

# 2020

# Annual Report

Fortress Caribbean  
*Pension Fund*



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  
Radley Court  
Upper Collymore Rock  
St. Michael, BB14004  
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 Caribbean  
Pension Fund

# Investment Objectives & Fund Details

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

<b>FUND NAME:</b>	Fortress Caribbean Pension Fund Limited		
<b>LAUNCH DATE:</b>	October 9, 2002		
<b>LAUNCH PRICE:</b>	\$10.00 per share		
<b>NET ASSET VALUE PER SHARE</b> 9/30/2020	<b>AA</b>	<b>CC</b>	<b>CS</b>
	\$24.7121	\$24.1327	\$18.0207
<b>NET ASSETS</b> 9/30/2020	\$163,207,277	\$143,394,269	\$15,110,117
<b>MANAGEMENT EXPENSES:</b> <i>Management fees:</i>	0.50% per annum of net assets at the Fund level. Fees from the underlying Fortress funds in which the Fund invests are capped at between 0.25% and 0.50% per annum of net assets, depending on the Fund.		
<i>Administration fees:</i>	0.03% per annum on the net asset value of the Fund		
<i>Custodian fees:</i>	\$2,000 per annum on the first \$5M - \$15M in assets \$7,500 per annum on assets > \$50M		
<b>INITIAL CHARGES:</b>	Nil		
<b>REDEMPTION CHARGES:</b>	Nil		
<b>INVESTMENT MANAGER &amp; ADMINISTRATOR:</b>	Fortress Fund Managers Limited		
<b>CUSTODIAN:</b>	CIBC FirstCaribbean International Bank (Barbados) Limited		
<b>FUND VALUATIONS:</b>	Monthly		
<b>NAV QUOTATIONS:</b>	Internet: <a href="http://www.fortressfund.com">www.fortressfund.com</a>		

# Directors & Administrators

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## **DIRECTORS**

Sir Geoffrey Cave, K.A., C.B.E., B.C.H., L.L.D. (Hon) - Chairman  
René Delmas  
John Howard  
Desmond Kinch  
Maria Nicholls  
Tracey Shuffler  
John Williams  
Roger Cave - Investment Director

## **COMPANY SECRETARY**

Hanna M. Chrysostom  
Broad Street  
Bridgetown  
St. Michael  
Barbados

## **FORTRESS FUND MANAGERS AUDIT COMMITTEE**

John Howard  
Maria Nicholls

## **REGISTERED OFFICE**

Radley Court  
Upper Collymore Rock  
St. Michael, BB14004  
Barbados

## **ATTORNEY AT LAW**

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

## **INDEPENDENT AUDITORS**

Ernst & Young Ltd.  
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**

Fortress Fund Managers Limited  
Radley Court  
Upper Collymore Rock  
St. Michael, BB14004  
Barbados

Tel: (246) 431 2198  
Fax: (246) 431 0514  
Internet: [www.fortressfund.com](http://www.fortressfund.com)  
Email: [invest@fortressfund.com](mailto:invest@fortressfund.com)

Fortress Caribbean Pension Fund Limited ("the Fund") is an open-ended mutual fund company and was incorporated on October 9, 2002 under the provisions of the Mutual Funds Act of Barbados. The Fund maintains its registered office at Radley Court, Upper Collymore Rock, St. Michael, BB14004, Barbados.

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

# Background

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

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

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

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

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

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

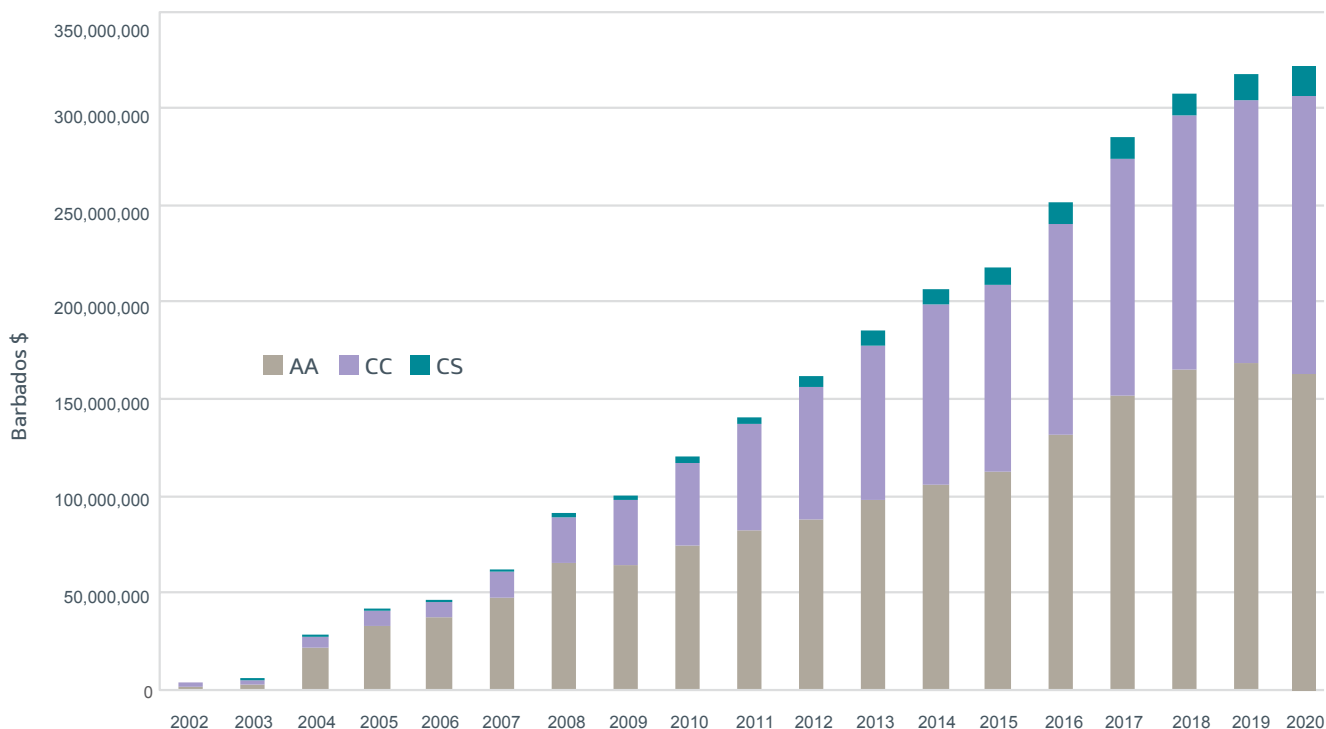
Fortress provides both record keeping and investment services to DC plans that invest in the Pension Fund, and investment only services to DB pension plans.

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

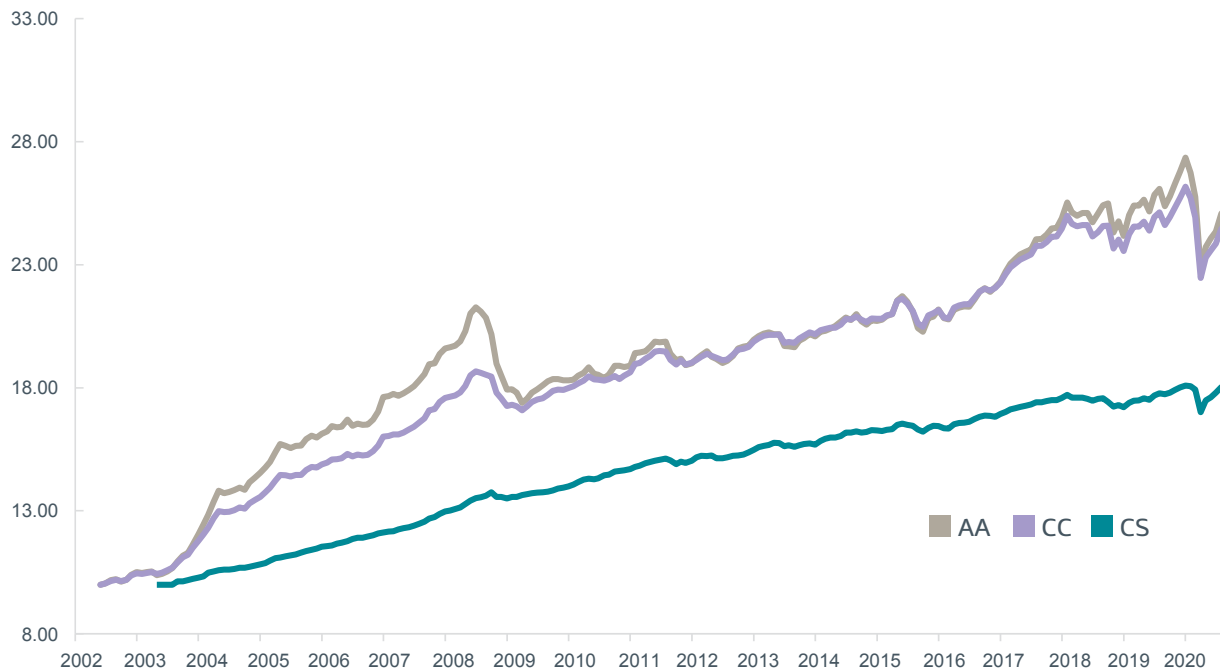
As of September 30, 2020 approximately 80 companies are investing in the Pension Fund and record keeping services are being provided for over 4,500 employees.

# Asset Growth & Investment Performance

## Fortress Caribbean Pension Fund - Asset Growth



## Net Asset Value Performance Since Inception



## Asset Growth & Investment Performance

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

Year Ending	AA Share Return	CC Share Return	CS Share Return
9/30/2003	10.5%	9.5%	—
9/30/2004	24.0%	17.7%	5.4%
9/30/2005	14.9%	12.1%	6.4%
9/30/2006	3.7%	4.2%	5.3%
9/30/2007	14.8%	11.8%	6.1%
9/30/2008	6.4%	8.1%	8.4%
9/30/2009	-9.0%	-3.1%	0.6%
9/30/2010	2.9%	4.2%	6.3%
9/30/2011	1.2%	1.7%	1.4%
9/30/2012	2.5%	3.2%	2.3%
9/30/2013	1.6%	2.3%	2.7%
9/30/2014	4.0%	3.8%	3.3%
9/30/2015	-2.1%	-1.4%	0.3%
9/30/2016	8.7%	7.5%	4.0%
9/30/2017	9.9%	8.7%	3.5%
9/30/2018	5.2%	2.8%	-0.2%
9/30/2019	1.1%	1.4%	2.2%
9/30/2020	-4.2%	-3.2%	1.2%

### Performance Summary as of September 30, 2020\*

	3 months	1 year	3 year	5 year	Inception
<b>AA Share</b>	1.5%	-4.2%	0.7%	4.0%	<b>5.1%</b>
<b>CC Share</b>	1.2%	-3.2%	0.3%	3.3%	<b>4.9%</b>
<b>CS Share</b>	1.2%	1.2%	1.1%	2.1%	<b>3.4%</b>

\*periods longer than one year are annual compound returns



# Portfolio Positioning

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

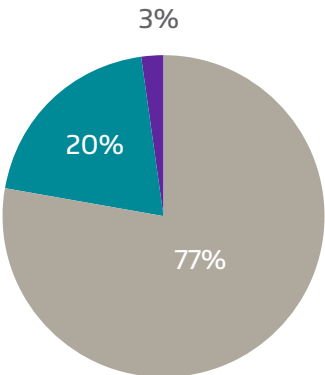
the **Fortress Caribbean High Interest Fund**. Where the Fund invests in other funds managed by Fortress, a rebate system is in place to avoid double charging of management fees.

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

The asset allocation of the three shares as at September 30, 2020 is as follows:

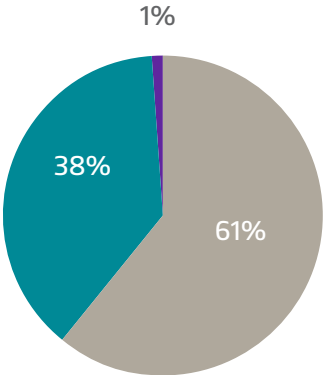
## Asset Allocation of Funds

**AGGRESSIVE ACCUMULATOR**



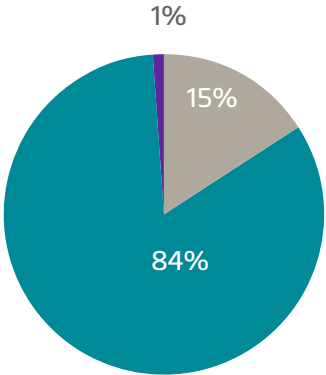
■ EQUITIES	77%
■ FIXED INCOME	20%
■ REAL ESTATE/OTHER	3%

**CONSERVATIVE CONSOLIDATOR**



■ EQUITIES	61%
■ FIXED INCOME	38%
■ REAL ESTATE/OTHER	1%

**CAPITAL SECURE**



■ EQUITIES	15%
■ FIXED INCOME	84%
■ REAL ESTATE/OTHER	1%



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## Directors' Report

“... the well-valued areas in which our investments are focused have substantial future return potential from today’s prices.”

# Directors’ Report

*Investment Director Roger Cave*

The Fortress Caribbean Pension Fund had mixed returns for the various classes of shares for the year ended September 30, 2020. The AA share was down 4.2%, the CC share declined 3.2% and the CS share was up 1.2%. These returns reflect the differing asset allocations of the classes of share in a year when equities mostly fell, and bonds posted positive returns. Since inception in 2002, the annual compound returns for the AA, CC and CS shares have been 5.1%, 4.9% and 3.4% per year respectively with negative years like this being rare and typically followed by higher returns in subsequent years. Total net assets of the Fund increased from \$318 million to \$322 million during the year, as net client investment was positive and offset declines from the investment portfolios.

In terms of day-to-day operations, we are pleased to report that the Fund remained completely operational through the challenges and everyday stresses brought about by the lockdowns early in the year. In line with the Fortress Fund Managers business continuity plan our team worked remotely from home until returning to the office in June. Investors were able to access their accounts, redeem shares and invest new money. Reports were prepared and posted to our website and we communicated regularly about market conditions both directly with clients and indirectly via the press. Investment operations, fund administration and financial functions were all uninterrupted. Investors might have noticed some new (online) processes for facilitating things like subscriptions and redemptions

which were brought about by necessity, but which we now find ourselves keeping by choice. We would like to thank especially our clients, our team, and our business partners and suppliers for their support and adaptability during that time.

The equity allocations of the three shares of the Pension Fund are primarily made up of investments in the **Fortress Caribbean Growth Fund**, the fixed income allocations are primarily made up of investments in the **Fortress Caribbean High Interest Fund**, and the small allocations to real estate are typically made through the Eppley Caribbean Property Fund SCC (formerly Fortress Caribbean Property Fund SCC). The returns of the three shares in the Pension Fund are therefore primarily a blend of the performance returns of these underlying funds.

## **Fortress Caribbean Growth Fund**

The Fortress Caribbean Growth Fund declined 7.0% for the year ended September 30, 2020 as its portfolio of Caribbean and global investments felt the pressure of the COVID-19 pandemic on business and financial markets. The Fund’s total assets declined to \$466 million from \$492 million in 2019. The decline in net assets was due to the Fund’s investment performance as there were positive net subscriptions into the Fund during the year. We were gratified to see so many investors adding new money in such a volatile and uncertain time, because lower prices today typically lead to higher returns in the

future. The Fund's annual compound rate of return since inception in 1996 is now 7.6% per year.

The Fund's portfolio is a mix of regional Caribbean and international stocks, held both directly and via allocations to other funds. Approximately 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.

Global financial markets ended 2019 on a high note with the U.S. Federal Reserve (Fed) already in easing mode, investor optimism surrounding U.S.-China trade relations, and fundamental data pointing to a modest expansion of the global economy. By the end of the first quarter of 2020, though, global equities had sold off sharply in one of the quickest, most severe declines in history on account of the COVID-19 pandemic. Financial market volatility spiked, and liquidity dried up in markets ranging from corporate bonds to U.S. Treasuries to stocks as institutions and investors all scrambled to raise cash to weather the uncertainty that lay ahead. Policymakers shut down large parts of their economies, and the price of nearly every asset in the world fell substantially, stabilising only as enormous government spending and central bank programmes were introduced in the largest economies. Global equity markets rebounded sharply in the second quarter of 2020 as many countries took steps towards reopening their economies. Better than anticipated economic data, unprecedented government and central bank support, and hopes for a vaccine, all contributed to an ensuing global equity market rally that defied expectations, as daily life was still so clearly affected by the pandemic. The U.S. was the star performer, with technology shares outperforming significantly. The month of September introduced a slight trend reversal amid an uptick in COVID-19 cases, renewed U.S.-China trade tensions, U.S. election risk, and an economic recovery path still filled with uncertainty. After all the ups and downs, the Fund's global investments finished the year marginally lower.

Closer to home, and in stark contrast to the experience in global markets, pressure from COVID-19 was unabating in the Caribbean. Regional share indices fell markedly and have yet to show any meaningful recovery. This is perhaps not surprising. Given the Caribbean region's exposure to international travel and tourism, the economic fallout from COVID-19 may take longer to recover from and share prices may likewise take longer to see a recovery. Following a five-year bull market, Jamaica shares fell 30% during the year. Trinidad meanwhile was down 6% and Barbados lost 16%. The Fund's holdings in Jamaica such as GraceKennedy, PanJam, and NCB Financial Group saw declines that were partially offset by recoveries in Trinidad's Massy and Guardian from their March lows. The Fund's position in Goddard Enterprises was affected by the lack of commercial air travel as a significant portion of the company's revenues is tied to commercial flights. Sagicor Financial fell 30% and announced an issuer bid, signaling that it believes its shares to be undervalued. There was continued consolidation in the Caribbean financial sector, with the majority-share acquisition of the Insurance Corporation of Barbados Limited (ICBL). The consolidation trend illustrates the structural challenges of providing banking, insurance and investment services in fragmented, slow-growth markets with significant regulatory, tax and other burdens.

2020 saw widely diverging investment results from different parts of the global stock market. The U.S. was relatively strong while much of the rest of the world – including the Caribbean – saw shares remain under pressure. This has set up an equally diverse set of opportunities for the future that demand a keen focus on today's prices as opposed to yesterday's returns. The opportunities for future returns are not everywhere. We believe they are specifically in the kinds of well-valued, high-quality shares where the Fund invests and we are constructive on the Fund's return prospects.

### Fortress Caribbean High Interest Fund

The Fortress Caribbean High Interest Fund generated a solid return in a volatile year as yields fell and bond prices rose. The Fund returned 2.8% for the year ended September 30, 2020. The net asset value (NAV) of the Accumulation shares increased from \$1.9975 at September 30, 2019 to \$2.0532 at September 30, 2020. Total net assets decreased from \$137 million to \$133 million. The Fund's compound annual return since inception in 2002 is now 4.0% per year, net of all fees and expenses. Its investment objective continues to be the highest level of income consistent with the preservation of capital.

Global bonds rallied strongly during the year after the U.S. Federal Reserve (Fed) moved from raising interest rates to lowering them. The Fed wound up cutting its target rate twice in late 2019 and aggressively in March 2020 to between 0% and 0.25 % in response to the COVID-19 crisis. The Fund's investments in the US\$ Fortress Fixed Income Fund and other U.S. and global bonds achieved high single digit returns in this environment of falling rates, contributing significantly to the Fund's overall result. Our holdings in Barbados government and corporate bonds also contributed steady returns during the year.

With the most immediate default risk passed, we continued to take a measured approach to adding Government of Barbados exposure back in the Fund. This and other new investments that reduced the cash levels in the Fund helped increase the average yield in the portfolio and added to the returns during the year. The Fund's cash balance is now down to 8% of the portfolio and we are hopeful the Fund will once again become fully invested in the coming months which will further boost its overall yield.

The Fund's portfolio continues to be as diversified as possible given the constraints and controls in place in Barbados and the limited capital markets in the region. Its holdings are a mix of Barbados corporate bonds, a small but growing allocation to government securities,

a wide range of high-quality global bonds accomplished via the US\$ Fortress Fixed Income Fund and directly, investments in specialised funds, and cash on deposit with CIBC FirstCaribbean, the Fund's Custodian Trustee. The gross yield of the Fund's portfolio is approximately 3.5% (up from 3.3% last year), a good estimate of its return potential in the medium-term.

### Asset Allocation & Outlook

The Fortress Caribbean Growth Fund is once again open to lump sum subscriptions of all kinds. The Fortress Caribbean High Interest Fund remains temporarily closed to new lump-sum subscriptions and is open exclusively to pensions and monthly savers. Of course, redemptions operate as normal. The Fortress Caribbean Pension Fund maintains steady access to the underlying Fortress funds to achieve its desired asset allocation.

As the global economy recovers from the COVID-19 shutdowns and travel disruptions and interest rates in major economies remain exceptionally low, we expect well-valued equities to have a durable tailwind and to perform well. Value shares have underperformed growth and the broad market indexes in recent years and this has created an interesting situation today: return expectations for the future are high for the kinds of well-valued shares where we invest, but not so high for the broad market and for some of the largest and most highly valued technology companies that led the market in recent years and months. The Caribbean may see a slower recovery than the rest of the world and companies in the region may see fewer opportunities for earnings growth in an already difficult environment. We remain extremely selective with our Caribbean equity investments.

In terms of fixed income, we face similar challenges to those of previous years. Global yields are lower than ever while credit risk in Barbados and the Caribbean generally was high before COVID-19 and is even higher now. Taking no risk in this environment will almost certainly earn no return but taking on too many of the

prevailing risks closest to home is inappropriate. We are focused on taking sensible risks to earn a return and on diversifying sources of return as much as possible. Still, we think our bond returns could be significantly lower than those for equities for the foreseeable future. For this reason, and recognizing the long time horizons of pension investors, we are maintaining the equity weights of the Fund's shares near the higher end of their ranges.

As we wrote last year, we remain extremely concerned that due to tax changes in recent years individuals' contributions to registered pension plans are still potentially subject to double taxation: once as they are earned and again when they are paid out from the plan as an annuity or income drawdown. This is an important situation to fix. We understand that there are acute financial pressures on the Government especially after COVID-19. At the same time, it is critical to the long-term financial health of the country to encourage and enable (or, at a minimum, not *discourage*) persons to save and invest for their own financial security in retirement. We encourage all members and sponsors of pension plans to continue to give this issue the prominence it deserves.

There were some changes to the Board of Directors of Fortress Fund Managers and the funds during the year. Tracey Shuffler and Maria Nicholls both joined the boards in early 2020, and David Simpson retired in August. Over his many years with us, Mr. Simpson contributed to the governance of the company and its

progress and growth. We thank him wholeheartedly for his accomplished work on the behalf of Fortress and the funds' investors. All our Directors have done an outstanding job in guiding and supporting us through a most volatile and challenging year and we thank them for their focus and dedication.

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

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



Roger Cave, CA, CFA  
Investment Director

René Delmas  
Pension Director



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## Financial Statements



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## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PENSION FUND LIMITED

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of Fortress Caribbean Pension Fund Limited (“the Fund”), which comprise the statement of financial position as at 30 September 2020, and the statement of net assets attributable to holders of redeemable mutual fund shares, 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 30 September 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants’ (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (“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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Fund’s financial reporting process.





## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PENSION FUND LIMITED

### **Report on the Audit of the Financial Statements (Continued)**

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PENSION FUND LIMITED

### **Report on the Audit of the Financial Statements** (Continued)

#### **Auditor's Responsibilities for the Audit of the Financial Statements** (Continued)

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.

#### **Other Matter**

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

*Ernst & Young Ltd*

BARBADOS

14 December 2020

# Fortress Caribbean Pension Fund Limited

Statement of Financial Position

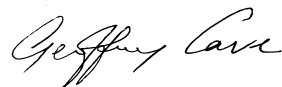
As at September 30, 2020

(expressed in Barbados dollars)


	2020			2019		
	Aggressive Accumulator	Conservative Consolidator	Capital Secure	Aggressive Accumulator	Conservative Consolidator	Capital Secure
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Financial assets (note 5)	162,572,350	139,610,346	14,338,476	168,427,966	135,742,488	13,502,287
Accounts receivable	1,253,258	4,624,223	812,122	932,967	766,208	60,196
Cash and cash equivalents	117,137	96,181	13,333	546,600	428,163	32,861
<b>Total assets</b>	<b>163,942,745</b>	<b>144,330,750</b>	<b>15,163,931</b>	<b>169,907,533</b>	<b>136,936,859</b>	<b>13,595,344</b>
<b>Liabilities</b>						
Redemptions payable	38,686	13,011	896	115,215	22,737	3,537
Accounts payable and accrued expenses	696,003	923,273	52,894	1,094,788	1,450,198	11,051
<b>Total liabilities (excluding net assets attributable to holder of redeemable mutual fund shares)</b>	<b>734,689</b>	<b>936,284</b>	<b>53,790</b>	<b>1,210,003</b>	<b>1,472,935</b>	<b>14,588</b>
<b>Net assets attributable to holders of redeemable mutual fund shares (note 7)</b>	<b>163,207,277</b>	<b>143,394,269</b>	<b>15,110,117</b>	<b>168,696,751</b>	<b>135,463,727</b>	<b>13,580,732</b>
<b>Total liabilities</b>	<b>163,941,966</b>	<b>144,330,553</b>	<b>15,163,907</b>	<b>169,906,754</b>	<b>136,936,662</b>	<b>13,595,320</b>
<b>Share capital (note 8)</b>	<b>779</b>	<b>197</b>	<b>24</b>	<b>779</b>	<b>197</b>	<b>24</b>
<b>Liabilities and shareholder funds</b>	<b>163,942,745</b>	<b>144,330,750</b>	<b>15,163,931</b>	<b>169,907,533</b>	<b>136,936,859</b>	<b>13,595,344</b>
<b>Net asset value per share</b>	<b>24.7121</b>	<b>24.1327</b>	<b>18.0207</b>	<b>25.7835</b>	<b>24.9413</b>	<b>17.8048</b>

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

Approved by the Board of Directors on December 14, 2020



Director



Director

# Fortress Caribbean Pension Fund Limited

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Mutual Fund Shares For the year ended September 30, 2020

(expressed in Barbados dollars)

	Number of shares			Net assets attributable to holders of redeemable mutual fund shares		
	Aggressive Accumulator	Conservative Consolidator	Capital Secure	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
<b>Balance as at September 30, 2018</b>	<b>6,457,431</b>	<b>5,337,105</b>	<b>635,586</b>	<b>164,618,370</b>	<b>131,254,279</b>	<b>11,076,198</b>
Issue of shares	436,777	309,958	215,070	11,031,905	7,591,126	3,715,813
Redemption of shares	(351,381)	(215,758)	(87,897)	(8,764,619)	(5,314,011)	(1,539,432)
Total comprehensive income for the year	–	–	–	1,811,095	1,932,333	328,153
<b>Balance as at September 30, 2019</b>	<b>6,542,827</b>	<b>5,431,305</b>	<b>762,759</b>	<b>168,696,751</b>	<b>135,463,727</b>	<b>13,580,732</b>
Issue of shares	435,283	943,366	148,922	11,035,767	22,625,315	2,669,944
Redemption of shares	(373,770)	(432,771)	(73,195)	(9,430,189)	(10,586,797)	(1,313,254)
Total comprehensive (loss)/ income for the year	–	–	–	(7,095,052)	(4,107,976)	172,695
<b>Balance as at September 30, 2020</b>	<b>6,604,340</b>	<b>5,941,900</b>	<b>838,486</b>	<b>163,207,277</b>	<b>143,394,269</b>	<b>15,110,117</b>

# Fortress Caribbean Pension Fund Limited

## Statement of Comprehensive Income For the year ended September 30, 2020

(expressed in Barbados dollars)

	2020			2019		
	Aggressive Accumulator	Conservative Consolidator	Capital Secure	Aggressive Accumulator	Conservative Consolidator	Capital Secure
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Net (loss)/gain on financial assets at fair value through profit or loss (note 5)	(8,287,997)	(4,703,441)	166,189	771,793	1,317,342	326,342
Other income (note 6)	917,078	605,751	13,082	867,123	552,319	7,617
Interest and other investment income	40,189	39,456	–	540	72,812	112
Dividend income	317,631	85,028	319	251,701	54,898	319
<b>Total investment income</b>	<b>(7,013,099)</b>	<b>(3,973,206)</b>	<b>179,590</b>	1,891,157	1,997,371	334,390
<b>Expenditure</b>						
Administrator and custodian fees (note 6)	50,019	40,984	4,251	49,001	39,466	3,856
Professional fees	10,312	8,881	887	9,028	7,304	757
Directors fees	9,480	7,663	857	8,443	6,828	729
Withholding taxes	–	66,787	–	–	–	–
Office and administrative expenses	12,142	10,455	900	13,590	11,440	895
<b>Operating expenditure</b>	<b>81,953</b>	<b>134,770</b>	<b>6,895</b>	80,062	65,038	6,237
<b>Comprehensive (loss)/ income for the year</b>	<b>(7,095,052)</b>	<b>(4,107,976)</b>	<b>172,695</b>	1,811,095	1,932,333	328,153

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

# Fortress Caribbean Pension Fund Limited

## Statement of Cash Flows

For the year ended September 30, 2020

(expressed in Barbados dollars)

	2020			2019		
	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
<b>Cash flows from operating activities</b>						
Total comprehensive (loss)/income for the year	<b>(7,095,052)</b>	<b>(4,107,976)</b>	<b>172,695</b>	<b>1,811,095</b>	<b>1,932,333</b>	<b>328,153</b>
Adjustment for:						
Interest income	–	(39,456)	–	(540)	(72,812)	(112)
Dividend income	(317,631)	(85,028)	(319)	(251,701)	(54,898)	(319)
Net loss/(gain) on financial assets at fair value through profit or loss	8,287,997	4,703,441	(166,189)	(771,793)	(1,317,342)	(326,342)
<b>Operating income before working capital changes</b>	<b>875,314</b>	<b>470,981</b>	<b>6,187</b>	<b>787,061</b>	<b>487,281</b>	<b>1,380</b>
(Increase)/decrease in accounts receivable	(218,588)	(3,824,536)	(751,926)	213,397	446,528	(60,196)
(Decrease)/increase in accounts payable	(398,785)	(526,925)	41,843	949,611	1,363,608	3,738
Purchase of financial assets at fair value through profit or loss	(6,140,395)	(13,350,000)	(1,080,000)	(123,734,287)	(112,140,530)	(15,190,098)
Proceeds on sale of financial assets at fair value through profit or loss	3,708,014	4,778,701	410,000	117,951,363	106,054,482	12,728,135
Cash used in operations	(2,174,440)	(12,451,779)	(1,373,896)	(3,832,855)	(3,788,631)	(2,517,041)
Interest received	–	39,456	–	540	105,792	112
Dividend received	215,928	51,549	319	251,701	54,898	319
<b>Net cash used in operating activities</b>	<b>(1,958,512)</b>	<b>(12,360,774)</b>	<b>(1,373,577)</b>	<b>(3,580,614)</b>	<b>(3,627,941)</b>	<b>(2,516,610)</b>
<b>Cash flows from financing activities</b>						
Issue of redeemable mutual fund shares	11,035,767	22,625,315	2,669,944	11,031,905	7,591,126	3,715,813
Redemption of redeemable mutual fund shares	(9,506,718)	(10,596,523)	(1,315,895)	(10,012,315)	(5,710,228)	(1,553,592)
<b>Net cash generated from financing activities</b>	<b>1,529,049</b>	<b>12,028,792</b>	<b>1,354,049</b>	<b>1,019,590</b>	<b>1,880,898</b>	<b>2,162,221</b>

# Fortress Caribbean Pension Fund Limited

Statement of Cash Flows ...*continued*  
For the year ended September 30, 2020

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(expressed in Barbados dollars)

	2020			2019		
	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
Net decrease in cash and cash equivalents	(429,463)	(331,982)	(19,528)	(2,561,024)	(1,747,043)	(354,389)
Cash and cash equivalents - beginning of year	546,600	428,163	32,861	3,107,624	2,175,206	387,250
Cash and cash equivalents - end of year	117,137	96,181	13,333	546,600	428,163	32,861

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

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 1 Incorporation and principal activity

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

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

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

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

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

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

These financial statements were authorised for issue by the Board of Directors on December 14, 2020.

## 2 Summary of significant accounting policies

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

### a) Basis of presentation

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

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

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



# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

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

### a) Basis of presentation ...continued

#### *New and amended standards and interpretations*

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2019 that have a material effect on the financial statements of the Fund.

### b) Foreign currency translation

#### *Functional and presentation currency*

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

#### *Transactions and balances*

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

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

### c) Financial assets 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 Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(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

##### *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 at 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) 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.

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.

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(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

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

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.

#### iii) Fair value estimation

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

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

#### iv) Transfers between levels of the fair value hierarchy

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

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

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

### d) Cash and cash equivalents

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

### e) Investment income

#### Interest income

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

#### Dividend income

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

### f) Expenses

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

### g) Redeemable mutual fund shares/net asset value

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

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

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

### i) Taxation

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

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

### 3 Critical accounting estimates and assumptions

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

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

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

### 4 Financial risk management

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

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

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

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

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Market risk

#### i) Price risk

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

The equity price risk exposure arises from the Fund's investments in equity securities and units in managed equity funds. To manage this risk the Fund holds a diversified portfolio of investments in accordance with its investment policy. A summary of the overall statement of financial position market exposures at September 30, 2020 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 24% (2019- 14%) and the Bloomberg Barclays US Aggregate Bond Index increased by 6% (2019- 3%), with all other variables held constant, and that the fair value of the Funds' portfolio of equity securities and equity-based investments moved according to their historical correlation with the indices. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

	2020	2019
	\$	\$
<b>Effect on net assets attributable to redeemable shares of an increase in the indices</b>		
Aggressive Accumulator	<b>20,566,565</b>	10,164,823
Conservative Consolidator	<b>15,159,642</b>	6,619,300
Capital Secure	<b>575,242</b>	147,948

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

#### ii) Cash flows and fair value interest rate risk

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

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

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Market risk ...continued

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

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

	2020	2019
	Effect on	Effect on
	net income	net income
	\$	\$
<b>Conservative Consolidator</b>		
<b>Change in interest rate:</b>		
-2%	<b>313,995</b>	734,839
2%	<b>(223,227)</b>	(420,103)

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests and impact on the valuation of certain over-the-counter derivative products that use interest rates as an input in their valuation model.

Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in interest rates.

#### iii) Foreign currency risk

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

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Credit risk

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

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

	<b>Aggressive Accumulator</b>	<b>Conservative Consolidator</b>	<b>Capital Secure</b>
	\$	\$	\$
<b>September 30, 2020</b>			
Government backed securities	–	979,475	–
Accounts receivable	1,253,258	4,624,223	812,122
Cash and cash equivalents	117,137	96,181	13,333
	<b>1,370,395</b>	<b>5,699,879</b>	<b>825,455</b>
<b>September 30, 2019</b>			
Government backed securities	–	1,375,267	–
Accounts receivable	932,967	766,208	60,196
Cash and cash equivalents	546,600	428,163	32,861
	<b>1,479,567</b>	<b>2,569,638</b>	<b>93,057</b>

The Fund holds government bonds issued by the Government of Barbados which maintains a B- (2019- B -) rating by Standard and Poor's.

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

	<b>Aggressive Accumulator</b>	<b>Conservative Consolidator</b>	<b>Capital Secure</b>
	\$	\$	\$
<b>Cash and cash equivalents</b>			
<b>September 30, 2020</b>			
CIBC FirstCaribbean International Bank (not rated)	117,137	96,181	13,333
<b>September 30, 2019</b>			
CIBC FirstCaribbean International Bank (not rated)	546,600	428,163	32,861



# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Liquidity risk

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

	<b>Less than 1 month \$</b>	<b>1 - 3 months \$</b>
<b>At September 30, 2020</b>		
<b>Aggressive Accumulator</b>		
Redemptions payable	38,686	–
Accounts payable and accrued expenses	–	696,003
Net assets attributable to holders of redeemable fund shares	–	163,207,277
	<hr/>	<hr/>
<b>Total financial liabilities</b>	<b>38,686</b>	<b>163,903,280</b>
<b>Conservative Consolidator</b>		
Redemptions payable	13,011	–
Accounts payable and accrued expenses	–	923,273
Net assets attributable to holders of redeemable fund shares	–	143,394,269
	<hr/>	<hr/>
<b>Total financial liabilities</b>	<b>13,011</b>	<b>144,317,542</b>
<b>Capital Secure</b>		
Redemptions payable	896	–
Accounts payable and accrued expenses	–	52,894
Net assets attributable to holders of redeemable fund shares	–	15,110,117
	<hr/>	<hr/>
<b>Total financial liabilities</b>	<b>896</b>	<b>15,163,011</b>

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

	Less than 1 month \$	1 - 3 months \$
<b>At September 30, 2019</b>		
<b>Aggressive Accumulator</b>		
Redemptions payable	115,215	–
Accounts payable and accrued expenses	–	1,094,788
Net assets attributable to holders of redeemable fund shares	–	168,696,751
<b>Total financial liabilities</b>	<b>115,215</b>	<b>169,791,539</b>
<b>Conservative Consolidator</b>		
Redemptions payable	22,737	–
Accounts payable and accrued expenses	–	1,450,198
Net assets attributable to holders of redeemable fund shares	–	135,463,727
<b>Total financial liabilities</b>	<b>22,737</b>	<b>136,913,925</b>
<b>Capital Secure</b>		
Redemptions payable	3,537	–
Accounts payable and accrued expenses	–	11,051
Net assets attributable to holders of redeemable fund shares	–	13,580,732
<b>Total financial liabilities</b>	<b>3,537</b>	<b>13,591,783</b>

In the event of unusual circumstances and redemption requests representing more than 20% of the Fund's assets are received within 30 consecutive days, the directors of the Fund reserve the right to suspend redemptions and to hold a special meeting of the Fund shareholders to determine the future of the Fund, including the liquidation of the Fund's assets. In any event, redemptions may be paid in cash or by an appropriate transfer in specie.

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

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

	Less than 1 month \$	1 - 3 months \$	Over 3 months \$
<b>Total assets</b>			
<b>September 30, 2020</b>			
Aggressive Accumulator	5,131,695	158,772,141	38,909
Conservative Consolidator	5,859,723	138,467,540	3,487
Capital Secure	835,286	14,328,645	–
<b>September 30, 2019</b>			
Aggressive Accumulator	5,033,292	164,874,241	–
Conservative Consolidator	2,176,802	133,318,003	1,442,054
Capital Secure	102,357	13,492,987	–

### Capital risk management

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

### Fair value estimation

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

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

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>September 30, 2020</b>				
<b>Financial assets at fair value through profit or loss</b>				
<b>Aggressive Accumulator</b>				
Mutual funds	–	158,772,141	–	<b>158,772,141</b>
Listed equities and mutual funds	3,761,300	–	38,909	<b>3,800,209</b>
	<b>3,761,300</b>	<b>158,772,141</b>	<b>38,909</b>	<b>162,572,350</b>

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2020</b>				
<b>Financial assets at fair value through profit or loss</b>				
<b>Conservative Consolidator</b>				
Mutual funds	–	137,488,065	–	137,488,065
Listed equities and mutual funds	1,139,319	–	3,487	1,142,806
Government backed securities	–	–	979,475	979,475
	<b>1,139,319</b>	<b>137,488,065</b>	<b>982,962</b>	<b>139,610,346</b>
<b>Capital Secure</b>				
Mutual funds	–	14,328,645	–	14,328,645
Listed equities and mutual funds	9,831	–	–	9,831
	<b>9,831</b>	<b>14,328,645</b>	<b>–</b>	<b>14,338,476</b>
<b>September 30, 2019</b>				
<b>Financial assets at fair value through profit or loss</b>				
<b>Aggressive Accumulator</b>				
Mutual funds	–	164,863,622	–	164,863,622
Listed equities and mutual funds	3,435,069	–	118,656	3,553,725
Hedge funds	–	–	10,619	10,619
	<b>3,435,069</b>	<b>164,863,622</b>	<b>129,275</b>	<b>168,427,966</b>
<b>Conservative Consolidator</b>				
Mutual funds	–	133,307,384	–	133,307,384
Listed equities and mutual funds	1,038,584	–	10,634	1,049,218
Hedge funds	–	–	10,619	10,619
Government backed securities	–	–	1,375,267	1,375,267
	<b>1,038,584</b>	<b>133,307,384</b>	<b>1,396,520</b>	<b>135,742,488</b>
<b>Capital Secure</b>				
Mutual funds	–	13,492,987	–	13,492,987
Listed equities and mutual funds	9,300	–	–	9,300
	<b>9,300</b>	<b>13,492,987</b>	<b>–</b>	<b>13,502,287</b>

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

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

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

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

There were no transfers between levels as at September 30, 2020. The following table presents the transfers between levels for the year ended September 30, 2019:

	Level 1 \$	Level 2 \$	Level 3 \$
<b>September 30, 2019</b>			
<b>Financial assets at fair value through profit or loss:</b>			
<b>Aggressive Accumulator</b>			
Listed equities and mutual funds	(118,656)	–	118,656
<b>Conservative Consolidator</b>			
Listed equities and mutual funds	(10,634)	–	10,634

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

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

	Listed equities and mutual funds \$	Hedge funds \$	Total balance \$
<b>September 30, 2020</b>			
<b>Aggressive Accumulator</b>			
Opening balance	118,656	10,619	129,275
Sales/ distributions	(77,108)	(10,619)	(87,727)
Losses recognised in the statement of comprehensive income	(2,639)	–	(2,639)
<b>Closing balance</b>	<b>38,909</b>	<b>–</b>	<b>38,909</b>
Change in unrealised losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(2,639)	–	(2,639)

	Listed equities and mutual funds \$	Government backed securities \$	Hedge funds \$	Total balance \$
<b>September 30, 2020</b>				
<b>Conservative Consolidator</b>				
Opening balance	10,634	1,375,267	10,619	1,396,520
Sales/distributions	(6,910)	–	(10,619)	(17,529)
Losses recognised in the statement of comprehensive income	(237)	(395,792)	–	(396,029)
<b>Closing balance</b>	<b>3,487</b>	<b>979,475</b>	<b>–</b>	<b>982,962</b>
Change in unrealised losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(237)	(395,792)	–	(396,029)

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

	Listed equities and mutual funds \$	Hedge funds \$	Total balance \$
<b>September 30, 2019</b>			
<b>Aggressive Accumulator</b>			
Opening balance	–	68,113	68,113
Transfers in	174,595	–	174,595
Sales	–	(32,452)	(32,452)
Losses recognised in the statement of comprehensive income	(55,939)	(25,042)	(80,981)
<b>Closing balance</b>	<b>118,656</b>	<b>10,619</b>	<b>129,275</b>
Change in unrealised losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(55,939)	(25,042)	(80,981)

	Listed equities and mutual funds \$	Government backed securities \$	Hedge funds \$	Total balance \$
<b>September 30, 2019</b>				
<b>Conservative Consolidator</b>				
Opening balance	–	1,424,568	68,113	1,492,681
Transfers in	15,647	–	–	15,647
Purchases	–	2,786,801	–	2,786,801
Sales	–	(2,690,000)	(32,452)	(2,722,452)
Losses recognised in the statement of comprehensive income	(5,013)	(146,102)	(25,042)	(176,157)
<b>Closing balance</b>	<b>10,634</b>	<b>1,375,267</b>	<b>10,619</b>	<b>1,396,520</b>
Change in unrealised losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(5,013)	(146,102)	(25,042)	(176,157)



# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

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

Description	Fair value at September 30, 2020 \$	Fair value at September 30, 2019 \$	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
<b>Aggressive Accumulator</b>					
Listed equities and mutual funds	38,909	118,656	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	–	10,619	Third party administrator valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
<b>Conservative Consolidator</b>					
Listed equities and mutual funds	3,487	10,634	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	–	10,619	Third party administrator valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
Government backed securities	979,475	1,375,267	DCF method	Discount rate	The higher the discount rate, the lower the fair value

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

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

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at September 30, 2020 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2020</b>				
<b>Aggressive Accumulator</b>				
<b>Assets</b>				
Accounts receivable	–	1,253,258	–	1,253,285
Cash and cash equivalents	117,137	–	–	117,137
<b>Total</b>	<b>117,137</b>	<b>1,253,258</b>	<b>–</b>	<b>1,370,422</b>
<b>Liabilities</b>				
Redemptions payable	–	38,686	–	38,686
Accounts payable and accrued expenses	–	696,003	–	696,003
Net assets attributable to holders of redeemable mutual fund shares	–	163,207,277	–	163,207,277
<b>Total</b>	<b>–</b>	<b>163,941,966</b>	<b>–</b>	<b>163,941,966</b>
<b>Conservative Consolidator</b>				
<b>Assets</b>				
Accounts receivable	–	4,624,223	–	4,624,223
Cash and cash equivalents	96,181	–	–	96,181
<b>Total</b>	<b>96,181</b>	<b>4,624,223</b>	<b>–</b>	<b>4,720,404</b>
<b>Liabilities</b>				
Redemptions payable	–	13,011	–	13,011
Accounts payable and accrued expenses	–	923,273	–	923,273
Net assets attributable to holders of redeemable mutual fund shares	–	143,394,269	–	143,394,269
<b>Total</b>	<b>–</b>	<b>144,330,553</b>	<b>–</b>	<b>144,330,553</b>

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2020</b>				
<b>Capital Secure</b>				
<b>Assets</b>				
Accounts receivable	–	812,122	–	<b>812,122</b>
Cash and cash equivalents	13,333	–	–	<b>13,333</b>
<b>Total</b>	<b>13,333</b>	<b>812,122</b>	–	<b>825,455</b>
<b>Liabilities</b>				
Redemptions payable	–	896	–	<b>896</b>
Accounts payable and accrued expenses	–	52,894	–	<b>52,894</b>
Net assets attributable to holders of redeemable mutual fund shares	–	15,110,117	–	<b>15,110,117</b>
<b>Total</b>	–	<b>15,163,907</b>	–	<b>15,163,907</b>
<b>September 30, 2019</b>				
<b>Aggressive Accumulator</b>				
<b>Assets</b>				
Accounts receivable	–	932,967	–	<b>932,967</b>
Cash and cash equivalents	546,600	–	–	<b>546,600</b>
<b>Total</b>	<b>546,600</b>	<b>932,967</b>	–	<b>1,479,567</b>
<b>Liabilities</b>				
Redemptions payable	–	115,215	–	<b>115,215</b>
Accounts payable and accrued expenses	–	1,094,788	–	<b>1,094,788</b>
Net assets attributable to holders of redeemable mutual fund shares	–	168,696,751	–	<b>168,696,751</b>
<b>Total</b>	–	<b>169,906,754</b>	–	<b>169,906,754</b>

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2019</b>				
<b>Conservative Consolidator</b>				
<b>Assets</b>				
Accounts receivable	–	766,208	–	766,208
Cash and cash equivalents	428,163	–	–	428,163
<b>Total</b>	<b>428,163</b>	<b>766,208</b>	<b>–</b>	<b>1,194,371</b>
<b>Liabilities</b>				
Redemptions payable	–	22,737	–	22,737
Accounts payable and accrued expenses	–	1,450,198	–	1,450,198
Net assets attributable to holders of redeemable mutual fund shares	–	135,463,727	–	135,463,727
<b>Total</b>	<b>–</b>	<b>136,936,662</b>	<b>–</b>	<b>136,936,662</b>
<b>Capital Secure</b>				
<b>Assets</b>				
Accounts receivable	–	60,196	–	60,196
Cash and cash equivalents	32,861	–	–	32,861
<b>Total</b>	<b>32,861</b>	<b>60,196</b>	<b>–</b>	<b>93,057</b>
<b>Liabilities</b>				
Redemptions payable	–	3,537	–	3,537
Accounts payable and accrued expenses	–	11,051	–	11,051
Net assets attributable to holders of redeemable mutual fund shares	–	13,580,732	–	13,580,732
<b>Total</b>	<b>–</b>	<b>13,595,320</b>	<b>–</b>	<b>13,595,320</b>

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

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

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation...continued

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

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

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

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

	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
<b>September 30, 2020</b>			
<b>Financial assets designated at fair value through profit or loss:</b>			
- Mutual funds	158,772,141	137,488,065	14,328,645
- Listed equities and mutual funds	3,800,209	1,142,806	9,831
- Government backed securities	-	979,475	-
<b>Total financial assets designated at fair value through profit or loss</b>	<b>162,572,350</b>	<b>139,610,346</b>	<b>14,338,476</b>
<b>Net (losses)/ gains recognised in relation to investments:</b>			
- realised gains	679,029	403,196	49,487
- change in unrealized (loss)/ gain	(8,967,026)	(5,106,637)	116,702
	<b>(8,287,997)</b>	<b>(4,703,441)</b>	<b>166,189</b>

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

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

	Aggressive Accumulator \$	Conservative Consolidator \$	Capital Secure \$
<b>September 30, 2019</b>			
<b>Financial assets designated at fair value through profit or loss:</b>			
- Mutual funds	164,863,622	133,307,384	13,492,987
- Listed equities and mutual funds	3,553,725	1,049,218	9,300
- Hedge funds	10,619	10,619	-
- Government backed securities	-	1,375,267	-
<b>Total financial assets designated at fair value through profit or loss</b>	<b>168,427,966</b>	<b>135,742,488</b>	<b>13,502,287</b>
<b>Net gains recognised in relation to investments:</b>			
- realised gains	303,379	88,080	71,543
- change in unrealised gain	468,414	1,229,262	254,799
	<b>771,793</b>	<b>1,317,342</b>	<b>326,342</b>

The detailed portfolio of investments is as follows:

	2020		2019	
	Cost \$	Market value \$	Cost \$	Market value \$
<b>Financial assets at fair value through profit or loss</b>				
<b>Aggressive Accumulator</b>				
Fortress Mutual Fund Limited	94,264,685	122,337,671	88,364,685	125,827,170
Fortress Caribbean High Interest Fund	26,409,516	33,049,512	29,433,602	35,778,350
Eppley Caribbean Property Fund- Value Fund	3,770,079	3,164,088	3,737,684	2,795,629
Fortress Global Opportunity Wealth Fund SP	1,453,460	1,567,310	1,253,460	1,355,434
Fortress OAM Overseas Fund Ltd	1,373,279	1,489,774	1,373,278	1,558,882
Eppley Caribbean Property Fund- Development Fund	1,652,892	511,912	1,644,892	558,790
Fortress Emerging Markets Fund SP	253,375	327,874	253,375	343,786
Massy Holdings Ltd	95,100	85,300	95,101	80,650
Praetorian Property Mutual Fund	320,215	38,909	320,215	118,656
OAM Debt Recovery Fund	-	-	4,897	10,619
	<b>129,592,601</b>	<b>162,572,350</b>	<b>126,481,189</b>	<b>168,427,966</b>

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

(expressed in Barbados dollars)

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

			2020		2019	
	Rate	Maturity	Cost \$	Market value \$	Cost \$	Market value \$
<b>Financial assets at fair value through profit or loss:</b>						
<b>Conservative Consolidator</b>						
Fortress Mutual Fund Limited			69,382,880	83,131,345	60,385,883	79,988,046
Fortress Caribbean High Interest Fund			43,798,828	51,468,366	44,016,433	50,580,878
Fortress Global Opportunity Wealth Fund SP			1,453,460	1,567,310	1,253,460	1,355,433
Eppley Caribbean Property Fund-Value Fund			1,161,460	1,041,573	1,161,460	929,976
Fortress OAM Overseas Fund Ltd			915,508	993,170	915,508	1,039,241
Govt of Barbados Series D	2.00%	2053/08/31	2,638,613	979,475	2,638,613	1,375,267
Fortress Emerging Markets Fund SP			253,375	327,874	253,375	343,786
Eppley Caribbean Property Fund-Development Fund			313,755	97,746	313,755	108,608
Praetorian Property Mutual Fund			28,854	3,487	28,854	10,634
OAM Debt Recovery Fund			—	—	4,897	10,619
			<b>119,946,733</b>	<b>139,610,346</b>	<b>110,972,238</b>	<b>135,742,488</b>
<b>Capital Secure</b>						
<b>Financial assets at fair value through profit or loss</b>						
Fortress Caribbean High Interest Fund			10,544,343	12,058,978	10,904,856	12,113,878
Fortress Mutual Fund Limited			2,153,542	2,269,667	1,073,542	1,379,109
Eppley Caribbean Property Fund-Value Fund			10,434	7,440	10,434	6,643
Eppley Caribbean Property Fund-Development Fund			7,896	2,391	7,896	2,657
			<b>12,716,215</b>	<b>14,338,476</b>	<b>11,996,728</b>	<b>13,502,287</b>

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 5 Financial assets...continued

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

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

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

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

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

## 6 Related parties

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

Fortress Fund Managers Limited serves as manager, registrar and administrator of the Fund. As a result of providing investment advisory, management, registrar and administrator services, Fortress Fund Managers Limited receives a monthly management fee based on the actual net asset value of the Fund, calculated monthly and payable in arrears, at the rate of 0.50% per annum. The Fund invests in mutual funds managed by the same manager. The management fee amounted to \$1,587,579 (2019 - \$1,538,713) for the year. The administrator fees amounted to \$95,254 (2019- \$92,323) for the year.

Management fees of \$3,098,780 (2019 - \$2,945,056) were refunded by Fortress Fund Managers Limited being 0.50% - 1.25% of the net asset values of Fortress Mutual Fund Limited, Fortress Caribbean Property Fund SCC Limited, Fortress OAM Overseas Management Fund Limited and Fortress Caribbean High Interest Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

Management fees of \$24,710 (2019- \$20,716) were refunded by Fortress Fund Advisors Limited (a subsidiary of Fortress Fund Managers Limited) being 1% of the net asset values of Fortress Emerging Markets Fund and Fortress Global Opportunity Wealth Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.



# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 6 Related parties...continued

The Fund holds 36,780,928 (2019 - 34,009,771) shares valued at \$207,738,683 (2019- \$207,194,325) in the Fortress Mutual Fund Limited.

The Fund holds 47,069,333 (2019- 49,409,486) shares valued at \$96,576,856 (2019- \$98,473,106) in the Fortress Caribbean High Interest Fund Limited.

The Fund holds 1,112,087 (2019- 1,112,087) shares valued at \$2,482,944 (2019- \$2,598,123) in the Fortress OAM Overseas Fund Limited.

The Fund holds 2,856 (2019- 2,856) shares valued at \$655,748 (2019- \$687,572) in the Fortress Emerging Markets Fund Limited.

The Fund holds 13,484 (2019- 2,421) shares valued at \$3,134,620 (2019- \$2,710,867) in the Fortress Global Opportunity Wealth Fund Limited.

Directors fees of \$18,000 (2019- \$16,000) were paid during the year.

## 7 Redeemable mutual fund shares

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

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

## 8 Share capital

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

# Fortress Caribbean Pension Fund Limited

Notes to Financial Statements

September 30, 2020

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(expressed in Barbados dollars)

## 9 Covid-19

In December 2019, a novel strain of coronavirus, (“COVID-19”), surfaced in Wuhan, China. This virus continues to spread around the world, resulting in business and social disruption. COVID-19 was declared a global pandemic by the World Health Organization on 11 March 2020. The operations and business results of the Fund could be materially adversely affected. As the COVID-19 pandemic is ongoing and the near term worldwide economic outlook remains uncertain, we cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our financial statements.

As at the reporting date any impact on the balances as of 30 September 2020 due to the ongoing COVID-19 pandemic have been appropriately accounted for in accordance with the reporting framework.

Management does not believe there is any risk to the Fund’s ability to continue as a going concern for the foreseeable future from the reporting date linked to the COVID-19 pandemic.

We have evaluated all significant activities through to 11 December 2020, the date these financial statements were available to be issued and concluded that no additional subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.





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