

Dear Fellow Investors,

The first quarter of 2017 was positive across the board for the Fortress funds, with good returns from our range of investments in the Caribbean region and globally. As you can read in more detail in the attached fund reports, we still see very good return prospects from here for the Fortress Caribbean Growth Fund, and continue to face significant challenges in the Fortress Caribbean High Interest Fund because of the ongoing Caribbean government debt crisis.

Together with our investors, we passed some gratifying milestones this quarter. In March the Fortress funds all set new all-time highs in net assets and net asset value (NAV) per share. This means the value of our *thousands* of clients' savings - on a per share basis and in total - has never been higher. You can see the latest NAVs of all the Fortress funds at [fortressfund.com](http://fortressfund.com). Many of you know that it took nine long years to regain the 2008 highs in the Caribbean Growth Fund. You also know that patience pays, and we appreciate yours. Collectively, we in Barbados have some important economic challenges ahead of us, and we will need to keep thinking long-term as we face them together.

At Fortress, as we move into our 21st year we continue to think long-term. We continue to invest money and energy in our business to keep improving how we operate, how we invest, and how we serve you. We thank you very much for your trust and support over the years, and for your long-term perspective. In investing, and in life, we believe there is no better perspective to have.

Sincerely,  
Fortress Fund Managers

## OF INTEREST THIS QUARTER:

### THE CARIBBEAN GROWTH FUND

gained 4.9% in the first quarter and 10.9% over the past year as emerging markets shares posted some of the strongest gains.

### THE CARIBBEAN HIGH INTEREST FUND

returned 1.1% during the first quarter and 3.4% over the past year. Barbados government bonds were downgraded again.

### THE CARIBBEAN PENSION FUND

shares returned 1.4% to 4.2% during the first quarter and 4.0% to 9.8% over the past year as equities continued to advance and interest rates remained low.



## What are you saving for?

As the saying goes, *the best time to plant a tree was 20 years ago - and the next best time is right now.*

Whatever you're saving for, getting started is the most important part.

Start your monthly savings programme now!

Call us at 431-2198.



# Caribbean Growth Fund

## HIGHLIGHTS:

- *The Fund gained 4.9% during the first quarter and 10.9% over the past year. Caribbean and global investments both contributed gains.*
- *A global improvement in earnings growth is supporting international and emerging markets shares even as the U.S. Federal Reserve (Fed) raises rates.*

The Fund gained 4.9% during the first quarter of 2017 and is up 10.9% over the past year. The net asset value (NAV) finished March 31 at \$5.4473. Net assets of the Fund were \$433 million. The Fund's annual compound rate of return since inception in 1996 is 8.7% per year. Its portfolio remains well diversified by security, geography and currency.

Caribbean stock indexes continued to move higher during the quarter, on very thin trading. Low interest rates, tightness in currency markets and the ongoing stress in government debt have led to greater demand for financial assets that are not bank deposits or government bonds. The Jamaican dollar remained stable during the quarter, and stocks there posted a double-digit return. In Barbados, price increases in CIBC FirstCaribbean and Sagicor led to the index gains. The West Indies Rum Distillery acquisition removed yet another name from the small and shrinking Barbados Stock Exchange. In Jamaica the currency held firm and stocks also generally rose. The outsized gains seen by the Jamaican stock markets in the last two years have now fed into the earnings of financials, leading to more share price gains. Time will tell how long this lasts. Jamaica has gone from being exceptionally cheap to about fair value, in our view. Trinidad, meanwhile, was little changed during the quarter and continued to see pressure on corporate earnings and on the value of its currency.

Global investments performed well during the quarter, led by emerging markets shares. Even with the U.S. Fed raising its target rate again, stocks globally continued to be well-supported by extremely low interest rates. At the same time, earnings growth among companies in the U.S. remains good and importantly has started to recover in Europe, Japan and other parts of Asia where earnings had been under pressure for the last two years or more. This broad uplift in earnings supports shares especially those in international and emerging markets where shares often trade at discounts of 30% to similar companies in the U.S. Early in the year, we gradually increased some of the Fund's allocations to international and emerging markets investments. Our direct exposure to the U.S. remains low.

Across Caribbean regional and global investments, the valuations of the Fund's underlying holdings are consistent with very good long-term returns in the coming years. Its cash position of approximately 10% has remained largely unchanged since the "soft close" to new lump sum subscriptions in January. Contributions from pensions and other regular monthly savers continue as normal.

## FUND OBJECTIVE

Capital growth over the long term. The Fund uses a value approach to invest primarily in Caribbean and international equities.

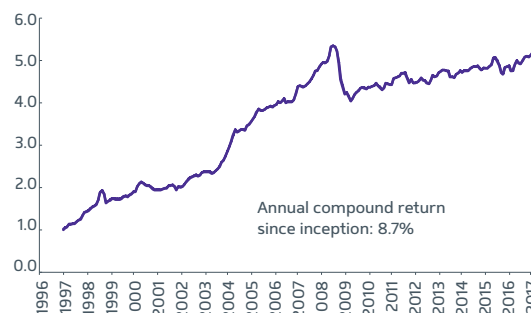
|                           |               |
|---------------------------|---------------|
| Minimum Investment        | \$100         |
| Net Asset Value per share | \$5.4473      |
| Fund Net Assets           | \$432,549,115 |
| Fund Inception            | Dec 9, 1996   |

## INVESTMENT RETURNS

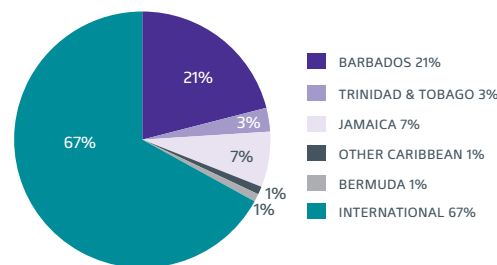
|                 | 3 Mo        | 1 Yr         | 3 Yrs       | 5 Yrs       | Incept      |
|-----------------|-------------|--------------|-------------|-------------|-------------|
| <b>Fortress</b> | <b>4.9%</b> | <b>10.9%</b> | <b>4.6%</b> | <b>3.5%</b> | <b>8.7%</b> |
| Jamaica         | 17.0%       | 38.0%        | 35.9%       | 10.7%       | 6.8%        |
| Trinidad        | 1.2%        | 6.7%         | -0.1%       | 3.0%        | 11.5%       |
| Barbados        | 10.3%       | 15.7%        | 3.7%        | -2.5%       | 4.8%        |
| Global Index    | 6.5%        | 15.4%        | 6.1%        | 10.0%       | 7.5%        |

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO MARCH 31ST, 2017



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

| Holding                               | Country/Region |
|---------------------------------------|----------------|
| 1. Fortress Emerging Markets Fund     | International  |
| 2. Fortress International Equity Fund | International  |
| 3. Fortress Income Builder Intl Fund  | International  |
| 4. Fortress OAM Overseas Fund         | Europe/Asia    |
| 5. Fortress Income Builder US Fund    | US             |

## EXPENSES

*Manager:* 1.75% per annum of net assets  
*Custodian:*  
 0.0875% on first \$30M in net assets  
 0.075% on amounts over \$30M in net assets  
*Administrator:*  
 0.10% on the first \$30M in net assets  
 0.0875% on amounts over \$30M in net assets  
*Redemption Charge:* none  
*Initial Charges:* 2%

## MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd.

## CUSTODIAN

CIBC FirstCaribbean International Bank  
 Wealth Management Division

## AUDITORS

Ernst & Young

## ATTORNEY-AT-LAW

Sir Henry deB. Forde, K.A., Q.C.  
 Juris Chambers

## DIRECTORS

Sir Geoffrey Cave, Chairman  
 David Bynoe  
 Ken Emery  
 Sir Fred Gollop  
 John Howard  
 David Simpson  
 John Williams  
 Roger Cave, Investment Manager

# Caribbean High Interest Fund



## HIGHLIGHTS:

- *The Fund returned 1.1% for the first quarter and 3.4% over the past year.*
- *Rating agencies and global investors sharply downgraded Barbados government debt, expecting that a restructuring is imminent.*

The Fund returned 1.1% during the first quarter of 2017 and is up 3.4% over the past year. The net asset value (NAV) of the Fund's Accumulation share finished at \$1.9385. The Distribution share finished at \$1.0124. Net assets of the Fund were \$126 million. The Fund's annual compound rate of return since inception in 2002 is now 4.5% per year. It remains as diversified as possible by issuer, geography and currency, with approximately 54% invested in Barbados and 45% invested globally.

The Fund continued to face serious challenges from the credit crisis in Caribbean government debt coupled with tightening currency controls in Barbados, both of which worsened during the quarter. There are very few investments in Barbados that meet the Fund's objective of capital preservation and income. Investors should be aware that returns will likely continue to be lower than average during this unusual time as we remain squarely in capital preservation mode.

During the first quarter, bond rating agencies Moody's and Standard & Poor's lowered their ratings again on Barbados government debt. These moves came after the finance minister made comments suggesting that a "refinancing" of the domestic debt was imminent, and following the dismissal of the central bank governor - both huge red flags to investors with experience in other markets. At current rating levels of three notches above default, the question being addressed is no longer "if" a debt restructuring will need to occur, but rather "when" it will happen and how large the investor losses will be from it. Global investors have noticed, with Barbados U.S. dollar bonds falling 25% during the quarter; they now trade at 75-80 cents on the dollar and yield 10-14% depending on maturity. On the other side of a restructuring, investors will typically want to see three things: a viable fiscal reform and economic growth plan from the government with support from other stakeholders, appropriate support from multi-lateral organisations, and a move to a sustainable debt profile. Unfortunately, none of these three yet appears to be in place, although the formation of working groups to advise on the debt and currency issues suggests some constructive initial steps may be underway.

Global bond yields were little changed during the quarter and remain near historically low levels in spite of another rate hike by the U.S. Federal Reserve. The upward trend in inflation and economic growth globally suggest that interest rates may also continue to rise gradually. The average term to maturity of the Fund's portfolio remains very conservative at 2.8 years, with an average gross yield to maturity of 3.3%.

## FUND OBJECTIVE

Income and capital preservation over the medium term. The Fund actively invests in a diversified portfolio of primarily Caribbean and international debt securities.

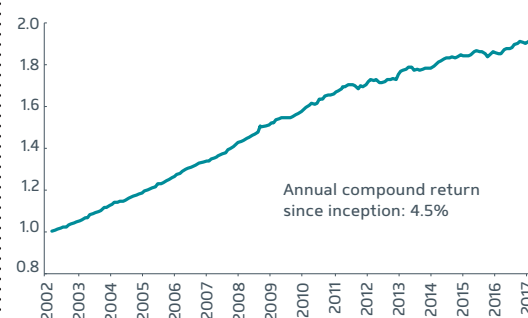
|                                  |                     |
|----------------------------------|---------------------|
| <i>Minimum Investment</i>        | \$500               |
| <i>Net Asset Value per share</i> | \$1.9385 / \$1.0124 |
| <i>Fund Net Assets</i>           | \$126,029,041       |
| <i>Fund Inception</i>            | May 17, 2002        |

## INVESTMENT RETURNS

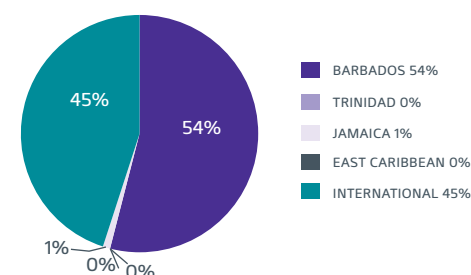
| 3 Months    | 1 Year      | 3 Years     | 5 Years     | Inception   |
|-------------|-------------|-------------|-------------|-------------|
| <b>1.1%</b> | <b>3.4%</b> | <b>2.2%</b> | <b>2.3%</b> | <b>4.5%</b> |

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO MARCH 31ST, 2017



## GEOGRAPHICAL DISTRIBUTION OF PORTFOLIO



## TOP 5 HOLDINGS

| Holding                                      | Country       |
|--|---------------|
| 1. Legg Mason Asian Opportunities Debt Fund  | International |
| 2. Franklin Templeton Global Bond Fund       | Global        |
| 3. GEL 4.5% 30 Nov 2017                      | Barbados      |
| 4. Stallion Property 5% 31 Dec 2021          | Barbados      |
| 5. PIMCO Global Investment Grade Credit Fund | Global        |

## EXPENSES

*Manager:* 0.75% per annum

*Custodian & Administrator:*

0.20% on first \$30M in net assets

0.175% on next \$50M in net assets

0.15% on amounts over \$80M in net assets

*Redemption Charge:*

2% for funds held less than 6 months

Up to 1% for funds held less than 6 months - 2 years

Nil after 2 years

*Initial Charges:* none

## MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd.

## CUSTODIAN

CIBC FirstCaribbean International Bank  
Wealth Management Division

## AUDITORS

Ernst & Young

## ATTORNEY-AT-LAW

Sir Henry deB. Forde, K.A., Q.C.  
Juris Chambers

## DIRECTORS

Sir Geoffrey Cave, Chairman

David Bynoe

Ken Emery

Sir Fred Gollop

John Howard

David Simpson

John Williams

Roger Cave, Investment Manager

Please see our **Fund Prospectus** for further important information.

# Caribbean Pension Fund

## HIGHLIGHTS:

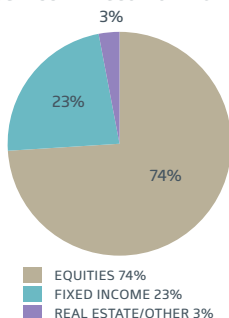
- Shares of the Pension Fund returned 1.4% to 4.2% in the first quarter and are up 4.0% to 9.8% over the past year.
- Returns by class of share are shown in the table to the right.

What is one of the biggest risks you might face in retirement? An important one is not having enough saved to afford the lifestyle that you expected for the rest of your life. The factors impacting this risk are not just those during one's working life - contribution rates and investment returns - but also include the "risk" of longevity, that is of living longer than you might have anticipated. That may not sound like much of a risk, but from a financial point of view it can be a big one and it is attracting attention from experts around the world. In the UK, men reaching age 65 today can expect to live, on average, another 18 years and women for another 21. This trend has continued upwards over time. It's something we all need to be aware of in planning for retirement because longer periods in retirement require more accumulated savings to sustain the same level of income. What to do? The formula is simple, and is the one we recommend in nearly all cases: Spend a lot less than you earn, continue to save ever increasing amounts as you earn more, and invest sensibly - and, finally, think realistically about what that retirement date will be, and what retirement will look like, especially if you're more and more likely to live to age 85 or longer!

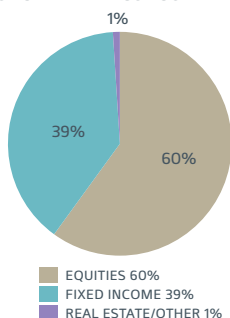
As you build your lifetime savings we are here to help.

Investors in the Pension Fund typically select from three different classes of share, based on personal circumstances and risk tolerance. These classes differ in how their assets are spread across the major asset classes of equities, bonds, and real estate and other assets. The graphs below show how each of the classes (AA, CC, CS) is allocated currently. The reports on the Caribbean Growth Fund and Caribbean High Interest Fund on pages two and three of this quarterly report give you a direct look into the performance, positioning and outlook for the major underlying investments in the Pension Fund.

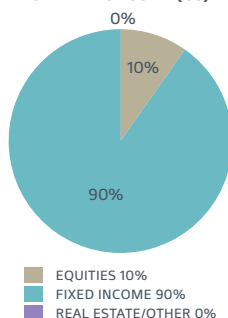
### AGGRESSIVE ACCUMULATOR (AA)



### CONSERVATIVE CONSOLIDATOR (CC)



### CAPITAL SECURE (CS)



## EXPENSES

**Manager:** 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.  
**Custodian:** \$7,500 per year paid by the Fund as a whole.  
**Administrator:** No charge at the Fund level.  
**Sales Charge:** None  
**Redemption Charge:** none

## MANAGER & ADMINISTRATOR

Fortress Fund Managers Ltd

## CUSTODIAN

CIBC FirstCaribbean International Bank  
 Wealth Management Division

## AUDITORS

Ernst & Young

## ATTORNEY-AT-LAW

Sir Henry deB. Forde, K.A., Q.C.  
 Juris Chambers.

## FUND OBJECTIVE

Capital growth, income and security over the long term, as appropriate to each class of share. The Fund invests in equities, fixed income, and real estate assets primarily via the other Fortress funds.

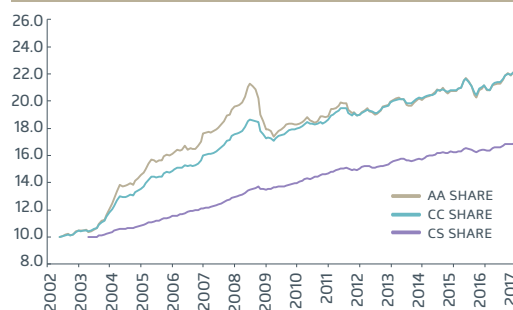
|                                   |  |
|-----------------------------------|--|
| <b>Net Asset Value Per Share:</b> | \$23.25 / \$23.06 / \$17.18 (AA/CC/CS) |
| <b>Fund Net Assets:</b>           | \$269,778,886                          |

## INVESTMENT RETURNS

|                 | 3 Mo | 1 Yr | 3 Yrs | 5 Yrs | Incept. |
|-----------------|------|------|-------|-------|---------|
| <b>AA Share</b> | 4.2% | 9.8% | 4.4%  | 3.6%  | 5.9%    |
| <b>CC Share</b> | 3.5% | 8.5% | 4.1%  | 3.5%  | 5.8%    |
| <b>CS Share</b> | 1.4% | 4.0% | 2.4%  | 2.4%  | 4.0%    |

\*periods longer than 1 year are annual compound returns

## NAV SINCE INCEPTION TO MARCH 31ST, 2017



## BENEFITS AT A GLANCE

### Company Pension (DC Scheme):

- Choose from three easy, professionally managed options to get the class of share that suits you.
- 25% of your pension can be withdrawn tax free at retirement.
- Employers match employee contributions up to certain amounts.

### Personal Pension (RRSP):

- Choose from the same three easy, professionally managed options to get the class of share that suits you; or pick your mix of Fortress funds.
- Up to \$25,000 may be withdrawn tax free for the purchase of a first house.
- Flexibility to withdraw funds as necessary, provided tax paid in year of withdrawal.

Fortress is a leading provider of DB and DC pension management and administration services to companies of all sizes, and to individuals via the Personal Pension Plan (RRSP).

## DIRECTORS

Sir Geoffrey Cave, Chairman  
 David Bynoe  
 René Delmas  
 Ken Emery  
 Sir Fred Gollop  
 John Howard  
 Desmond Kinch  
 David Simpson  
 John Williams  
 Roger Cave, Investment Manager

Please see our **Fund Prospectus** for further important information.