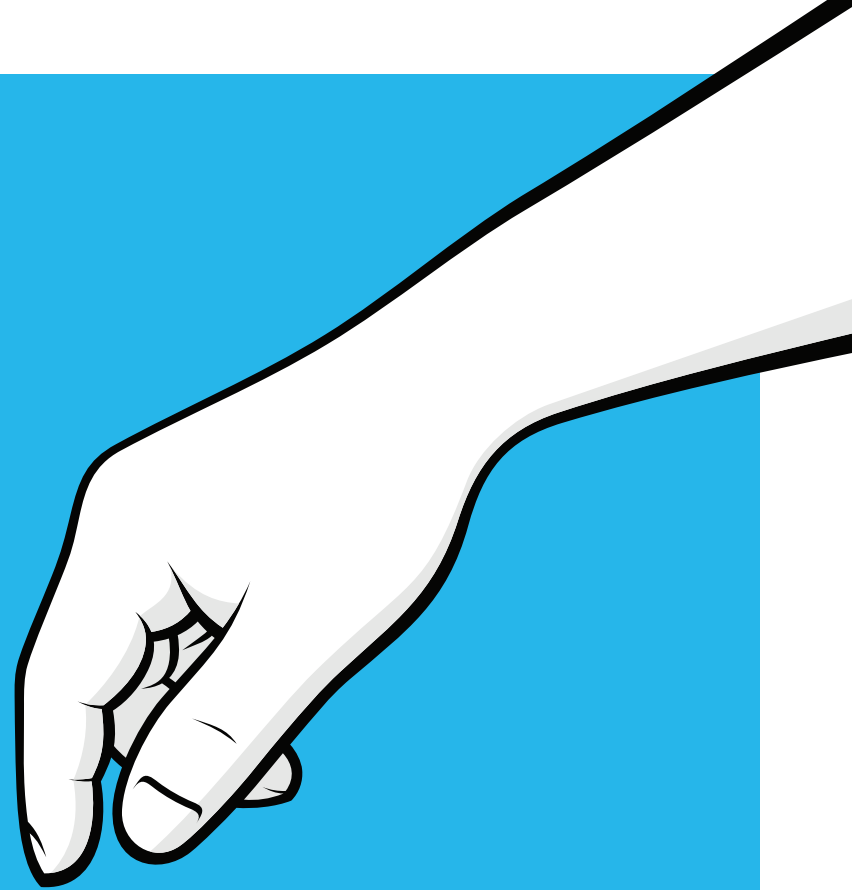


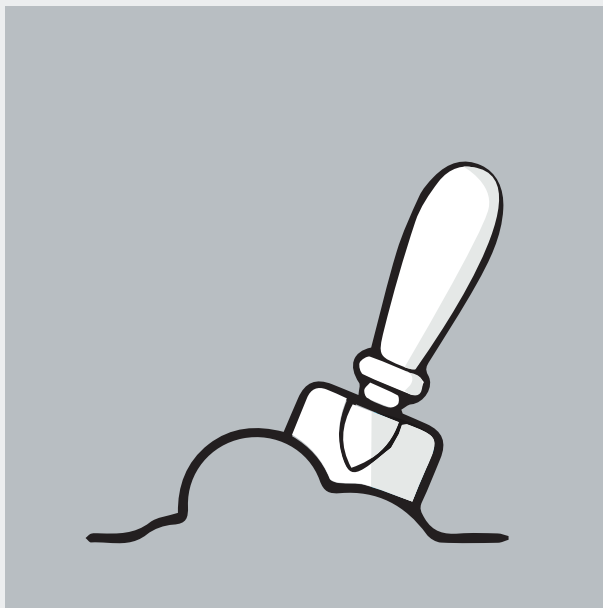
Fortress Caribbean Pension Fund

Fund the Future.



ANNUAL
REPORT
2018

 **Fortress**
FUND MANAGERS

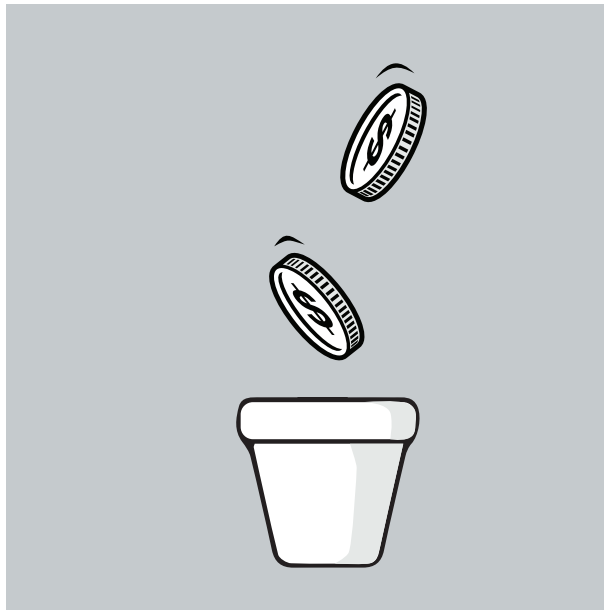


Fortress Fund Managers is a Barbados-based investment manager. We have been providing top-ranked returns, open communication and accessible service to our clients since 1996.

We offer a range of funds and investment products to meet the needs of individuals and institutions. In each case, our main goal is to achieve consistent long-term returns for our clients. We do this by applying sound, disciplined processes to our investments in equities, fixed income and real estate. We offer products with global reach, as well as those that focus primarily on the Caribbean region.

Please feel free to contact us to learn more about this Fund, or any of our products.

Fortress Fund Managers Limited
First Floor, Carlisle House
Hincks Street
Bridgetown
Barbados
BB11144
TEL (246) 431 2198
FAX (246) 431 0514
invest@fortressfund.com
www.fortressfund.com



Fortress Caribbean
Pension Fund

Investment Objectives & Fund Details

The Fortress Caribbean Pension Fund offers three classes of shares to defined contribution and defined benefit pension plans and their participants: Redeemable Aggressive Accumulator (AA), Redeemable Conservative Consolidator (CC) and the Redeemable Capital Secure (CS), each with its own investment objective. The objective of the AA class of share is to achieve growth and capital appreciation of the assets over the long term. The investment objective of the CC class of share is to achieve growth and capital appreciation over the medium term, while that of the CS class of share is to achieve capital security in the short term.

FUND NAME:	Fortress Caribbean Pension Fund Limited		
LAUNCH DATE:	October 9, 2002		
LAUNCH PRICE:	\$10.00 per share		
NET ASSET VALUE PER SHARE	AA	CC	CS
<i>9/30/2018</i>	\$25.4929	\$24.5928	\$17.4267
NET ASSETS			
<i>9/30/2018</i>	\$164,618,370	\$131,254,279	\$11,076,198
MANAGEMENT EXPENSES:			
<i>Management fees:</i>	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.		
<i>Administration fees:</i>	0.03% per annum on the net asset value of the Fund		
<i>Custodian fees:</i>	\$2,000 per annum on the first \$5M - \$15M in assets \$7,500 per annum on assets > \$50M		
INITIAL CHARGES:	Nil		
REDEMPTION CHARGES:	Nil		
INVESTMENT MANAGER & ADMINISTRATOR:	Fortress Fund Managers Limited		
CUSTODIAN:	CIBC FirstCaribbean International Bank (Barbados) Limited		
FUND VALUATIONS:	Monthly		
NAV QUOTATIONS:	Internet: www.fortressfund.com		

Directors & Administrators

DIRECTORS

Sir Geoffrey Cave, K.A., C.B.E., B.C.H., L.L.D. (Hon) - Chairman
C. David Bynoe
Kenneth Emery
Desmond Kinch
René Delmas
John Williams
Roger Cave - Investment Director

COMPANY SECRETARY

Hanna M. Chrysostom
Broad Street
Bridgetown
St. Michael
Barbados

FORTRESS FUND MANAGERS AUDIT COMMITTEE

David Simpson
C. David Bynoe
John Howard

REGISTERED OFFICE

First Floor, Carlisle House
Hincks Street
Bridgetown
St. Michael
Barbados

ATTORNEY AT LAW

Clarke Gittens Farmer
Parker House
Willey Business Park
Willey Road
St. Michael
Barbados

INDEPENDENT AUDITORS

Ernst & Young Services Limited
One Welches
Welches
St. Thomas
Barbados

CUSTODIAN

CIBC FirstCaribbean International Bank (Barbados) Limited
Wealth Management Division
3rd Floor
Broad Street
Bridgetown
Barbados

INVESTMENT MANAGER & ADMINISTRATOR

Fortress Fund Managers Limited
First Floor, Carlisle House
Hincks Street
Bridgetown
Barbados

Tel: (246) 431 2198
Fax: (246) 431 0514
Internet: www.fortressfund.com
Email: invest@fortressfund.com

Fortress Caribbean Pension Fund Limited ("the Fund") is an open-ended mutual fund company and was incorporated on October 9, 2002 under the provisions of the Mutual Funds Act of Barbados. The Fund maintains its registered office at First Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

Important information about this Fund is contained in its prospectus, which we encourage you to read before making an investment. The indicated returns in this document are net of all fees and expenses. Returns are historical and are not necessarily indicative of future performance. Investors should be aware that there are risks involved where the value of the Fund's shares may go down as well as up. A copy of the prospectus may be obtained from the offices of Fortress Fund Managers, or downloaded at www.fortressfund.com.

Background

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

Fortress Fund Managers Limited (“Fortress”) has been manager of the Fund since its inception.

The Pension Fund was established in 2002 in response to the growing trend of companies favouring Defined Contribution (DC) pension plans over Defined Benefit (DB) pension plans. In DC plans, contribution rates are fixed by employer and employee, and members bear 100% of the investment and longevity risks as there are no guarantees to the level of pension that can be provided at retirement with the member’s funds.

Recognising that members at different ages have different investment risks and objectives, the Pension Fund has been structured to allow members to direct their own funds as they see fit into one of three investment shares – Aggressive Accumulator (AA) Share,

Conservative Consolidator (CC) Share and Capital Secure (CS) Share. Each share has a different asset allocation make-up, from being “aggressive” to “conservative,” thus catering to members who have changing risk/reward objectives as they progress towards retirement.

Where the Pension Fund invests in other funds managed by Fortress, there is a rebate system in place for the Pension Fund to avoid double charging of management fees.

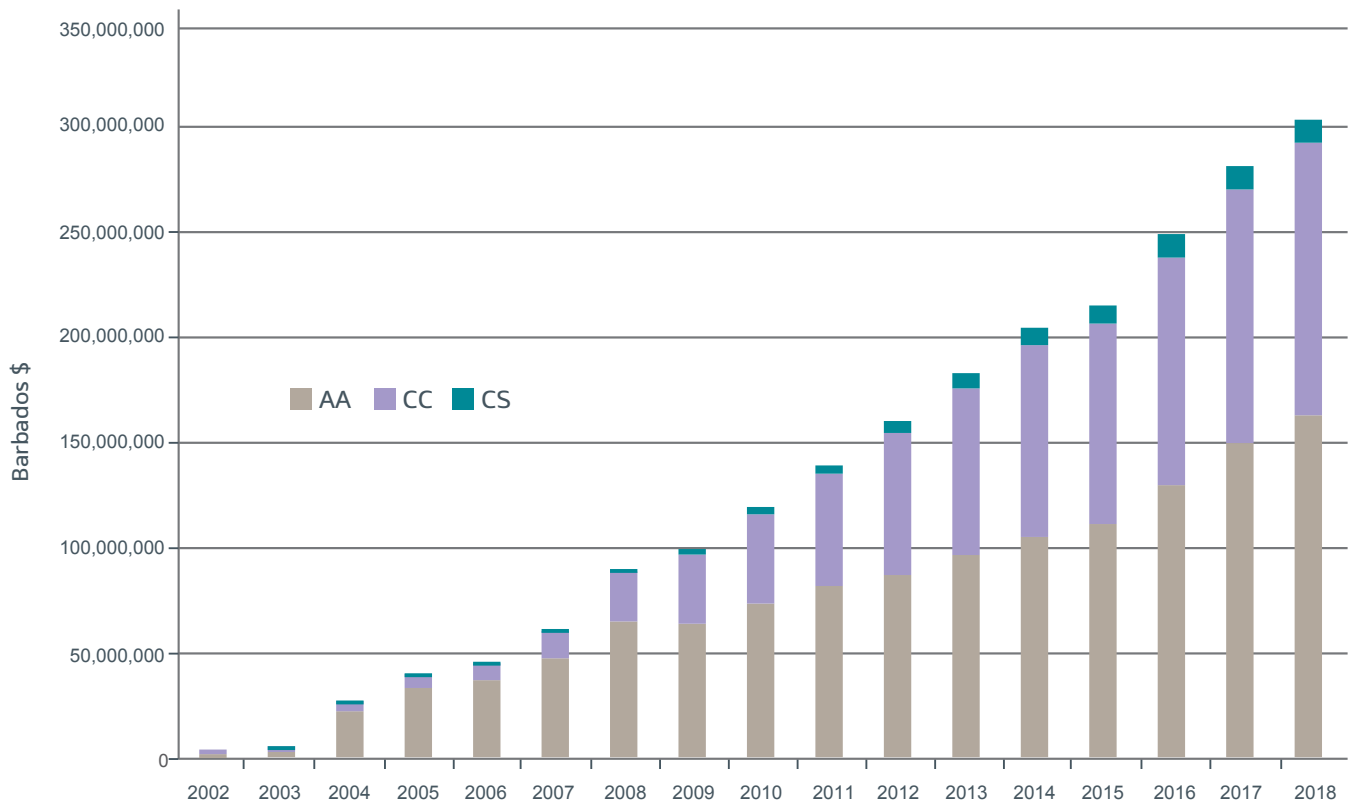
Fortress provides both record keeping and investment services to DC plans that invest in the Pension Fund, and investment only services to DB pension plans.

Members of DC plans can access their accounts through our website and are also able to use our pension projection tool on the website.

As of September 30, 2018 approximately 81 companies are investing in the Pension Fund and record keeping services are being provided for over 4,500 employees.

Asset Growth & Investment Performance

Pension Fund - Asset Growth



Asset Growth & Investment Performance

Historical 1-Year Investment Returns (net of all fees and expenses)

Year Ending	AA Share Return	CC Share Return	CS Share Return
9/30/2003	10.5%	9.5%	
9/30/2004	24.0%	17.7%	5.4%
9/30/2005	14.9%	12.1%	6.4%
9/30/2006	3.7%	4.2%	5.3%
9/30/2007	14.8%	11.8%	6.1%
9/30/2008	6.4%	8.1%	8.4%
9/30/2009	-9.0%	-3.1%	0.6%
9/30/2010	2.9%	4.2%	6.3%
9/30/2011	1.2%	1.7%	1.4%
9/30/2012	2.5%	3.2%	2.3%
9/30/2013	1.6%	2.3%	2.7%
9/30/2014	4.0%	3.8%	3.3%
9/30/2015	-2.1%	-1.4%	0.3%
9/30/2016	8.7%	7.5%	4.0%
9/30/2017	9.9%	8.7%	3.5%
9/30/2018	5.2%	2.8%	-0.2%

Performance Summary as of September 30, 2018*

	3 months	1 year	3 year	5 year	Inception
AA Share	3.1%	5.2%	7.9%	5.1%	5.9%
CC Share	1.9%	2.8%	6.3%	4.2%	5.7%
CS Share	-0.3%	-0.2%	2.4%	2.2%	3.7%

*periods longer than one year are annual compound returns

Portfolio Positioning

The three classes of shares of the Pension Fund invest in combinations of equities, fixed income and real estate consistent with the time horizons, risk tolerance and objectives for each class of share.

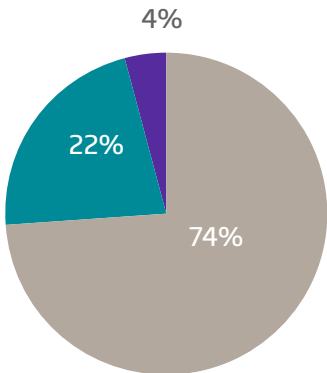
the Fortress Caribbean High Interest Fund. Where the Fund invests in other funds managed by Fortress, a rebate system is in place to avoid double charging of management fees.

The Fund's largest holding of equities is in the Fortress Caribbean Growth Fund, while for fixed income it is in

The asset allocation of the three shares as at 30th September 2018 is as follows:

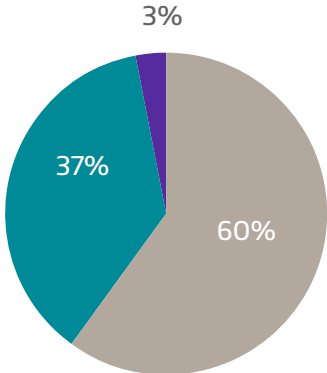
Asset Allocation of Funds

AGGRESSIVE ACCUMULATOR



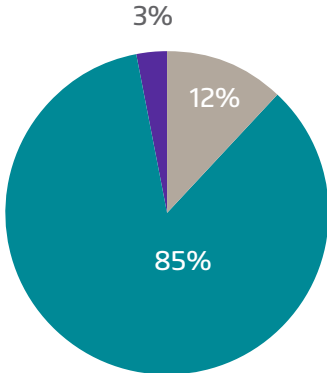
 EQUITIES	74%
 FIXED INCOME	22%
 REAL ESTATE/OTHER	4%

CONSERVATIVE CONSOLIDATOR

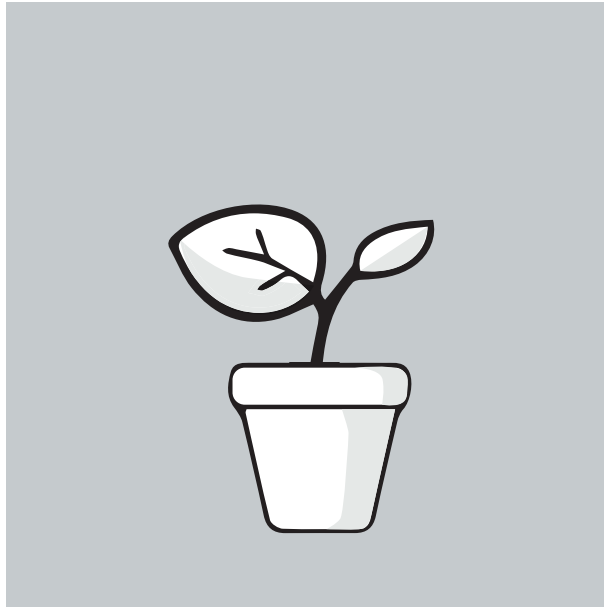


 EQUITIES	60%
 FIXED INCOME	37%
 REAL ESTATE/OTHER	3%

CAPITAL SECURE



 EQUITIES	12%
 FIXED INCOME	85%
 REAL ESTATE/OTHER	3%



Directors' Report

“ The Fund had another year of solid performance... ”



Directors' Report

Investment Director Roger Cave

The Fortress Caribbean Pension Fund had another year of solid performance for the year ended September 30, 2018. The AA share gained 5.2%, the CC share 2.8% and the CS share was down marginally at -0.2%. Returns were once again driven by positive results from our equity investments. Since inception in 2002, the annual compound returns for the AA, CC and CS shares have been 5.9%, 5.7% and 3.7% respectively. Total assets of the Fund increased from \$285 million to \$307 million during the year, reflecting new subscriptions and increases from investment returns.

The largest event affecting Barbados pension plans in the year was the Government of Barbados debt restructuring. This resulted in losses to many pension plans directly via their bond holdings, and indirectly via their investments in vehicles that also had bond holdings. **The Fortress funds had only minimal exposure to Government of Barbados bonds** so there have only been minimal markdowns to take. The returns and values in this report already include this impact.

The equity allocations of the three share classes of the Pension Fund are primarily made up of investments in the Fortress Caribbean Growth Fund, the fixed income allocations are primarily made up of investments in the Fortress Caribbean High Interest Fund, and the small allocations to real estate are typically made through the Epley Caribbean Property Fund SCC (formerly Fortress Caribbean Property Fund SCC). The returns of the three share classes in the Pension Fund are therefore primarily

a blend of the performance returns of these underlying funds.

Fortress Caribbean Growth Fund

The Fortress Caribbean Growth Fund gained 5.5% during the year and its annual compound rate of return since inception in 1996 is now 8.7% per year. In 2018, Caribbean stock indexes were generally positive, contributing to returns for the Fund. These were led by Jamaica which had another very strong year, up 31%, while Barbados was up 5.6% and Trinidad was down 2%. Our holdings in Guyana also contributed healthy returns as optimism grew about the prospects for oil production there. Global markets had mixed performance as higher interest rates and increased trade tensions tempered some of the enthusiasm from what continued to be good underlying company fundamentals in most regions around the world. The U.S. posted the highest returns among developed markets, led once again by information technology shares.

The Fund's investment portfolio is a diversified mix of regional Caribbean and international stocks, held both directly and via allocations to other funds. More than half the portfolio is invested outside the Caribbean in U.S., developed international and emerging markets. Our investment objective remains unchanged: to own shares in well-run businesses which are trading at attractive prices relative to their earnings and balance sheet fundamentals. We continue to find some of the best value globally outside the U.S., among certain

international and emerging markets shares where fundamentals are improving and prices are still reasonable. In the Caribbean, finding value in Jamaica is becoming more difficult as the market there had another excellent year and more shares are now fully priced reflecting substantial investor optimism. In Trinidad, the economic situation is stabilising on the back of somewhat higher energy prices while in Barbados the long overdue debt and economic restructuring has just started and a few tough years may yet lie ahead before growth returns. We are cautiously optimistic on the return prospect for the Fund as underlying valuations remain extremely attractive in the areas where we have investments, but the value is by no means everywhere and many segments of the broad market appear fully priced.

Fortress Caribbean High Interest Fund

The Fortress Caribbean High Interest Fund declined 1.2% during the year and its compound annual rate of return since inception in 2002 is now 4.1% per year. Conditions for bond investors remained challenging in the Caribbean and around the world in 2018. Global bond prices fell and closer to home the Government of Barbados restructured its debt, bringing substantial losses to many bondholders. The Fund had only minimal exposure in this area so the impact was also small. Our select corporate bond investments in Barbados performed well. Overall, the Fund remained squarely in capital preservation mode during the year and this meant carrying relatively large Barbados dollar cash balances that dampened performance.

The Fund's investment portfolio continues to be as widely diversified as possible among regional and international holdings. These include Barbados dollar bank deposits, corporate bonds, U.S. dollar government and corporate bonds, and specialised funds investing globally in income-producing assets. As we have stated in previous reports, for the last few years the Fund has had only very limited holdings in Caribbean government bonds. This was due to the substantial credit risks which we felt were underappreciated by investors until very recently.

In June the Government of Barbados finally addressed the issue and initiated a restructuring of its debts and fiscal reform plan which will be painful for current bond investors but will hopefully improve the prospects for the future. The Fund has substantial cash in reserve and we expect to make investments in Caribbean government bonds again as credit quality improves and prices become appropriate. As of September 30, 2018, the average term to maturity of the Fund's holdings was 2.5 years, and the average gross yield to maturity was 2.8%, a good estimate of return potential in the medium term.

Asset Allocation & Outlook

The underlying Fortress funds – Fortress Caribbean Growth Fund and Fortress Caribbean High Interest Fund – remain temporarily closed to new lump-sum subscriptions from investors. During the temporary closure, **regular pension and monthly savings plan contributions continue as normal**, as of course do redemptions. Investing in the Pension Fund continues to be one of the only ways to access the diversified portfolios and disciplined investment processes of these underlying Fortress funds.

We have maintained our maximum allocations to equities in each of the three share classes. This continues to be in line with our current assessment that the equity component represents the best diversification and embedded return potential. Looking forward, we expect the Fund's returns over the next few years to be in the mid-single digits for the AA and CC shares and in the low-mid single digits for the CS share, reflecting the differing asset allocations of the shares.

We remain concerned that due to tax changes in recent years, individuals' contributions to registered pension plans are still potentially subject to double taxation. First, as they are earned and again when they are paid out from the plan as an annuity or income drawdown. This is an important and easy situation to fix. We understand that there are acute financial pressures on the government right now and we support the direction

of the long overdue adjustments now being made. At the same time, it is critical to the long-term financial health of the country to encourage and enable (or, at a minimum, not *discourage*) persons to save and invest for their own financial security in retirement. We encourage all members and sponsors of pension plans to give this issue the prominence it deserves.

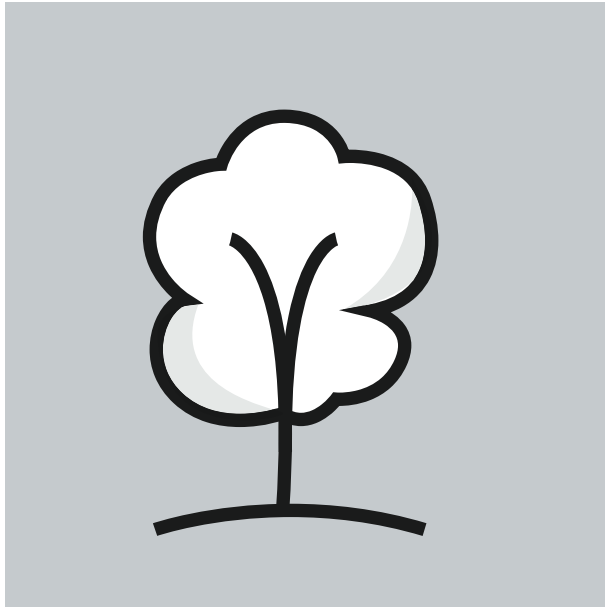
If you would like to learn more about the performance and positioning of the main underlying funds in which the Pension Fund invests, please see the annual and quarterly reports of the Fortress Caribbean Growth Fund and the Fortress Caribbean High Interest Fund, available to view or download at www.fortressfund.com.

Thank you to all our pension plan participants and sponsors for investing with us. We will continue to invest your savings with a disciplined focus on the long-term.

Handwritten signatures of Roger Cave and René Delmas.

Roger Cave, CA, CFA
Investment Director

René Delmas
Pension Director



Financial Statements



Ernst & Young Ltd
P.O. Box 261
Bridgetown, BB11000
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 430 3879
www.ey.com

Street Address
One Welches
Welches
St. Thomas, BB22025
Barbados, W.I.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PENSION FUND LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fortress Caribbean Pension Fund Limited (“the Fund”), which comprise the statement of financial position as at 30 September 2018, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable mutual fund shares and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 30 September 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PENSION FUND LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PENSION FUND LIMITED

Report on the Audit of the Financial Statements (Continued)

Other Legal Matter

This report is made solely to the Fund's shareholders, as a body, in accordance with Section 32 of the Mutual Funds Act of Barbados. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Ernst & Young Ltd

BARBADOS
17 December 2018

Fortress Caribbean Pension Fund Limited

Statement of Financial Position


As at September 30, 2018

(expressed in Barbados dollars)

	2018			2017		
	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
Assets						
Financial assets (note 5)	161,873,249	128,372,078	10,713,982	147,625,706	119,238,769	10,841,767
Accounts receivable	1,146,364	1,212,736	–	1,036,446	1,103,233	–
Cash and cash equivalents	3,107,624	2,175,206	387,250	2,599,366	1,779,665	396,300
Total assets	166,127,237	131,760,020	11,101,232	151,261,518	122,121,667	11,238,067
Liabilities						
Redemptions payable	1,362,911	418,954	17,697	401,030	275,043	116,330
Accounts payable and accrued expenses	145,177	86,590	7,313	168,925	104,109	9,593
Total liabilities (excluding net assets attributable to holder of redeemable mutual fund shares)	1,508,088	505,544	25,010	569,955	379,152	125,923
Net assets attributable to holders of redeemable mutual fund shares (note 7)	164,618,370	131,254,279	11,076,198	150,690,784	121,742,318	11,112,120
Share capital (note 8)	779	197	24	779	197	24
Liabilities and shareholder funds	166,127,237	131,760,020	11,101,232	151,261,518	122,121,667	11,238,067
Net asset value per share	25.4929	24.5928	17.4267	24.2273	23.9278	17.4560

The accompanying notes form an integral part of the financial statements.

Approved by the Board of Directors on December 14, 2018

 Director

 Director

Fortress Caribbean Pension Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Mutual Fund Shares For the year ended September 30, 2018

(expressed in Barbados dollars)

	Number of shares			Net assets attributable to holders of redeemable mutual fund shares		
	Aggressive Accumulator	Conservative Consolidator	Capital Secure	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
Balance as at September 30, 2016	5,940,647	4,975,954	671,715	130,987,671	109,567,227	11,331,601
Issue of shares	480,917	323,012	53,457	11,086,384	7,398,440	919,143
Redemption of shares	(201,701)	(211,054)	(88,592)	(4,671,782)	(4,848,182)	(1,518,773)
Total comprehensive income for the year	–	–	–	13,288,511	9,624,833	380,149
Balance as at September 30, 2017	6,219,863	5,087,912	636,580	150,690,784	121,742,318	11,112,120
Issue of shares	421,956	370,606	57,924	10,556,956	9,061,668	1,018,131
Redemption of shares	(184,388)	(121,413)	(58,918)	(4,618,675)	(2,974,723)	(1,036,105)
Total comprehensive income/(loss) for the year	–	–	–	7,989,305	3,425,016	(17,948)
Balance as at September 30, 2018	6,457,431	5,337,105	635,586	164,618,370	131,254,279	11,076,198

Fortress Caribbean Pension Fund Limited

Statement of Comprehensive Income For the year ended September 30, 2018

(expressed in Barbados dollars)

	2018			2017		
	Aggressive Accumulator	Conservative Consolidator	Capital Secure	Aggressive Accumulator	Conservative Consolidator	Capital Secure
	\$	\$	\$	\$	\$	\$
Revenue						
Net gain/(loss) on financial assets at fair value through profit or loss (note 5)	7,044,602	2,723,411	(23,096)	12,396,371	8,893,546	366,899
Other income	841,353	527,489	7,737	767,453	478,316	6,554
Interest income	573	188,772	3,422	14,204	262,499	12,093
Dividend income	198,685	65,098	465	195,547	61,948	465
Total investment income	8,085,213	3,504,770	(11,472)	13,373,575	9,696,309	386,011
Expenditure						
Administrator and custodian fees	47,161	38,154	3,375	41,917	34,522	3,372
Professional fees	11,369	8,912	709	9,562	8,013	838
Directors fees	11,650	9,488	862	10,534	8,613	853
Office and administrative expenses	25,728	23,200	1,530	23,051	20,328	799
Operating expenditure	95,908	79,754	6,476	85,064	71,476	5,862
Comprehensive income /(loss) for the year	7,989,305	3,425,016	(17,948)	13,288,511	9,624,833	380,149

The accompanying notes form an integral part of these financial statements.

Fortress Caribbean Pension Fund Limited

Statement of Cash Flows

For the year ended September 30, 2018

(expressed in Barbados dollars)

	2018			2017		
	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
Cash flows from operating activities						
Total comprehensive income/(loss) for the year	7,989,305	3,425,016	(17,948)	13,288,511	9,624,833	380,149
Adjustment for:						
Interest income	(573)	(188,772)	(3,422)	(14,204)	(262,499)	(12,093)
Dividend income	(198,685)	(65,098)	(465)	(195,547)	(61,948)	(465)
Net gain on financial assets at fair value through profit or loss	(7,044,602)	(2,723,411)	23,096	(12,396,371)	(8,893,546)	(366,899)
Operating income before working capital changes	745,445	447,735	1,261	682,389	406,840	692
Decrease in accounts receivable	(109,918)	(109,503)	–	(235,946)	(235,946)	–
Increase in accounts payable	(23,748)	(17,519)	(2,280)	(99,871)	(88,189)	(9,868)
Purchase of financial assets at fair value through profit or loss	(7,450,000)	(7,540,000)	(753,000)	(7,430,025)	(5,390,025)	(942,000)
Proceeds on sale of financial assets at fair value through profit or loss	247,059	1,119,371	855,006	647,931	2,047,932	1,300,000
Cash (used in)/generated from operations	(6,591,162)	(6,099,916)	100,987	(6,435,522)	(3,259,388)	348,824
Interest received	573	199,503	6,105	14,204	265,268	12,785
Dividend received	198,685	65,098	465	195,547	61,948	465
Net cash (used in)/generated from operating activities	(6,391,904)	(5,835,315)	107,577	(6,225,771)	(2,932,172)	362,074
Cash flows from financing activities						
Issue of redeemable mutual fund shares	10,556,956	9,061,668	1,018,131	11,086,384	7,398,440	919,143
Redemption of redeemable mutual fund shares	(3,656,794)	(2,830,812)	(1,134,738)	(4,668,619)	(4,767,965)	(1,528,635)
Net cash (used in)/ generated from financing activities	6,900,162	6,230,856	(116,607)	6,417,765	2,630,475	(609,492)

Fortress Caribbean Pension Fund Limited

Statement of Cash Flows ...*continued*
For the year ended September 30, 2018

(expressed in Barbados dollars)

	2018			2017		
	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
Net (decrease)/increase in cash and cash equivalents	508,258	395,541	(9,050)	191,994	(301,697)	(247,418)
Cash and cash equivalents - beginning of year	2,599,366	1,779,665	396,300	2,407,372	2,081,362	643,718
Cash and cash equivalents - end of year	3,107,624	2,175,206	387,250	2,599,366	1,779,665	396,300

The accompanying notes form an integral part of these financial statements.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

1 Incorporation and principal activity

The Fund was incorporated in Barbados on October 9, 2002 under the Companies Act of Barbados and is licensed under the Mutual Funds Act 2002-22 of Barbados as an authorised mutual fund. The Fund maintains its registered office at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

The primary objective of each class of share is stated below:

The investment objective of the Aggressive Accumulator (AA) class of shares is to achieve growth and capital appreciation of the assets over the long term.

The investment objective of the Conservative Consolidator (CC) class of shares is to achieve growth and capital appreciation of the assets over the medium term.

The investment objective of the Capital Secure (CS) class of shares is to achieve the highest possible return compatible with the preservation of capital in the short term.

The Fund's investment and administration activities are managed by Fortress Fund Managers Limited ("the Investment Manager").

These financial statements were authorised for issue by the Board of Directors on December 14, 2018.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) promulgated by the International Accounting Standards Board (IASB), applicable to entities reporting under IFRS. The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Although these estimates are based on management's knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgement on complexity, or areas where assumptions and estimates are significant to the financial assets are disclosed in note 3.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

a) Basis of presentation ...continued

New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning October 1, 2017 that would be expected to have a material impact on the Fund.

Standards, amendments and interpretations that are issued but not yet effective which may be relevant for the Fund's operations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is applicable from January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund intends to adopt IFRS 9 no later than the accounting period beginning on or after October 1, 2018.

b) Foreign currency translation

Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in Barbados dollars which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

b) Foreign currency translation...continued

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of net (loss)/gain on financial assets at fair value through profit or loss.

c) Financial assets

The Fund classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

Management determines the appropriate classification of these assets at initial recognition.

Financial assets at fair value through profit or loss

i) Classification

The Fund's investments have been classified as financial assets at fair value through profit or loss in accordance with International Accounting Standards 39 (IAS 39), Financial Instruments: Recognition and Measurement.

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of the managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

ii) Recognition, derecognition and measurement

Regular-way purchases and sales of investments are recognised on the trade date, which is the date the Fund commits to purchase or sell the investments. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income, which include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from these assets have expired or the Fund has transferred substantially all risks and rewards of ownership.

All financial assets at fair value through profit or loss are initially recognised at fair value and are subsequently carried at fair value based on quoted exit prices. In the absence of quoted exit prices, the last close price and other information including the quoted offer price, is considered by the Manager to determine the appropriate fair value price to be used. In the event that a security held by the Fund is unquoted, if unusual market conditions exist, or in the event that a particular security's 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, and on advice of an independent broker, will make a reasonable estimate of the fair value price by using valuation techniques.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Financial assets...continued

ii) Recognition, derecognition and measurement...continued

These can include the use of recent arm's length transactions, reference to other instruments that are substantially the same or discounted cash flow analysis which make maximum use of market inputs and rely as little as possible on entity-specific inputs.

Investments in other investment funds are valued on the basis of the net asset value per share as determined by the administrators of those investment vehicles in accordance with industry practice.

Gains or losses arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are recognised in the statement of comprehensive income as they arise. Fair value at date of disposal is used to compute realised and unrealised gains on investments.

iii) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is the current exit price; the quoted market price for financial liabilities is the current exit price. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques or from other sources. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Investments in other funds are measured on the net asset value per share as determined by the administrator of the fund.

iv) Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Financial assets...continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value and subsequently carried at amortised cost using the effective interest method less provision for impairment. A loan or receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees and the financial condition and viability of the borrower.

d) Cash and cash equivalents

Cash and cash equivalents are short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to insignificant changes in fair value.

e) Investment income

Interest income

Interest income is recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method. Interest income relates to coupons earned on fixed income investments and short-term deposits.

Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

f) Expenses

Expenses are accounted for on an accrual basis. Expenses are charged to the statement of comprehensive income. In addition to the management fees and administration expenses, the Fund is responsible for the payment of all direct expenses relating to its operations such as audit, legal and professional fees.

g) Redeemable mutual fund shares/net asset value

The Fund's net asset value per redeemable mutual fund share is calculated by dividing the net assets attributable to those shares by the number of outstanding redeemable shares. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the procedures described in note 2c for the purpose of determining the net asset value per share for subscriptions and redemptions.

h) Distributions payable to holders of redeemable mutual fund shares

The Fund does not pay dividends or distributions to the holders of redeemable mutual fund shares. All income, including interest, dividends and capital gains earned by the Fund, is automatically reinvested and this income is reflected in the net asset value of the shares.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

i) Taxation

The Fund is licensed as an authorized mutual fund under the Mutual Funds Act, 2002-22 of Barbados. The Directors have resolved that all of the net income of the Fund is attributable to the Fund's redeemable mutual fund shareholders. 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 the income of the Fund shareholders.

3 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year relate to the valuation of unquoted investments and the determination of impairment provisions. The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices.

The Fund exercises judgement and estimates on the quantity and quality of pricing sources used. The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Management policies surrounding these estimates and assumptions are disclosed in note 4.

4 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (which includes price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise the potential adverse effect on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to moderate certain risk exposures.

The risk management policies employed by the Fund to manage these risks are discussed below. There are no changes in the risk management policies from the prior year.

The management of these risks is carried out by the investment manager under policies approved by the Board of Directors ("the Board"). The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk

i) Price risk

Equity price risk is the risk of unfavourable changes in the fair values of equity instruments or equity-linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities and units in managed equity funds. To manage this risk the Fund holds a diversified portfolio of investments in accordance with its investment policy. A summary of the overall consolidated statement of financial position market exposures at September 30, 2018 is disclosed in note 5.

Sensitivity

Management's best estimate of the effect on profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. The analysis is based on the assumptions that the MSCI All Country World Index increased by 8% (2018- 8%) and the Bloomberg Barclays US Aggregate Bond Index increased by 3% (2017- 3%), with all other variables held constant, and that the fair value of the Funds' portfolio of equity securities and equity-based investments moved according to their historical correlation with the indices. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

	2018	2017
	\$	\$
Effect on net assets attributable to redeemable shares of an increase in the indices		
Aggressive Accumulator	8,433,811	7,720,266
Conservative Consolidator	5,750,512	5,333,774
Capital Secure	211,301	211,986

The Investment Manager uses the MSCI All Country World Index as a reference point in making investment decisions. However, the Investment Manager does not manage the Fund's investment strategy to track the MSCI All Country World Index or any other index or external benchmark.

ii) Cash flows and fair value interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk. The Fund's significant interest-bearing financial assets earn interest at fixed rates and therefore the cash flows of the Fund are not affected by fluctuations in the prevailing levels of market interest rates. The Fund therefore has no significant interest rate risk on its cash flows.

The majority of the Fund's financial assets and liabilities of the Fund are non-interest bearing. The Fund would be impacted by movement in the market interest rates on the maturity of short term fixed rate instruments which would have to be reinvested at different rates of return.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Market risk ...continued

ii) Cash flows and fair value interest rate risk...continued

The following table indicates the sensitivity to the fair value of the Fund's long term fixed rate financial assets at fair value through profit or loss, to a reasonable possible change in interest rates with all other variables being constant.

	2018 Effect on net income \$	2017 Effect on net income \$
Conservative Consolidator		
Change in interest rate:		
-2%	15,721	98,891
2%	(15,167)	(93,099)

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain over-the-counter derivative products that use interest rates as an input in their valuation model. Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in interest rates.

iii) Foreign currency risk

The Fund holds financial assets denominated in currencies other than Barbados dollars, the functional currency of the Fund. Consequently, except where assets and liabilities are denominated in currencies fixed to the Barbados dollar, the Fund is exposed to currency risk. The Fund's policy is not to enter into any hedging transactions to mitigate currency risk. The Fund has no significant exposure to currency risk at year end as the foreign currencies within the Fund do not fluctuate noticeably against the Barbados dollar.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment entered into with the Fund.

The maximum exposure of the Fund to the credit risk is set out in the following table:

	Aggressive Accumulator	Conservative Consolidator	Capital Secure
	\$	\$	\$
September 30, 2018			
Government backed securities	–	1,424,568	–
Accounts receivable	1,146,364	1,212,736	–
Cash and cash equivalents	3,107,624	2,175,206	387,250
	4,253,988	4,812,510	387,250
September 30, 2017			
Government backed securities	–	2,804,563	–
Loans and receivables	–	1,010,731	252,683
Accounts receivable	1,036,446	1,103,233	–
Cash and cash equivalents	2,599,366	1,779,665	396,300
	3,635,812	6,698,192	648,983

The Fund holds government bonds issued by the Government of Barbados which maintains a D (2017- CCC) rating by Standard and Poor's.

None of the Fund's accounts receivables are impaired or past due but not impaired as at September 30, 2018 (2017 - nil).

The Fund's significant exposure to individual counterparty credit risk on its cash and cash equivalents is set out below:

	Aggressive Accumulator	Conservative Consolidator	Capital Secure
	\$	\$	\$
Cash and cash equivalents			
September 30, 2018			
CIBC FirstCaribbean International Bank (not rated)	3,107,624	2,175,206	387,250
September 30, 2017			
CIBC FirstCaribbean International Bank (not rated)	2,599,366	1,779,665	396,300

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk

The Fund is exposed to monthly cash redemptions of redeemable mutual fund shares (note 2g). It therefore invests the majority of its assets in investments that are easily liquidated. The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month \$	1 - 3 months \$
At September 30, 2018		
Aggressive Accumulator		
Redemptions payable	1,362,911	–
Accounts payable and accrued expenses	–	145,177
Net assets attributable to holders of redeemable fund shares	–	164,618,370
Total financial liabilities	1,362,911	164,763,547
Conservative Consolidator		
Redemptions payable	418,954	–
Accounts payable and accrued expenses	–	86,590
Net assets attributable to holders of redeemable fund shares	–	131,254,279
Total financial liabilities	418,954	131,340,869
Capital Secure		
Redemptions payable	17,697	–
Accounts payable and accrued expenses	–	7,313
Net assets attributable to holders of redeemable fund shares	–	11,076,198
Total financial liabilities	17,697	11,083,511

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

	Less than 1 month \$	1 - 3 months \$
At September 30, 2017		
Aggressive Accumulator		
Redemptions payable	401,030	–
Accounts payable and accrued expenses	–	168,925
Net assets attributable to holders of redeemable fund shares	–	150,690,784
	<hr/>	<hr/>
Total financial liabilities	401,030	150,859,709
	<hr/>	<hr/>
Conservative Consolidator		
Redemptions payable	275,043	–
Accounts payable and accrued expenses	–	104,109
Net assets attributable to holders of redeemable fund shares	–	121,742,318
	<hr/>	<hr/>
Total financial liabilities	275,043	121,846,427
	<hr/>	<hr/>
Capital Secure		
Redemptions payable	116,330	–
Accounts payable and accrued expenses	–	9,593
Net assets attributable to holders of redeemable fund shares	–	11,112,120
	<hr/>	<hr/>
Total financial liabilities	116,330	11,121,713
	<hr/>	<hr/>

In the event of unusual circumstances and redemption requests representing more than 20% of the Fund's assets are received within 30 consecutive days, the directors of the Fund reserve the right to suspend redemptions and to hold a special meeting of the Fund shareholders 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.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

The Fund manages its liquidity risk by investing in securities that it expects to be able to easily liquidate. The following table illustrates the expected liquidity of assets held.

	Less than 1 month \$	1 - 3 months \$	Over 3 months \$
Total assets			
September 30, 2018			
Aggressive Accumulator	7,936,372	158,190,865	–
Conservative Consolidator	4,391,677	125,876,988	1,491,355
Capital Secure	396,949	10,704,283	–
September 30, 2017			
Aggressive Accumulator	6,818,873	144,442,645	–
Conservative Consolidator	3,816,922	114,489,451	3,815,294
Capital Secure	404,271	10,581,113	252,683

Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net assets attributable to holders of redeemable shares can change significantly on a monthly basis as the Fund is subject to monthly subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current exit price; the quoted market price for financial liabilities is the current asking price. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

The Fund is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Fund’s financial assets and liabilities (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2018				
Financial assets at fair value through profit or loss				
Aggressive Accumulator				
Mutual funds	–	158,122,752	–	158,122,752
Listed equities and mutual funds	3,682,384	–	–	3,682,384
Hedge funds	–	–	68,113	68,113
	3,682,384	158,122,752	68,113	161,873,249

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2018				
Financial assets at fair value through profit or loss				
Conservative Consolidator				
Mutual funds	–	125,808,875	–	125,808,875
Government backed securities	–	–	1,424,568	1,424,568
Listed equities and mutual funds	1,070,522	–	–	1,070,522
Hedge funds	–	–	68,113	68,113
	1,070,522	125,808,875	1,492,681	128,372,078
Capital Secure				
Mutual funds	–	10,704,283	–	10,704,283
Listed equities and mutual funds	9,699	–	–	9,699
	9,699	10,704,283	–	10,713,982
September 30, 2017				
Financial assets at fair value through profit or loss				
Aggressive Accumulator				
Mutual funds	–	144,272,973	–	144,272,973
Listed equities and mutual funds	3,183,061	–	–	3,183,061
Hedge funds	–	–	169,672	169,672
	3,183,061	144,272,973	169,672	147,625,706
Conservative Consolidator				
Mutual funds	–	114,319,779	–	114,319,779
Government backed securities	–	2,804,563	–	2,804,563
Listed equities and mutual funds	934,024	–	–	934,024
Hedge funds	–	–	169,672	169,672
	934,024	117,124,342	169,672	118,228,038
Capital Secure				
Mutual funds	–	10,581,113	–	10,581,113
Listed equities and mutual funds	7,971	–	–	7,971
	7,971	10,581,113	–	10,589,084

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

Investments whose value are based on quoted market prices in active markets, and therefore classified within level 1, include active listed close-ended mutual funds. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These are unlisted mutual funds and listed equity securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include government issued debt. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

The following table presents the transfers between levels for the year ended September 30, 2018 (2017- nil):

	Level 2	Level 3
	\$	\$
September 30, 2018		
Conservative Consolidator		
Financial assets at fair value through profit or loss:		
Government backed securities	<u>(1,424,568)</u>	<u>1,424,568</u>

The following tables present the movement in level 3 instruments by class of financial instrument:

	Hedge funds	Total balance
	\$	\$
September 30, 2018		
Aggressive Accumulator		
Opening balance	169,672	169,672
Sales	(70,684)	(70,684)
Losses recognised in the statement of comprehensive income	<u>(30,875)</u>	<u>(30,875)</u>
Closing balance	<u>68,113</u>	<u>68,113</u>
Change in unrealised losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	<u>(30,875)</u>	<u>(30,875)</u>

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

	Government backed securities \$	Hedge funds \$	Total balance \$
September 30, 2018			
Conservative Consolidator			
Opening balance	–	169,672	169,672
Transfers in	2,804,563	–	2,804,563
Sales	–	(70,684)	(70,684)
Losses recognised in the statement of comprehensive income	(1,379,995)	(30,875)	(1,410,870)
Closing balance	1,424,568	68,113	1,492,681
Change in unrealised losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(1,379,995)	(30,875)	(1,410,870)

	Hedge funds \$	Total balance \$
September 30, 2017		
Aggressive Accumulator		
Opening balance	376,723	376,723
Sales	(167,096)	(167,096)
Gains recognised in the statement of comprehensive income	(39,955)	(39,955)
Closing balance	169,672	169,672
Change in unrealised losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(39,955)	(39,955)

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

	Hedge funds \$	Total balance \$
September 30, 2017		
Conservative Consolidator		
Opening balance	376,723	376,723
Sales	(167,096)	(167,096)
Gains recognised in the statement of comprehensive income	(39,955)	(39,955)
	<u>169,672</u>	<u>169,672</u>
Closing balance	169,672	169,672
Change in unrealised losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(39,955)	(39,955)

The below table provides information about fair value measurements using significant unobservable inputs (level 3).

Description	Fair value at September 30, 2018 \$	Fair value at September 30, 2017 \$	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Aggressive Accumulator					
Hedge funds	68,113	169,672	Third party administrator valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
Conservative Consolidator					
Hedge funds	68,113	169,672	Third party administrator valuation of net asset value per share	Net asset value per share Market yields	The higher the net asset value per share the higher the fair value
Government backed securities	1,424,568	2,804,563	Third party valuation of bond prices	Linear interpolation	The higher the market yield the higher the fair value

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at September 30, 2018 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2018				
Aggressive Accumulator				
Assets				
Accounts receivable	–	1,146,364	–	1,146,364
Cash and cash equivalents	3,107,624	–	–	3,107,624
Total	3,107,624	1,146,364	–	4,253,988
Liabilities				
Redemptions payable	–	1,362,911	–	1,362,911
Accounts payable and accrued expenses	–	145,177	–	145,177
Net assets attributable to holders of redeemable mutual fund shares	–	164,618,370	–	164,618,370
Total	–	166,126,458	–	166,126,548
Conservative Consolidator				
Assets				
Accounts receivable	–	1,212,736	–	1,212,736
Cash and cash equivalents	2,175,206	–	–	2,175,206
Total	2,175,206	1,212,736	–	3,387,942
Liabilities				
Redemptions payable	–	418,954	–	418,954
Accounts payable and accrued expenses	–	86,590	–	86,590
Net assets attributable to holders of redeemable mutual fund shares	–	131,254,279	–	131,254,279
Total	–	131,759,823	–	131,759,823

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

Assets and liabilities not carried at fair value but for which fair value is disclosed...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2018				
Capital Secure				
Assets				
Cash and cash equivalents	387,250	–	–	387,250
Total	387,250	–	–	387,250
Liabilities				
Redemptions payable	–	17,697	–	17,697
Accounts payable and accrued expenses	–	7,313	–	7,313
Net assets attributable to holders of redeemable mutual fund shares	–	11,076,198	–	11,076,198
Total	–	11,101,208	–	11,101,208
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2017				
Aggressive Accumulator				
Assets				
Accounts receivable	–	1,036,446	–	1,036,446
Cash and cash equivalents	2,599,366	–	–	2,599,366
Total	2,599,366	1,036,446	–	3,635,812
Liabilities				
Redemptions payable	–	401,030	–	401,030
Accounts payable and accrued expenses	–	168,925	–	168,925
Net assets attributable to holders of redeemable mutual fund shares	–	150,690,784	–	150,690,784
Total	–	151,260,739	–	151,260,739

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

Assets and liabilities not carried at fair value but for which fair value is disclosed...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2017				
Conservative Consolidator				
Assets				
Loans and receivables	–	–	1,010,731	1,010,731
Accounts receivable	–	1,103,233	–	1,103,233
Cash and cash equivalents	1,779,665	–	–	1,779,665
Total	1,779,665	1,103,233	1,010,731	3,893,629
Liabilities				
Redemptions payable	–	275,043	–	275,043
Accounts payable and accrued expenses	–	104,109	–	104,109
Net assets attributable to holders of redeemable mutual fund shares	–	121,742,318	–	121,742,318
Total	–	122,121,470	–	122,121,470
Capital Secure				
Assets				
Loans and receivables	–	–	252,683	252,683
Cash and cash equivalents	396,300	–	–	396,300
Total	396,300	–	252,683	648,983
Liabilities				
Redemptions payable	–	116,330	–	116,330
Accounts payable and accrued expenses	–	9,593	–	9,593
Net assets attributable to holders of redeemable mutual fund shares	–	11,112,120	–	11,112,120
Total	–	11,238,043	–	11,238,043

The assets and liabilities, except for redeemable mutual fund shares, included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Margin accounts, cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

Assets and liabilities not carried at fair value but for which fair value is disclosed...continued

The puttable value of redeemable shares is calculated based on the net difference between total assets and all other liabilities of the Fund in accordance with the Fund's offering memorandum. These shares are not traded on an active market. A demand feature is attached to these shares, as they are redeemable at the holders' option and can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the share class (note 2g). The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, Level 2 is deemed to be the most appropriate categorisation for net assets attributable to holders of redeemable shares.

5 Financial assets

The classification of the Fund's investments is detailed below:

	Aggressive Accumulator	Conservative Consolidator	Capital Secure
	\$	\$	\$
September 30, 2018			
Financial assets designated at fair value through profit or loss:			
- Mutual funds	158,122,752	125,808,875	10,704,283
- Listed equities and mutual funds	3,682,384	1,070,522	9,699
- Hedge funds	68,113	68,113	-
- Government backed securities	-	1,424,568	-
Total financial assets designated at fair value through profit or loss	161,873,249	128,372,078	10,713,982
Total investments	161,873,249	128,372,078	10,713,982
Net gains recognised in relation to investments:			
- realised gains	72,965	48,687	73,004
- change in unrealised gain	6,971,637	2,674,724	(96,100)
	7,044,602	2,723,411	(23,096)

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

5 Financial assets...continued

	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
September 30, 2017			
Financial assets designated at fair value through profit or loss:			
- Mutual funds	144,272,973	114,319,779	10,581,113
- Listed equities and mutual funds	3,183,061	934,024	7,971
- Hedge funds	169,672	169,672	-
- Government backed securities	-	2,804,563	-
Total financial assets designated at fair value through profit or loss	147,625,706	118,228,038	10,589,084
Loans and receivables	-	1,010,731	252,683
Total investments	147,625,706	119,238,769	10,841,767
Net gains recognised in relation to investments:			
- realised gains	154,720	189,802	127,140
- change in unrealised gain	12,241,651	8,703,744	239,759
	12,396,371	8,893,546	366,899

The detailed portfolio of investments is as follows:

	2018		2017	
	Cost \$	Market value \$	Cost \$	Market value \$
Aggressive Accumulator				
Financial assets at fair value through profit or loss				
Fortress Mutual Fund Limited	82,315,939	119,890,519	78,940,939	109,596,901
Fortress Caribbean High Interest Fund	30,363,594	35,990,953	26,392,004	32,455,861
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)	3,737,684	2,795,629	3,737,684	2,516,066
Fortress OAM Overseas Fund Limited	1,373,278	1,625,911	1,373,278	1,615,952
Eppley Cbean Property Fund Development Fund (formerly Fortress Cbean Property Fund- Development Fund)	1,644,893	642,610	1,644,892	419,093
Fortress Emerging Markets Fund	253,375	341,361	253,375	330,152
Fortress Global Opportunity Wealth Fund	253,460	274,008	253,460	274,107
Praetorian Property Mutual Fund Limited	320,215	174,595	320,215	173,952
Massy Holdings Ltd	95,100	69,550	95,100	73,950
OAM Debt Recovery Fund	37,349	68,113	108,033	169,672
	120,394,887	161,873,249	113,118,980	147,625,706

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

5 Financial assets...continued

	2018		2017	
	Cost \$	Market value \$	Cost \$	Market value \$
Conservative Consolidator				
Financial assets at fair value through profit or loss:				
Fortress Mutual Fund Limited	57,327,516	77,021,419	56,182,516	71,390,305
Fortress Caribbean High Interest Fund	41,916,833	47,088,160	35,521,833	41,247,927
Fortress OAM Overseas Fund Limited	915,508	1,083,927	915,508	1,077,288
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)	1,161,460	929,976	1,161,460	836,978
Government of Barbados	2,590,000	1,424,568	2,590,000	2,804,563
Fortress Emerging Markets Fund	253,375	341,361	253,375	330,152
Fortress Global Opportunity Wealth Fund	253,460	274,008	253,460	274,107
Eppley Cbean Property Fund Development Fund (formerly Fortress Cbean Property Fund- Development Fund)	313,755	124,899	313,755	81,456
OAM Debt Recovery Fund	37,349	68,113	108,033	169,672
Praetorian Property Mutual Fund Limited	28,854	15,647	28,854	15,590
	104,798,110	128,372,078	97,328,794	118,228,038
Loans and receivables				
Simpson Finance Bond	–	–	1,000,000	1,010,731
	104,798,110	128,372,078	98,328,794	119,238,769
Capital Secure				
Financial assets at fair value through profit or loss				
Fortress Caribbean High Interest Fund	8,421,614	9,373,911	8,200,615	9,328,872
Fortress Mutual Fund Limited	1,023,278	1,330,372	1,023,278	1,252,241
Eppley Cbean Property Fund- Value Fund (formerly Fortress Cbean Property Fund- Value Fund)	10,434	6,643	10,434	5,978
Eppley Cbean Property Fund Development Fund (formerly Fortress Cbean Property Fund- Development Fund)	7,896	3,056	7,896	1,993
	9,463,222	10,713,982	9,242,223	10,589,084
Loans and receivables				
Simpson Finance Bond	–	–	250,000	252,683
	9,463,222	10,713,982	9,492,223	10,841,767

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

5 Financial assets...continued

The Fortress Mutual Fund Limited aims to achieve long term capital appreciation from Caribbean securities. The fund's assets are invested mainly in shares of companies listed on the Caribbean stock exchanges.

The Fortress Caribbean High Interest Fund Limited aims to achieve the highest level of income compatible with the preservation of capital by investing in medium to high grade debt and equity securities issued by corporate and government entities with a short to medium term maturity profile principally in the Caribbean Region.

The Fortress OAM Overseas Fund Limited aims through its investments in OAM Asian Recovery Fund and OAM European Value Fund, to offer investors long-term capital appreciation through the application of a bottom-up value-based investment approach.

The objective of Fortress Emerging Markets Fund SP is long term growth with limited risk in emerging markets equities.

The objective of Fortress Global Opportunity Wealth Fund SP is long term appreciation. The fund combines investments in Fortress US Equity Fund SP, Fortress International Equity Fund SP, Fortress Income Builder US Fund SP, Fortress Income Builder International Fund SP, Fortress Emerging Markets Fund SP, direct holding in global government fixed income securities and allocations to select specialist managers in fixed income, equity and alternatives assets classes.

6 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Fortress Fund Managers Limited serves as manager, registrar and administrator of the Fund. As a result of providing investment advisory, management, registrar and administrator services, Fortress Fund Managers Limited receives a monthly management fee based on the actual net asset value of the Fund, calculated monthly and payable in arrears, at the rate of 0.50% per annum. The Fund invests in mutual funds managed by the same manager. The management fee amounted to \$1,478,179 (2017 - \$1,330,186) for the year. The administrator fees amounted to \$88,690 (2017- \$79,811) for the year.

Management fees of \$2,844,148 (2017 - \$2,571,285) were refunded by Fortress Fund Managers Limited being 0.50% - 1.25% of the net asset values of Fortress Mutual Fund Limited, Fortress Caribbean Property Fund SCC Limited, Fortress OAM Overseas Management Fund Limited and Fortress Caribbean High Interest Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

Management fees of \$10,610 (2017- \$11,224) were refunded by Fortress Fund Advisory Limited (a subsidiary of Fortress Fund Managers Limited) being 1% of the net asset values of Fortress Emerging Markets Fund and

Fortress Global Opportunity Wealth Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2018

(expressed in Barbados dollars)

6 Related parties...continued

The Fund holds 32,503,002 (2017- 31,743,502) shares valued at \$198,242,310 (2017- \$182,239,447) in the Fortress Mutual Fund Limited.

The Fund holds 47,702,917 (2017- 42,363,602) shares valued at \$92,453,024 (2017- \$83,032,660) in the Fortress Caribbean High Interest Fund Limited.

The Fund holds 1,112,087 (2017- 1,112,087) shares valued at \$2,709,838 (2017- \$2,693,240) in the Fortress OAM Overseas Fund Limited.

The Fund holds 2,856 (2017- 2,856) shares valued at \$682,722 (2017- \$660,304) in the Fortress Emerging Markets Fund Limited.

The Fund holds 2,421 (2017- 2,421) shares valued at \$58,016 (2017- \$548,214) in the Fortress Global Opportunity Wealth Fund Limited.

Directors fees of \$22,000 (2017- \$20,000) were paid during the year.

7 Redeemable mutual fund shares

Each class of Fund shares is entitled to share in the net income and net capital gains of the Fund. Fund shareholders shall not be entitled to vote at meetings of shareholders of the Fund save and except as permitted under the Companies Act CAP 308 and of the following:

- i) Disposal of substantially all of the Assets of the Fund, other than the course of ordinary business.
- ii) Any change or abrogation of the rights attached to the shares or any variation affecting the rights attached to the Fund shares.
- iii) Any proposed amalgamation of the Fund with another company or any amalgamation of the Fund with another Mutual Fund.
- iv) Any proposed liquidation or dissolution of the Fund.

8 Share capital

The 1,000 common shares held by the Fund Manager, carry full voting rights, but do not share in the profits of the Fund. On winding up of the Fund, the shares will be repaid at issue value.



FORTRESS FUND MANAGERS LIMITED
FIRST FLOOR, CARLISLE HOUSE, HINCKS STREET, BRIDGETOWN, BB11144, BARBADOS
TEL: (246) 431-2198 FAX: (246) 431-0514 • invest@fortressfund.com • www.fortressfund.com