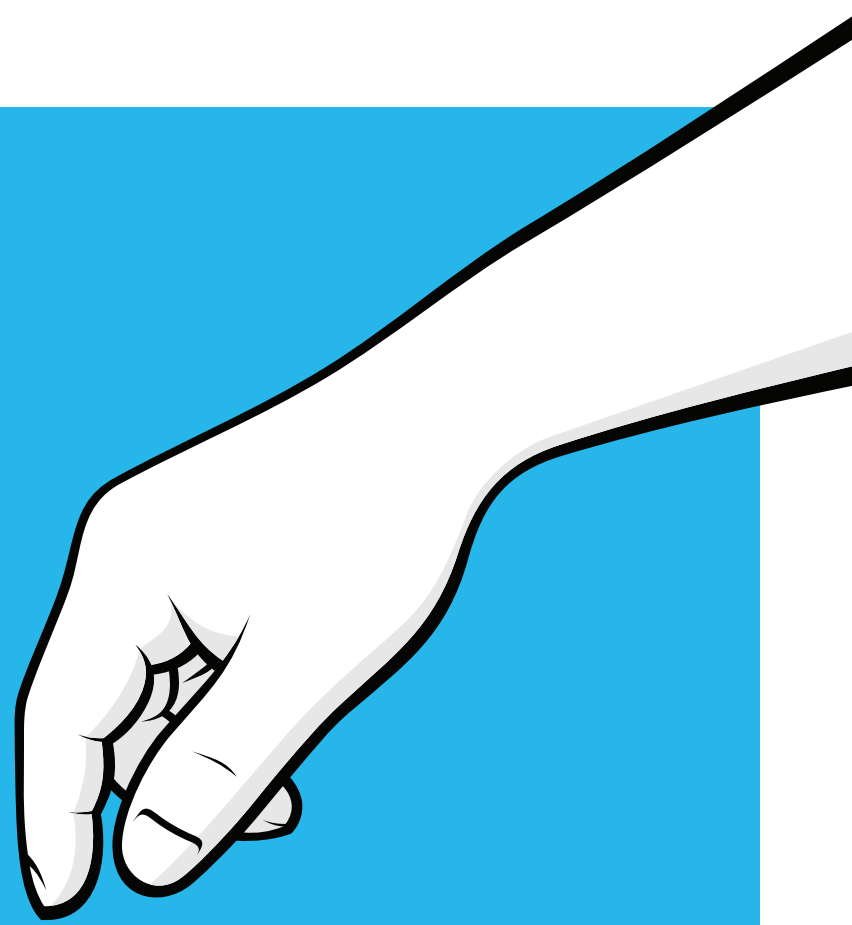


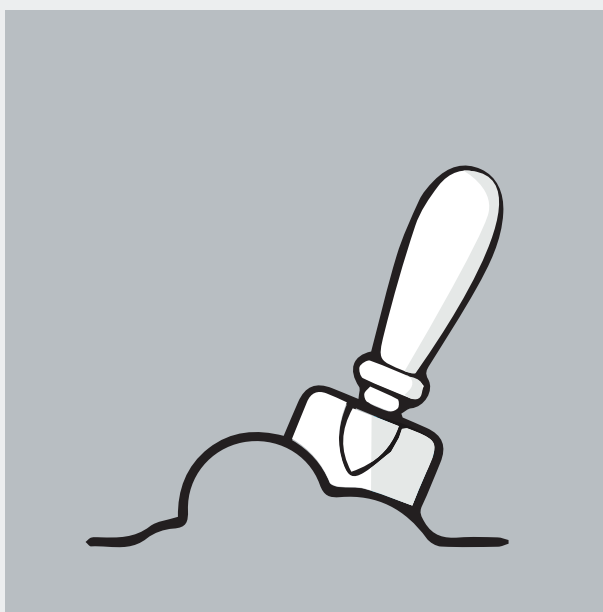
Fortress  
**Global Funds SPC**

**Fund the Future.**



ANNUAL  
REPORT  
**2018**

 **Fortress**  
FUND MANAGERS

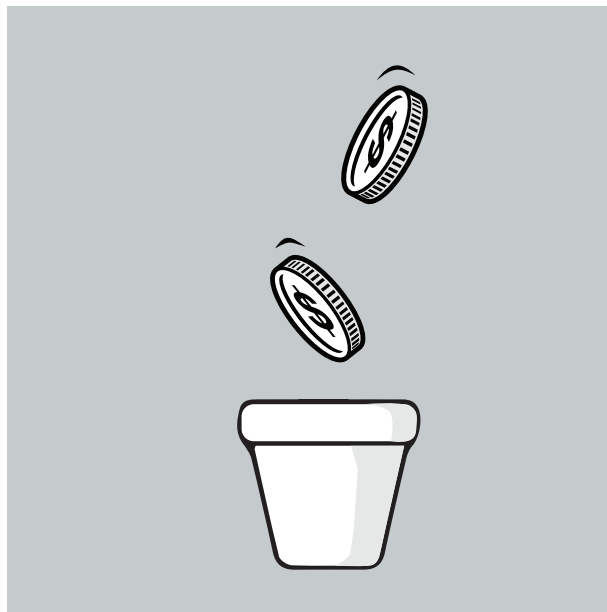


Fortress Fund Managers is a Barbados-based investment manager. We have been providing top-ranked returns, open communication and accessible service to our clients since 1996.

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](mailto:invest@fortressfund.com)  
[www.fortressfund.com](http://www.fortressfund.com)



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Fortress Global Funds SPC

# Investment Objectives & Fund Details

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The overall investment objective of the Fund is long term capital appreciation. Each of the sub-funds pursues a discrete investment policy and strategy consistent with its particular objectives. These include funds investing for growth in a specific area of the global equity markets (i.e. U.S., international or emerging markets), bond-alternative funds with a targeted return objective, a conservative fixed income fund, and a “whole portfolio” fund with a mix of growth and income/security assets.

The funds do not pay dividends - investors receive their entire return, including interest, dividends and capital gains, via the funds’ increase in Net Asset Value.

All dollar amounts are in U.S. dollars unless noted otherwise.

|                            |  |
|----------------------------|--|
| <b>FUND NAME:</b>          | Fortress Global Funds SPC Inc.   |
| <b>SUB-FUNDS:</b>          | Fortress Fixed Income Fund SP<br>Fortress Global Opportunity Wealth Fund SP<br>Fortress US Equity Fund SP<br>Fortress International Equity Fund SP<br>Fortress Emerging Markets Fund SP<br>Fortress Income Builder US Fund SP<br>Fortress Income Builder International Fund SP |
| <b>NAV CURRENCY:</b>       | USD  |
| <b>LAUNCH PRICE:</b>       | \$100 per share  |
| <b>DEALING/NAV DATES:</b>  | 15th and end of each month   |
| <b>MINIMUM INVESTMENT:</b> | \$100,000 initial<br>\$10,000 subsequent   |
| <b>NAV QUOTATIONS:</b>     | Internet: <a href="http://www.fortressfund.com">www.fortressfund.com</a><br>Bloomberg: FORFIFA KY<br>FORTGOW KY<br>FORUEFA KY<br>FORIEFA KY<br>FORTEMA KY<br>FORIBUA KY<br>FORIBIA KY  |

Please see the applicable fund Quarterly Report, Fact Sheet or Offering Supplement for details of features and expenses unique to each fund. Available at [www.fortressfund.com](http://www.fortressfund.com).

# Directors & Administrators

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## **FORTRESS FUND MANAGERS DIRECTORS**

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

## **FUND DIRECTORS**

C. David Bynoe  
Roger Cave  
John Howard

## **REGISTERED OFFICE**

c/o Estera Trust (Cayman) Ltd.  
Clifton House, 75 Fort Street  
George Town, Grand Cayman  
Cayman Islands, KY1-1108

## **INVESTMENT MANAGER**

Fortress Fund Advisors Limited  
c/o Grant Thornton  
Point Seraphine Castries  
St. Lucia

## **ADMINISTRATOR**

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

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

## **PRIMARY CUSTODIAN**

Morgan Stanley Smith Barney LLC  
1585 Broadway Avenue  
New York, NY 10036  
USA

## **INDEPENDENT AUDITORS**

Ernst & Young Ltd.  
62 Forum Lane  
Camana Bay  
P.O. Box 510, Grand Cayman

## **LEGAL ADVISORS**

Appleby (Cayman) Ltd.  
Clifton House, 75 Fort Street  
PO Box 190, Grand Cayman  
Cayman Islands, KY1-1104

Fortress Global Funds SPC Inc. is an exempted segregated portfolio company incorporated with limited liability under the Companies Law of the Cayman Islands. It is an umbrella fund offering a range of sub-funds ("segregated portfolios"), each one of which has its own assets and liabilities, and pursues its own, independent mandate and investment objective.

Important information about the Fund is contained in its offering memorandum, and in the supplements for each specific segregated portfolio, all of which are available at [www.fortressfund.com](http://www.fortressfund.com). We encourage you to read the relevant documents before making an investment. Each of the funds referenced here is offered only to qualified investors. This does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. **The Fund may not be sold to U.S. persons.**

# Fund Net Asset Values

As of September 30, 2018:

| Fund  | Net Asset Value per Share (NAV) | Fund Net Assets | Bloomberg Ticker |
|---|---------------------------------|-----------------|------------------|
| Fortress Fixed Income Fund SP                 | \$ 99.2358                      | \$17,337,730    | FORFIFA KY       |
| Fortress Global Opportunity Wealth Fund SP    | \$113.1743                      | \$4,668,222     | FORTGOW KY       |
| Fortress US Equity Fund SP                    | \$149.2755                      | \$11,896,921    | FORUEFA KY       |
| Fortress International Equity Fund SP         | \$126.9569                      | \$28,477,163    | FORIEFA KY       |
| Fortress Emerging Markets Fund SP             | \$119.5099                      | \$31,221,061    | FORTEMA KY       |
| Fortress Income Builder US Fund SP            | \$116.8119                      | \$15,649,219    | FORIBUA KY       |
| Fortress Income Builder International Fund SP | \$105.2820                      | \$20,820,871    | FORIBIA KY       |

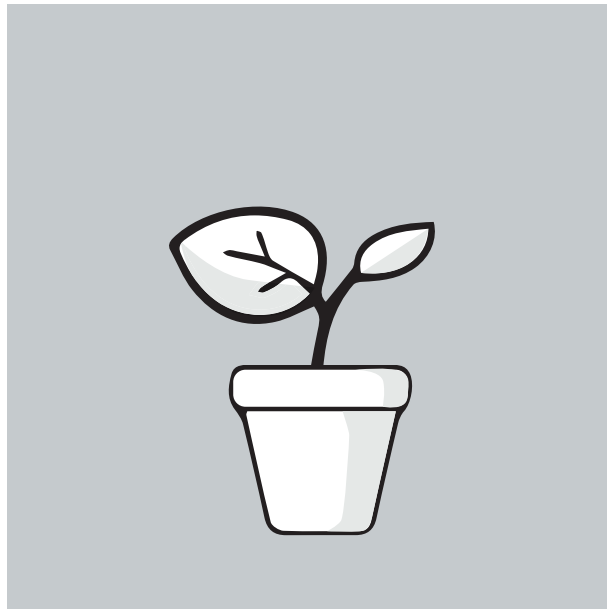
# Investment Performance

Net Asset Value and Return Summary to September 30, 2018:

| Fund  | Sep. 30, 2017 NAV | Sep. 30, 2018 NAV | One Year Return | Return Since Inception* |
|---|-------------------|-------------------|-----------------|-------------------------|
| Fortress Fixed Income Fund SP                 | -                 | \$ 99.2358        | -0.8%           | -0.8%                   |
| Fortress Global Opportunity Wealth Fund SP    | \$113.2152        | \$113.1743        | -0.0%           | +2.4%                   |
| Fortress US Equity Fund SP                    | \$138.0342        | \$149.2755        | +8.1%           | +11.3%                  |
| Fortress International Equity Fund SP         | \$131.3617        | \$126.9569        | -3.4%           | +5.2%                   |
| Fortress Emerging Markets Fund SP             | \$115.5856        | \$119.5099        | +3.4%           | +3.3%                   |
| Fortress Income Builder US Fund SP            | \$113.0996        | \$116.8119        | +3.3%           | +4.9%                   |
| Fortress Income Builder International Fund SP | \$111.7094        | \$105.2820        | -5.8%           | +2.6%                   |

\*Periods longer than one year are annual compound returns. Fortress Fixed Income Fund inception date October 2, 2017.

Quarterly reports for the funds, including current positioning and long term performance since inception of the underlying strategies, are available at [www.fortressfund.com](http://www.fortressfund.com).



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## Directors' Report

“ Total net assets in the funds increased from \$91.0 million to \$130.1 million... ”



## Directors' Report

*Investment Director Roger Cave*

The year ended September 30, 2018 was mixed for the Fortress Global Funds as markets adjusted to higher interest rates and responded to increased trade tensions against a backdrop of generally positive company fundamentals. We saw gains in U.S. and emerging equities, and declines in fixed income and international equities. The Fortress funds outperformed their benchmarks in emerging equities and in fixed income and lagged in U.S. and international equities as growth shares continued to outperform value. Total net assets across the funds increased from \$91.0 million to \$130.1 million during the year due to investment returns and net new subscriptions.

Each fund pursues its own, independent mandate and investment objective. The goal in all cases is to provide investors with easy access to effective and durable investment processes at reasonable cost. The range of funds allows investors to choose an investment that suits their specific needs and investment focus. The range includes:

- Funds with a focus on a particular area of the global equity markets (i.e. U.S., international or emerging markets)
- A bond-alternative fund with a targeted return objective
- A conservative fixed income fund, and
- A fund with a balanced approach between the asset classes of equities and fixed income.

For a detailed listing of each portfolio's holdings, please see the accompanying financial statements, or view the periodically updated holdings information in Bloomberg. Additional investment commentary is also contained in the quarterly investor letters and reports available at [www.fortressfund.com](http://www.fortressfund.com).

### MARKET ENVIRONMENT

The year ended September 30, 2018 saw a return of the volatility which had been absent through much of the previous year. Equity markets reached an interim peak in late January and sold off sharply in February. U.S. equities recovered through the remainder of the year but developed international and emerging markets generally drifted lower on a combination of lacklustre share prices and weaker currencies as the rhetoric around international trade heated up. Strength in U.S. equities continued to be led by a relatively small subset of growth companies while the rest of the market had much more mixed performance.

We believe volatility in equity markets this year can be interpreted largely as an inevitable adjustment to higher interest rates. In the years since the 2008/2009 financial crisis bouts of market weakness were typically met with lower bond yields as investors understood that the U.S. Federal Reserve (Fed) would become more accommodative in response. But this has changed, at least for now. The Fed raised its target rate four times during the year, a total of 1%, to finish at 2.00-2.25% and



continued a gradual unwinding of its quantitative easing positions. This programme remained steady even in the face of stock market weakness. While rates are indeed rising, it's important to remember they are still low by historic standards and continue to provide support for asset prices.

Under the surface of the year's ups and downs, company earnings growth generally remained positive. In the U.S. tax cuts boosted already healthy earnings and outweighed the negative effect of tariffs on some industries. Outside the U.S., earnings growth also remained respectable in Europe, Japan and much of the emerging world. We continued to be drawn to shares in international and emerging markets where valuations in many cases remain at bargain levels.

Portfolio valuations for all the Fortress Global Funds are significantly better than benchmark indexes, with higher long-term expected returns for the future to match. We continue to select investments systematically based on clear, disciplined value criteria and focus on achieving long term returns while limiting risk.

More commentary by fund may be found below, with additional detail available in our quarterly letters and reports for each fund.

## FUND PERFORMANCE AND POSITIONING

**Secure Funds:** *Generate consistent returns and protect principal over the medium-term*

### Fortress Fixed Income Fund

The Fund declined 0.8% for the year ended September 30, 2018 from its inception on October 2, 2017, outperforming its benchmark as bond prices fell in response to rising interest rates. The Fund's objective is to provide a consistent return and protection of principal by investing in a diversified portfolio of high-quality government and corporate bonds. Its recent emphasis on medium-term holdings helped it preserve

value relatively well during the year even as the yield curve flattened.

The portfolio is structured to absorb a range of risks, including those from credit, inflation and interest rate changes. Corporate bonds make up approximately 66% of the portfolio while governments, mostly U.S. treasuries, constitute the balance. There is a small position in inflation-protected securities whose principal and interest payments are linked to inflation, and a larger allocation to floating rate notes (FRNs). FRNs allow us to assume and earn compensation for medium-term credit risk while limiting interest rate risk. The average credit rating of the Fund's portfolio is "A", reflecting its generally high quality.

We expect the Fed to continue raising its target rate towards 3% in the coming months which will likely be a headwind for bond returns. The headwind is abating, though, as yields rise and the running yield of the portfolio increases. The average term to maturity of the portfolio is currently 5.3 years and the gross average yield to maturity is 3.5%. This is a good estimate of the medium-term return potential as interest rates stabilise.

**Targeted Return Funds:** *Targeted return of 8% per year with bond-like risk*

### Fortress Income Builder US Fund

The Fund gained 3.3% for the year ended September 30, 2018, below its objective but still favourable compared to bonds which had a negative return for the year. The Fund's objective is to target an 8% per year return with only bond-like volatility. It provides an alternative to bonds by investing in a portfolio of high-quality U.S. stocks with put and call options around the portfolio to limit risk and generate income.

After significant volatility in February, U.S. equities had a strong year. Information technology shares led the way while much of the rest of the market saw muted

gains or even declines. The Fund's holdings in top tier retailers performed well as they recovered from the "sale" prices of this time last year, and our positions in healthcare also showed solid returns. Financials lagged during the year even as their underlying fundamentals remained excellent and improved. We see especially good return potential with limited risk from this area based on consistent earnings and reasonable valuations. Once again this year the portfolio's hedges using index options, which typically reduce market risk and contribute incrementally toward the targeted return, were a drag on performance. This was due to the relatively wide gap between the Fund's value-oriented equity portfolio performance and that of the index.

The portfolio's holdings are currently focused in the consumer discretionary and financial sectors, with smaller weights in other areas. The average Price/Earnings ratio is 12x, which equates to an earnings yield of 8.5%. This is approximately 10% cheaper than last year, suggesting a greater expected return going forward. The average dividend yield is 2.6%. Hedges are currently focused on call option sales at the money with moderate positions in index put options. Cash in the Fund is 8%, slightly higher than normal. As always, the Fund's holdings are made up of companies that are generating consistent, high quality earnings and whose shares are trading at reasonable valuations.

#### **Fortress Income Builder International Fund**

The Fund declined 5.8% for the year ended September 30, 2018, below its objective and a larger decline than that experienced by bonds. Weakness in international stock markets and some global currencies left few areas with positive returns in U.S. dollar terms. As with the Income Builder US Fund, this Fund's objective is to target an 8% per year return with only bond-like volatility. It provides an alternative to bonds by investing in a portfolio of

high-quality non-U.S. stocks with put and call options around the portfolio to limit risk and generate income.

By selecting only stocks from outside the U.S., the Fund builds a portfolio with holdings from around Europe, the Asia-Pacific region, Canada and South America. This brings a broad opportunity set where we can search for companies with consistent earnings, responsible balance sheets and whose shares are trading at attractive valuations – as well as provide long-term currency diversification. During the year the Fund's holdings in the financial and industrial sector performed relatively well with gains in Old Mutual, Marubeni and Securitas. There was weakness in most other areas, including among European shares in the automobile sector where previously consistent earnings growth has faltered. In most areas though, underlying fundamentals remained enviable and share price declines only made valuations more attractive. Implied volatility on options spent much of the year at levels below the actual volatility experienced by the market and this led the Fund's hedging activity to be a drag on performance during the year.

The portfolio's holdings are currently weighted heaviest in consumer discretionary and financial sectors, where from a bottom-up perspective we are still finding the best combination of operating characteristics and reasonable prices. The portfolio has an average Price/Earnings ratio now of less than 9x, which equates to an earnings yield of 11.7%. This is approximately 10% cheaper than this time last year, suggesting a greater expected return going forward. The average dividend yield on the portfolio is 4.3%. Approximately 49% of the holdings are currently in Europe, with 26% in Japan and 3% in emerging markets. We still see significant return potential from a portfolio of this quality trading at such a discounted valuation.

**Long-Term Growth Funds:** *Long-term growth with limited risk in global large-cap equities*

#### **Fortress International Equity Fund**

The Fund declined 3.4% for the year ended September 30, 2018, lagging its benchmark as stocks outside the U.S. came under pressure following increased global trade tensions. The portfolio is constructed bottom-up, guided entirely by where the best value can be found at current prices. The Fund typically has positions, sector weights and geographic exposures that are substantially different from those of the broad market indexes. During the year, most areas declined in value as shares and currencies both weakened following the substantial gains seen in 2017.

While the year started with a growing expectation of "synchronized" economic growth around the world, it faded mid-year into concerns around trade tensions that would have the U.S. continuing to grow while other countries suffered. Thankfully, from a bottom-up, company by company basis we saw little evidence of this occurring. While we enjoyed some gains from holdings like Ashtead, Marubeni and KDDI, the bulk of the Fund's positions declined in value during the year. Declines in the U.K. and Japan in particular have made them more attractive and we have gradually added positions there.

The portfolio's holdings are currently focused in the consumer discretionary, industrial and financial sectors. The average Price/Earnings ratio is now 8x – attractive in absolute terms and a significant discount to the broad market's 12x. Both are significantly cheaper than this time last year as earnings continued to grow while share prices were little changed, on average. The portfolio's dividend yield is 4.6%. It remains diversified among holdings in Europe (42%), Japan (36%) and emerging markets (8%). While we still see potential risks to global markets coming from fully valued and possibly vulnerable U.S. stocks, and rising interest rates, we also

still see tremendous long-term return potential from the Fund's portfolio of reasonably valued shares outside the U.S.

#### **Fortress Emerging Markets Fund**

The Fund returned 3.4% for the year ended September 30, 2018 ahead of its benchmark which showed a small loss. The portfolio is constructed bottom-up, guided entirely by where the best value can be found. The Fund typically has positions, sector weights and geographic exposures that are quite different from those of the broad market indexes.

Emerging markets had a strong start to the year but after February's correction did not see a meaningful recovery. Increased trade tensions weighed on emerging markets and currencies, especially in areas connected to China – although most regions felt the headwinds. Under the surface we continued to note steady and in many cases surprisingly resilient (and growing) fundamentals from companies whose share prices had fallen 20% or more from the January peak. During the year the Fund benefited from holdings in Russian energy companies which saw outsized gains as oil prices recovered, and from pockets of strength in Hong Kong listed shares of China Railway and Shimao Property. Most sectors were mixed or lower, though, in line with the overall market trend.

The portfolio's holdings are currently focused in financials and to a lesser extent utilities, energy and consumer discretionary sectors. The average Price/Earnings ratio of 7x is a wide discount to the market's 10x, both of which are more than 10% cheaper than this time last year suggesting even higher expected returns today. The portfolio has an average dividend yield of 4.6%. Geographically, Hong Kong and China together account for 43% of the portfolio, with weight also in South Africa (9%), Russia (14%), South Korea (11%) and Brazil (12%).

As we noted last year, emerging markets equity is a volatile asset class: one year's gains can easily be followed by losses in the next, and vice-versa. We believe it is important to appreciate the ever-present potential for volatility. At the same time, the asset class increasingly contains shares of companies with robust, global operations, and a wider array of companies from which to build a portfolio. We continue to believe that the value available in certain parts of the emerging universe is substantial and that the return expectations for the Fund's portfolio of value-oriented holdings is well above average.

**Whole Portfolio Funds:** *Long-term wealth preservation and growth for the whole portfolio*

#### **Fortress Global Opportunity Wealth Fund**

The Fund was unchanged for the year ended September 30, 2018 as U.S. and emerging equities posted gains while most other assets classes declined. It lagged its blended benchmark return during the year due to underperformance in U.S. equities where the value vs growth trend continued to favour the more highly valued, and in our view far less attractive, areas of the market.

This Fund offers investors a balanced option for wealth preservation and growth, with an allocation of approximately 60% to "growth assets" and 40% to "income and security assets". The bulk of the Fund's investments are via the other Fortress Global Funds. These funds account for approximately 60% of the fund's portfolio, with the remainder allocated to specialist managers, and to direct investments in high quality fixed income securities. Fortress Fund Advisors rebates the management fees applicable to other Fortress funds so that the Fund does not incur two layers of fees from these allocations. During the year, the Fortress Fixed Income Fund and Fortress Emerging Markets Fund outperformed their benchmarks while the Fortress International Equity Fund and Fortress

US Equity Fund underperformed. With the U.S. the strongest performing stock market, our underweight there in favour of international and emerging subtracted from relative returns.

We use the Fortress targeted return funds as alternatives to both pure equity and fixed income exposure. Together these two targeted return funds make up approximately 20% of the Fund and over time help limit volatility relative to stocks and add incremental return relative to bonds. During the year, the Income Builder US Fund gained 3.3% while the Income Builder International Fund declined 5.8%. This average return of -1.2% was clearly below the 8% target for these allocations, but it was in line with the U.S. bond index return for the year.

We continue to favour international and emerging for the Fund's equity allocations because of the superior value to be found there relative to areas in the U.S. In the Fortress Fixed Income Fund we continue to keep the duration of bond investments relatively short so that rising interest rates will not have an outsized impact on the overall portfolio. Overall the fund is positioned to benefit from advancing prices in the areas where we see the greatest value, and is still conservatively positioned enough to add significantly to market exposure in either stocks or bonds on market weakness.

#### **OVERALL OUTLOOK**

For all the volatility of the last year, little has changed in the outlook. Interest rates are somewhat higher but most of the world's financial assets are still priced for lower than average future returns. With U.S. stocks trading at full multiples of unusually high profits, we still see a headwind from mean reversion there. Compelling valuations continue to draw us to select international and emerging markets shares, just as they have done for the last few years. Behind the noisy headlines we continue to see companies in these areas deliver on operational results while their shares can still be bought at great prices.

As interest rates rise so do risks to all assets. The good old days are over, where rates could stay low while fundamentals kept getting better. Now, better fundamentals – especially in the U.S. – will likely be met with higher rates, keeping a lid on the valuations investors will pay, and leading to more volatility. Higher interest rates are offering investors a more and more viable alternative for their savings, and we think valuations are poised to resume their role as a primary consideration for equity investors after an absence of many years. We expect a period of greater discernment is coming our way and the value-oriented Fortress portfolios should benefit from it.

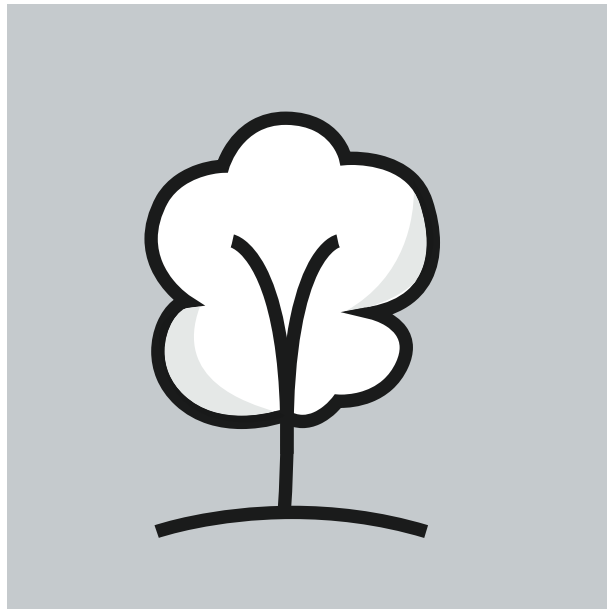
Thank you very much for investing with us.



Roger Cave, CA, CFA  
Investment Director



Peter Arender, CFA  
Chief Investment Officer



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## Financial Statements



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Camana Bay  
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Grand Cayman KY1-1106  
CAYMAN ISLANDS

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Fax: +1 345 949 8529  
ey.com

## Independent Auditors' Report

The Board of Directors  
Fortress Global Funds SPC Inc.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Fortress Global Funds SPC Inc., comprising of segregated portfolios namely 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, Fortress Global Opportunity Wealth Fund SP and Fortress Fixed Income Fund SP (each segregated portfolio referred to as the "Fund") which comprise the statement of financial position as at September 30, 2018, and the statement of changes in equity, statement of comprehensive income and statement of cash flows for the year then ended, and 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 September 30, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### 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 *Auditors' 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.

#### Other Information

The other information obtained at the date of the auditors' report are the Investment Objectives & Fund Details, Directors & Administrators, Fund Net Asset Values, Investment Performance and Directors' Report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

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 auditors' 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 auditors' 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 auditors' 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 the Board of Directors 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.

*Ernst + Young Ltd.*

December 17, 2018

# Fortress Global Funds SPC Inc.

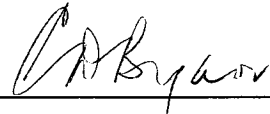
Statement of Financial Position  
As at September 30, 2018

(expressed in United States dollars)

|   | September 30, 2018                     |   |   |  |  |  |  |
|---|--|---|---|--|--|--|--|
|   | Fortress US<br>Equity Fund<br>SP<br>\$ | Fortress<br>International<br>Equity Fund SP<br>\$ | Fortress Income<br>Builder US Fund SP<br>\$ | Fortress Income<br>Builder<br>International Fund<br>SP<br>\$ | Fortress Emerging<br>Markets Fund SP<br>\$ | Fortress Global<br>Opportunity<br>Wealth Fund SP<br>\$ | Fortress Fixed<br>Income Fund SP<br>\$ |
| <b>Assets</b>   |  |   |   |  |  |  |  |
| Cash and cash equivalents (note 6)  | 1,200,879                              | 1,852,520   | 1,183,976                                   | 2,070,157  | 2,532,207                                  | 342,856  | 382,234                                |
| Due from broker   | 261,894                                | 1,042,518   | –   | 859,459  | 796,349                                    | –  | –                                      |
| Accounts receivable   | 12,303                                 | 172,982   | 17,026                                      | 68,105   | 64,759                                     | –  | –                                      |
| Financial assets at fair value through<br>profit or loss (note 5)                           | 10,805,724                             | 26,287,223  | 14,582,642                                  | 18,522,402   | 28,791,619                                 | 4,325,893  | 16,957,465                             |
| <b>Total assets</b>   | <b>12,280,800</b>                      | <b>29,355,243</b>                                 | <b>15,783,644</b>                           | <b>21,520,123</b>  | <b>32,184,934</b>                          | <b>4,668,749</b>                                       | <b>17,339,699</b>                      |
| <b>Liabilities</b>  |  |   |   |  |  |  |  |
| Financial liabilities at fair value through<br>profit or loss (note 5)                      | –                                      | –   | 132,640                                     | 72,000   | –  | –  | –                                      |
| Due to broker   | 382,107                                | 871,459   | –   | 622,618  | 957,060                                    | –  | –                                      |
| Accounts payable and accrued expenses   | 1,772                                  | 6,621   | 1,785                                       | 4,634  | 6,813                                      | 527  | 1,969                                  |
| <b>Total liabilities</b>  | <b>383,879</b>                         | <b>878,080</b>                                    | <b>134,425</b>                              | <b>699,252</b>   | <b>963,873</b>                             | <b>527</b>   | <b>1,969</b>                           |
| <b>Equity</b>   |  |   |   |  |  |  |  |
| <b>Net assets attributable to holders of<br/>redeemable mutual fund<br/>shares (note 8)</b> | <b>11,896,921</b>                      | <b>28,477,163</b>                                 | <b>15,649,219</b>                           | <b>20,820,871</b>  | <b>31,221,061</b>                          | <b>4,668,222</b>                                       | <b>17,337,730</b>                      |
| <b>Total liabilities and equity</b>   | <b>12,280,800</b>                      | <b>29,355,243</b>                                 | <b>15,783,644</b>                           | <b>21,520,123</b>  | <b>32,184,934</b>                          | <b>4,668,749</b>                                       | <b>17,339,699</b>                      |
| <b>Net asset value per share</b>  | <b>149.2755</b>                        | <b>126.9569</b>                                   | <b>116.8119</b>                             | <b>105.2820</b>  | <b>119.5099</b>                            | <b>113.1743</b>  | <b>99.2358</b>                         |

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

Approved by the Board of Directors on December 14, 2018

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# Fortress Global Funds SPC Inc.

Statement of Financial Position...continued

As at September 30, 2018

(expressed in United States dollars)

|   | September 30, 2017                     |   |   |   |  |  |
|---|--|---|---|---|--|--|
|   | Fortress US<br>Equity Fund<br>SP<br>\$ | Fortress<br>International<br>Equity Fund SP<br>\$ | Fortress Income<br>Builder US Fund SP<br>\$ | Fortress Income<br>Builder International<br>Fund SP<br>\$ | Fortress Emerging<br>Markets Fund SP<br>\$ | Fortress Global<br>Opportunity<br>Wealth Fund SP<br>\$ |
| <b>Assets</b>   |  |   |   |   |  |  |
| Cash and cash equivalents (note 6)  | 1,273,305                              | 1,312,839   | 975,942                                     | 1,278,167   | 3,071,262                                  | 697,093  |
| Accounts receivable   | 4,940                                  | 194,254   | 20,092                                      | 67,071  | 13,651                                     | -  |
| Financial assets at fair value through<br>profit or loss (note 5)                           | 5,682,556                              | 19,566,418  | 14,473,328                                  | 20,688,774  | 19,145,372                                 | 3,359,577  |
| <b>Total assets</b>   | <b>6,960,801</b>                       | <b>21,073,511</b>                                 | <b>15,469,362</b>                           | <b>22,034,012</b>   | <b>22,230,285</b>                          | <b>4,056,670</b>                                       |
| <b>Liabilities</b>  |  |   |   |   |  |  |
| Financial liabilities at fair value through<br>profit or loss (note 5)                      | -                                      | -   | 247,520                                     | 450,000   | -  | -  |
| Accounts payable and accrued expenses   | 177                                    | 534   | 393   | 552   | 564  | 113,160  |
| <b>Total liabilities</b>  | <b>177</b>                             | <b>534</b>  | <b>247,913</b>                              | <b>450,552</b>  | <b>564</b>                                 | <b>113,160</b>   |
| <b>Equity</b>   |  |   |   |   |  |  |
| <b>Net assets attributable to holders of<br/>redeemable mutual fund<br/>shares</b> (note 8) | 6,960,624                              | 21,072,977  | 15,221,449                                  | 21,583,460  | 22,229,721                                 | 3,943,510  |
| <b>Total liabilities and equity</b>   | <b>6,960,801</b>                       | <b>21,073,511</b>                                 | <b>15,469,362</b>                           | <b>22,034,012</b>   | <b>22,230,285</b>                          | <b>4,056,670</b>                                       |
| <b>Net asset value per share</b>  | <b>138.0342</b>                        | <b>131.3617</b>                                   | <b>113.0996</b>                             | <b>111.7094</b>   | <b>115.5856</b>                            | <b>113.2152</b>  |

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

# Fortress Global Funds SPC Inc.

## Statement of Changes in Equity For the year ended September 30, 2018

(expressed in United States dollars)

|  | Net assets attributable to holders of redeemable mutual fund shares |                                       |                                    |   |                                   |  |                               |
|--|---|---------------------------------------|------------------------------------|---|-----------------------------------|--|-------------------------------|
|  | 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 | Fortress Global Opportunity Wealth Fund SP | Fortress Fixed Income Fund SP |
|  | \$  | \$                                    | \$                                 | \$  | \$                                | \$   | \$                            |
| <b>Balance as at September 30, 2016</b>        | <b>6,097,790</b>  | <b>15,825,978</b>                     | <b>12,940,596</b>                  | <b>12,737,730</b>                             | <b>15,159,937</b>                 | <b>3,494,358</b>                           | –                             |
| Issue of shares                                | –   | 1,721,211                             | 2,454,500                          | 7,300,900                                     | 3,550,000                         | 262,358                                    | –                             |
| Redemption of shares                           | –   | –                                     | (250,000)                          | (50,000)                                      | –                                 | (113,682)                                  | –                             |
| Total comprehensive income for the year        | 862,834   | 3,525,788                             | 76,353                             | 1,594,830                                     | 3,519,784                         | 300,476                                    | –                             |
| <b>Balance as at September 30, 2017</b>        | <b>6,960,624</b>  | <b>21,072,977</b>                     | <b>15,221,449</b>                  | <b>21,583,460</b>                             | <b>22,229,721</b>                 | <b>3,943,510</b>                           | –                             |
| Issue of shares                                | 4,336,000   | 8,901,249                             | 72,000                             | 621,975                                       | 8,867,279                         | 731,537                                    | 17,495,636                    |
| Redemption of shares                           | (120,080)   | (119,706)                             | (145,736)                          | (101,058)                                     | –                                 | –  | (62,598)                      |
| Total comprehensive income/(loss) for the year | 720,377   | (1,377,357)                           | 501,506                            | (1,283,506)                                   | 124,061                           | (6,825)                                    | (95,308)                      |
| <b>Balance as at September 30, 2018</b>        | <b>11,896,921</b>   | <b>28,477,163</b>                     | <b>15,649,219</b>                  | <b>20,820,871</b>                             | <b>31,221,061</b>                 | <b>4,668,222</b>                           | <b>17,337,730</b>             |

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

# Fortress Global Funds SPC Inc.

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

(expressed in United States dollars)

|  | For the year ended September 30, 2018 |   |  |  |   |   |                                  |
|--|---------------------------------------|---|--|--|---|---|----------------------------------|
|  | Fortress US<br>Equity Fund<br>SP      | Fortress<br>International<br>Equity Fund SP | Fortress Income<br>Builder US Fund<br>SP | Fortress Income<br>Builder<br>International Fund<br>SP | Fortress<br>Emerging<br>Markets Fund SP | Fortress<br>Global<br>Opportunity<br>Wealth Fund SP | Fortress Fixed<br>Income Fund SP |
|  | \$                                    | \$  | \$                                       | \$   | \$                                      | \$  | \$                               |
| <b>Investment income</b>   |                                       |   |  |  |   |   |                                  |
| Net fair value gain/(loss) on financial assets/liabilities through profit or loss (note 5) | 682,251                               | (1,888,080)                                 | 462,265                                  | (1,556,440)  | (490,357)                               | (4,018)   | (447,582)                        |
| Dividend income  | 201,193                               | 964,590                                     | 351,679                                  | 715,970  | 1,119,880                               | 2,131   | 5,195                            |
| Other income   | –                                     | –   | –  | –  | –                                       | –   | 13                               |
| Interest income  | 5                                     | 10  | 3,954                                    | 10   | 8                                       | 348   | 417,454                          |
| <b>Total investment income/(loss)</b>  | <b>883,449</b>                        | <b>(923,480)</b>                            | <b>817,898</b>                           | <b>(840,460)</b>                                       | <b>629,531</b>                          | <b>(1,539)</b>                                      | <b>(24,920)</b>                  |
| <b>Expenditure</b>   |                                       |   |  |  |   |   |                                  |
| Management fees (note 7)   | 87,684                                | 250,095                                     | 155,383                                  | 217,759  | 266,657                                 | (1,847)   | 52,099                           |
| Withholding taxes  | 49,895                                | 114,385                                     | 100,917                                  | 127,077  | 132,371                                 | –   | –                                |
| Brokerage and investment fees  | 13,927                                | 56,899                                      | 39,693                                   | 69,780   | 71,812                                  | 1,273   | 3,002                            |
| Administrator and custodian fees (note 7)  | 8,768                                 | 25,010                                      | 15,538                                   | 21,776   | 26,665                                  | 4,453   | 11,164                           |
| Professional and audit fees  | 2,238                                 | 6,175                                       | 4,125                                    | 5,681  | 6,576                                   | 1,190   | 3,311                            |
| Directors fees (note 7)  | 560                                   | 1,313                                       | 736                                      | 973  | 1,389                                   | 217   | 812                              |
| <b>Operating expenses</b>  | <b>163,072</b>                        | <b>453,877</b>                              | <b>316,392</b>                           | <b>443,046</b>   | <b>505,470</b>                          | <b>5,286</b>  | <b>70,388</b>                    |
| <b>Total comprehensive income/(loss) for the year</b>                                      | <b>720,377</b>                        | <b>(1,377,357)</b>                          | <b>501,506</b>                           | <b>(1,283,506)</b>                                     | <b>124,061</b>                          | <b>(6,825)</b>                                      | <b>(95,308)</b>                  |

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

# Fortress Global Funds SPC Inc.

Statement of Comprehensive Income...continued

For the year ended September 30, 2018

(expressed in United States dollars)

|   | For the year ended September 30, 2017 |                                       |                                    |   |                                   |  |
|---|---------------------------------------|---------------------------------------|------------------------------------|---|-----------------------------------|--|
|   | 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 | Fortress Global Opportunity Wealth Fund SP |
|   | \$                                    | \$                                    | \$                                 | \$  | \$                                | \$   |
| <b>Investment income</b>  |                                       |                                       |                                    |   |                                   |  |
| Net fair value gain on financial assets/liabilities through profit or loss (note 5) | 832,245                               | 3,188,133                             | 53,737                             | 1,441,347                                     | 3,178,874                         | 308,254                                    |
| Dividend income   | 148,084                               | 661,350                               | 302,785                            | 577,752                                       | 663,728                           | 2,459                                      |
| Other income  | 6,558                                 | 12,805                                | 13,383                             | 9,500   | 13,604                            | 3,297                                      |
| Interest income   | 7                                     | 9                                     | 14                                 | 21  | 11                                | 8,021                                      |
| <b>Total investment income</b>  | <b>986,894</b>                        | <b>3,862,297</b>                      | <b>369,919</b>                     | <b>2,028,620</b>                              | <b>3,856,217</b>                  | <b>322,031</b>                             |
| <b>Expenditure</b>  |                                       |                                       |                                    |   |                                   |  |
| Management fees (note 7)  | 66,171                                | 181,755                               | 146,530                            | 178,936                                       | 184,840                           | 14,498                                     |
| Withholding taxes   | 40,488                                | 100,581                               | 82,955                             | 124,024                                       | 85,834                            | –  |
| Brokerage and investment fees   | 7,704                                 | 27,760                                | 42,352                             | 104,812                                       | 38,670                            | 1,513                                      |
| Administrator and custodian fees (note 7)   | 6,617                                 | 18,176                                | 14,653                             | 17,894  | 18,483                            | 3,770                                      |
| Professional and audit fees   | 2,613                                 | 7,149                                 | 5,728                              | 6,684   | 7,221                             | 1,502                                      |
| Directors fees (note 7)   | 467                                   | 1,088                                 | 1,348                              | 1,440   | 1,385                             | 272  |
| <b>Operating expenses</b>   | <b>124,060</b>                        | <b>336,509</b>                        | <b>293,566</b>                     | <b>433,790</b>                                | <b>336,433</b>                    | <b>21,555</b>                              |
| <b>Total comprehensive income for the year</b>                                      | <b>862,834</b>                        | <b>3,525,788</b>                      | <b>76,353</b>                      | <b>1,594,830</b>                              | <b>3,519,784</b>                  | <b>300,476</b>                             |

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

# Fortress Global Funds SPC Inc.

## Statement of Cash Flows

For the year ended September 30, 2018

(expressed in United States dollars)

|   | For the year ended September 30, 2018 |  |   |  |  |   |                                     |
|---|---------------------------------------|--|---|--|--|---|-------------------------------------|
|   | Fortress US<br>Equity Fund SP         | Fortress<br>International<br>Equity Fund<br>SP | Fortress<br>Income<br>Builder US<br>Fund SP | Fortress Income<br>Builder<br>International<br>Fund SP | Fortress<br>Emerging<br>Markets<br>Fund SP | Fortress Global<br>Opportunity<br>Wealth Fund<br>SP | Fortress Fixed<br>Income Fund<br>SP |
|   | \$                                    | \$   | \$  | \$   | \$   | \$  | \$                                  |
| <b>Cash flows from operating activities</b>   |                                       |  |   |  |  |   |                                     |
| <b>Comprehensive income/(loss) for the year</b>                                       | <b>720,377</b>                        | <b>(1,377,357)</b>                             | <b>501,506</b>                              | <b>(1,283,506)</b>                                     | <b>124,061</b>                             | <b>(6,825)</b>                                      | <b>(95,308)</b>                     |
| Adjustments for:  |                                       |  |   |  |  |   |                                     |
| Net fair value (gain)/loss on financial assets/liabilities at fair value              | (682,251)                             | 1,888,080                                      | (462,265)                                   | 1,556,440  | 490,357                                    | 4,018   | 447,582                             |
| Dividend income   | (201,193)                             | (964,590)                                      | (351,679)                                   | (715,970)  | (1,119,880)                                | (2,131)   | (5,195)                             |
| Interest income   | (5)                                   | (10)   | (3,954)                                     | (10)   | (8)  | (348)   | (417,454)                           |
| <b>Operating loss before working capital changes</b>                                  | <b>(163,072)</b>                      | <b>(453,877)</b>                               | <b>(316,392)</b>                            | <b>(443,046)</b>                                       | <b>(505,470)</b>                           | <b>(5,286)</b>                                      | <b>(70,375)</b>                     |
| Decrease in accounts receivable   | –                                     | 113,066  | –   | –  | –  | –   | –                                   |
| Increase in due from broker   | (261,894)                             | (1,042,518)                                    | –   | (859,459)  | (796,349)                                  | –   | –                                   |
| Increase/(decrease) in accounts payable   | 1,595                                 | 6,087  | 1,392                                       | 4,082  | 6,249                                      | (112,633)   | 1,969                               |
| Increase in due to broker   | 382,107                               | 871,459  | –   | 622,618  | 957,060                                    | –   | –                                   |
| Purchase of financial assets/liabilities at fair value through profit or loss         | (6,235,506)                           | (20,921,732)                                   | (9,362,427)                                 | (11,258,650)   | (23,493,226)                               | (1,375,926)   | (17,903,096)                        |
| Proceeds on sale of financial assets/liabilities at fair value through profit or loss | 1,794,589                             | 12,312,847                                     | 9,600,498                                   | 11,490,582   | 13,356,622                                 | 404,281   | 601,060                             |
| <b>Cash used in operations</b>  | <b>(4,482,181)</b>                    | <b>(9,114,668)</b>                             | <b>(76,929)</b>                             | <b>(443,873)</b>                                       | <b>(10,475,114)</b>                        | <b>(1,089,564)</b>                                  | <b>(17,370,442)</b>                 |
| Interest received   | 5                                     | 10   | 3,954                                       | 10   | 8  | 1,659   | 314,443                             |
| Dividend received   | 193,830                               | 872,796  | 354,745                                     | 714,936  | 1,068,772                                  | 2,131   | 5,195                               |
| <b>Net cash (used in)/generated from operating activities</b>                         | <b>(4,288,346)</b>                    | <b>(8,241,862)</b>                             | <b>281,770</b>                              | <b>271,073</b>   | <b>(9,406,334)</b>                         | <b>(1,085,774)</b>                                  | <b>(17,050,804)</b>                 |

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

# Fortress Global Funds SPC Inc.

Statement of Cash Flows ...*continued*

For the year ended September 30, 2018

(expressed in United States dollars)

|   | For the year ended September 30, 2018 |  |   |  |  |  |                                  |
|---|---------------------------------------|--|---|--|--|--|----------------------------------|
|   | Fortress US<br>Equity Fund SP         | Fortress<br>International<br>Equity Fund<br>SP | Fortress<br>Income<br>Builder US<br>Fund SP | Fortress<br>Income Builder<br>International<br>Fund SP | Fortress<br>Emerging<br>Markets<br>Fund SP | Fortress Global<br>Opportunity<br>Wealth Fund SP | Fortress Fixed<br>Income Fund SP |
|   | \$                                    | \$   | \$  | \$   | \$   | \$   | \$                               |
| <b>Cash flows from financing activities</b>                   |                                       |  |   |  |  |  |                                  |
| Issue of redeemable mutual fund shares                        | 4,336,000                             | 8,901,249                                      | 72,000                                      | 621,975  | 8,867,279                                  | 731,537  | 17,495,636                       |
| Redemption of redeemable mutual fund shares                   | (120,080)                             | (119,706)                                      | (145,736)                                   | (101,058)  | –  | –  | (62,598)                         |
| <b>Net cash generated from/(used in) financing activities</b> | <b>4,215,920</b>                      | <b>8,781,543</b>                               | <b>(73,736)</b>                             | <b>520,917</b>   | <b>8,867,279</b>                           | <b>731,537</b>                                   | <b>17,433,038</b>                |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   | <b>(72,426)</b>                       | <b>539,681</b>                                 | <b>208,034</b>                              | <b>791,990</b>   | <b>(539,055)</b>                           | <b>(354,237)</b>                                 | <b>382,234</b>                   |
| <b>Cash and cash equivalents - beginning of year</b>          | <b>1,273,305</b>                      | <b>1,312,839</b>                               | <b>975,942</b>                              | <b>1,278,167</b>                                       | <b>3,071,262</b>                           | <b>697,093</b>                                   | <b>–</b>                         |
| <b>Cash and cash equivalents - end of year</b>                | <b>1,200,879</b>                      | <b>1,852,520</b>                               | <b>1,183,976</b>                            | <b>2,070,157</b>                                       | <b>2,532,207</b>                           | <b>342,856</b>                                   | <b>382,234</b>                   |

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



# Fortress Global Funds SPC Inc.

Statement of Cash Flows ...continued

For the year ended September 30, 2018

(expressed in United States dollars)

|   | For the year ended September 30, 2017 |   |  |  |  |   |
|---|---------------------------------------|---|--|--|--|---|
|   | Fortress US<br>Equity Fund SP         | Fortress<br>International<br>Equity Fund SP | Fortress Income<br>Builder US<br>Fund SP | Fortress Income<br>Builder<br>International<br>Fund SP | Fortress<br>Emerging<br>Markets<br>Fund SP | Fortress Global<br>Opportunity<br>Wealth Fund<br>SP |
|   | \$                                    | \$  | \$                                       | \$   | \$   | \$  |
| <b>Cash flows from operating activities</b>   |                                       |   |  |  |  |   |
| <b>Comprehensive income for the year</b>  | <b>862,834</b>                        | <b>3,525,788</b>                            | <b>76,353</b>                            | <b>1,594,830</b>                                       | <b>3,519,784</b>                           | <b>300,476</b>                                      |
| Adjustments for:  |                                       |   |  |  |  |   |
| Net fair value gain on financial assets/liabilities at fair value                     | (832,245)                             | (3,188,133)                                 | (53,737)                                 | (1,441,347)  | (3,178,874)                                | (308,254)   |
| Dividend income   | (148,084)                             | (661,350)                                   | (302,785)                                | (577,752)  | (663,728)                                  | (2,459)   |
| Interest income   | (7)                                   | (9)   | (14)                                     | (21)   | (11)                                       | (8,021)   |
| <b>Operating loss before working capital changes</b>                                  | <b>(117,502)</b>                      | <b>(323,704)</b>                            | <b>(280,183)</b>                         | <b>(424,290)</b>                                       | <b>(322,829)</b>                           | <b>(18,258)</b>                                     |
| Increase in accounts receivable   | –                                     | (113,066)                                   | –  | –  | –  | –   |
| Decrease in accounts payable  | (8,537)                               | (17,610)                                    | (76,647)                                 | (11,930)   | (18,061)                                   | (51,291)  |
| Purchase of financial assets/liabilities at fair value through profit or loss         | (1,901,568)                           | (5,450,347)                                 | (10,991,874)                             | (19,037,473)   | (7,334,457)                                | –   |
| Proceeds on sale of financial assets/liabilities at fair value through profit or loss | 2,155,955                             | 3,357,835                                   | 7,330,460                                | 11,512,351   | 3,690,413                                  | –   |
| <b>Cash generated from/(used in) operations</b>                                       | <b>128,348</b>                        | <b>(2,546,892)</b>                          | <b>(4,018,244)</b>                       | <b>(7,961,342)</b>                                     | <b>(3,984,934)</b>                         | <b>(69,549)</b>                                     |
| Interest received   | 7                                     | 9   | 14                                       | 21   | 11   | 8,021   |
| Dividend received   | 148,286                               | 656,242                                     | 291,327                                  | 551,386  | 665,583                                    | 2,459   |
| <b>Net cash generated from/(used in) operating activities</b>                         | <b>276,641</b>                        | <b>(1,890,641)</b>                          | <b>(3,726,903)</b>                       | <b>(7,409,935)</b>                                     | <b>(3,319,340)</b>                         | <b>(59,069)</b>                                     |

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

# Fortress Global Funds SPC Inc.

Statement of Cash Flows ...continued

For the year ended September 30, 2018

(expressed in United States dollars)

|   | For the year ended September 30, 2017 |   |   |  |  |   |
|---|---------------------------------------|---|---|--|--|---|
|   | Fortress US<br>Equity Fund SP<br>\$   | Fortress<br>International<br>Equity Fund SP<br>\$ | Fortress<br>Income<br>Builder US<br>Fund SP<br>\$ | Fortress Income<br>Builder<br>International<br>Fund SP<br>\$ | Fortress<br>Emerging<br>Markets<br>Fund SP<br>\$ | Fortress Global<br>Opportunity<br>Wealth Fund<br>SP<br>\$ |
| <b>Cash flows from financing activities</b>                 |                                       |   |   |  |  |   |
| Issue of redeemable mutual fund shares                      | –                                     | 1,721,211   | 2,454,500   | 7,300,900  | 3,550,000  | 262,358   |
| Redemption of redeemable mutual fund shares                 | –                                     | –   | (250,000)   | (50,000)   | –  | (113,682)   |
| <b>Net cash generated from financing activities</b>         | <b>–</b>                              | <b>1,721,211</b>                                  | <b>2,204,500</b>                                  | <b>7,250,900</b>   | <b>3,550,000</b>                                 | <b>148,676</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>276,641</b>                        | <b>(169,430)</b>                                  | <b>(1,522,403)</b>                                | <b>(159,035)</b>   | <b>230,660</b>                                   | <b>89,607</b>   |
| <b>Cash and cash equivalents - beginning of year</b>        | <b>996,664</b>                        | <b>1,482,269</b>                                  | <b>2,498,345</b>                                  | <b>1,437,202</b>   | <b>2,840,602</b>                                 | <b>607,486</b>  |
| <b>Cash and cash equivalents - end of year</b>              | <b>1,273,305</b>                      | <b>1,312,839</b>                                  | <b>975,942</b>                                    | <b>1,278,167</b>   | <b>3,071,262</b>                                 | <b>697,093</b>  |

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

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 1 Incorporation and principal activity

Fortress Global Funds SPC Inc. (the "Company") was incorporated in the Cayman Islands on October 15, 2012, as an exempted segregated portfolio company with limited liability under the Companies Law CAP 22. The Company was registered under the Mutual Funds Law of the Cayman Islands on February 19, 2013 and is regulated by the Cayman Islands Monetary Authority. The Company maintains its registered office at c/o Estera Trust (Cayman) Ltd, Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, Cayman Islands.

The Company may offer separate classes of shares each representing interest in a separate segregated portfolio (a "Segregated Portfolio"). Each Segregated Portfolio will have a separate and distinct portfolio of investments and a separate class of shares will be issued in respect of any such Segregated Portfolio. Separate books and records have been maintained for each Segregated Portfolio.

At September 30, 2018, there were seven (7) (2017- 6) Segregated Portfolios, (each "a fund" and together "the funds") in existence: 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, Fortress Global Opportunity Wealth Fund SP and Fortress Fixed Income Fund SP (launched October 1, 2017).

These are the financial statements of each of the funds.

The primary objectives of each fund are stated below:

- Fortress US Equity Fund SP's objective is long term growth with limited risk in US large cap equities. The fund invests for long term growth using a systematic, value-based process in US large cap equities. The disciplined approach consistently positions in a portfolio of approximately 30 stocks that offer the best value in the US market.
- Fortress International Equity Fund SP's objective is long term growth with limited risk in non-US large cap equities. The fund invests for long term growth using a systematic, value-based process in non-US large cap equities. The disciplined approach consistently positions in a portfolio of approximately 30 stocks that offer the best value in the international market.
- Fortress Income Builder US Fund SP targets a fixed return of 8% per year with low volatility. The fund is an alternative to low-yielding US fixed income investments. It invests in a portfolio of select high quality US equities at attractive valuations, with options around the core portfolio to limit risk and generate income.
- Fortress Income Builder International Fund SP targets a fixed return of 8% per year with low volatility. The fund is an alternative to low-yielding international fixed income investments. It invests in a portfolio of select high quality non-US equities at attractive valuations, with options around the core portfolio to limit risk and generate income.
- Fortress Emerging Markets Fund SP's objective is long term growth with limited risk in emerging markets equities. The fund invests for long term growth using a systematic, value-based process in large-cap emerging markets equities. The disciplined approach consistently positions in a portfolio of approximately 30 stocks that offer the best value in the emerging markets.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 1 Incorporation and principal activity...continued

- Fortress Global Opportunity Wealth Fund SP's objective 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.
- Fortress Fixed Income Fund SP's objective is to generate consistent returns and protect principal over the medium-term. The fund seeks to achieve this by investing primarily in high quality government and corporate fixed income securities across a range of maturities, reducing risk and volatility through consistent portfolio structure and diversification. It aims to increase returns by investing selectively in corporate bonds whose yields are more attractive than would be suggested by the issuers' underlying operations, risks and business prospects

The Company's investment management and advisory activities are managed by Fortress Fund Advisors Limited ("the Manager"). The Company's administration activities are performed by Fortress Fund Managers Limited.

In accordance with the Companies Law of the Cayman Islands, the Company is a separate legal entity, while each Segregated Portfolio is not a separate legal entity. The assets and liabilities of the Company held within each Segregated Portfolio are segregated from the assets and liabilities of other Segregated Portfolios and from the general assets and liabilities of the Company. The assets of each Segregated Portfolio are only available to meet the liabilities attributable to that particular Segregated Portfolio. This segregation has not been judicially tested and may not be enforced in some jurisdictions. The directors of the Company consider that the cross liability risk between segregated portfolios are minimal.

These financial statements have been 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 these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### a) Basis of preparation

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 companies reporting under IFRS. The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of financial assets and financial liabilities 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 Funds' accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. These 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.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 2 Summary of significant accounting policies...continued

### a) Basis of preparation...continued

#### *New and amended standards adopted by the Company*

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.

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 Company'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 Company, 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 Company 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 United States dollars which is each of the funds' functional and presentation currency.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 2 Summary of significant accounting policies...continued

### b) Foreign currency translation...continued

#### *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.

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

### c) 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 interest earned on fixed income investments and short-term deposits.

#### **Dividend income**

Dividend income is recognised when each funds' right to receive payment has been established.

### d) Financial assets at fair value through profit or loss

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

#### *Financial assets at fair value through profit or loss*

##### *i) Classification*

The funds' 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 financial assets at fair value through profit or loss are recognised on the trade date, which is the date a fund commits to purchase or sell the investments. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 2 Summary of significant accounting policies...continued

### d) Financial assets at fair value through profit or loss...continued

#### ii) Recognition, derecognition and measurement...continued

Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense. Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the investments have expired or a fund has transferred substantially all risks and rewards of ownership.

When a fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When a fund write an option, an amount equal to fair value which is based on the premium received by the funds is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions is recognised as a gain or loss and is presented in the statement of comprehensive income within net fair value gains or losses on financial assets at fair value through profit or loss. If the option expires worthless, the full amount of the premium is recognised as a gain or loss and is presented in the statement of comprehensive income within net fair value gains or losses on financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss in other investment funds are valued at fair value on the basis of the net asset value per share as determined by the administrators of those investment vehicles in accordance with industry practice.

All other 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 a fund is unquoted, if unusual market conditions exist, or in the event that a particular security's value has become impaired, the Manager, and on advice of an independent broker, will make a reasonable estimate of the fair value price by using valuation techniques. 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.

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. Average cost 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 funds 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

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 2 Summary of significant accounting policies...continued

### d) Financial assets at fair value through profit or loss...continued

#### iii) Fair value estimation...continued

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 funds' 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 and from other sources. The funds use 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.

### e) Financial liabilities at fair value through profit or loss

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading.

The Fund includes in this category, derivative contracts in a liability position since they are classified as held for trading. Open contracts held for trading purposes are included in the statement of financial position at fair value. Fair value is based generally on market prices or broker quotations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Where the fair value of the options represents an obligation of a fund, the fair value is included in derivative financial liabilities as a financial liability at fair value through profit or loss. Amounts are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously. This is not generally the case and the related assets and liabilities are presented gross in the statement of financial position. Gains and losses arising from the application of this policy are taken to the statement of comprehensive income.

### f) Cash and cash equivalents

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 value.



# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 2 Summary of significant accounting policies...continued

### g) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased, that have been contracted for but not yet settled or delivered by the statement of financial position date, respectively.

### h) Equity

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the funds' net assets in the event of the funds' liquidation
- The redeemable shares are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable shares in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the funds' net assets
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the funds over the life of the instrument

In addition to the redeemable shares having all of the above features, the funds must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the funds
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

The Company continuously assesses the classification of the redeemable shares. If the redeemable shares cease to have all the features, or meet all the conditions set out, to be classified as equity, the fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable shares subsequently have all the features and meet the conditions to be classified as equity, the fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

Each fund issues redeemable shares which have all the features above and as such are classified as equity. Redeemable shares are redeemable at the holder's option and can be put back to a fund bi-weekly for cash equal to a proportionate share of that funds' net asset value. The redeemable shares equal the redemption amount that is payable at the statement of financial position date if the holders exercises the right to put the shares back to a fund.

Each funds' 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 each funds' regulations, investment positions are valued based on the procedures described in note 2d for the purpose of determining the net asset value per share for subscriptions and redemptions.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 2 Summary of significant accounting policies...continued

### i) 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, each fund is responsible for the payment of all direct expenses relating to its operations such as audit, legal and professional fees.

### j) Distributions payable to holders of redeemable mutual fund shares

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

### k) Taxation

The Company was incorporated in the Cayman Islands on October 15, 2012, as an exempted segregated portfolio company with limited liability under the Companies Law CAP 22. The Directors have resolved that all of the net income of each fund is attributable to each funds' redeemable mutual fund shareholders. The Cayman Islands at present impose no taxes on profit, income, capital gains or appreciations in value of the Company.

Dividend and interest income received by each fund may be subject to withholding tax imposed in the country of origin. Investment income is recorded gross of such taxes.

## 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 funds using reputable pricing sources (such as pricing agencies) or indicative prices.

The funds would exercise judgement and estimates on the quantity and quality of pricing sources used. The determination of what constitutes 'observable' requires significant judgement by the funds. The funds 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.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 4 Financial risk management

The funds' 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 on the financial instruments it holds.

The funds' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the funds' financial performance. The risk management policies employed by the funds to manage these risks are discussed below. The management of these risks is carried out by the Manager under policies approved by the Board of Directors. 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.

### Market risk

#### i) *Price risk*

The funds are exposed to equity securities price risk and derivative 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. This arises from investments held by the funds for which prices in the future are uncertain. Where non-monetary financial instruments - for example, equity securities - are denominated in currencies other than the United States dollar, the price initially expressed in foreign currency and then converted into United States dollars will also fluctuate because of changes in foreign exchange rates. The below 'Foreign currency risk' note, sets out how this component of price risk is managed and measured.

To manage this risk each fund holds a diversified portfolio of investments in accordance with its investment policy. A summary of the overall statement of financial position market exposures at September 30, 2018 is disclosed in note 5.

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 using the MSCI All Country World Index, for all funds except for Fortress Fixed Income SP. The majority of the financial assets held in Fortress Fixed Income SP are listed debt securities. The analysis for this fund is based using the Bloomberg Barclays US Aggregate Bond Index. 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. 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.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 4 Financial risk management...continued

### Market risk...continued

#### i) Price risk...continued

##### Sensitivity

|   | 2018      | 2017      |
|---|-----------|-----------|
|   | \$        | \$        |
| <b>Effect on net assets attributable to redeemable shares of an increase in the indices</b> |           |           |
| Fortress US Equity Fund SP  | 790,907   | 462,742   |
| Fortress International Equity Fund SP   | 2,193,881 | 1,623,462 |
| Fortress Income Builder US Fund SP  | 673,542   | 655,131   |
| Fortress Income Builder International Fund SP   | 896,130   | 928,952   |
| Fortress Emerging Markets Fund SP   | 2,677,518 | 1,906,420 |
| Fortress Global Opportunity Wealth Fund SP  | 178,644   | 150,910   |
| Fortress Fixed Income Fund SP   | 362,012   | -         |

The Investment Manager uses the MSCI All Country World Index and the Bloomberg Barclays US Aggregate Bond 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, the Bloomberg Barclays US Aggregate Bond 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 majority of each funds' financial assets and liabilities are non-interest bearing. The majority of the funds' debt securities are fixed rate securities. As a result, the funds are not subject to significant amounts of risk due to fluctuation in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The effective yield on cash and cash equivalents is disclosed in note 6.

#### iii) Foreign currency risk

Selected fund holds financial assets denominated in currencies other than United States dollars, the functional currency of each fund. Consequently, except where assets and liabilities are denominated in currencies fixed to the United States dollar, these funds are exposed to currency risk.

When the Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the funds, the Manager factors that into its portfolio allocation decisions. While the funds have direct exposure to foreign exchange rate changes on the price of non-United States dollar-denominated securities, they may also be indirectly affected by the impact of foreign exchange rate changes on the

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Market risk...continued

#### iii) Foreign currency risk...continued

earnings of certain companies in which the funds invest, even if those companies' securities are denominated in United States dollars. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the funds' net assets attributable to holders of redeemable shares of future movements in foreign exchange rates.

Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

Fortress US Equity Fund SP, Fortress Income Builder US Fund SP and Fortress Global Opportunity Wealth Fund SP hold financial assets denominated in United States dollars only, the functional currency of the Fund. For all other funds, the table below summarises each funds' exposure to currency risk:

|   | GBP<br>\$        | JPY<br>\$        | EUR<br>\$        |
|---|------------------|------------------|------------------|
| <b>Fortress International Equity Fund SP</b>          |                  |                  |                  |
| <b>At September 30, 2018</b>                          |                  |                  |                  |
| <b>Financial assets</b>                               |                  |                  |                  |
| Financial assets at fair value through profit or loss | 3,280,262        | 4,581,003        | 5,103,004        |
| Due from brokers                                      | –                | 1,042,518        | –                |
| Accounts receivable                                   | –                | 105,204          | –                |
| <b>Total financial assets</b>                         | <b>3,280,262</b> | <b>5,728,725</b> | <b>5,103,004</b> |
| <b>Total financial liabilities</b>                    | –                | –                | –                |
| <b>Net position</b>                                   | <b>3,280,262</b> | <b>5,728,725</b> | <b>5,103,004</b> |
| <b>At September 30, 2017</b>                          |                  |                  |                  |
| <b>Financial assets</b>                               |                  |                  |                  |
| Financial assets at fair value through profit or loss | 2,328,213        | 3,617,573        | 3,253,726        |
| Accounts receivable                                   | 9,424            | 54,569           | –                |
| <b>Total financial assets</b>                         | <b>2,337,637</b> | <b>3,672,142</b> | <b>3,253,726</b> |
| <b>Total financial liabilities</b>                    | –                | –                | –                |
| <b>Net position</b>                                   | <b>2,337,637</b> | <b>3,672,142</b> | <b>3,253,726</b> |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

Market risk...continued

iii) Foreign currency risk...continued

|  | GBP<br>\$        | JPY<br>\$        | EUR<br>\$        | SEK<br>\$      |
|--|------------------|------------------|------------------|----------------|
| <b>Fortress Income Builder<br/>International Fund SP</b> |                  |                  |                  |                |
| <b>At September 30, 2018</b>                             |                  |                  |                  |                |
| <b>Financial assets</b>                                  |                  |                  |                  |                |
| Financial assets at fair value through<br>profit or loss | 3,466,563        | 2,417,019        | 3,622,282        | –              |
| Accounts receivable                                      | –                | 48,700           | –                | –              |
| <b>Total financial assets</b>                            | <b>3,466,563</b> | <b>2,465,719</b> | <b>3,622,282</b> | <b>–</b>       |
| <b>Total financial liabilities</b>                       | <b>–</b>         | <b>–</b>         | <b>–</b>         | <b>–</b>       |
| <b>Net position</b>                                      | <b>3,466,563</b> | <b>2,465,719</b> | <b>3,622,282</b> | <b>–</b>       |
| <b>At September 30, 2017</b>                             |                  |                  |                  |                |
| <b>Financial assets</b>                                  |                  |                  |                  |                |
| Financial assets at fair value through<br>profit or loss | 3,634,746        | 2,553,029        | 4,494,172        | 711,340        |
| Accounts receivable                                      | 11,611           | 46,100           | –                | –              |
| <b>Total financial assets</b>                            | <b>3,646,357</b> | <b>2,599,129</b> | <b>4,494,172</b> | <b>711,340</b> |
| <b>Total financial liabilities</b>                       | <b>–</b>         | <b>–</b>         | <b>–</b>         | <b>–</b>       |
| <b>Net position</b>                                      | <b>3,646,357</b> | <b>2,599,129</b> | <b>4,494,172</b> | <b>711,340</b> |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 4 Financial risk management...continued

Market risk...continued

iii) Foreign currency risk...continued

|   | ZAR              |
|---|------------------|
|   | \$               |
| <b>Fortress Emerging Markets Fund SP</b>              |                  |
| <b>At September 30, 2018</b>                          |                  |
| <b>Financial assets</b>                               |                  |
| Financial assets at fair value through profit or loss | 925,855          |
| Due from brokers                                      | 796,349          |
| Accounts receivable                                   | 17,624           |
|   | <hr/>            |
| <b>Total financial assets</b>                         | <b>1,739,828</b> |
|   | <hr/>            |
| <b>Total financial liabilities</b>                    | –                |
|   | <hr/>            |
| <b>Net position</b>                                   | <b>1,739,828</b> |
|   | <hr/>            |
| <b>At September 30, 2017</b>                          |                  |
| <b>Financial assets</b>                               |                  |
| Financial assets at fair value through profit or loss | 1,303,174        |
|   | <hr/>            |
| <b>Total financial assets</b>                         | <b>1,303,174</b> |
|   | <hr/>            |
| <b>Total financial liabilities</b>                    | –                |
|   | <hr/>            |
| <b>Net position</b>                                   | <b>1,303,174</b> |
|   | <hr/>            |

### *Sensitivity*

Each of the above funds is most exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the United States dollar. These currencies include the Great Britain Pound (GBP), Japanese Yen (JPY), Euro (EUR), the Swedish Krone (SEK) and the South African Rand (ZAR). The theoretical decrease in net assets if these currencies had depreciated by 5% against the United States dollar with all other variables held constant is considered below.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 4 Financial risk management...continued

### Market risk...continued

#### iii) Foreign currency risk...continued

|  | Effect of a 5%<br>depreciation as of<br>September 30, 2018<br>\$ | Effect of a 5%<br>depreciation as of<br>September 30, 2017<br>\$ |
|--|--|--|
| <b>Fortress International Equity Fund SP</b>         |  |  |
| Balances denominated in GBP                          | 164,013  | 116,882  |
| Balances denominated in JPY                          | 286,436  | 183,607  |
| Balances denominated in EUR                          | 255,150  | 162,686  |
| <b>Fortress Income Builder International Fund SP</b> |  |  |
| Balances denominated in GBP                          | 173,328  | 182,318  |
| Balances denominated in JPY                          | 123,286  | 129,956  |
| Balances denominated in EUR                          | 181,114  | 224,708  |
| Balances denominated in SEK                          | —  | 35,567   |
| <b>Fortress Emerging Markets Fund SP</b>             |  |  |
| Balances denominated in ZAR                          | 86,991   | 65,158   |

A 5% appreciation in the currencies will have an equal and opposite effect to that disclosed above.

While each fund has direct exposure to foreign exchange rate changes on the price of non-United States-denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which each fund invests, even if those companies' securities are denominated in United States dollars. For that reason, the above sensitivity analysis may not necessarily indicate the total effect on each funds' net assets attributable to holders of redeemable shares of future movements in foreign exchange rates.



# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Credit risk

Credit risk is the risk that an issuer or counterparty to a financial instrument will be unable or unwilling to meet a commitment thereby causing a financial loss to a fund.

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

|                                     | Fortress<br>US Equity<br>Fund SP<br>\$ | Fortress<br>International<br>Equity Fund<br>SP<br>\$ | Fortress<br>Income<br>Builder US<br>Fund SP<br>\$ | Fortress<br>Income<br>Builder<br>International<br>Fund SP<br>\$ | Fortress<br>Emerging<br>Markets<br>Fund SP<br>\$ | Fortress<br>Global<br>Opportunity<br>Wealth<br>Fund SP<br>\$ | Fortress<br>Fixed<br>Income<br>Fund SP<br>\$ |
|-------------------------------------|--|--|---|---|--|--|--|
| <b>September 30, 2018</b>           |  |  |   |   |  |  |  |
| Cash and cash equivalents           | 1,200,879                              | 1,852,520  | 1,183,976   | 2,070,157   | 2,532,207  | 342,856  | 382,234                                      |
| Due from broker Accounts receivable | 261,894                                | 1,042,518  | –   | 859,459   | 796,349  | –  | –  |
| Debt securities                     | 12,303                                 | 172,982  | 17,026  | 68,105  | 64,759   | –  | –  |
|                                     | –                                      | –  | –   | –   | –  | –  | 16,957,465                                   |
|                                     | <b>1,475,076</b>                       | <b>3,068,020</b>                                     | <b>1,201,002</b>                                  | <b>2,997,721</b>  | <b>3,393,315</b>                                 | <b>342,856</b>   | <b>17,339,699</b>                            |
| <b>September 30, 2017</b>           |  |  |   |   |  |  |  |
| Cash and cash equivalents           | 1,273,305                              | 1,312,839  | 975,942   | 1,278,167   | 3,071,262  | 697,093  | –  |
| Accounts receivable                 | 4,940                                  | 194,254  | 20,092  | 67,071  | 13,651   | –  | –  |
| Debt securities                     | –                                      | –  | –   | –   | –  | 405,577  | –  |
|                                     | <b>1,278,245</b>                       | <b>1,507,093</b>                                     | <b>996,034</b>                                    | <b>1,345,238</b>  | <b>3,084,913</b>                                 | <b>1,102,670</b>   | <b>–</b>                                     |

Credit risk is minimised through holding a diversified portfolio of investments, purchasing securities after careful assessment of the borrower and placing deposits with financial institutions with a strong capital base.

As of September 30, 2018 none (2017- nil) of the other funds' accounts receivables are impaired or past due but not impaired.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Credit risk ...continued

The analysis below summarises the credit quality of the funds debt portfolio by rating agency category:

|   | 2018                 | 2017     |
|---|----------------------|----------|
|   | % of debt securities |          |
| <b>Fortress Fixed Income Fund SP</b>              |                      |          |
| AAA   | 3%                   | —        |
| AA+   | 14%                  | —        |
| AA-   | 6%                   | —        |
| A+  | 6%                   | —        |
| A/Baa1  | 17%                  | —        |
| A-  | 3%                   | —        |
| BBB+  | 14%                  | —        |
| BBB   | 17%                  | —        |
| BBB-  | 8%                   | —        |
| BB+/Ba1   | 8%                   | —        |
| BB-   | 3%                   | —        |
| CCC/Caa   | 6%                   | —        |
|   | <hr/>                | <hr/>    |
| <b>100%</b>                                       | <b>100%</b>          | <b>—</b> |
|   | <hr/>                | <hr/>    |
| <b>Fortress Global Opportunity Wealth Fund SP</b> |                      |          |
| <b>Credit rating</b>                              |                      |          |
| AAA/Aaa   | —                    | 100%     |
|   | <hr/>                | <hr/>    |

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has delivered payment. On a purchase, payment is made once the securities have been received by the broker. The trade will fail if either party fails to meet their obligation.

Each funds' significant exposure to individual counterparty credit risk on its cash and cash equivalents is set out below:

|   | Fortress US<br>Equity<br>Fund<br>SP<br>\$ | Fortress<br>International<br>Equity Fund<br>SP<br>\$ | Fortress<br>Income<br>Builder<br>US Fund<br>SP<br>\$ | Fortress<br>Income<br>Builder<br>International<br>Fund SP<br>\$ | Fortress<br>Emerging<br>Markets<br>Fund SP<br>\$ | Fortress<br>Global<br>Opportunity<br>Wealth Fund<br>SP<br>\$ | Fortress<br>Fixed<br>Income<br>Fund SP<br>\$ |
|---|---|--|--|---|--|--|--|
| <b>September 30,<br/>2018</b>                       |   |  |  |   |  |  |  |
| Morgan<br>Stanley (BBB+<br>by Standard &<br>Poor's) | 1,152,493                                 | 1,733,835  | 1,132,310  | 2,027,221   | 2,494,505  | 277,204  | 346,762                                      |
|   | <hr/>                                     | <hr/>  | <hr/>  | <hr/>   | <hr/>  | <hr/>  | <hr/>  |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Credit risk ...continued

|   | Fortress US<br>Equity Fund<br>SP<br>\$ | Fortress<br>International<br>Equity Fund<br>SP<br>\$ | Fortress<br>Income<br>Builder US<br>Fund SP<br>\$ | Fortress<br>Income<br>Builder<br>International<br>Fund SP<br>\$ | Fortress<br>Emerging<br>Markets<br>Fund SP<br>\$ | Fortress<br>Global<br>Opportunity<br>Wealth Fund<br>SP<br>\$ |
|---|--|--|---|---|--|--|
| <b>September 30, 2017</b>                     |  |  |   |   |  |  |
| Morgan Stanley (BBB+<br>by Standard & Poor's) | 1,222,779                              | 1,261,287  | 920,085   | 1,179,522   | 2,527,563  | 644,205  |

The clearing and depository operations for each fund's security transactions were mainly concentrated with one prime broker Morgan Stanley Smith Barney LLC., a member of a major securities exchange, and at September 30, 2018 had a credit rating of BBB+ by Standard & Poor's. At September 30, 2018, substantially all cash and cash equivalents and investments are placed in custody with Morgan Stanley Smith Barney LLC.

There is a risk involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of each fund; each fund should not therefore be exposed to a credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolios of the funds may experience increased exposure to credit risk associated with the applicable custodians or brokers.

### Liquidity risk

Each fund is exposed to bi-monthly cash redemptions of Redeemable Mutual Fund Shares (note 2h). They therefore invest the majority of their assets in investments that are traded in an active market and can be readily disposed of. The table below analyses each funds' non- derivative financial liabilities and equity into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

|   | Less than<br>1 month<br>\$ | 1 -3 months<br>\$ |
|---|----------------------------|-------------------|
| <b>2018</b>   |                            |                   |
| <b>Fortress US Equity Fund SP</b>                                   |                            |                   |
| Due to broker   | 382,107                    | —                 |
| Accounts payable and accrued expenses                               | —                          | 1,772             |
| Net assets attributable to holders of redeemable mutual fund shares | 11,896,921                 | —                 |
| <b>Total financial liabilities and equity</b>                       | <b>12,279,028</b>          | <b>1,772</b>      |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

The amounts disclosed in the table below are the contractual undiscounted cash flows.

|   | Less than<br>1 month<br>\$ | 1 -3 months<br>\$ |
|---|----------------------------|-------------------|
| <b>2018</b>   |                            |                   |
| <b>Fortress International Equity Fund SP</b>                        |                            |                   |
| Due to broker   | 871,459                    | –                 |
| Accounts payable and accrued expenses                               | –                          | 6,621             |
| Net assets attributable to holders of redeemable mutual fund shares | 28,477,163                 | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>29,348,622</b>          | <b>6,621</b>      |
| <b>Fortress Income Builder US Fund SP</b>                           |                            |                   |
| Accounts payable and accrued expenses                               | –                          | 1,785             |
| Net assets attributable to holders of redeemable mutual fund shares | 15,649,219                 | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>15,649,219</b>          | <b>1,785</b>      |
| <b>Fortress Income Builder International Fund SP</b>                |                            |                   |
| Due to broker   | 622,618                    | –                 |
| Accounts payable and accrued expenses                               | –                          | 4,634             |
| Net assets attributable to holders of redeemable mutual fund shares | 20,820,871                 | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>21,443,489</b>          | <b>4,634</b>      |
| <b>Fortress Emerging Markets Fund SP</b>                            |                            |                   |
| Due to broker   | 957,060                    | –                 |
| Accounts payable and accrued expenses                               | –                          | 6,813             |
| Net assets attributable to holders of redeemable mutual fund shares | 31,221,061                 | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>32,178,121</b>          | <b>6,813</b>      |
| <b>2018</b>   |                            |                   |
| <b>Fortress Global Opportunity Wealth Fund SP</b>                   |                            |                   |
| Accounts payable and accrued expenses                               | –                          | 527               |
| Net assets attributable to holders of redeemable mutual fund shares | 4,668,222                  | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>4,668,222</b>           | <b>527</b>        |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

|   | Less than<br>1 month<br>\$ | 1 -3 months<br>\$ |
|---|----------------------------|-------------------|
| <b>2018</b>   |                            |                   |
| <b>Fortress Fixed Income Fund SP</b>                                |                            |                   |
| Accounts payable and accrued expenses                               | –                          | 1,969             |
| Net assets attributable to holders of redeemable mutual fund shares | 17,337,730                 | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>17,337,730</b>          | <b>1,969</b>      |
| <b>2017</b>   |                            |                   |
| <b>Fortress US Equity Fund SP</b>                                   |                            |                   |
| Accounts payable and accrued expenses                               | –                          | 177               |
| Net assets attributable to holders of redeemable mutual fund shares | 6,960,624                  | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>6,960,624</b>           | <b>177</b>        |
| <b>Fortress International Equity Fund SP</b>                        |                            |                   |
| Accounts payable and accrued expenses                               | –                          | 534               |
| Net assets attributable to holders of redeemable mutual fund shares | 21,072,977                 | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>21,072,977</b>          | <b>534</b>        |
| <b>Fortress Income Builder US Fund SP</b>                           |                            |                   |
| Accounts payable and accrued expenses                               | –                          | 393               |
| Net assets attributable to holders of redeemable mutual fund shares | 15,221,449                 | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>15,221,449</b>          | <b>393</b>        |
| <b>Fortress Income Builder International Fund SP</b>                |                            |                   |
| Accounts payable and accrued expenses                               | –                          | 552               |
| Net assets attributable to holders of redeemable mutual fund shares | 21,583,460                 | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>21,583,460</b>          | <b>552</b>        |
| <b>Fortress Emerging Markets Fund SP</b>                            |                            |                   |
| Accounts payable and accrued expenses                               | –                          | 564               |
| Net assets attributable to holders of redeemable mutual fund shares | 22,229,721                 | –                 |
| <b>Total financial liabilities and equity</b>                       | <b>22,229,721</b>          | <b>564</b>        |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

|   | <b>Less than<br/>1 month<br/>\$</b> | <b>1 -3 months<br/>\$</b> |
|---|-------------------------------------|---------------------------|
| <b>2017</b>   |                                     |                           |
| <b>Fortress Global Opportunity Wealth Fund SP</b>                   |                                     |                           |
| Accounts payable and accrued expenses                               | 113,056                             | 104                       |
| Net assets attributable to holders of redeemable mutual fund shares | 3,943,510                           | —                         |
|   | <hr/>                               | <hr/>                     |
| <b>Total financial liabilities and equity</b>                       | <b>4,056,566</b>                    | <b>104</b>                |

Redeemable shares are redeemed bi-monthly on demand at the holder's option (note 8). In the event that a fund receives any request for redemption in respect of any one Redemption Day, either singly or when aggregated with other redemption requests, representing more than 20% of the number of Redeemable Shares of any Class outstanding and the Directors determine that the redemption of such volume of Redeemable Shares of that Class would materially prejudice the interests of the other Shareholders of that Class or otherwise materially and adversely affect that fund, the Directors may scale down, on a pro-rata basis, each request for redemption with respect to such Redemption Day so that not more than 20% of the issued and outstanding Redeemable Shares of the relevant Class shall be redeemed on such relevant Redemption Day. Each such redemption request shall be treated with respect to the unsatisfied balance as if a further request has been made by the redeeming Shareholder in respect of the next Redemption Day until the request for redemption is satisfied in full. In the event of unusual circumstances, the directors of the Company reserve the right to suspend the determination of the net asset value, the sale, allotment, issue or redemption of a fund's shares.

At September 30, 2018, 100% (2017- 88%) of financial assets at fair value through profit or loss for FGOW, comprise of investments in the other funds that have been fair valued in accordance with the policies set out in note 2d. Since the shares in the other funds are not publicly traded, redemption can only be made by FGOW on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of FGOW to request redemption of its investments in the other funds may vary in frequency from daily to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, FGOW may be materially affected by the actions of other investors who have invested in the other funds in which FGOW has invested.

The fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within 1 month or less. The following table illustrates the expected liquidity of assets held.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

|  | Less than 1 month<br>\$ | 1 - 3 months<br>\$ | Over 3 months<br>\$ |
|--|-------------------------|--------------------|---------------------|
| <b>September 30, 2018</b>  |                         |                    |                     |
| <b>Fortress US Equity Fund SP</b><br>Total assets                    | <u>12,280,800</u>       | —                  | —                   |
| <b>Fortress International Equity Fund SP</b><br>Total assets         | <u>29,182,261</u>       | <u>172,982</u>     | —                   |
| <b>Fortress Income Builder US Fund SP</b><br>Total assets            | <u>15,783,644</u>       | —                  | —                   |
| <b>Fortress Income Builder International Fund SP</b><br>Total assets | <u>21,452,018</u>       | <u>68,105</u>      | —                   |
| <b>Fortress Emerging Markets Fund SP</b><br>Total assets             | <u>32,184,934</u>       | —                  | —                   |
| <b>Fortress Global Opportunity Wealth Fund SP</b><br>Total assets    | <u>4,668,749</u>        | —                  | —                   |
| <b>Fortress Fixed Income Fund SP</b><br>Total assets                 | <u>17,339,699</u>       | —                  | —                   |
| <b>September 30, 2017</b>  |                         |                    |                     |
| <b>Fortress US Equity Fund SP</b><br>Total assets                    | <u>6,960,801</u>        | —                  | —                   |
| <b>Fortress International Equity Fund SP</b><br>Total assets         | <u>21,001,747</u>       | <u>71,764</u>      | —                   |
| <b>Fortress Income Builder US Fund SP</b><br>Total assets            | <u>15,469,362</u>       | —                  | —                   |
| <b>Fortress Income Builder International Fund SP</b><br>Total assets | <u>21,978,552</u>       | <u>55,460</u>      | —                   |
| <b>Fortress Emerging Markets Fund SP</b><br>Total assets             | <u>22,230,285</u>       | —                  | —                   |
| <b>Fortress Global Opportunity Wealth Fund SP</b><br>Total assets    | <u>4,056,670</u>        | —                  | —                   |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

The table below analyses the Fund's derivative financial instruments in a loss position for which the contractual maturities are considered to be essential to an understanding of the timing of cash flows based on the Fund's investment strategy.

|  | Less than<br>7 days<br>\$ | 7 days -1<br>month<br>\$ | 1- 12 months<br>\$ |
|--|---------------------------|--------------------------|--------------------|
| <b>September 30, 2018</b>                            |                           |                          |                    |
| <b>Gross settled derivatives</b>                     |                           |                          |                    |
| <b>Fortress Income Builder US Fund SP</b>            |                           |                          |                    |
| Call SPY 293 18 Dec 2018                             | –                         | –                        | 110,100            |
| Call RCL 135 21 Dec 2018                             | –                         | –                        | 22,540             |
|  | –                         | –                        | <b>132,640</b>     |
| <b>Fortress Income Builder International Fund SP</b> |                           |                          |                    |
| Call EFA 69 16 Nov 2018                              | –                         | –                        | <b>72,000</b>      |
| <b>September 30, 2017</b>                            |                           |                          |                    |
| <b>Gross settled derivatives</b>                     |                           |                          |                    |
| <b>Fortress Income Builder US Fund SP</b>            |                           |                          |                    |
| Call BBY 60 20 Oct 2017                              | –                         | 3,612                    | –                  |
| Call RTN 180 17 Nov 2017                             | –                         | –                        | 27,308             |
| Call SPY 245 20 Oct 2017                             | –                         | 70,050                   | –                  |
| Call SPY 249 17 Nov 2017                             | –                         | –                        | 146,550            |
|  | –                         | <b>73,662</b>            | <b>173,858</b>     |
| <b>Fortress Income Builder International Fund SP</b> |                           |                          |                    |
| Call EFA 67 17 Nov 2017                              | –                         | –                        | 292,500            |
| Call EFA 68 15 Dec 2017                              | –                         | –                        | 157,500            |
|  | –                         | –                        | <b>450,000</b>     |



# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 4 Financial risk management...*continued*

### Capital risk management

The capital of each fund is represented by the net assets attributable to holders of redeemable shares. The amount of net asset attributable to holders of redeemable shares can change significantly on a monthly basis as the funds are subject to bi-monthly subscriptions and redemptions at the discretion of shareholders. The funds' objective when managing capital is to safeguard the funds' 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 funds.

### 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 funds is the exit price; the quoted market price for financial liabilities is the 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.

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.

The funds are 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 each fund. Each 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.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Fair value estimation ...continued

The following table analyses within the fair value hierarchy each funds' financial assets and liabilities (by class) measured at fair value:

|  | Level 1<br>\$     | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|--|-------------------|---------------|---------------|-------------|
| <b>September 30, 2018</b>  |                   |               |               |             |
| <b>Fortress US Equity Fund SP</b>                                  |                   |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |                   |               |               |             |
| Listed equity securities   | <b>10,805,724</b> | —             | —             | —           |
| <b>Fortress International Equity Fund SP</b>                       |                   |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |                   |               |               |             |
| Listed equity securities   | <b>26,287,223</b> | —             | —             | —           |
| <b>Fortress Income Builder US Fund SP</b>                          |                   |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |                   |               |               |             |
| Listed equity securities   | 14,556,642        | —             | —             | —           |
| Purchased options  | 26,000            | —             | —             | —           |
|  | <b>14,582,642</b> | —             | —             | —           |
| <b>Financial liabilities at fair value through profit or loss:</b> |                   |               |               |             |
| Written options  | <b>132,640</b>    | —             | —             | —           |
| <b>Fortress Income Builder International Fund SP</b>               |                   |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |                   |               |               |             |
| Listed equity securities   | 18,476,902        | —             | —             | —           |
| Purchased options  | 45,500            | —             | —             | —           |
|  | <b>18,522,402</b> | —             | —             | —           |
| <b>Financial liabilities at fair value through profit or loss:</b> |                   |               |               |             |
| Written options  | <b>72,000</b>     | —             | —             | —           |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 4 Financial risk management...continued

### Fair value estimation ...continued

|  | Level 1<br>\$ | Level 2<br>\$ | Level 3<br>\$ | Total<br>\$ |
|--|---------------|---------------|---------------|-------------|
| <b>September 30, 2018</b>  |               |               |               |             |
| <b>Fortress Emerging Markets Fund SP</b>                           |               |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |               |               |               |             |
| Listed equity securities   | 28,791,619    | —             | —             | —           |
| <b>Fortress Global Opportunity Wealth Fund SP</b>                  |               |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |               |               |               |             |
| Mutual funds   | —             | 4,325,893     | —             | —           |
| <b>Fortress Fixed Income Fund SP</b>                               |               |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |               |               |               |             |
| Debt securities  | 16,957,465    | —             | —             | —           |
| <b>September 30, 2017</b>  |               |               |               |             |
| <b>Fortress US Equity Fund SP</b>                                  |               |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |               |               |               |             |
| Listed equity securities   | 5,682,556     | —             | —             | 5,682,556   |
| <b>Fortress International Equity Fund SP</b>                       |               |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |               |               |               |             |
| Listed equity securities   | 19,566,418    | —             | —             | 19,566,418  |
| <b>Fortress Income Builder US Fund SP</b>                          |               |               |               |             |
| <b>Financial assets at fair value through profit or loss:</b>      |               |               |               |             |
| Listed equity securities   | 14,464,928    | —             | —             | 14,464,928  |
| Purchased options  | 8,400         | —             | —             | 8,400       |
|  | 14,473,328    | —             | —             | 14,473,328  |
| <b>Financial liabilities at fair value through profit or loss:</b> |               |               |               |             |
| Written options  | 247,520       | —             | —             | 247,520     |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 4 Financial risk management...continued

### Fair value estimation ...continued

|  | Level 1<br>\$     | Level 2<br>\$    | Level 3<br>\$ | Total<br>\$       |
|--|-------------------|------------------|---------------|-------------------|
| <b>September 30, 2017</b>  |                   |                  |               |                   |
| <b>Fortress Income Builder<br/>International Fund SP</b>               |                   |                  |               |                   |
| <b>Financial assets at fair value through<br/>profit or loss:</b>      |                   |                  |               |                   |
| Listed equity securities   | 20,678,274        | –                | –             | 20,678,274        |
| Purchased options  | 10,500            | –                | –             | 10,500            |
|  | <b>20,688,774</b> | –                | –             | <b>20,688,774</b> |
| <b>Financial liabilities at fair value<br/>through profit or loss:</b> |                   |                  |               |                   |
| Written options  | 450,000           | –                | –             | 450,000           |
| <b>Fortress Emerging Markets Fund SP</b>                               |                   |                  |               |                   |
| <b>Financial assets at fair value through<br/>profit or loss:</b>      |                   |                  |               |                   |
| Listed equity securities   | 19,145,372        | –                | –             | 19,145,372        |
| <b>Fortress Global Opportunity<br/>Wealth Fund SP</b>                  |                   |                  |               |                   |
| <b>Financial assets at fair value through<br/>profit or loss:</b>      |                   |                  |               |                   |
| Debt securities  | 405,577           | –                | –             | 405,577           |
| Mutual funds   | –                 | 2,954,000        | –             | 2,954,000         |
|  | <b>405,577</b>    | <b>2,954,000</b> | –             | <b>3,359,577</b>  |

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The funds do 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 include unlisted mutual funds. 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, are unquoted or are determined by a third party.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States 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 funds' 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             |
|---|------------------|-------------------|----------|-------------------|
|   | \$               | \$                | \$       | \$                |
| <b>September 30, 2018</b>   |                  |                   |          |                   |
| <b>Fortress US Equity Fund SP</b>                                   |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Accounts receivable   | –                | 12,303            | –        | 12,303            |
| Due from broker   | –                | 261,894           | –        | 261,894           |
| Cash and cash equivalents   | 1,200,879        | –                 | –        | 1,200,879         |
| <b>Total</b>  | <b>1,200,879</b> | <b>274,197</b>    | <b>–</b> | <b>1,475,076</b>  |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | –                | 1,772             | –        | 1,772             |
| Due to brokers  | –                | 382,107           | –        | 382,107           |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 11,896,921        | –        | 11,896,921        |
| <b>Total</b>  | <b>–</b>         | <b>12,280,800</b> | <b>–</b> | <b>12,280,800</b> |
| <b>Fortress International Equity Fund SP</b>                        |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Accounts receivable   | –                | 172,982           | –        | 172,982           |
| Due from broker   | –                | 1,042,518         | –        | 1,042,518         |
| Cash and cash equivalents   | 1,852,520        | –                 | –        | 1,852,520         |
| <b>Total</b>  | <b>1,852,520</b> | <b>1,215,500</b>  | <b>–</b> | <b>3,068,020</b>  |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | –                | 6,621             | –        | 6,621             |
| Due to broker   | –                | 871,459           | –        | 871,459           |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 28,477,163        | –        | 28,477,163        |
| <b>Total</b>  | <b>–</b>         | <b>29,355,243</b> | <b>–</b> | <b>29,355,243</b> |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States 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             |
|---|------------------|-------------------|----------|-------------------|
|   | \$               | \$                | \$       | \$                |
| <b>September 30, 2018</b>   |                  |                   |          |                   |
| <b>Fortress Income Builder US Fund SP</b>                           |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Accounts receivable   | –                | 17,026            | –        | 17,026            |
| Cash and cash equivalents   | 1,183,976        | –                 | –        | 1,183,976         |
| <b>Total</b>  | <b>1,183,976</b> | <b>17,026</b>     | <b>–</b> | <b>1,201,002</b>  |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | –                | 1,785             | –        | 1,785             |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 15,649,219        | –        | 15,649,219        |
| <b>Total</b>  | <b>–</b>         | <b>15,651,004</b> | <b>–</b> | <b>15,651,004</b> |
| <b>Fortress Income Builder International Fund SP</b>                |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Accounts receivable   | –                | 68,105            | –        | 68,105            |
| Due from brokers  | –                | 859,459           | –        | 859,459           |
| Cash and cash equivalents   | 2,070,157        | –                 | –        | 2,070,157         |
| <b>Total</b>  | <b>2,070,157</b> | <b>927,564</b>    | <b>–</b> | <b>2,997,721</b>  |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | –                | 4,634             | –        | 4,634             |
| Due to brokers  | –                | 622,618           | –        | 622,618           |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 20,820,871        | –        | 20,820,871        |
| <b>Total</b>  | <b>–</b>         | <b>21,448,123</b> | <b>–</b> | <b>21,448,123</b> |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States 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             |
|---|------------------|-------------------|---------|-------------------|
|   | \$               | \$                | \$      | \$                |
| <b>September 30, 2018</b>   |                  |                   |         |                   |
| <b>Fortress Emerging Market Fund SP</b>                             |                  |                   |         |                   |
| <b>Assets</b>   |                  |                   |         |                   |
| Accounts receivable   | –                | 64,759            | –       | <b>64,759</b>     |
| Due from brokers  | –                | 796,349           | –       | <b>796,349</b>    |
| Cash and cash equivalents   | 2,532,207        | –                 | –       | <b>2,532,207</b>  |
| <b>Total</b>  | <b>2,532,207</b> | <b>861,108</b>    | –       | <b>3,393,315</b>  |
| <b>Liabilities</b>  |                  |                   |         |                   |
| Accounts payable and accrued expenses                               | –                | 6,813             | –       | <b>6,813</b>      |
| Due to brokers  | –                | 957,060           | –       | <b>957,060</b>    |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 31,221,061        | –       | <b>31,221,061</b> |
| <b>Total</b>  | –                | <b>32,184,934</b> | –       | <b>32,184,934</b> |
| <b>Fortress Global Opportunity Wealth Fund SP</b>                   |                  |                   |         |                   |
| <b>Assets</b>   |                  |                   |         |                   |
| Cash and cash equivalents   | 342,856          | –                 | –       | <b>342,856</b>    |
| <b>Total</b>  | <b>342,856</b>   | –                 | –       | <b>342,856</b>    |
| <b>Liabilities</b>  |                  |                   |         |                   |
| Accounts payable and accrued expenses                               | –                | 527               | –       | <b>527</b>        |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 4,668,222         | –       | <b>4,668,222</b>  |
| <b>Total</b>  | –                | <b>4,668,749</b>  | –       | <b>4,668,749</b>  |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States 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             |
|---|------------------|-------------------|----------|-------------------|
|   | \$               | \$                | \$       | \$                |
| <b>September 30, 2018</b>   |                  |                   |          |                   |
| <b>Fortress Fixed Income Fund SP</b>                                |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Cash and cash equivalents   | 382,234          | —                 | —        | 382,234           |
| <b>Total</b>  | <b>382,234</b>   | <b>—</b>          | <b>—</b> | <b>382,234</b>    |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | —                | 1,969             | —        | 1,969             |
| Net assets attributable to holders of redeemable mutual fund shares | —                | 17,337,730        | —        | 17,337,730        |
| <b>Total</b>  | <b>—</b>         | <b>17,339,699</b> | <b>—</b> | <b>17,339,699</b> |
| <b>September 30, 2017</b>   |                  |                   |          |                   |
| <b>Fortress US Equity Fund SP</b>                                   |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Accounts receivable   | —                | 4,940             | —        | 4,940             |
| Cash and cash equivalents   | 1,273,305        | —                 | —        | 1,273,305         |
| <b>Total</b>  | <b>1,273,305</b> | <b>4,940</b>      | <b>—</b> | <b>1,278,245</b>  |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | —                | 177               | —        | 177               |
| Net assets attributable to holders of redeemable mutual fund shares | —                | 6,960,624         | —        | 6,960,624         |
| <b>Total</b>  | <b>—</b>         | <b>6,960,801</b>  | <b>—</b> | <b>6,960,801</b>  |



# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States 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             |
|---|------------------|-------------------|----------|-------------------|
|   | \$               | \$                | \$       | \$                |
| <b>September 30, 2017</b>   |                  |                   |          |                   |
| <b>Fortress International Equity Fund SP</b>                        |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Accounts receivable   |                  | 194,254           | –        | <b>194,254</b>    |
| Cash and cash equivalents   | 1,312,839        | –                 | –        | <b>1,312,839</b>  |
| <b>Total</b>  | <b>1,312,839</b> | <b>194,254</b>    | <b>–</b> | <b>1,507,093</b>  |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | –                | 534               | –        | <b>534</b>        |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 21,072,977        | –        | <b>21,072,977</b> |
| <b>Total</b>  | <b>–</b>         | <b>21,073,511</b> | <b>–</b> | <b>21,073,511</b> |
| <b>Fortress Income Builder US Fund SP</b>                           |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Accounts receivable   | –                | 20,092            | –        | <b>20,092</b>     |
| Cash and cash equivalents   | 975,942          | –                 | –        | <b>975,942</b>    |
| <b>Total</b>  | <b>975,942</b>   | <b>20,092</b>     | <b>–</b> | <b>996,034</b>    |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | –                | 393               | –        | <b>393</b>        |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 15,221,449        | –        | <b>15,221,449</b> |
| <b>Total</b>  | <b>–</b>         | <b>15,221,842</b> | <b>–</b> | <b>15,221,842</b> |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States 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             |
|---|------------------|-------------------|----------|-------------------|
|   | \$               | \$                | \$       | \$                |
| <b>September 30, 2017</b>   |                  |                   |          |                   |
| <b>Fortress Income Builder International Fund SP</b>                |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Accounts receivable   | –                | 67,071            | –        | 67,071            |
| Cash and cash equivalents   | 1,278,167        | –                 | –        | 1,278,167         |
| <b>Total</b>  | <b>1,278,167</b> | <b>67,071</b>     | <b>–</b> | <b>1,345,238</b>  |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | –                | 522               | –        | 522               |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 21,583,460        | –        | 21,583,460        |
| <b>Total</b>  | <b>–</b>         | <b>21,583,982</b> | <b>–</b> | <b>21,583,982</b> |
| <b>Fortress Emerging Market Fund SP</b>                             |                  |                   |          |                   |
| <b>Assets</b>   |                  |                   |          |                   |
| Accounts receivable   | –                | 13,651            | –        | 13,651            |
| Cash and cash equivalents   | 3,071,262        | –                 | –        | 3,071,262         |
| <b>Total</b>  | <b>3,071,262</b> | <b>13,651</b>     | <b>–</b> | <b>3,084,913</b>  |
| <b>Liabilities</b>  |                  |                   |          |                   |
| Accounts payable and accrued expenses                               | –                | 564               | –        | 564               |
| Net assets attributable to holders of redeemable mutual fund shares | –                | 22,229,721        | –        | 22,229,721        |
| <b>Total</b>  | <b>–</b>         | <b>22,230,285</b> | <b>–</b> | <b>22,230,285</b> |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States 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            |
|---|----------------|------------------|---------|------------------|
|   | \$             | \$               | \$      | \$               |
| <b>September 30, 2017</b>   |                |                  |         |                  |
| <b>Fortress Global Opportunity Wealth Fund SP</b>                   |                |                  |         |                  |
| <b>Assets</b>   |                |                  |         |                  |
| Cash and cash equivalents   | 697,093        | –                | –       | <b>697,093</b>   |
| <b>Total</b>  | <b>697,093</b> | –                | –       | <b>697,093</b>   |
| <b>Liabilities</b>  |                |                  |         |                  |
| Accounts payable and accrued expenses                               | –              | 113,160          | –       | <b>113,160</b>   |
| Net assets attributable to holders of redeemable mutual fund shares | –              | 3,943,510        | –       | <b>3,943,510</b> |
| <b>Total</b>  | –              | <b>4,056,670</b> | –       | <b>4,056,670</b> |

The assets and liabilities, other than redeemable shares, included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value. Cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market.

The puttable value of redeemable shares is calculated based on the net difference between total assets and all other liabilities of the funds in accordance with the funds' 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 funds at any dealing date for cash equal to a proportionate share of the funds' net asset value attributable to the share class (Note 2h). 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.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss

|   | Fortress<br>US<br>Equity<br>Fund<br>SP<br>\$ | Fortress<br>International<br>Equity Fund<br>SP<br>\$ | Fortress<br>Income<br>Builder<br>US Fund<br>SP<br>\$ | Fortress<br>Income<br>Builder<br>International<br>Fund SP<br>\$ | Fortress<br>Emerging<br>Markets<br>Fund SP<br>\$ | Fortress<br>Global<br>Opportunity<br>Wealth Fund<br>SP<br>\$ | Fortress<br>Fixed<br>Income<br>Fund SP<br>\$ |
|---|--|--|--|---|--|--|--|
| <b>September 30, 2018</b>   |  |  |  |   |  |  |  |
| <b>Financial assets designated at fair value through profit or loss:</b>  |  |  |  |   |  |  |  |
| - listed equity investments   | 10,805,724                                   | 26,287,223   | 14,556,642   | 18,476,902  | 28,791,619                                       | -  | -  |
| - purchased options   | -  | -  | 26,000   | 45,500  | -  | -  | -  |
| - debt securities   | -  | -  | -  | -   | -  | -  | 16,957,465                                   |
| - mutual funds  | -  | -  | -  | -   | -  | 4,325,893  | -  |
| <b>Total financial assets designated at fair value through profit or loss</b>   | <b>10,805,724</b>                            | <b>26,287,223</b>                                    | <b>14,582,642</b>                                    | <b>18,522,402</b>   | <b>28,791,619</b>                                | <b>4,325,893</b>   | <b>16,957,465</b>                            |
| <b>Financial liabilities designated at fair value through profit or loss:</b>   |  |  |  |   |  |  |  |
| - written options   | -  | -  | 132,640  | 72,000  | -  | -  | -  |
| <b>Total gain/(losses) recognized in relation to financial assets and liabilities at fair value through profit or loss:</b> |  |  |  |   |  |  |  |
| - realized gains/(losses)   | 113,511                                      | 495,892  | (653,159)  | 850,405   | (108,904)  | 5,817  | 85   |
| - change in unrealized gains/(losses)   | 568,740                                      | (2,383,972)  | 1,115,424  | (2,406,845)   | (381,453)  | (9,835)  | (447,667)                                    |
|   | <b>682,251</b>                               | <b>(1,888,080)</b>                                   | <b>462,265</b>                                       | <b>(1,556,440)</b>  | <b>(490,357)</b>                                 | <b>(4,018)</b>   | <b>(447,582)</b>                             |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss...continued

|   | Fortress US<br>Equity<br>Fund<br>SP<br>\$ | Fortress<br>International<br>Equity Fund<br>SP<br>\$ | Fortress<br>Income<br>Builder US<br>Fund SP<br>\$ | Fortress<br>Income<br>Builder<br>International<br>Fund SP<br>\$ | Fortress<br>Emerging<br>Markets<br>Fund SP<br>\$ | Fortress<br>Global<br>Opportunity<br>Wealth Fund<br>SP<br>\$ |
|---|---|--|---|---|--|--|
| <b>September 30, 2017</b>   |   |  |   |   |  |  |
| <b>Financial assets designated at fair value through profit or loss:</b>  |   |  |   |   |  |  |
| - listed equity investments   | 5,682,556                                 | 19,566,418   | 14,464,928  | 20,678,274  | 19,145,372                                       | -  |
| - purchased options   | -   | -  | 8,400   | 10,500  | -  | -  |
| - debt securities   | -   | -  | -   | -   | -  | 405,577  |
| - mutual funds  | -   | -  | -   | -   | -  | 2,954,000  |
| <b>Total financial assets designated at fair value through profit or loss</b>   | <b>5,682,556</b>                          | <b>19,566,418</b>                                    | <b>14,473,328</b>                                 | <b>20,688,774</b>   | <b>19,145,372</b>                                | <b>3,359,577</b>   |
| <b>Financial liabilities designated at fair value through profit or loss:</b>   |   |  |   |   |  |  |
| - written options   | -   | -  | 247,520   | 450,000   | -  | -  |
| <b>Total gain/(losses) recognized in relation to financial assets and liabilities at fair value through profit or loss:</b> |   |  |   |   |  |  |
| - realized gains/(losses)   | 386,576                                   | 110,611  | (326,514)   | (1,388,101)   | (396,437)  | -  |
| - change in unrealized gains  | 445,669                                   | 3,077,522  | 380,251   | 2,829,448   | 3,575,311  | 308,254  |
|   | <b>832,245</b>                            | <b>3,188,133</b>                                     | <b>53,737</b>                                     | <b>1,441,347</b>  | <b>3,178,874</b>                                 | <b>308,254</b>   |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss...continued

The detailed portfolios of financial assets at fair value through profit or loss are as follows:

|  | 2018             |                   | 2017             |                  |
|--|------------------|-------------------|------------------|------------------|
|  | Cost<br>\$       | Fair Value<br>\$  | Cost<br>\$       | Fair Value<br>\$ |
| <b>Financial assets at fair value through profit and loss:</b> |                  |                   |                  |                  |
| <b>Fortress US Equity Fund SP</b>                              |                  |                   |                  |                  |
| Tractor Supply Co  | 304,024          | 463,488           | 211,906          | 240,502          |
| Kohls Corp   | 338,724          | 447,300           | 174,430          | 155,210          |
| Royal Caribbean Cruises Ltd                                    | 324,559          | 441,796           | 153,967          | 213,372          |
| Snap-On Inc  | 385,193          | 440,640           | 220,699          | 193,713          |
| Anthem Inc   | 260,679          | 438,480           | 171,651          | 246,844          |
| Southwest Airlines   | 398,328          | 437,150           | –                | –                |
| CVS Health Corp  | 326,792          | 432,960           | 122,688          | 195,168          |
| AT&T Inc   | 392,973          | 413,034           | –                | –                |
| Walgreens Boots Alliance Inc                                   | 380,826          | 408,240           | –                | –                |
| Hormel Foods Corp  | 361,746          | 401,880           | 207,118          | 189,626          |
| UnitedHealth Group Inc   | 154,595          | 399,060           | 58,795           | 215,435          |
| Ameriprise Financial Inc                                       | 341,290          | 383,916           | 203,130          | 237,616          |
| Capital One Financial Corp                                     | 382,107          | 379,720           | –                | –                |
| Foot Locker Inc  | 358,178          | 377,252           | 176,571          | 112,704          |
| Prudential Financial Inc                                       | 334,976          | 374,884           | 164,058          | 212,640          |
| Best Buy Co Inc  | 278,119          | 372,992           | 215,239          | 222,144          |
| D R Horton Inc   | 362,406          | 371,184           | –                | –                |
| Morgan Stanley   | 392,303          | 367,903           | –                | –                |
| Discover Financial Services                                    | 310,459          | 366,960           | 165,470          | 186,992          |
| Lincoln National Corp  | 332,589          | 365,364           | 209,865          | 264,528          |
| Principal Financial Group Inc                                  | 327,455          | 363,258           | 197,303          | 257,360          |
| TE Connectivity Ltd  | 290,454          | 342,927           | 195,574          | 240,874          |
| Eastman Chemical Co  | 295,495          | 325,448           | 209,495          | 235,274          |
| Tyson Foods Inc  | 355,607          | 321,462           | 214,319          | 232,485          |
| MCKESSON Corp  | 345,308          | 318,360           | –                | –                |
| GAP Inc  | 376,954          | 305,810           | 201,048          | 147,650          |
| Whirlpool Corp   | 382,852          | 273,125           | 194,140          | 202,884          |
| Macy's Inc   | 322,915          | 250,056           | 203,195          | 69,824           |
| Ford Motor Co  | 298,460          | 221,075           | 186,260          | 166,383          |
| Cummins Inc  | –                | –                 | 174,012          | 252,045          |
| Harley Davidson Inc  | –                | –                 | 192,427          | 159,093          |
| Kroger Co  | –                | –                 | 189,833          | 110,330          |
| Cisco Systems Inc  | –                | –                 | 185,150          | 235,410          |
| General Motors Co  | –                | –                 | 211,429          | 242,280          |
| Aflac Inc  | –                | –                 | 152,165          | 244,170          |
|  | <b>9,716,366</b> | <b>10,805,724</b> | <b>5,161,937</b> | <b>5,682,556</b> |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss...continued

|  | 2018              |                   | 2017              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Cost<br>\$        | Fair Value<br>\$  | Cost<br>\$        | Fair Value<br>\$  |
| <b>Financial assets at fair value through profit and loss:</b> |                   |                   |                   |                   |
| <b>Fortress International Equity Fund SP</b>                   |                   |                   |                   |                   |
| Ashtead Group PLC  | 522,229           | 1,044,789         | 395,832           | 691,756           |
| Marubeni Corp  | 809,434           | 1,040,003         | 419,004           | 422,808           |
| KDDI Corp  | 1,050,320         | 1,029,767         | 655,007           | 588,073           |
| Sumitomo Chemical Co Ltd                                       | 1,121,446         | 979,657           | –                 | –                 |
| Koninklijke Ahold NV   | 804,814           | 945,111           | 508,493           | 538,994           |
| Toyota Motor CP  | 918,974           | 945,060           | 660,186           | 667,352           |
| Manulife Financial Corp  | 938,700           | 942,277           | 590,134           | 693,918           |
| Nippon Telegraph & Telephone Corp                              | 747,215           | 927,927           | 394,913           | 608,076           |
| China Overseas Land & Invt Ltd                                 | 953,694           | 926,108           | –                 | –                 |
| Barratt Developments PLC                                       | 864,968           | 922,097           | 533,001           | 683,347           |
| AXA SA   | 893,603           | 916,037           | 561,235           | 683,244           |
| WPP PLC  | 1,141,550         | 915,835           | 643,473           | 575,243           |
| Orix Corporation   | 792,602           | 913,712           | 538,501           | 677,353           |
| ITOCHU Corp  | 652,281           | 909,202           | 499,961           | 689,630           |
| Subaru Corp  | 977,134           | 896,784           | 557,552           | 595,414           |
| Babcock Intl Group PLC   | 1,182,650         | 894,092           | 744,468           | 587,603           |
| NSK Ltd  | 1,000,252         | 870,291           | 640,768           | 660,677           |
| Valeo SA   | 888,039           | 867,979           | –                 | –                 |
| Tokyo Electron Ltd   | 871,459           | 864,934           | –                 | –                 |
| Legal & General Group PLC                                      | 988,124           | 864,432           | 725,790           | 647,330           |
| Magna International Inc  | 841,176           | 850,986           | 744,460           | 779,348           |
| Samsung Electronics Ltd  | 557,633           | 830,271           | 437,273           | 784,476           |
| Sekisui House Ltd  | 894,372           | 821,302           | 558,240           | 598,398           |
| Michelin   | 795,660           | 812,350           | 491,371           | 685,744           |
| Persimmon PLC  | 757,739           | 795,112           | 573,514           | 726,466           |
| Bayerische Motoren Werke AG                                    | 961,019           | 791,393           | 725,336           | 677,478           |
| Daimler AG   | 1,049,924         | 770,134           | 743,964           | 668,266           |
| Randstad Holdings  | 600,645           | 768,315           | 421,999           | 729,647           |
| Continental AG   | 845,122           | 625,363           | 630,008           | 709,393           |
| Old Mutual Ltd   | 922,983           | 605,903           | 621,756           | 518,037           |
| China Construction Bank Corp                                   | –                 | –                 | 548,171           | 597,312           |
| Nissan Motor Co Ltd  | –                 | –                 | 600,539           | 633,970           |
| Hon Hai Precision Ind Ltd Global Dep                           | –                 | –                 | 458,091           | 693,000           |
| Assicurazion Gen Intl  | –                 | –                 | 626,442           | 754,065           |
|  | <b>26,345,761</b> | <b>26,287,223</b> | <b>17,249,482</b> | <b>19,566,418</b> |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss...continued

|  | 2018              |                   | 2017              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Cost<br>\$        | Fair Value<br>\$  | Cost<br>\$        | Fair Value<br>\$  |
| <b>Financial assets at fair value through profit and loss:</b> |                   |                   |                   |                   |
| <b>Fortress Income Builder US Fund SP</b>                      |                   |                   |                   |                   |
| Tractor Supply Co  | 431,834           | 699,776           | 476,700           | 537,965           |
| UnitedHealth Group Inc   | 411,376           | 665,100           | 493,651           | 587,550           |
| Honeywell International Inc                                    | 399,976           | 658,200           | 399,976           | 566,960           |
| Royal Caribbean Cruises Ltd                                    | 551,719           | 636,706           | –                 | –                 |
| AT&T Inc   | 588,435           | 612,096           | –                 | –                 |
| Kohls Corp   | 338,188           | 596,400           | 473,463           | 511,280           |
| Torchmark Corp   | 363,794           | 589,492           | 363,794           | 544,612           |
| TE Connectivity Ltd  | 416,583           | 589,131           | 416,583           | 556,502           |
| Amgen Inc  | 475,332           | 580,412           | –                 | –                 |
| Eastman Chemical Co  | 474,082           | 564,748           | 474,082           | 533,891           |
| Hormel Foods Corp  | 342,248           | 559,480           | 342,248           | 456,388           |
| Best Buy Co Inc  | 483,348           | 555,520           | 474,330           | 489,856           |
| Snap-On Inc  | 480,816           | 550,800           | 480,816           | 447,030           |
| Discover Financial Services                                    | 464,814           | 542,795           | –                 | –                 |
| Walt Disney Co   | 413,616           | 514,536           | 413,616           | 433,708           |
| Prudential Financial Inc                                       | 560,184           | 506,600           | 483,000           | 446,544           |
| Eversource Energy Co   | 461,593           | 503,808           | 461,593           | 495,608           |
| Raytheon Company   | 159,067           | 495,984           | 218,717           | 615,714           |
| Principal Financial Group Inc                                  | 416,863           | 492,156           | 416,863           | 540,456           |
| CVS Health Corp  | 388,154           | 490,741           | 388,154           | 506,950           |
| Ameriprise Financial Inc                                       | 417,920           | 487,278           | 506,569           | 594,040           |
| GAP Inc  | 475,443           | 435,635           | –                 | –                 |
| Walgreens Boots Alliance Inc                                   | 487,108           | 430,110           | 487,108           | 455,598           |
| Omnicom Group  | 420,155           | 394,516           | 420,155           | 429,606           |
| Foot Locker Inc  | 389,976           | 372,154           | 295,336           | 186,666           |
| Whirlpool Corp   | 518,642           | 350,313           | 518,642           | 544,098           |
| Tyson Foods Inc  | 377,702           | 345,274           | 507,945           | 549,510           |
| Macy's Inc   | 489,786           | 336,881           | 489,786           | 211,654           |
| Put SPY 268 19 Oct 2018  | 144,750           | 26,000            | –                 | –                 |
| Kroger Co  | –                 | –                 | 565,762           | 339,014           |
| Cisco Systems Inc  | –                 | –                 | 398,352           | 504,450           |
| Time Warner Inc  | –                 | –                 | 431,986           | 522,495           |
| V F Corporation  | –                 | –                 | 514,822           | 578,487           |
| Cardinal Health Inc  | –                 | –                 | 491,843           | 401,520           |
| Put SPY 230 20 Oct 2017  | –                 | –                 | 103,200           | 8,400             |
| United Technologies Corp                                       | –                 | –                 | 421,585           | 517,950           |
| Scana Corp   | –                 | –                 | 372,924           | 358,826           |
|  | <b>12,343,504</b> | <b>14,582,642</b> | <b>13,303,601</b> | <b>14,473,328</b> |



# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss...continued

|  | 2018              |                     | 2017              |                     |
|--|-------------------|---------------------|-------------------|---------------------|
|  | Cost<br>\$        | Fair<br>Value<br>\$ | Cost<br>\$        | Fair<br>Value<br>\$ |
| <b>Financial assets at fair value through profit and loss:</b> |                   |                     |                   |                     |
| <b>Fortress Income Builder International Fund SP</b>           |                   |                     |                   |                     |
| Whitbread PLC  | 667,482           | 780,634             | 667,482           | 640,802             |
| Magna International Inc  | 737,735           | 766,938             | 737,735           | 779,348             |
| Legal & General Group PLC                                      | 717,340           | 719,562             | 717,340           | 733,339             |
| Securitas AB   | 697,094           | 713,744             | –                 | –                   |
| Allianz SE   | 530,912           | 711,316             | 613,867           | 827,706             |
| Michelin   | 582,773           | 704,833             | 582,773           | 860,827             |
| AXA SA   | 641,450           | 690,386             | 641,450           | 776,963             |
| ITOCHU Corp  | 647,123           | 686,018             | –                 | –                   |
| Orix Corporation   | 600,692           | 675,564             | 600,692           | 672,515             |
| Toyota Motor CP  | 638,335           | 671,490             | 638,335           | 643,518             |
| Nippon Telegraph & Telephone Corp                              | 505,527           | 653,153             | 505,527           | 662,940             |
| KDDI Corp  | 607,824           | 646,020             | 607,824           | 617,081             |
| D S Smith PLC  | 646,541           | 641,968             | –                 | –                   |
| Barratt Developments PLC                                       | 521,368           | 641,330             | 521,368           | 714,633             |
| Manulife Financial Corp  | 629,551           | 634,740             | 629,551           | 720,295             |
| Henkel AG & Co KGAA  | 613,398           | 633,927             | 613,398           | 729,177             |
| Bank of Nova Scotia  | 507,155           | 632,078             | 507,155           | 681,050             |
| Tokyo Electron Ltd   | 622,618           | 617,810             | –                 | –                   |
| Bayerische Motoren Werke AG                                    | 526,940           | 611,531             | 526,940           | 687,589             |
| Nissan Motor Co Ltd  | 592,530           | 590,211             | 592,530           | 625,055             |
| Randstad Holdings  | 434,463           | 586,908             | 434,463           | 680,180             |
| Sumitomo Chemical Co Ltd                                       | 661,600           | 549,778             | –                 | –                   |
| Babcock Intl Group PLC   | 791,553           | 533,252             | 791,553           | 627,515             |
| Daimler AG   | 689,434           | 530,256             | 689,434           | 668,266             |
| EasyJet PLC  | 590,329           | 520,531             | 590,329           | 495,683             |
| Old Mutual Ltd   | 714,609           | 518,409             | 714,609           | 638,244             |
| Continental AG   | 652,509           | 503,765             | 652,509           | 734,729             |
| Subaru Corp  | 626,846           | 465,226             | 626,846           | 548,502             |
| Valeo SA   | 482,464           | 451,349             | 482,464           | 771,350             |
| WPP PLC  | 562,745           | 394,175             | 562,745           | 499,163             |
| Put SPY 268 19 Oct 2018  | 234,850           | 45,500              | –                 | –                   |
| Marubeni Corp  | –                 | –                   | 658,890           | 706,957             |
| Nordea Bank  | –                 | –                   | 647,011           | 711,340             |
| Hon Hai Precision Ind Ltd Global Dep                           | –                 | –                   | 456,384           | 700,001             |
| Bayer AG Namen AKT   | –                 | –                   | 582,789           | 750,822             |
| Assicurazion Gen Intl  | –                 | –                   | 641,910           | 772,684             |
| Put SPY 230 20 Oct 2017  | –                 | –                   | 127,000           | 10,500              |
|  | <b>18,675,790</b> | <b>18,522,402</b>   | <b>18,362,903</b> | <b>20,688,774</b>   |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss...continued

|  | 2018              |                   | 2017              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Cost<br>\$        | Fair Value<br>\$  | Cost<br>\$        | Fair Value<br>\$  |
| <b>Financial assets at fair value through profit and loss:</b> |                   |                   |                   |                   |
| <b>Fortress Emerging Markets Fund SP</b>                       |                   |                   |                   |                   |
| Ishare MSCI South Korea Index Fund                             | 1,317,726         | 1,420,016         | –                 | –                 |
| China Railway Group Ltd  | 961,633           | 1,298,900         | –                 | –                 |
| SK Telecom Co Ltd  | 1,125,620         | 1,268,540         | –                 | –                 |
| Rosneft Oil Co PJSC  | 844,019           | 1,263,596         | 540,147           | 664,934           |
| TATNEFT PAO  | 552,983           | 1,201,050         | 602,294           | 730,170           |
| Lukoil PJSC  | 831,431           | 1,127,490         | 646,655           | 640,453           |
| Beijing Enterprises Holdings                                   | 1,014,105         | 1,059,370         | 629,935           | 639,863           |
| Mondi Ltd  | 827,752           | 1,038,453         | 537,107           | 733,145           |
| PICC Property & Casualty Co Ltd                                | 939,667           | 1,024,628         | 616,756           | 700,908           |
| Agricultural Bank of China                                     | 929,330           | 976,095           | –                 | –                 |
| Bank of Communications Co                                      | 1,052,468         | 968,685           | 661,738           | 589,411           |
| DongFeng Motor GRP Co Ltd                                      | 1,194,020         | 949,841           | 736,279           | 699,847           |
| Itau Unibanco Holdings   | 1,064,036         | 949,770           | 626,755           | 685,000           |
| Companhia De Sanamento Basico                                  | 957,060           | 944,000           | –                 | –                 |
| Samsung Electronics Ltd  | 681,673           | 942,300           | 513,942           | 905,600           |
| China Overseas Land & Invt Ltd                                 | 952,839           | 941,757           | 599,666           | 642,556           |
| Shimao Property Holdings Ltd                                   | 741,951           | 938,097           | 741,951           | 815,879           |
| China Merchants Bank   | 491,675           | 937,589           | 491,675           | 811,095           |
| China Resources Power Holdings                                 | 1,128,874         | 931,389           | 750,701           | 613,028           |
| Barloworld Ltd   | 919,364           | 925,855           | 531,758           | 629,024           |
| Guangzhou Automobile Group Co                                  | 854,638           | 910,071           | 483,200           | 925,880           |
| Sberbank Russia Sponsored ADR                                  | 1,063,834         | 897,744           | –                 | –                 |
| Industrial & Commercial Bank of China                          | 874,568           | 892,052           | 662,479           | 721,380           |
| ABSA Group Ltd (form.Barclays Africa                           | 871,923           | 883,902           | 528,611           | 574,084           |
| Nedbank Group Ltd  | 904,900           | 881,382           | 568,754           | 487,233           |
| Banco Bradesco SA  | 1,027,598         | 877,028           | 616,074           | 751,498           |
| Nine Dragons Paper Holdings                                    | 1,131,240         | 849,322           | –                 | –                 |
| Haier Electronics Group  | 608,089           | 822,795           | 584,525           | 780,032           |
| Great Wall Motor Co Ltd  | 1,232,823         | 669,902           | 702,768           | 633,937           |
| Imperial Holdings Ltd  | –                 | –                 | 802,249           | 674,150           |
| Lenovo Group Limited   | –                 | –                 | 700,712           | 333,775           |
| Ishare MSCI Taiwan ETF   | –                 | –                 | 1,037,265         | 1,317,650         |
| LG Display Co  | –                 | –                 | 621,561           | 630,740           |
| Hon Hai Precision Ind Ltd Global Dep                           | –                 | –                 | 533,601           | 814,100           |
|  | <b>27,097,839</b> | <b>28,791,619</b> | <b>17,069,158</b> | <b>19,145,372</b> |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss...continued

|  | 2018             |                  | 2017             |                  |
|--|------------------|------------------|------------------|------------------|
|  | Cost<br>\$       | Fair Value<br>\$ | Cost<br>\$       | Fair Value<br>\$ |
| <b>Financial assets at fair value through profit and loss:</b> |                  |                  |                  |                  |
| <b>Fortress Global Opportunity Wealth Fund SP</b>              |                  |                  |                  |                  |
| Fortress Fixed Income Fund                                     | 1,080,933        | 1,070,190        | –                | –                |
| Fortress International Equity Fund                             | 672,618          | 823,667          | 672,618          | 852,245          |
| Fortress US Equity Fund  | 496,200          | 655,564          | 460,200          | 570,680          |
| Fortress Income Builder International Fu                       | 468,357          | 476,110          | 391,357          | 426,460          |
| Fortress Income Builder US Fund                                | 411,210          | 449,564          | 339,210          | 362,588          |
| Pimco GIS GLB Inv GRD CRDT                                     | 299,994          | 353,844          | 299,994          | 357,352          |
| Fortress Emerging Markets Fund                                 | 246,400          | 320,333          | 212,400          | 276,211          |
| Legg Mason WA Asian Opp A                                      | 99,994           | 102,967          | 99,994           | 108,464          |
| Frank Temp Inv TE AS SM-AA                                     | 75,994           | 73,654           | –                | –                |
| US Treasury Note   | –                | –                | 398,464          | 405,577          |
|  | <b>3,851,700</b> | <b>4,325,893</b> | <b>2,874,237</b> | <b>3,359,577</b> |

|  | Rate  | Maturity   | 2018              |                   | 2017       |                  |
|--|-------|------------|-------------------|-------------------|------------|------------------|
|  |       |            | Cost<br>\$        | Fair Value<br>\$  | Cost<br>\$ | Fair Value<br>\$ |
| <b>Financial assets at fair value through profit and loss:</b> |       |            |                   |                   |            |                  |
| <b>Fortress Fixed Income Fund SP</b>                           |       |            |                   |                   |            |                  |
| US Treasury Note   | 2.00% | 2020-07-31 | 2,011,963         | 1,978,270         | –          | –                |
| US Treasury Note   | 2.25% | 2027-02-15 | 1,987,186         | 1,888,867         | –          | –                |
| US Treasury TIPS Note  | 0.25% | 2025-01-15 | 1,126,318         | 1,124,505         | –          | –                |
| JP Morgan Chase & Co Var Note                                  | 4.92% | 2023-10-24 | 512,670           | 513,085           | –          | –                |
| Juniper Networks Inc   | 4.35% | 2025-03-15 | 522,526           | 505,504           | –          | –                |
| Becton Dickinson & Co FLR                                      | 4.12% | 2022-06-06 | 500,130           | 500,918           | –          | –                |
| CVS Health Corp  | 4.10% | 2025-03-25 | 499,932           | 498,983           | –          | –                |
| Time Warner Inc  | 3.88% | 2026-01-15 | 507,709           | 488,301           | –          | –                |
| US Treasury Note   | 2.25% | 2024-11-15 | 487,692           | 483,584           | –          | –                |
| Govt of Bermuda  | 3.72% | 2027-01-25 | 507,283           | 481,339           | –          | –                |
| Cisco Systems Inc  | 2.20% | 2023-09-20 | 494,257           | 475,821           | –          | –                |
| Amgen Inc  | 2.25% | 2023-08-19 | 489,799           | 470,933           | –          | –                |
| Mosaic Co  | 4.25% | 2023-11-15 | 464,310           | 463,051           | –          | –                |
| Morgan Stanley Float Rate Corp                                 | 5.60% | 2023-10-24 | 409,794           | 412,871           | –          | –                |
| LYB Intl Finance BV  | 4.00% | 2023-07-15 | 409,396           | 404,021           | –          | –                |
| Spirit Aerosystems Inc FR                                      | 3.20% | 2021-06-15 | 400,000           | 401,359           | –          | –                |
| Analog Devices Inc   | 3.90% | 2025-12-15 | 407,143           | 399,986           | –          | –                |
| Northrop Grumman Corp  | 3.25% | 2023-01-08 | 400,198           | 395,373           | –          | –                |
| Starbucks Corp   | 3.10% | 2023-03-01 | 399,886           | 395,231           | –          | –                |
| <b>Balance c/fwd</b>   |       |            | <b>12,538,192</b> | <b>12,282,002</b> | –          | –                |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss ...continued

|                                      | Rate  | Maturity   | 2018              |                   | 2017       |                  |
|--------------------------------------|-------|------------|-------------------|-------------------|------------|------------------|
|                                      |       |            | Cost<br>\$        | Fair Value<br>\$  | Cost<br>\$ | Fair Value<br>\$ |
| <b>Fortress Fixed Income Fund SP</b> |       |            |                   |                   |            |                  |
| <b>Balance b/fwd</b>                 |       |            | <b>12,538,192</b> | <b>12,282,002</b> | –          | –                |
| SYSCO Corp                           | 3.55% | 2025-03-15 | 398,825           | 392,098           | –          | –                |
| Johnson & Johnson                    | 2.63% | 2025-01-15 | 388,543           | 387,064           | –          | –                |
| Bank of Nova Scotia                  | 2.64% | 2019-06-14 | 351,085           | 351,918           | –          | –                |
| Amazon.com Inc                       | 5.20% | 2025-12-03 | 339,590           | 334,918           | –          | –                |
| Scotiabank Peru SA                   | 4.50% | 2027-12-13 | 312,026           | 304,676           | –          | –                |
| Anthem Inc                           | 3.35% | 2024-12-01 | 301,978           | 295,156           | –          | –                |
| General Electric Co                  | 1.52% | 2026-05-05 | 290,687           | 288,204           | –          | –                |
| Sagicor Finance Ltd                  | 8.88% | 2022-08-11 | 279,054           | 261,989           | –          | –                |
| Helmerich & Payne Int                | 4.65% | 2025-03-15 | 262,654           | 256,643           | –          | –                |
| Transocean Inc                       | 5.80% | 2022-10-15 | 247,854           | 256,036           | –          | –                |
| Lennar Corp                          | 4.88% | 2023-12-15 | 262,647           | 255,947           | –          | –                |
| United Tech Corp                     | 1.95% | 2021-11-01 | 247,255           | 241,235           | –          | –                |
| Xerox Corporation                    | 3.80% | 2024-05-15 | 248,672           | 238,683           | –          | –                |
| Ultrapar Int SA                      | 5.25% | 2026-10-06 | 257,438           | 238,064           | –          | –                |
| Anthem Inc                           | 4.10% | 2028-03-01 | 200,000           | 197,646           | –          | –                |
| Noble Holdings Int Ltd               | 4.63% | 2021-03-01 | 186,416           | 194,260           | –          | –                |
| Alphabet Inc                         | 2.00% | 2026-08-15 | 189,207           | 180,926           | –          | –                |
|                                      |       |            | <b>17,302,123</b> | <b>16,957,465</b> | –          | –                |

The detailed portfolios of financial liabilities at fair value through profit or loss are as follows:

|   | 2018           |                  | 2017           |                  |
|---|----------------|------------------|----------------|------------------|
|   | Cost<br>\$     | Fair Value<br>\$ | Cost<br>\$     | Fair Value<br>\$ |
| <b>Financial liabilities at fair value through profit and loss:</b> |                |                  |                |                  |
| <b>Fortress Income Builder US Fund SP</b>                           |                |                  |                |                  |
| Call SPY 293 18 Dec 2018  | 125,200        | 110,100          | –              | –                |
| Call RCL 135 21 Dec 2018  | 13,132         | 22,540           | –              | –                |
| Call BBY 60 20 Oct 2017   | –              | –                | 14,114         | 3,612            |
| Call RTN 180 17 Nov 2017  | –              | –                | 14,685         | 27,308           |
| Call SPY 245 20 Oct 2017  | –              | –                | 54,200         | 70,050           |
| Call SPY 249 17 Nov 2017  | –              | –                | 124,200        | 146,550          |
|   | <b>138,332</b> | <b>132,640</b>   | <b>207,199</b> | <b>247,520</b>   |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss...continued

|   | 2018           |                  | 2017           |                  |
|---|----------------|------------------|----------------|------------------|
|   | Cost<br>\$     | Fair Value<br>\$ | Cost<br>\$     | Fair Value<br>\$ |
| <b>Financial liabilities at fair value through profit and loss:</b> |                |                  |                |                  |
| <b>Fortress Income Builder International Fund SP</b>                |                |                  |                |                  |
| Call EFA 69 16 Nov 2018   | 109,000        | 72,000           | —              | —                |
| Call EFA 67 17 Nov 2017   | —              | —                | 260,980        | 292,500          |
| Call EFA 68 15 Dec 2017   | —              | —                | 153,604        | 157,500          |
|   | <b>109,000</b> | <b>72,000</b>    | <b>414,584</b> | <b>450,000</b>   |

The funds use put and call options primarily to reduce the market risk from its portfolio of equity investments as conditions warrant. An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (in the case of a “call” option) or sell (in the case of a “put” option) a specified amount of an underlying security at a specified price on or before the expiry date of the option. The seller receives a premium from the purchaser in return for this right. The market values of these options change primarily in response to changes in values of the underlying assets.

Options which the funds may enter into are generally all exchange-traded, with pricing for valuation purposes readily available from the exchange(s). Options are shown in the financial statements on a gross basis.

At September 30, 2018 the following funds held purchased options contracts. The table below shows the carrying value and the underlying notional amount of the options purchased. These numbers are most meaningfully considered in the context of the total market value and offsetting exposures within each funds’ portfolio.

|  | 2018                    |                         | 2017                    |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | Carrying<br>value<br>\$ | Notional<br>value<br>\$ | Carrying<br>value<br>\$ | Notional<br>value<br>\$ |
| <b>Fortress Income Builder US Fund SP</b>            |                         |                         |                         |                         |
| Purchased options                                    | <b>26,000</b>           | <b>26,800,000</b>       | 8,400                   | 18,400,000              |
| <b>Fortress Income Builder International Fund SP</b> |                         |                         |                         |                         |
| Purchased options                                    | <b>45,500</b>           | <b>46,900,000</b>       | 10,500                  | 23,000,000              |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

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(expressed in United States dollars)

## 5 Financial assets and liabilities at fair value through profit or loss...continued

At September 30, 2018 the funds held written option contracts. The table below shows the carrying value and the underlying notional amount of the options written. These numbers are most meaningfully considered in the context of the total market value and offsetting exposures within each fund's portfolio.

|  | 2018                    |                         | 2017                    |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | Carrying<br>value<br>\$ | Notional<br>value<br>\$ | Carrying<br>value<br>\$ | Notional<br>value<br>\$ |
| <b>Fortress Income Builder US Fund SP</b>            |                         |                         |                         |                         |
| Written options                                      | <u>132,640</u>          | <u>6,521,500</u>        | 247,520                 | 11,030,000              |
| <b>Fortress Income Builder International Fund SP</b> |                         |                         |                         |                         |
| Written options                                      | <u>72,000</u>           | <u>6,900,000</u>        | 450,000                 | 16,850,000              |

## 6 Cash and cash equivalents

Cash and cash equivalents are placed with leading commercial banks. The effective yield on cash and cash equivalents is nil (2017- nil).

## 7 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 Advisors Limited serves as investment advisor and manager of the funds. As a result of providing management services, Fortress Fund Advisors Limited receives a monthly management fee (0.50%-1%) based on the actual net asset value of each Fund, calculated monthly and payable in arrears. The gross management fee amounted to \$1,058,620 (2017- \$795,930) for the year.

Management fees of \$30,790 (2017- \$23,200) were refunded by Fortress Fund Advisors Limited being 1% of the net asset values of Fortress US Equity Fund SP, Fortress International Equity Fund Limited SP, Fortress Income Builder US Fund SP, Fortress Income Builder Intl Fund SP and the Fortress Emerging Markets Fund SP shares held by the Fortress Global Opportunity Wealth Fund SP during the year. This is to avoid double charging of management fees on assets invested in related funds which have the same manager.

Fortress Fund Managers Limited serves as administrator of the funds. As a result of providing administrator services, Fortress Fund Managers Limited receives a monthly administration fee based on the actual net asset value of each fund, calculated monthly and payable in arrears. The administrator fees amounted to \$113,374 (2017- \$79,593) for the year.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 7 Related parties...continued

Directors' fees of \$6,000 (2017- \$6,000) were accrued during the year. Directors' interest (including beneficial interests) in participating redeemable mutual fund shares are as follows:

| Shareholder | Number of<br>shares at start<br>of year | Number of<br>shares acquired<br>in the year | Number of<br>shares<br>redeemed in the<br>year | Number of<br>shares at year<br>end |
|-------------|---|---|--|------------------------------------|
| Director    | 268                                     | 765   | –  | 1,032                              |

Related party interests in participating redeemable mutual fund shares are as follows:

|  | Number of shares |         |
|--|------------------|---------|
|  | 2018             | 2017    |
| <b>Fortress Mutual Fund Limited</b>                  |                  |         |
| Fortress US Equity Fund SP                           | 74,525           | 44,695  |
| Fortress International Equity Fund SP                | 204,915          | 141,797 |
| Fortress Income Builder US Fund SP                   | 86,087           | 86,087  |
| Fortress Income Builder International Fund SP        | 152,400          | 152,400 |
| Fortress Emerging Markets Fund SP                    | 220,061          | 158,973 |
| Fortress Global Opportunity Wealth Fund SP           | 29,999           | 29,999  |
| <b>Fortress Caribbean High Interest Fund Limited</b> |                  |         |
| Fortress Income Builder US Fund SP                   | 19,859           | 19,859  |
| Fortress Income Builder International Fund SP        | 20,430           | 20,430  |
| Fortress Fixed Income Fund SP                        | 108,543          | –       |
| <b>Fortress Caribbean Pension Fund Limited</b>       |                  |         |
| Fortress Emerging Markets Fund SP                    | 2,856            | 2,856   |
| Fortress Global Opportunity Wealth Fund SP           | 2,421            | 2,421   |
| <b>Fortress Global Opportunity Wealth Fund SP</b>    |                  |         |
| Fortress US Equity Fund SP                           | 4,392            | 4,134   |
| Fortress International Equity Fund SP                | 6,488            | 6,488   |
| Fortress Income Builder US Fund SP                   | 3,848            | 3,206   |
| Fortress Income Builder International Fund SP        | 4,522            | 3,818   |
| Fortress Emerging Markets Fund SP                    | 2,680            | 2,390   |
| Fortress Fixed Income Fund SP                        | 10,784           | –       |
| <b>Fortress Fund Advisors Limited</b>                |                  |         |
| Fortress International Equity Fund SP                | 1,847            | 1,847   |
| Fortress Income Builder US Fund SP                   | 1,148            | 1,148   |
| Fortress Income Builder International Fund SP        | 1,420            | 1,420   |
| Fortress Emerging Markets Fund SP                    | 1,865            | 1,865   |
| Fortress Fixed Income Fund SP                        | 3,846            | –       |

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2018

(expressed in United States dollars)

## 8 Capital management

The authorized share capital of the Company is \$50,000 divided into 100 voting, non-redeemable management shares and 4,999,900 redeemable participating shares at par value \$0.01 each, which may be issued in classes. Each class of shares participates in a Segregated Portfolio.

Management shares carry one vote each. No other shares have a right to receive notice, attend or vote at the general meetings of the Company. Management shares do not have a right to dividends. On a winding up of the Company, Management shares rank only for a return of the nominal amount paid up thereon provided the Company has sufficient assets after settlement of all obligations to creditors and the holders of participating shares. The management shares are held by the investment manager, Fortress Fund Advisors Limited.

Redeemable participating shares were sold during the initial offering at a price of \$100, and thereafter, any subsequent issuance and redemptions are valued at the applicable net asset value per participating redeemable share on the valuation date. Holders of redeemable participating shares have the right to redeem or require the funds to repurchase their shares. A redemption notice or repurchase request must be submitted to the Administrator at least 1 business day prior to the valuation date.

Holders of redeemable participating shares do not have the right to vote, but are entitled to receive upon winding up of the Company, a return of the nominal value paid in respect to such shares, and the right to share in surplus assets available for distribution after return of the nominal value paid up on all shares.

During the year ended September 30, 2018, the number of redeemable participating shares issued, redeemed and outstanding were as follows:

|   | Number of shares                    |  |  |   |  |  |  |
|---|-------------------------------------|--|--|---|--|--|--|
|   | Fortress<br>US<br>Equity<br>Fund SP | Fortress<br>International<br>Equity Fund<br>SP | Fortress<br>Income<br>Builder<br>US Fund<br>SP | Fortress<br>Income<br>Builder<br>International<br>Fund SP | Fortress<br>Emerging<br>Markets<br>Fund SP | Fortress<br>Global<br>Opportunity<br>Wealth<br>Fund SP | Fortress<br>Fixed<br>Income<br>Fund SP |
| <b>Balance as at<br/>September 30, 2016</b> | <b>50,427</b>                       | <b>145,732</b>                                 | <b>115,746</b>                                 | <b>124,803</b>  | <b>159,245</b>                             | <b>33,424</b>  | –                                      |
| Issue of shares                             | –                                   | 14,687   | 21,020   | 68,872  | 33,077                                     | 2,412  | –                                      |
| Redemption of shares                        | –                                   | –  | (2,182)  | (464)   | –  | (1,004)  | –                                      |
| <b>Balance as at<br/>September 30, 2017</b> | <b>50,427</b>                       | <b>160,419</b>                                 | <b>134,584</b>                                 | <b>193,211</b>  | <b>192,322</b>                             | <b>34,832</b>  | –                                      |
| Issue of shares                             | 30,087                              | 64,780   | 643  | 5,517   | 68,921                                     | 6,416  | 175,340                                |
| Redemption of shares                        | (816)                               | (893)  | (1,258)  | (965)   | –  | –  | (628)                                  |
| <b>Balance as at<br/>September 30, 2018</b> | <b>79,698</b>                       | <b>224,306</b>                                 | <b>133,969</b>                                 | <b>197,763</b>  | <b>261,243</b>                             | <b>41,248</b>  | <b>174,712</b>                         |





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