

Fortress Mutual Fund Limited
CARIBBEAN GROWTH FUND

ANNUAL REPORT 2019



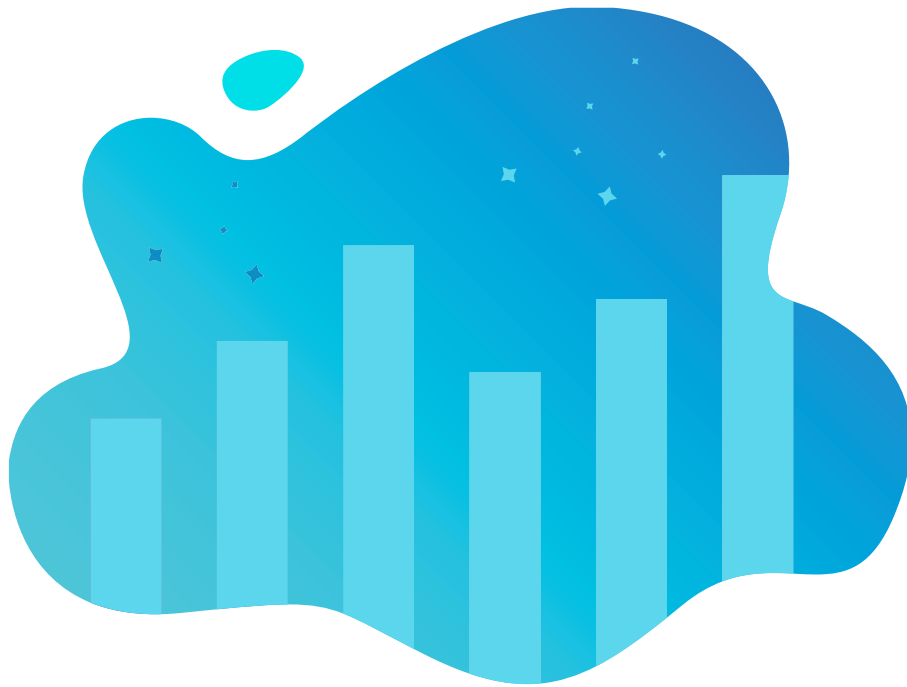


Fortress Fund Managers is a Barbados-based investment manager. We have been providing top-ranked returns, open communication and accessible service to our clients since 1996.

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.

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www.fortressfund.com



Fortress Mutual Fund Limited
Caribbean Growth Fund

Investment Objectives & Fund Details

The Fund's primary objective is capital growth over the long-term. The Manager uses a value approach to invest primarily in Caribbean and international equities.

All income, including interest, dividends and capital gains earned by the Fund, is automatically re-invested and this income is reflected in the quoted net asset value (NAV) of the shares. The Fund does not pay dividends.

FUND NAME:	Fortress Mutual Fund Limited (Fortress Caribbean Growth Fund)
LAUNCH DATE:	December 9, 1996
LAUNCH PRICE:	\$1.00 per share
MINIMUM INVESTMENT:	\$100.00 \$100.00 for subsequent investments \$50.00 for monthly savings plan
FUND STATUS:	Open
NET ASSET VALUE PER SHARE 9/30/2019	\$6.1110
NET ASSETS 9/30/2019	\$492,112,891
MANAGEMENT EXPENSES: <i>Investment Manager:</i>	1.75% per annum on the net assets
<i>Administrator:</i>	0.10% per annum on the first \$30 million of net assets 0.0875% per annum on the remaining balance of net assets
<i>Custodian:</i>	0.0875% per annum on the first \$30 million of the net assets 0.075% per annum of the remaining balance of net assets
INITIAL CHARGES:	2%
REDEMPTION CHARGES:	None
INVESTMENT MANAGER & ADMINISTRATOR:	Fortress Fund Managers Limited
CUSTODIAN:	CIBC FirstCaribbean International Bank (Barbados) Limited Wealth Management Division
FUND VALUATIONS:	Weekly on Fridays
NAV QUOTATIONS:	Internet: www.fortressfund.com Local Barbados newspapers Bloomberg: FORCAGF BA

Directors & Administrators

DIRECTORS

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

COMPANY SECRETARY

Hanna M. Chrysostom
Broad Street
Bridgetown
St. Michael
Barbados

FORTRESS FUND MANAGERS AUDIT COMMITTEE

David Simpson
C. David Bynoe
John Howard

REGISTERED OFFICE

(Address as of September 30, 2019)
First Floor, Carlisle House
Hincks Street
Bridgetown
St. Michael
Barbados

ATTORNEY AT LAW

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

INDEPENDENT AUDITORS

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

CUSTODIAN

CIBC FirstCaribbean International Bank (Barbados) Limited
Wealth Management Division
Ground Floor
Michael Mansoor Building
Warrens
Barbados

INVESTMENT MANAGER & ADMINISTRATOR

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Fortress Fund Managers Limited
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Internet: www.fortressfund.com
Email: invest@fortressfund.com

Fortress Caribbean Growth Fund ("the Fund", legally named Fortress Mutual Fund Limited) is an open-ended mutual fund company and was incorporated on December 4, 1996 under the provisions of the Mutual Funds Act of Barbados. The Fund maintains its registered office at First Floor, Carlisle House, Hincks Street, Bridgetown, Barbados. The principal activity of the Fund is investment in domestic, regional and international markets with the aim of achieving long-term capital appreciation.

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



Directors' Report



“...we are pleased to report that the Fund is once again fully open for new subscriptions of all kinds.”

Directors' Report

Investment Director Roger Cave

The Fortress Caribbean Growth Fund was little changed this year, registering a 0.3% gain for the year ended September 30, 2019. The net asset value (NAV) of the Fund increased from \$6.0944 per share at September 30, 2018 to \$6.1110 at September 30, 2019. The Fund's net assets increased from \$480 million to \$492 million. Its annual compound rate of return since inception in 1996 is now 8.3% per year.

After limiting new subscriptions exclusively to monthly savings programmes and pensions since early 2017, in early 2019 the Fund's directors re-opened the Fund to limited lump sum investments. In October, the directors took the further step of removing the subscription limit. We are therefore pleased to report that the Fund is once again **fully open** for new subscriptions of all kinds.

The Fund's portfolio is a mix of regional Caribbean and international stocks, held both directly and via allocations to other funds. Two-thirds of the portfolio is invested outside the Caribbean in developed international and emerging markets, offering investors instant diversification. Our investment objective remains unchanged: to own shares in well-run businesses which are trading at attractive prices relative to their earnings and balance sheet fundamentals. Based on the current set of well-valued opportunities within regional and global markets, we are more constructive today than we have been in years and the Fund is pretty much fully invested.

2019 Investment Performance

Global financial markets came under severe pressure towards the end of calendar 2018, reaching a low point in the final days of the year. Investors at that point were worried about rising trade tensions and the possibility that further rate hikes by the U.S. Federal Reserve (Fed) would lead to a recession. By late December, though, the Fed had begun to signal that its tightening cycle was likely done and that it would move to cutting rates, especially if global uncertainties persisted. That is exactly what happened, and the hope and then reality of lower rates led to a strong equity market recovery through most of 2019 even as trade tensions persisted. The net effect of all this for the year ended September 30 was marginal gains in U.S. equities and small declines in international and emerging markets shares. Overall there was little change in the Fund's global investments during the year.

In the Caribbean, the Jamaican stock market continued its five-year bull market with another large advance. Stocks in Barbados and Trinidad showed far less movement, with Barbados declining and the increase in the Trinidad index attributable primarily to the contribution of the Jamaican shares that are cross-listed there. While Jamaican companies have been benefiting from improved earnings and government fiscal performance, those in Trinidad and Barbados have continued to face lacklustre economic growth and high government debt. The Fund's holdings in Jamaican shares such as NCB Financial Group contributed

significant gains to the Fund which were only partly offset by declines in Barbados holdings like Goddard Enterprises.

Consolidation continued in the financial sector in the Caribbean, reflecting the mounting challenges of providing banking, insurance and investment services in fragmented, slow-growth markets with disproportionate regulatory, tax and other operating burdens. Successive government debt restructurings such as the one most recently in Barbados have also depleted capital and punished shareholders. During the year Sagikor agreed a scheme of arrangement to be taken over by Canadian company Alignvest, and

separately agreed to acquire Clico's assets in Trinidad and Scotiabank's insurance businesses in the OECS. NCB Financial Group of Jamaica also completed the purchase of a controlling interest in Guardian Holdings of Trinidad, Republic Bank bought Scotiabank's branches in the OECS, and in October 2019 it was announced that CIBC would sell its majority stake in FirstCaribbean International Bank. We expect to see further consolidation in the sector in the coming years as the same operating challenges are likely to persist.

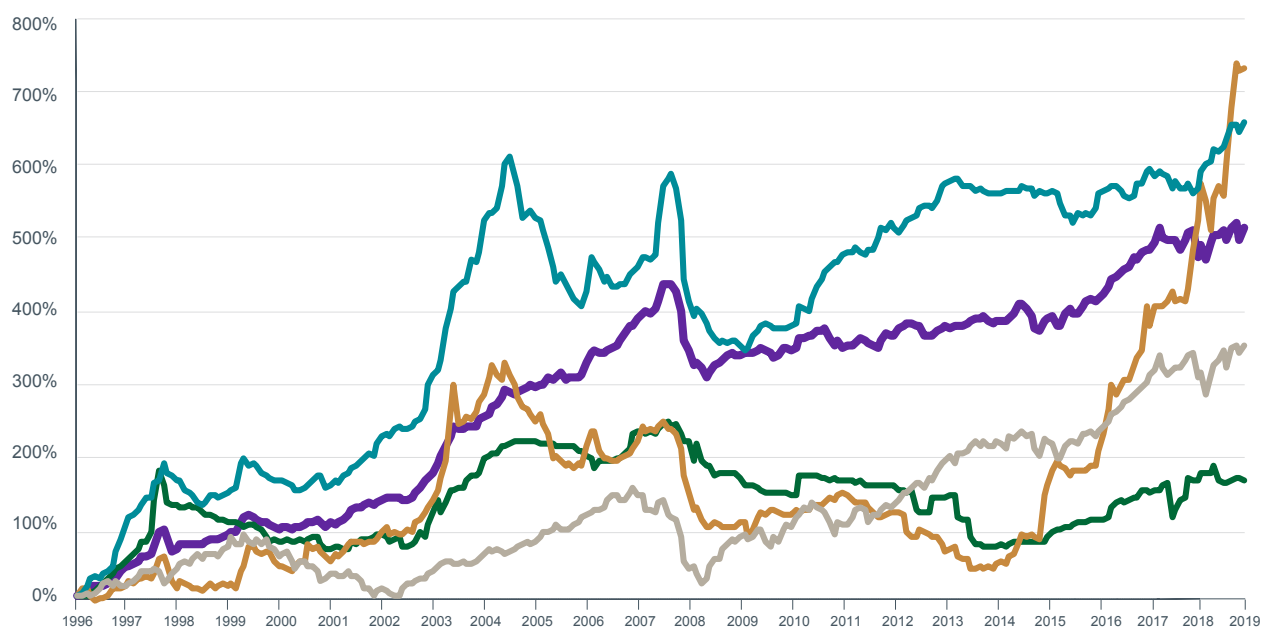
The Fund's recent performance and performance since inception in 1996 are summarised in the table and graph below.

Performance Summary as of 9/30/19*

	3 month	1 year	3 year	5 year	Inception
Fortress	-0.2%	0.3%	5.9%	4.9%	8.3%
Jamaica	6.9%	43.7%	43.7%	42.8%	9.8%
Trinidad	0.5%	15.2%	6.4%	2.9%	9.3%
Barbados	-0.4%	-0.6%	8.4%	8.9%	4.3%
Global Index	0.7%	2.4%	10.8%	7.8%	6.8%

*periods longer than one year are annual compound returns

Caribbean Growth Fund Performance vs Indices - Since Inception



FORTRESS CGF 8.3% **Barbados Index 4.3%** **T&T Index 9.3%** **Global Benchmark Index 6.8%** **Jamaica Index 9.8%**

Portfolio Positioning

The Fund's portfolio continues to be diversified within the Caribbean region and globally, across a range of industries, countries and individual holdings. The focus as always is on owning shares in good, profitable companies at reasonable prices. Approximately one third of the portfolio is invested in the Caribbean region and two-thirds is invested in U.S., international and emerging markets. It is worth noting that our ability to invest actively in local, regional and global equities continues to be constrained by exchange controls in Barbados and by relatively small, illiquid stock markets in the region.

Over the past year we gradually increased the Fund's investments in most areas and shifted out of areas that were becoming more expensive into those with better valuations. The weakness in December 2018 was an opportunity to increase allocations to global investments with prices marked down by 20% or more. We added substantially to the Fund's holdings in U.S., international and emerging markets during that period and continued to do so during the early part of 2019. We continue to find the best value in the world among international and emerging markets shares and the largest allocations in the Fund reflect this. The average valuations of our holdings in these areas are excellent and we think are consistent with well above average future returns.

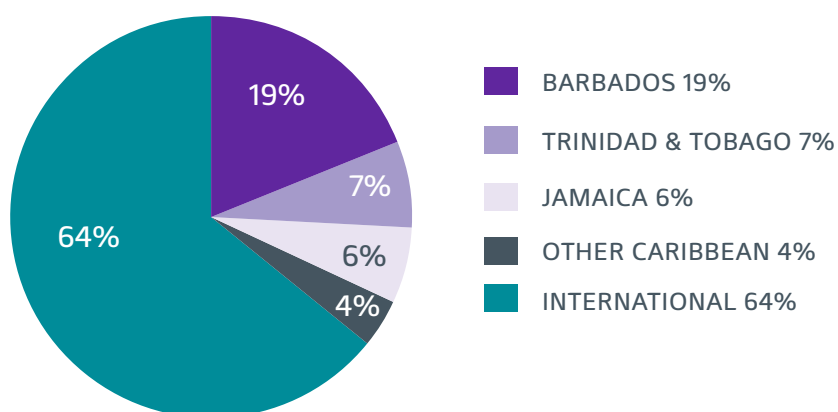
We reduced the Fund's holdings in Jamaica by over 30% during the year as shares there rallied to new highs and valuations reached levels that we think could lead to disappointing future returns after a

five-year bull market. The situation in Jamaica is now the opposite of what it was a few short years ago when shares were languishing at price/earnings (PE) ratios of 5x and there were no buyers. Now PEs of 20x are more the norm and earnings of the financials especially have been given an extra boost from the rallying stock market. At the same time, we have found good value in some Trinidad shares that are quietly trading at half the valuations of their Jamaican counterparts and we have been adding to allocations there. During the year we increased holdings in Massy and Agostini's and expect to add more in Trinidad if prices continue to be attractive.

Cash is currently approximately 5% of the Fund, down from 10% this time last year, and a level which we consider to be substantially fully invested. This reflects our positive outlook on the kinds of well-valued holdings that make up the portfolio. A substantial part of the Fund's global exposure is accomplished through the Fortress Global Funds, which are also managed by Fortress. These funds allow the Fund to gain efficient exposure to high-quality, value-oriented global portfolios with far better characteristics than the broad indexes, at no additional cost. Management fees related to the Fund's investments in these funds are rebated by Fortress to the Fund.

The following graph summarises the Fund's geographic distribution as of September 30, 2019. For a complete list of the Fund's holdings as of year-end please see the notes to the accompanying financial statements.

Geographic Distribution of Portfolio



Top 5 Holdings

<i> Holding </i>	<i> Country/Region </i>	<i> Sector </i>	<i> Weight </i>
Fortress Emerging Markets Fund	International	Various	13.7%
Fortress International Equity Fund	International	Various	13.4%
Goddard Enterprises Limited	Barbados	Conglomerate	6.2%
Fortress Income Builder Int'l Fund	International	Various	6.3%
Fortress OAM Overseas Fund	Europe/Asia	Various	5.5%

Outlook

Over the past five years the split in performance in global markets between popular “growth” companies with higher valuations and more reasonably priced “value” shares has been wide. The differential has now reached an extreme last seen during the tech and telecom bubble of the late 1990’s when growth last outpaced value by this much. A turning point may be near and, if it is, we could be in for years of outperformance for value shares. We do not know when that turn may happen, but we do know that “value” is on sale today, and value is in broad terms where the Fund’s portfolio (as always) is positioned. The average PEs of our holdings in the Caribbean, in the U.S., UK, Japan and emerging markets are in many

cases in the single digits, with healthy dividend yields. These are levels consistent with very good absolute and relative future returns.

It is worth noting, though, that the good value is **not** everywhere in regional or global markets. Higher priced shares exist in the U.S., in Europe, Asia and even in Jamaica, and these may be vulnerable to correction. The broad market indexes likewise may fail to meet investors’ expectations because they contain too many of the higher priced companies. The opportunity today is specifically in the shares that are still trading at reasonable prices and whose operations can be expected to succeed and grow in coming years.

Of course, even among our holdings there will be periods of market volatility ahead, as there always are, and no one can predict how markets will respond to the ups and downs of politics or trade or shifts in interest rate policy. Our focus is simply on owning good companies at reasonable prices. We will increase our investment exposure during periods of market weakness and will as always manage the Fund with a long-term perspective that will meet the objectives of pension funds and other patient, long-term investors.

Every day that goes by, the companies in which the Fund is a part owner are collectively generating steady and increasing operating profits. We expect their share prices to rise over time and for the Fund to collect healthy dividends along the way. While adjustments to the portfolio are often necessary as market prices change, the underlying return engine runs quietly and steadily in the background. As Charlie Munger said, "The big money isn't in the buying or the selling, but in the waiting."

At the end of September this year, David Bynoe retired as a Director of the Fortress funds. Mr. Bynoe was a director of the Fund since inception and much of the success it has enjoyed over the years has been due to the contributions that he has made, informed by decades of business experience. We thank Mr. Bynoe for his many years of service to the funds, and to Fortress investors.

Finally, and most importantly, thanks to you our shareholders for your support this year and every year since the Fund started in 1996 at \$1 per share. We expect to see further growth in 2020 and look forward to reporting to you on our continued progress in the years ahead.



Roger Cave, CA, CFA
Investment Director



Financial Statements



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS MUTUAL FUND LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fortress Mutual Fund Limited (“the Fund”), which comprise the statement of financial position as at 30 September 2019, and the statement of changes in net assets attributable to holders of redeemable mutual fund shares, statement of comprehensive income, and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 30 September 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Audit Committee is responsible for overseeing the Fund's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS MUTUAL FUND LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS MUTUAL FUND LIMITED

Report on the Audit of the Financial Statements (Continued)

Other Legal Matters

This report is made solely to the Fund's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

A handwritten signature in black ink that reads 'Ernst & Young Ltd' in a cursive script.

Chartered Accountants
BARBADOS
16 December 2019

Fortress Mutual Fund Limited

Statement of Financial Position


As at September 30, 2019

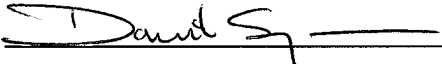
(expressed in Barbados dollars)

	2019	2018
	\$	\$
Assets		
Financial assets (note 5)	469,415,632	451,493,293
Due from brokers (note 6)	1,962	25,808
Accounts receivable	208,112	1,455,917
Cash and cash equivalents (note 7)	22,487,185	26,723,071
Total assets	<u>492,112,891</u>	<u>479,698,089</u>
Liabilities		
Accounts payable and accrued expenses	<u>94,885</u>	<u>104,661</u>
Total liabilities (excluding net assets attributable to holders of redeemable mutual fund shares)	94,885	104,661
Net assets attributable to holders of redeemable mutual fund shares (note 10)	<u>491,978,006</u>	<u>479,553,428</u>
Total liabilities	<u>492,072,891</u>	<u>479,658,089</u>
Share capital (note 11)	<u>40,000</u>	<u>40,000</u>
Liabilities and shareholder funds	<u>492,112,891</u>	<u>479,698,089</u>
Net asset value per redeemable mutual fund share	<u>6.1110</u>	<u>6.0944</u>

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

Approved by the Board of Directors on December 12, 2019

 Director

 Director

Fortress Mutual Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Mutual Fund Shares For the year ended September 30, 2019

(expressed in Barbados dollars)

	Number of shares	Net assets attributable to holders of redeemable mutual fund shares \$
Balance at September 30, 2017	79,073,443	456,702,072
Issue of shares	2,965,753	17,583,695
Redemption of shares	(3,351,844)	(19,838,066)
Total comprehensive income for the year	—	25,105,727
Balance at September 30, 2018	78,687,352	479,553,428
Issue of shares	4,535,124	27,318,575
Redemption of shares	(2,715,936)	(16,223,920)
Total comprehensive income for the year	—	1,329,923
Balance at September 30, 2019	80,506,540	491,978,006

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

Fortress Mutual Fund Limited

Statement of Comprehensive Income

For the year ended September 30, 2019

(expressed in Barbados dollars)

	2019	2018
	\$	\$
Revenue		
Net fair value gains on financial assets at fair value through profit and loss (note 5)	763,246	23,293,918
Dividend income	7,935,316	9,245,586
Interest income (note 8)	65,049	356,325
Other income	–	80,183
	<hr/>	<hr/>
Total investment income	8,763,611	32,976,012
	<hr/>	<hr/>
Expenses		
Management fees (note 9)	6,145,605	6,295,867
Administrator and custodian fees (note 9)	773,020	764,678
Brokerage and investment fees	261,322	503,977
Operating expenses	94,700	183,261
Professional fees	99,875	92,902
Withholding taxes	59,166	29,600
	<hr/>	<hr/>
Operating expenditure	7,433,688	7,870,285
	<hr/>	<hr/>
Net income and total comprehensive income	1,329,923	25,105,727
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The accompanying notes form an integral part of these financial statements.

Fortress Mutual Fund Limited

Statement of Cash Flows

For the year ended September 30, 2019

(expressed in Barbados dollars)

	2019	2018
	\$	\$
Cash flows from operating activities		
Total comprehensive income	1,329,923	25,105,727
Adjustments for:		
Net fair value gains on financial assets at fair value through profit and loss	(763,246)	(23,293,918)
Dividend income	(7,935,316)	(9,245,586)
Interest income	(65,049)	(356,325)
	<hr/>	<hr/>
Operating loss before working capital changes	(7,433,688)	(7,790,102)
Decrease/(increase) in accounts receivable	1,243,772	(1,243,772)
Decrease in due from brokers	23,846	671,047
Decrease in accounts payable and accrued expenses	(9,776)	(3,921)
Purchase of financial assets at fair value through profit and loss	(76,092,400)	(117,561,896)
Proceeds on sale of financial assets at fair value through profit and loss	58,860,374	92,089,696
	<hr/>	<hr/>
Cash used in operations	(23,407,872)	(33,838,948)
Interest received	137,982	455,764
Dividends received	7,939,349	9,183,422
	<hr/>	<hr/>
Cash used in operating activities	(15,330,541)	(24,199,762)
	<hr/>	<hr/>
Cash flows from financing activities		
Issue of mutual fund shares	27,318,575	17,583,695
Redemption of mutual fund shares	(16,223,920)	(19,838,066)
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Cash generated from/ (used in) financing activities	11,094,655	(2,254,371)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(4,235,886)	(26,454,133)
	<hr/>	<hr/>
Cash and cash equivalents – beginning of year	26,723,071	53,177,204
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Cash and cash equivalents – end of year	22,487,185	26,723,071
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The accompanying notes form an integral part of these financial statements.

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

1 Incorporation and principal activity

Fortress Mutual Fund Limited (“the Fund”) was incorporated in Barbados on December 4, 1996, is registered under the Companies Act of Barbados and is licensed under the Mutual Funds Act 2002-22 as an authorised Mutual Fund. The Fund maintains its registered office at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados. The Fund’s primary objective is capital growth over the long term.

The Fund’s investment and administration activities are managed by Fortress Fund Managers Limited (“the Investment Manager”).

The Fund is an open ended fund and offers its shares to a broad group of investors.

These financial statements of the Fund were authorised for issue by the Board of Directors on December 12, 2019.

2 Summary of significant accounting policies

The principal accounting policies applied 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”). The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities held at fair value through profit or loss and joint ventures which are carried at fair value.

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

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

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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

a) Basis of preparation...*continued*

New and amended standards adopted by the Fund

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after January 1, 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39. The Fund adopted the standard on October 1, 2018.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 5. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2018 that have a material effect on the financial statements of the Fund.

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities such as securities 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) Financial assets and financial liabilities at fair value through profit or loss

i) Classification

Assets

The Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund’s debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective.

Consequently, all investments are measured at fair value through profit or loss. 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.

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial assets and financial liabilities at fair value through profit or loss...continued

i) Classification...continued

Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

As such, the Fund classifies all of its investment portfolio as financial assets or liabilities as fair value through profit or loss.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

ii) Investments in financial assets previously designated at fair value through profit or loss

The Fund holds equity securities of \$168,133,044 (2018- \$154,926,649), mutual funds \$280,271,345 (2018- \$252,154,055), hedge funds \$959,829 (2018- \$997,389), joint arrangements \$19,869,981 (2018- \$19,310,444) and debt securities of \$181,433 (2018- \$24,104,756) which had previously been designated at fair value through profit or loss. On adoption of IFRS 9 these securities are mandatorily classified as fair value through profit or loss.

iii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date, which is the date the Fund commits to purchase or sell the investments. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income which include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers.

Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from these assets have expired or the Fund has transferred substantially all risks and rewards of ownership.

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

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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

c) Financial assets and financial liabilities at fair value through profit or loss...*continued*

iii) *Recognition, derecognition and measurement...continued*

The Fund's interests in jointly controlled entities are initially recognised at fair value and are subsequently carried at fair value based on the Fund's proportionate share of the underlying fair value of the entity's net assets.

Investments in other investment funds are valued on the basis of the net asset value per share as determined by the administrators of those investment vehicles in accordance with industry practice. All other financial assets at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognised in the statement of comprehensive income.

iv) *Fair value estimation*

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

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial assets and financial liabilities at fair value through profit or loss...continued

iv) Fair value estimation...continued

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

v) 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.

d) Derivative contracts

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.

The fair value of open contracts, which are comprised of call and put options, is included in investments where the fair value represents an asset of the Fund. Where the fair value of the options represents an obligation of the 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 realise 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.

e) Cash and cash equivalents

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

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

f) Income

Interest income

Interest is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss includes interest from debt securities.

Dividend income

Dividend income is recognised in the statement of comprehensive income when the Fund's right to receive payment is established.

g) Expenses

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

h) 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.

i) Redeemable mutual fund shares/ Net asset value

The Fund issues redeemable mutual fund shares which are redeemable at the holder's option and are classified as financial liabilities. Redeemable mutual fund shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value. The redeemable mutual fund shares are carried at the redemption amount that is payable at the statement of financial position date if the holders were to exercise the right to put the shares back to the Fund.

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

j) Distributions payable to holders of redeemable mutual fund shares

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

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

k) Taxation

The Fund is licensed as an authorised mutual fund under the Mutual Funds Act, 2002-22 of Barbados. The Board of Directors have resolved that all of the net income of the Fund is attributable to the Fund's Class "A" redeemable mutual fund shareholders. In calculating the assessable income of the Fund for tax purposes, the Act provides for a deduction of up to a 100% of the income that is designated to be the income of the Fund shareholders.

3 Critical accounting estimates and assumptions

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

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

The Fund 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 Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Management policies surrounding these estimates and assumptions are disclosed in note 4.

4 Financial risk management

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

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

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

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased options, long equity and debt securities is limited to the fair value of those positions. On written call options, short future positions and on equity and debt sold short, the maximum loss of capital can be unlimited. The maximum loss of capital on written put options, long futures and forward currency contracts is limited to the notional contract values of those positions.

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management...continued

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

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

Market risk

(i) Price risk

The Fund is exposed to equity securities price risk. Equity price risk is the risk of unfavourable changes in the fair values of equity instruments or equity-linked derivatives as the result of changes in the levels of equity indices and the value of individual shares.

The equity price risk exposure arises from the Fund's investments in equity securities and units in managed equity funds. To manage this risk the Fund holds a diversified portfolio of investments in accordance with its investment policy. A summary of the overall statement of financial position market exposures at September 30, 2019 is disclosed in note 5.

Sensitivity

Management's best estimate of the effect on profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. The analysis is based on the assumptions that the MSCI All Country World Index increased by 14% (2018- 8%) ,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.

	2019	2018
	\$	\$
Effect on net assets attributable to redeemable shares of an increase in the indices		
MSCI All Country World Index	38,984,337	30,499,598

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

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk ...continued

(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 the Fund's financial assets and liabilities are non-interest bearing. The Fund's debt securities are fixed rate securities. As a result the Fund is not subject to significant amounts of cash flow interest 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 is disclosed on cash and cash equivalents in note 7.

(iii) Foreign exchange risk

The Fund holds financial assets denominated in currencies other than the Barbados dollar, the functional currency of the Fund. Consequently, except where assets and liabilities are denominated in currencies fixed to the Barbados dollar, the Fund is exposed to currency risk. The Fund's policy is not to enter into hedging transactions to mitigate currency risk.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the Investment Manager factors that into its portfolio allocation decisions.

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

Foreign currency risk arises as 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 Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk ...continued

(iii) Foreign currency risk...continued

The table below summarises the Fund's exposure to direct currency risk in Barbados dollars:

	JMD \$	GBP \$	GYD \$
September 30, 2019			
Financial assets			
Investments	27,240,939	16,705,352	18,328,475
Due from broker	1,962	–	–
Cash and cash equivalents	1,612,993	–	–
Total financial assets	28,855,894	16,705,352	18,328,475
Total financial liabilities	–	–	–
Net position	28,855,894	16,705,352	18,328,475
September 30, 2018			
Financial assets			
Investments	25,220,806	16,715,113	18,005,780
Due from broker	1,308	–	–
Cash and cash equivalents	37,488	–	–
Total financial assets	25,259,602	16,715,113	18,005,780
Total financial liabilities	–	–	–
Net position	25,259,602	16,715,113	18,005,780

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk ...continued

(iii) Foreign currency risk...continued

Sensitivity

The Fund is most exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the Barbados dollar. These currencies include the Jamaica dollar (JMD), the Great Britain Pound Sterling (GBP) and the Guyanese dollar (GYD).

The theoretical decrease in net assets had these currencies depreciated by 5% against the Barbados dollar with all other variables held constant is considered below:

	Effect of a 5% depreciation as of September 30, 2019	Effect of a 5% depreciation as of September 30, 2018
	\$	\$
Balances denominated in JMD	1,442,795	1,262,980
Balances denominated in GBP	835,268	835,756
Balances denominated in GYD	916,424	900,289

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

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 the Fund. It is the Fund's policy to enter into financial instruments with reputable counterparties.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivable balances.

Credit risk from debt securities 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.

The analysis below summarises the credit quality of the Fund's rated debt portfolio:

	2019	2018
	\$	\$
Debt securities		
US treasury notes (AA+ by Standard & Poor's)	—	24,104,756

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management...continued

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.

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

	2019	2018
	\$	\$
Debt securities	181,433	24,104,756
Due from brokers	1,962	25,808
Accounts receivable	208,112	1,455,917
Cash and cash equivalents	<u>22,487,185</u>	<u>26,723,071</u>
	<u>22,878,692</u>	<u>52,309,552</u>

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At September 30, 2019 and September 30, 2018, all other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or equivalent and are due to be settled within 1 week. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to weekly cash redemptions of Class "A" Redeemable Mutual Fund Shares (note 10). It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount, as the impact of discounting is not significant.

	Less than 1 month \$	1 - 3 months \$
September 30, 2019		
Accounts payable and accrued expenses	7,184	87,701
Net assets attributable to holders of redeemable mutual fund shares	491,978,006	—
	<hr/>	<hr/>
Total financial liabilities	491,985,190	87,701
September 30, 2018		
Accounts payable and accrued expenses	15,506	89,155
Net assets attributable to holders of redeemable mutual fund shares	479,553,428	—
	<hr/>	<hr/>
Total financial liabilities	479,568,934	89,155

Redeemable shares are redeemed on demand at the holder's option (note 10). In the event of unusual circumstances and redemption requests representing more than 20% of the Fund's assets being received within 30 consecutive days, the directors of the Fund reserve the right to suspend redemptions and to hold a special meeting of the Fund shareholders to determine the future of the Fund, including the liquidation of the Fund's assets.

At September 30, 2019, 60% (2018- 56%) of financial assets at fair value through profit or loss, comprise of investments in other funds that have been fair valued in accordance with the policies set out in note 2c. Since the shares of the other funds are not publicly traded, redemption can only be made by the Fund 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 the Fund to request redemption of its investments in 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, the Fund may be materially affected by the actions of other investors who have invested in funds in which the Fund has invested.

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

Liquidity risk...continued

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

	Less than 1 week \$	1 week- 1 month \$	1 - 3 months \$	Over 3 months \$
September 30, 2019				
Total assets	82,351,712	385,183,311	2,696,085	21,881,783
September 30, 2018				
Total assets	111,381,935	343,579,693	2,655,871	22,080,590

Capital risk management

The capital of the 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 weekly basis as the Fund is subject to weekly subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current exit price; the quoted market price for financial liabilities is the current 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 Fund is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation ...continued

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

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

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

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2019				
Assets				
Financial assets at fair value through profit or loss:				
Listed equity securities	163,400,493	4,716,652	–	168,117,145
Mutual funds	2,431,503	276,016,732	1,823,110	280,271,345
Hedge funds	–	959,829	–	959,829
Debt securities	–	181,433	–	181,433
Joint arrangements	–	–	19,869,981	19,869,981
Unlisted equity securities	–	8,640	7,259	15,899
	165,831,996	281,883,286	21,700,350	469,415,632

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation ...continued

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2018				
Assets				
Financial assets at fair value through profit or loss:				
Listed equity securities	150,833,958	4,076,792	–	154,910,750
Mutual funds	1,527,425	250,624,126	2,504	252,154,055
Hedge funds	–	919,615	77,774	997,389
Debt securities	24,104,756	–	–	24,104,756
Joint arrangements	–	–	19,310,444	19,310,444
Unlisted equity securities	–	8,640	7,259	15,899
	176,466,139	255,629,173	19,397,981	451,493,293

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investment-grade corporate bonds, untraded government securities and 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. Level 3 instruments include unlisted hedge funds, mutual funds and securities.

Level 3 valuations are reviewed on a weekly basis by the Fund's investment committee who report to the Board of Directors. The committee considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry.

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation ...continued

The level 3 hedge and mutual funds that amounts to \$1,823,110 (2018- \$80,278) consists of hedge and mutual funds. The Fund invests in funds for which observable prices are not available as they are not listed in active markets.

The fair value of these mutual funds in this category is determined by the administrators of these investments in accordance with industry practice.

The level 3 unlisted equity securities amounts to \$7,259 (2018- \$7,259). The Fund values these instruments using prices from prior transactions or third party pricing information.

The following table presents the transfers between levels:

	Level 1 \$	Level 2 \$	Level 3 \$
September 30, 2019			
Financial assets at fair value through profit or loss:			
Listed equity securities	(614,078)	614,078	–
Mutual funds		(1,823,110)	1,823,110
		<u> </u>	<u> </u>
September 30, 2018			
Financial assets at fair value through profit or loss:			
Mutual funds	(2,682,609)	2,682,609	–
		<u> </u>	<u> </u>

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

	Mutual funds \$	Hedge funds \$	Joint arrangements \$	Other \$	Total \$
September 30, 2019					
Opening balance	2,504	77,774	19,310,444	7,259	19,397,981
Sales/distributions	(2,504)	–	–	–	(2,504)
Transfers in	2,682,609	–	–	–	2,682,609
Gains/(losses) recognised in the statement of comprehensive income	(859,499)	(77,774)	559,537	–	(377,736)
					<u> </u>
Closing balance	1,823,110	–	19,869,981	7,259	21,700,350
Change in unrealised gains/(losses) for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(859,499)	(77,774)	559,537	–	(377,736)
					<u> </u>

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation ...continued

	Mutual funds	Hedge funds	Joint arrangements	Other	Total
	\$	\$	\$	\$	\$
September 30, 2018					
Opening balance	2,502	422,837	16,727,131	7,259	17,159,729
Purchases	–	–	6,012,973	–	6,012,973
Sales/distributions	–	–	(4,205,000)	–	(4,205,000)
Gains/(losses) recognised in the statement of comprehensive income	2	(345,063)	775,340	–	430,279
Closing balance	2,504	77,774	19,310,444	7,259	19,397,981
Change in unrealised gains/(losses) for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	2	(345,063)	775,340	–	430,279

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

Description	Fair value at September 30, 2019	Valuation technique	Unobservable Input	Relationship of unobservable inputs to fair value
Mutual funds	1,823,110	Third party valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
Joint arrangements	19,869,981	Proportionate share of the net assets of the joint arrangements	Fair value of underlying assets	The higher the fair value of the underlying assets of the joint arrangement the higher the fair value
Other	7,259	Net tangible assets	Net book value of underlying assets	The higher the net book value per share the higher the fair value

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation ...continued

Description	Fair value at September 30, 2018 \$	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Mutual funds	2,504	Third party valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
Hedge funds	77,774	Third party valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
Joint arrangements	19,310,444	Proportionate share of the net assets of the joint arrangements	Fair value of underlying assets	The higher the fair value of the underlying assets of the joint arrangement the higher the fair value
Other	7,259	Net tangible assets	Net book value of underlying assets	The higher the net book value per share the higher the fair value

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

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at September 30, 2019 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2019				
Assets				
Accounts receivable	–	208,112	–	208,112
Due from brokers	–	1,962	–	1,962
Cash and cash equivalents	22,487,185	–	–	22,487,185
Total	22,487,185	210,074	–	22,697,259
Liabilities				
Accounts payable and accrued expenses	–	94,885	–	94,885
Net assets attributable to holders of redeemable mutual fund shares	–	491,978,006	–	491,978,006
Total	–	492,072,891	–	492,072,891

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation ...continued

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2018				
Assets				
Accounts receivable	–	1,455,917	–	1,455,917
Due from brokers	–	25,808	–	25,808
Cash and cash equivalents	26,723,071	–	–	26,723,071
Total	26,723,071	1,481,725	–	28,204,796
Liabilities				
Accounts payable and accrued expenses	–	104,661	–	104,661
Net assets attributable to holders of redeemable mutual fund shares	–	479,553,428	–	479,553,428
Total	–	479,658,089	–	479,658,089

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

Amounts due from brokers and other receivables include the contractual amounts for settlement of trades and other obligations due to the Fund. Amounts due to brokers and accruals represent the contractual amounts and obligations due by the Fund for settlement of trades and expenses.

The puttable value of redeemable shares is calculated based on the net difference between total assets and all other liabilities of the Fund in accordance with the Fund's offering memorandum. These shares are not traded on an active market. A demand feature is attached to these shares, as they are redeemable at the holders' option and can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the share class (note 2i). 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 Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

5 Financial assets

The classification of the Fund's financial assets is detailed below:

	2019	2018
	\$	\$
Designated at fair value through profit or loss at inception:		
- mutual funds	280,271,345	252,154,055
- listed equity securities	168,117,145	154,910,750
- joint arrangements	19,869,981	19,310,444
- hedge funds	959,829	997,389
- debt securities	181,433	24,104,756
- other	15,899	15,899
	<hr/>	<hr/>
Total financial assets designated at fair value through profit or loss	469,415,632	451,493,293
	<hr/>	<hr/>
Net gains/ (losses) recognised in relation to investments		
- realised	5,352,666	17,071,900
- change in unrealised	(4,589,420)	6,222,018
	<hr/>	<hr/>
	763,246	23,293,918
	<hr/>	<hr/>

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

5 Financial assets....continued

The detailed portfolio of investments is as follows:

	2019		2018	
	Cost \$	Market value \$	Cost \$	Market value \$
Security				
Financial assets at fair value through profit or loss				
Barbados				
Goddard Enterprises Limited	12,275,368	30,379,781	12,275,368	37,161,812
Sagicor Financial Corporation	8,496,592	11,280,635	8,176,516	8,483,805
Insurance Corporation of Barbados Ltd	6,166,402	6,542,192	6,166,402	5,858,679
FirstCaribbean International Bank Ltd	5,749,137	5,040,000	6,547,938	5,863,277
Eppley Caribbean Property Fund - Value Fund	1,409,958	1,075,666	1,409,958	1,075,666
Barbados Dairy Industries Ltd	877,117	567,273	877,117	567,273
Eppley Caribbean Property Fund - Development Fund	989,191	392,834	989,191	451,759
	35,963,765	55,278,381	36,442,490	59,462,271
Jamaica				
National Commercial Bank of Jamaica Ltd	1,237,316	9,720,528	1,513,153	7,249,506
Pan Jam Investments Trust Co.	1,184,065	9,562,247	1,376,217	6,529,726
GraceKennedy Limited	2,307,229	6,101,733	3,488,784	8,061,261
JMMB Group Limited	213,460	968,431	491,843	1,565,718
Stanley Motta Limited	801,810	888,000	801,810	740,500
Jamaica Broilers Group	–	–	791,775	1,074,095
	5,743,880	27,240,939	8,463,582	25,220,806
Trinidad				
Massy Holdings Ltd	12,453,007	13,211,904	4,127,624	3,895,623
Guardian Holdings Limited	6,829,336	8,098,447	8,003,450	8,631,841
Agostini's Holdings Ltd	5,938,611	5,967,158	253,411	271,983
Praetorian Property Mutual Fund	4,862,536	1,823,110	4,862,536	2,682,609
CLICO Investment Fund	808,801	963,003	–	–
	30,892,291	30,063,622	17,247,021	15,482,056

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

5 Financial assets...continued

	2019		2018	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Security				
Financial assets at fair value through profit or loss				
East Caribbean				
St Lucia Electricity Services	534,208	1,736,256	534,208	1,736,256
East Caribbean Financial Holdings Ltd	2,932,344	1,474,988	2,932,344	1,458,599
Trading & Development Co Ltd	526,249	614,078	526,249	781,554
	3,992,801	3,825,322	3,992,801	3,976,409
Guyana				
Banks DIH Ltd	2,167,152	11,062,229	2,167,152	11,762,638
Demerara Bank Limited	919,239	4,418,313	919,239	3,796,535
Demerara Distilleries Ltd	233,674	2,075,729	233,674	1,751,327
Guyana Bank for Trade and Industry Ltd	520,268	772,204	520,268	695,280
	3,840,333	18,328,475	3,840,333	18,005,780
International				
Fortress Emerging Markets Fund	62,861,263	67,406,307	49,235,643	54,032,947
Fortress International Equity Fund	61,826,203	65,788,829	47,037,683	52,030,859
Fortress Income Builder Intl Fund	31,870,574	30,852,649	31,570,574	32,090,066
Fortress OAM Overseas Fund Ltd	23,975,492	26,638,779	23,975,492	27,406,589
Fortress US Equity Fund	22,912,521	26,513,950	17,912,521	22,249,365
Templeton Asian Smaller Companies	20,799,948	22,652,047	20,799,948	23,970,691
Fortress Income Builder US Fund	18,273,347	20,176,837	17,973,347	20,112,104
Ishares TR Nasdaq Biotechnology	12,209,376	12,258,400	12,209,376	15,023,008
C G Portfolio Fund Ltd	4,027,134	9,120,666	4,027,134	9,258,529
IShares TR MSCI EAFE Index EFA	7,543,545	7,629,570	8,305,203	8,158,800
Caledonia Investment UK Ord shares	5,822,784	7,584,686	5,822,784	7,456,584
Fortress Global Opportunity Wealth Fund	5,999,920	6,866,668	5,999,920	6,790,367
Templeton Frontier Markets	6,561,818	5,773,472	6,561,818	5,919,217
Ishares TR MSCI Emerging Mrkt Ind	3,951,336	3,964,390	—	—
ChapleGate Credit Opportunity Fund Ltd	444,040	959,829	444,040	919,615
US Treasury Notes	—	—	25,070,006	24,104,756
	289,079,301	314,187,079	276,945,489	309,523,497

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

5 Financial assets....continued

	2019		2018	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Security				
Financial assets at fair value through profit or loss				
Other				
CS&C Joint Venture	8,961,228	12,814,080	8,961,228	12,960,564
Sunset Joint Venture	936,000	3,552,472	936,000	2,960,950
Emerald City Trust	3,051,745	3,503,429	3,051,745	3,388,930
	12,948,973	19,869,981	12,948,973	19,310,444
Holdings less than 0.05%	596,274	621,833	689,299	512,030
Total financial assets at fair value through profit and loss	383,057,618	469,415,632	360,569,988	451,493,293

6 Due from brokers

Due from brokers represents security purchases and sales transactions contracted for but not yet delivered at the end of the year.

	2019	2018
	\$	\$
Funds advanced for purchases	1,962	25,808

7 Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank	21,349,605	25,803,221
Money market funds	1,137,580	919,850
	22,487,185	26,723,071

The effective yield on cash and cash equivalents and money market funds is nil (2018- nil).

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

8 Interest income

	2019	2018
	\$	\$
Loans and receivables	–	246
Debt securities at fair value through profit or loss	56,880	343,856
Cash and cash equivalents	8,169	12,223
	<hr/> 65,049	<hr/> 356,325

9 Related party transactions

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

Fortress Fund Managers Limited serves as manager, registrar and administrator of the Fund. As a result of providing investment advisory, management, registrar and administrator services, Fortress Fund Managers Limited receives a weekly management and administration fee based on the actual net asset value of the Fund, calculated weekly and payable in arrears. The gross management fee amounted to \$8,244,060 (2018- \$8,154,228) for the year. The administrator fees amounted to \$415,953 (2018- \$411,461) for the year.

Management fees of \$2,098,455 (2018- \$1,858,361) were refunded by Fortress Fund Managers Limited being 0.65% - 1.00% of the net asset values of Fortress OAM Overseas Fund, Fortress International Equity Fund Limited, Fortress Emerging Markets Fund, Fortress Income Builder US Fund, Fortress US Equity Fund, Fortress Income Builder International Fund and Fortress Global Opportunity Wealth Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

The Fund holds 11,402,328 (2018- 11,402,328) shares valued at \$26,638,779 (2018- \$27,406,589) in the Fortress OAM Overseas Fund.

The Fund holds 280,022 (2018- 226,060) shares valued at \$67,406,307 (2018- \$54,032,947) in the Fortress Emerging Markets Fund SP.

The Fund holds 29,999 (2018- 29,999) shares valued at \$6,866,668 (2018- \$6,790,367) in the Fortress Global Opportunity Wealth Fund SP.

The Fund holds 153,901 (2018- 152,400) shares valued at \$30,852,649 (2018- \$32,090,066) in the Fortress Income Builder International Fund SP.

The Fund holds 87,417 (2018- 86,087) shares valued at \$20,176,837 (2018- \$20,112,104) in the Fortress Income Builder US Fund SP.

The Fund holds 266,246 (2018- 204,915) shares valued at \$65,788,829 (2018- \$52,030,859) in the Fortress International Equity Fund SP.

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

9 Related party transactions...continued

The Fund holds 91,498 (2018- 74,524) shares valued at \$26,513,950 (2018- \$22,249,365) in the Fortress US Equity Fund SP.

The Fund holds shares in OAM funds for which there is shared directorship. The Fund holds 4,278 (2018- 4,278) shares valued at \$nil (2018- \$77,774) in OAM Greenpark II.

Directors fees of \$60,000 (2018- \$70,000) were paid during the year. Directors' interest (including beneficial interests) in class "A" redeemable mutual fund shares are as follows:

Shareholder	Number of shares at start of year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end
Directors	266,811	55,738	–	322,549

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

	Number of shares	
	2019	2018
Fortress Caribbean Pension Fund Limited	34,009,771	32,503,002
Fortress Insurance Company Limited	308,232	266,820

10 Redeemable mutual fund shares

Class 'A' Redeemable Mutual Fund Shares (Fund shares)

Each Fund share is entitled to an equal share in the distribution of net income and net capital gains of the Fund and participates equally in all other respects. Fund shareholders shall not be entitled to vote at meetings of shareholders of the Fund save and except as permitted under the Companies Act, CAP 308, for the following:

- i) Disposal of substantially all of the Assets of the Fund, other than the course of ordinary business.
- ii) Any change or abrogation of the rights of the shares or any variation affecting the rights of the shares.
- iii) Any proposed amalgamation of the Fund or any amalgamation of the Fund.

Fortress Mutual Fund Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Barbados dollars)

11 Share capital

	2019		2018	
	Number of shares	\$	Number of shares	\$
Common shares An unlimited number of common shares				
Issued	1,000	40,000	1,000	40,000

Common shares

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



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