to increase the resilience and quality of holdings in the portfolio at reasonable prices. We moved out of positions in Capital One Financial and Kohl's, and established new holdings in management and technology consultant Accenture, biopharmaceutical company Gilead Sciences and computer component manufacturer Intel. In early June we also sold positions in Southwest Airlines and Royal Caribbean into 75%+ rallies from their lows. The Fund's portfolio remains positioned at a distance to the bright lights of the technology shares leading the market advance. Unlike the prospects for the broad index which we believe are muted at best due to high valuations, we see substantial return potential for these well-valued holdings with limited risk.

## FUND OBJECTIVE

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

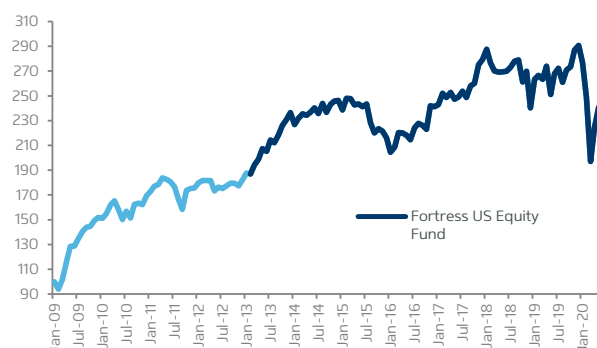
|                                   |                            |
|-----------------------------------|----------------------------|
| <b>Minimum Investment:</b>        | US\$ 100,000               |
| <b>Net Asset Value per Share:</b> | US\$ 131.5724              |
| <b>Fund Net Assets:</b>           | US\$ 13,484,808            |
| <b>Fund Inception:</b>            | Feb 28, 2013               |
| <b>Strategy Inception:</b>        | Feb 18, 2009               |
| <b>Bloomberg Ticker:</b>          | FORUEFA KY                 |
| <b>Dealing/NAV Dates:</b>         | 15th and end of each month |

## INVESTMENT RETURNS

|             | 3mo          | 1yr          | 3yr          | 5yr         | Inception   |
|-------------|--------------|--------------|--------------|-------------|-------------|
| <b>Fund</b> | <b>24.8%</b> | <b>-8.2%</b> | <b>-0.4%</b> | <b>0.4%</b> | <b>8.2%</b> |
| Index       | 20.4%        | 6.9%         | 10.1%        | 10.1%       | 14.5%       |

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 6/30/2020

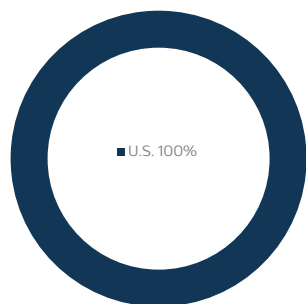


Returns prior to Feb 28, 2013 are for the composite of segregated accounts managed with the identical strategy, adjusted for Fund management and administration fees. Fund returns are net of fees and withholding taxes.

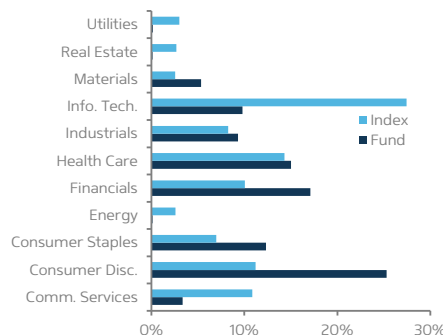
## PORTFOLIO SUMMARY

|             | P/E Ratio   | P/B Ratio  | Div Yld     | ROE          | Volatility  |
|-------------|-------------|------------|-------------|--------------|-------------|
| <b>FUND</b> | <b>13.2</b> | <b>2.4</b> | <b>2.5%</b> | <b>18.2%</b> | <b>4.4%</b> |
| Index       | 22.3        | 3.8        | 1.8%        | 17.0%        | 4.1%        |
| +/-         | -9.1        | -1.4       | 0.7%        | 1.1%         | 0.3%        |

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

|                        |      |
|------------------------|------|
| TRACTOR SUPPLY COMPANY | 4.9% |
| SPDR S&P 500 ETF TRUST | 4.7% |
| TARGET CORP            | 4.6% |
| UNITEDHEALTH GROUP INC | 4.5% |
| BEST BUY CO INC        | 4.1% |
| DR HORTON INC          | 4.0% |
| ANTHEM INC             | 3.8% |
| MCKESSON CORP          | 3.8% |
| MORGAN STANLEY         | 3.7% |
| KROGER CO              | 3.7% |

## 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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 Roger Cave              John Howard  
 David Simpson          Tracey Shuffler  
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# International Equity Fund



## HIGHLIGHTS:

The Fund gained 14.8% in the second quarter and is down 4.8% over the past year. International shares rallied strongly from their March lows as virus lockdowns eased and some industries began to return to normal levels of activity. While pressure on earnings remained, as did partially forgotten trade and political issues, immense central bank support provided a tailwind for stock prices that are still very reasonably valued.

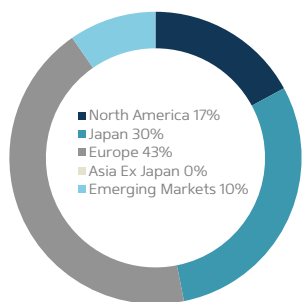
The portfolio's holdings in most sectors and geographies posted solid gains during the quarter. Shares as diverse as Swiss computer hardware maker Logitech (+52%), retailer Canadian Tire (+46%) and auto supplier Magna International (+41%) registered some of the largest increases. Holdings like KDDI, Nippon Tel & Tel, Atos and ORIX were little changed during the quarter. Tokyo Electron (+30%) rallied to new highs. Global currencies were largely unchanged during the quarter but may be expected to strengthen in future as they are already relatively cheap in some cases and aggressive U.S. monetary policy potentially chips away at the dollar's armour.

During the quarter we moved out of holdings in Valeo and MTU Aero Engines and established new positions in brewer Heineken and specialist software company Wolters Kluwer, incrementally improving the resilience and quality of the portfolio at reasonable prices. The Fund's portfolio is positioned to benefit from a gradual recovery in earnings, with room for upside surprises in the long-term. With an advantageous price/earnings ratio of only 11x it also has room to absorb outcomes that are less than hoped in a highly uncertain world. The expected dividend yield of 3.4% meanwhile represents an important source of return in a zero interest rate world, especially as it comes from a range of global currencies.

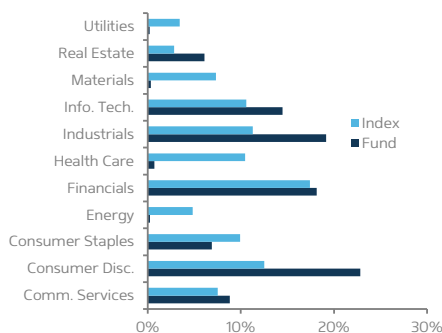
## PORTFOLIO SUMMARY

|             | P/E Ratio   | P/B Ratio  | Div Yld     | ROE          | Volatility  |
|-------------|-------------|------------|-------------|--------------|-------------|
| <b>FUND</b> | <b>11.1</b> | <b>1.4</b> | <b>3.4%</b> | <b>12.3%</b> | <b>4.3%</b> |
| Index       | 16.3        | 1.6        | 2.8%        | 9.5%         | 4.5%        |
| +/-         | -5.2        | -0.2       | 0.6%        | 2.7%         | -0.2%       |

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## FUND OBJECTIVE

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

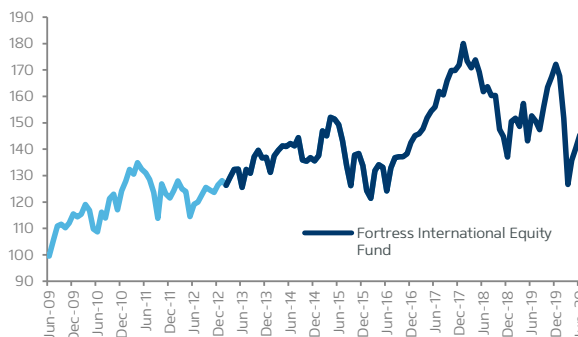
|                                   |                            |
|-----------------------------------|----------------------------|
| <b>Minimum Investment:</b>        | US\$ 100,000               |
| <b>Net Asset Value per Share:</b> | US\$ 115.0763              |
| <b>Fund Net Assets:</b>           | US\$ 34,005,987            |
| <b>Fund Inception:</b>            | Feb 28, 2013               |
| <b>Strategy Inception:</b>        | Jun 30, 2009               |
| <b>Bloomberg Ticker:</b>          | FORIEFA KY                 |
| <b>Dealing/NAV Dates:</b>         | 15th and end of each month |

## INVESTMENT RETURNS

|             | 3mo          | 1yr          | 3yr          | 5yr          | Inception   |
|-------------|--------------|--------------|--------------|--------------|-------------|
| <b>Fund</b> | <b>14.8%</b> | <b>-4.8%</b> | <b>-2.3%</b> | <b>-0.5%</b> | <b>3.5%</b> |
| Index       | 16.1%        | -4.8%        | 1.1%         | 2.3%         | 5.5%        |

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 6/30/2020



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

|                              |      |
|------------------------------|------|
| LOGITECH INTERNATIONAL-REG   | 5.4% |
| ISHARES MSCI EAFE ETF        | 4.9% |
| TOKYO ELECTRON LTD           | 4.8% |
| ASSTEAD GROUP PLC            | 4.7% |
| ATOS SE                      | 3.9% |
| ITOCHU CORP                  | 3.9% |
| KONINKLIJKE AHOLD DELHAIZE N | 3.7% |
| KDDI CORP                    | 3.6% |
| SEKISUI HOUSE LTD            | 3.6% |
| CHINA MERCHANTS BANK-H       | 3.4% |

## 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

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# Emerging Markets Fund



## HIGHLIGHTS:

The Fund gained 9.8% in the second quarter and is down 14.5% over the past year. Emerging markets shares rallied with global equities as sentiment recovered from the March panic and parts of emerging Asia were some of the first to resume activity post-lockdown. Share price performance was unusually varied across sectors and regions, though, with some large gains and other areas down or little changed. We continue to find some of the best investment opportunities in the world among well-valued emerging markets shares.

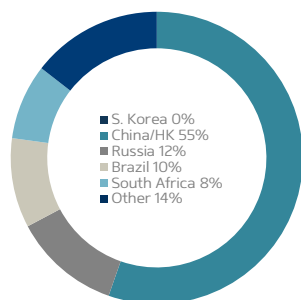
The monetary and fiscal policy support from emerging markets governments has not been as forceful as that in the U.S. and as a result the support for asset prices has likewise not been as direct or strong. In some countries this lesser support reflects a limited need for it, and in others it reflects a limited capacity. China-U.S. tensions were also a crosswind during the quarter as the battle moved into stock markets with discussions around U.S.-listed Chinese shares, many of which now also have (defensive) listings in Hong Kong. Top performing holdings in the quarter included SABESP (+49%), NetEase (+34%) and Rosneft (+29%), while Guangzhou Auto (-26%) and Momo (-16%) were some of the laggards. Many holdings were little changed.

During the quarter we moved out of a holding in South African bank Absa and established a new position in Chinese ecommerce company Alibaba Group. Alibaba shares had remained under relative pressure in May and June in spite of improving earnings. We also trimmed the Fund's holding in Shimao Property which had rallied to new highs, and added to existing positions in Brazilian banks ITAU and Banco Bradesco, as well as South African equipment distributor Barloworld.

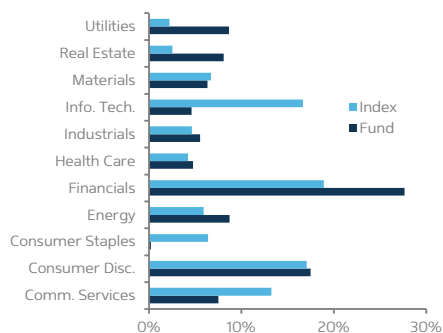
## PORTFOLIO SUMMARY

|             | P/E Ratio  | P/B Ratio  | Div Yld     | ROE          | Volatility  |
|-------------|------------|------------|-------------|--------------|-------------|
| <b>FUND</b> | <b>9.4</b> | <b>1.2</b> | <b>4.2%</b> | <b>13.2%</b> | <b>5.1%</b> |
| Index       | 14.3       | 1.6        | 2.6%        | 11.3%        | 4.7%        |
| +/-         | -4.9       | -0.4       | 1.6%        | 1.9%         | 0.4%        |

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## FUND OBJECTIVE

Long term growth with limited risk in emerging markets equities.

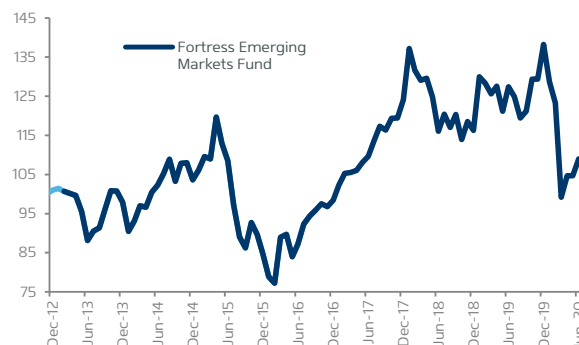
|                            |                            |
|----------------------------|----------------------------|
| Minimum Investment:        | US\$ 100,000               |
| Net Asset Value per Share: | US\$ 108.1948              |
| Fund Net Assets:           | US\$ 35,349,536            |
| Fund Inception:            | Feb 28, 2013               |
| Strategy Inception:        | Dec 20, 2012               |
| Bloomberg Ticker:          | FORTEMA KY                 |
| Dealing/NAV Dates:         | 15th and end of each month |

## INVESTMENT RETURNS

|             | 3mo         | 1yr           | 3yr          | 5yr         | Inception   |
|-------------|-------------|---------------|--------------|-------------|-------------|
| <b>Fund</b> | <b>9.8%</b> | <b>-14.5%</b> | <b>-0.2%</b> | <b>0.1%</b> | <b>1.1%</b> |
| Index       | 18.1%       | -3.4%         | 1.9%         | 2.9%        | 1.6%        |

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 6/30/2020



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

|                              |      |
|------------------------------|------|
| NETEASE INC-ADR              | 4.9% |
| SHIMAO GROUP HOLDINGS LTD    | 4.8% |
| CSPC PHARMACEUTICAL GROUP LT | 4.6% |
| NASPERS LTD-N SHS SPON ADR   | 4.4% |
| TAIWAN SEMICONDUCTOR-SP ADR  | 4.1% |
| HAIER ELECTRONICS GROUP CO   | 4.1% |
| PING AN INSURANCE GROUP CO-H | 3.5% |
| CHINA MERCHANTS BANK-H       | 3.5% |
| CIA SANEAMENTO BASICO DE-ADR | 3.4% |
| AGRICULTURAL BANK OF CHINA-H | 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 Simpson         Tracey Shuffler  
 Maria Nicholls

## FUND DIRECTORS

Roger Cave  
 John Howard

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# Income Builder US Fund



## HIGHLIGHTS:

The Fund gained 17.5% in the second quarter and is down 13.7% over the past year. The Fund's performance was more in line with expectations this quarter as U.S. equities generally rallied and the high-quality shares that make up our underlying portfolio also advanced. As company earnings in most areas gradually recover we expect to see continued share price gains among the kinds of well-valued shares with steady earnings that make up the portfolio.

During the quarter we took advantage of the market strength, especially when it came in areas with the greatest operational headwinds, to improve the resilience and quality of the portfolio at reasonable prices. We moved out of holdings in Target, Royal Caribbean and Kohl's, and established new positions in utility DTE Energy and computer component manufacturer Intel. Both DTE and Intel have steady, growing earnings that will likely remain resilient in the coming years across a range of outcomes, with dividends of 3.5% and 2.5% respectively.

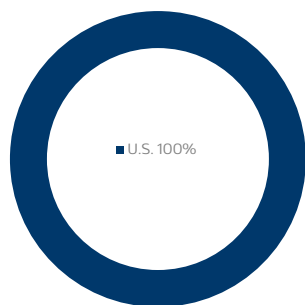
Have U.S. equity prices rallied too far? Based on valuations, some sectors may have. But with interest rates now at or near zero in many maturities the need for other sources of return is keen. And well-valued, high-quality shares remain a viable alternative, in our view. With an earnings yield of over 7% we think the Fund's portfolio is positioned to generate attractive returns in coming years. Additionally, implied volatility on options is still above 20%, which should enable the Fund to keep capturing incremental return with call option hedges, especially if the equity market only advances haltingly from here.

## PORTFOLIO SUMMARY

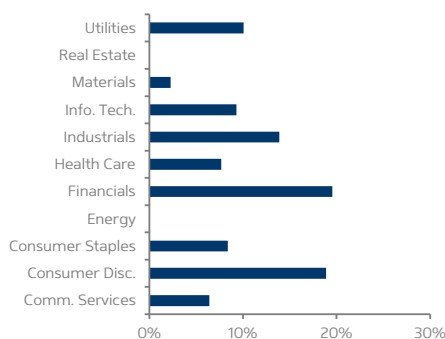
|      | Earnings Yield | Dividend Yield | Call Option Coverage | Put Option Protection | Monthly Volatility |
|------|----------------|----------------|----------------------|-----------------------|--------------------|
| FUND | 7.3%           | 2.7%           | 24%                  | 0%                    | 3.0%               |

Options data are delta-adjusted

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## FUND OBJECTIVE

Target a fixed return of 8% per year with bond-like volatility.

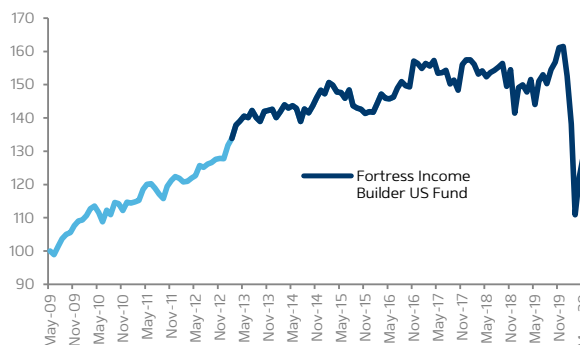
|                            |                            |
|----------------------------|----------------------------|
| Minimum Investment:        | US\$ 100,000               |
| Net Asset Value per Share: | US\$ 97.3301               |
| Fund Net Assets:           | US\$ 11,710,561            |
| Fund Inception:            | Feb 28, 2013               |
| Strategy Inception:        | Jun 11, 2009               |
| Bloomberg Ticker:          | FORIBUA KY                 |
| Dealing/NAV Dates:         | 15th and end of each month |

## INVESTMENT RETURNS

|      | 3mo   | 1yr    | 3yr   | 5yr   | Inception |
|------|-------|--------|-------|-------|-----------|
| Fund | 17.5% | -13.7% | -5.3% | -2.2% | 2.4%      |

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 6/30/2020



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

|                                    |      |
|------------------------------------|------|
| Tractor Supply Co                  | 6.3% |
| Best Buy Co Inc                    | 6.1% |
| Fortune Brands Home & Security Inc | 5.2% |
| UnitedHealth Group Inc             | 5.0% |
| Hormel Foods Corp                  | 4.2% |
| Ameriprise Financial Inc           | 4.1% |
| TE Connectivity Ltd                | 3.9% |
| Kroger Co/The                      | 3.7% |
| Snap-on Inc                        | 3.6% |
| Target Corp                        | 3.6% |

## 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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# Income Builder International Fund



## HIGHLIGHTS:

The Fund gained 10.3% in the second quarter and is down 13.0% over the past year. International equities rallied as COVID-19 lockdowns abated in many countries, and a wave of monetary support came from the U.S. and Europe to support key financial markets. The Fund performed far more in line with expectations this quarter as its portfolio of well-valued, high-quality shares advanced and we began to see indications of recovery in underlying company fundamentals. With an average earnings yield of 8.5%, valuations are still extremely attractive and we expect further gains in the portfolio as economic activity gradually normalises.

In response to the virus and lockdowns the U.S. Federal Reserve (Fed) has moved its target rate to zero and embarked on a program to purchase government and corporate bonds directly. These are dramatic steps that may, if they continue, in time have the effect of weakening the U.S. dollar. Currency diversification could therefore become an important consideration for U.S. dollar-based investors facing near zero interest rates on risk-free bonds. In this context we think a portfolio of *high-quality, well-valued shares outside the U.S.* could be an exceptionally useful allocation in the coming years given today's valuations.

During the quarter we took advantage of market strength to incrementally improve the quality of the Fund's underlying portfolio. We moved out of holdings in Valeo and Whitbread, and established a new position in Dutch brewer Heineken.

## FUND OBJECTIVE

Target a fixed return of 8% per year with bond-like volatility.

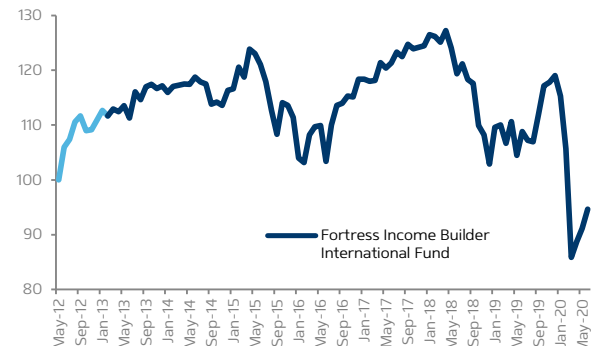
|                                   |                            |
|-----------------------------------|----------------------------|
| <b>Minimum Investment:</b>        | US\$ 100,000               |
| <b>Net Asset Value per Share:</b> | US\$ 84.7596               |
| <b>Fund Net Assets:</b>           | US\$ 15,420,849            |
| <b>Fund Inception:</b>            | Feb 28, 2013               |
| <b>Strategy Inception:</b>        | Jun 1, 2012                |
| <b>Bloomberg Ticker:</b>          | FORIBIA KY                 |
| <b>Dealing/NAV Dates:</b>         | 15th and end of each month |

## INVESTMENT RETURNS

|             | 3mo          | 1yr           | 3yr          | 5yr          | Inception    |
|-------------|--------------|---------------|--------------|--------------|--------------|
| <b>Fund</b> | <b>10.3%</b> | <b>-13.0%</b> | <b>-7.9%</b> | <b>-4.8%</b> | <b>-0.7%</b> |

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 6/30/2020



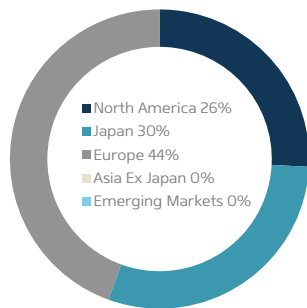
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## PORTFOLIO SUMMARY

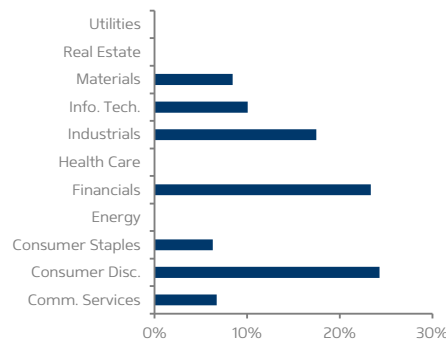
|             | Earnings Yield | Dividend Yield | Call Option Coverage | Put Option Protection | Monthly Volatility |
|-------------|----------------|----------------|----------------------|-----------------------|--------------------|
| <b>FUND</b> | <b>8.5%</b>    | <b>3.6%</b>    | <b>23%</b>           | <b>0%</b>             | <b>3.5%</b>        |

Options data are delta-adjusted

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

|                             |      |
|-----------------------------|------|
| TOKYO ELECTRON LTD          | 5.9% |
| KDDI CORP                   | 4.5% |
| TOYOTA MOTOR CORP -SPON ADR | 4.4% |
| ITOCHU CORP                 | 4.3% |
| ALLIANZ SE-REG              | 4.2% |
| MAGNA INTERNATIONAL INC     | 4.2% |
| ATOS SE                     | 4.2% |
| CRH PLC-SPONSORED ADR       | 3.9% |
| MICHELIN (CGDE)             | 3.9% |
| BUNZL PLC                   | 3.8% |

## EXPENSES

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