

# Fortress Global Funds Quarterly Reports

Fixed Income Fund

Global Opportunity Wealth Fund

US Equity Fund

International Equity Fund

Emerging Markets Fund

Income Builder US Fund

Income Builder International Fund

September 30, 2019





October 2019.

Dear investors,

The Fortress funds finished after the ups and downs of the third quarter with gains in most areas. The Emerging Markets Fund declined as trade tensions weighed on prices, but the US and International Equity funds and the Fixed Income Fund were each up 1-2%, and the Income Builder funds each gained 2-3%. So far in October equities, especially the well-valued ones where we focus, have strengthened further against a backdrop of quieting trade rhetoric, freshly accommodative central banks and steadier than feared corporate earnings.

The famous architect Frank Lloyd Wright used a technique called "compress and release" in designing his houses. The visitor would first be compressed in a low-ceilinged hallway before, subtly, being released to great effect into the main space of the house. Financial markets can respond with pleasure to the same kind of dynamic. Over the summer, investors were "compressed" by a litany of worries: fears of recession, worsening trade tensions, political protests in Hong Kong and the latest rounds of the Brexit saga. Now, we have adjusted, at least to some extent, and the "release" may be starting. Third quarter earnings have been fine so far, the U.S. Federal Reserve has cut its target rate steadily, and the noise around trade seems to be finding a more sustainable volume. From our perspective as bottom-up investors we continue to find pockets of extremely good value among global equities, even if the value is by no means everywhere, and we are very constructive on the prospects for these investments.

One area of stock markets that has had an unusually long period of "compression" is value stocks. In recent weeks the "value vs growth" comparison has stepped out of the shadows again, as it periodically does. The differential between the value and growth segments of the global equity market (see below) has now reached the same level as at one of its mythic extremes of recent times, the tech bubble of the late 1990s.

Source: Bloomberg

Value shares might be defined (broadly) as those with lower than average valuations like price/earnings (PE) ratios – in other words, shares where a dollar of current earnings can be bought relatively cheaply. Growth shares, on the other hand, are the ones with above average valuations, where each dollar of earnings carries a higher price. Often this differential is because companies in the growth category are growing faster (hence the name) and have better perceived or real prospects for growth in the future. Studies have shown, though, that *over long periods of time* owning the value segment of the market has resulted in higher returns than owning the growth segment. One possible explanation for this is that over many years corporate operating performance – what the company produces, as opposed to how its stock behaves – tends towards a less than spectacular average. Investors who consistently underpay for that average operating performance will do better than those who consistently overpay for it. We believe this is a powerful force to keep in mind.

Of course, in the shorter term any group of companies can have decidedly better than average operating performance and their share prices can and should reflect this. This has happened in recent years with some of the largest technology and media companies whose earnings and valuations are among the highest in the market. No one can predict when a pull back to the average for such companies will occur, but it must happen. If not, eventually all economic activity would become concentrated in the hands of one enormous company. Sometimes, the inevitable pull to the average occurs over the years as the competitive landscape changes, or customer preferences shift; other times it is forced on the large, successful companies by government action. The latter phenomenon may be underway today. In July the U.S. Department of Justice announced an antitrust probe into some of the largest technology companies, and in August most U.S. states followed suit. This type of action could mark a limit to profit growth and could equally affect investors' willingness to continue paying above the odds for some of these recent "growth" leaders.

This dash of cold water from the government may wind up being one catalyst in the value vs growth tug-of-war, or other factors altogether may come into play. One thing is for sure, though: "value" is on sale around the world. One way or the other, we think well-valued shares will deliver quite acceptable returns in the coming years, even as the more expensive areas – and perhaps even the broad indexes themselves – do not. We are positioned and ready for the "release" of these relatively underappreciated parts of the global equity markets, whenever it comes.

Thank you for investing with us.

Sincerely,

A handwritten signature in blue ink that reads "Peter Arender". The signature is written in a cursive, flowing style.

Peter Arender, CFA  
Chief Investment Officer



# Fixed Income Fund

## HIGHLIGHTS:

The Fund gained 1.79% in the third quarter and is up 8.76% over the past year. Bond prices continued to increase as the U.S. Federal Reserve (Fed) cut its target rate twice. Credit spreads remained well-supported in spite of heavy new issue supply and growing economic concerns. The Fund's holdings in high-quality corporate bonds performed well.

With more and more evidence appearing that global trade tensions have impacted capital spending and manufacturing around the world, central banks including the Fed have stepped in with more monetary stimulus. The Fed's target rate now sits at 1.5%-1.75%, and U.S. Treasury 10-year yields fell to 1.67% from 2.01% during the quarter. 1.67% is a low yield for a 10-year investment, especially when considered against a 1.5%-2% inflation rate. But it is substantially higher than 10-year government bond yields in many other developed countries like the UK (0.7%), Germany (-0.3%) and Japan (-0.1%).

Real yields - yields after accounting for inflation - are *substantially* negative in many parts of the world. For now, they remain positive in the U.S., with long-term inflation-linked Treasury bonds trading at a "real" return of 0.5%-0.7%. As central banks try to push inflation higher, we think securities like these with an element of inflation protection and relatively attractive pricing are worth owning. We added to the Fund's holdings in inflation-linked bonds during the quarter. The portfolio's gross yield to maturity is now approximately 2.53%, a good estimate of its medium term return potential.

## FUND OBJECTIVE

**Consistent returns and protection of principal over the medium-term with investments in high-quality bonds.**

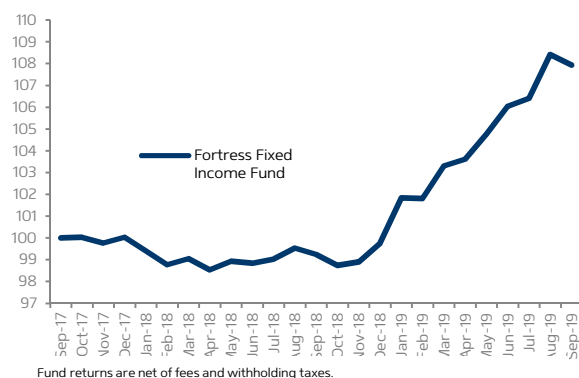
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 107.9307
<b>Fund Net Assets:</b>	US\$ 27,126,379
<b>Fund Inception:</b>	Oct 2, 2017
<b>Strategy Inception:</b>	Oct 2, 2017
<b>Bloomberg Ticker:</b>	FORFIFA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>1.79%</b>	<b>8.76%</b>	<b>n/a</b>	<b>n/a</b>	<b>3.90%</b>
<b>Index</b>	2.27%	10.30%	2.92%	3.38%	4.40%

*Periods longer than one year are annual compound returns*

## PERFORMANCE SINCE INCEPTION to 9/30/2019

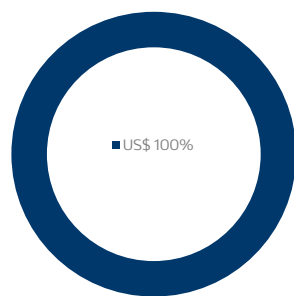


## PORTFOLIO SUMMARY

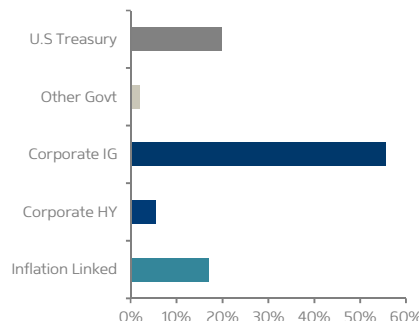
	Weight	Yield	Term to Maturity	Credit Rating*	Spread (bps)
<b>FUND</b>	<b>100%</b>	<b>2.53%</b>	<b>7.2 yrs</b>	<b>A</b>	<b>65</b>
Corporate securities	61.1%	3.03%	4.3 yrs	BBB+	106
Government securities	38.9%	1.95%	11.5 yrs	AAA	11

\* Source: Bloomberg

## CURRENCY ALLOCATION



## ALLOCATION SUMMARY



## TOP 10 HOLDINGS

TSY INFL IX N/B	0.625	2/15/2043	11.5%
US TREASURY N/B	2.875	8/15/2028	8.2%
US TREASURY N/B	2.25	2/15/2027	7.8%
TSY INFL IX N/B	0.25	1/15/2025	5.6%
US TREASURY N/B	2	7/31/2020	3.7%
US Dollar Cash			3.5%
MORGAN STANLEY FLOATING		10/24/2023	2.7%
VERIZON COMMUNICATIONS FLOATING		5/15/2025	2.3%
AT&T INC FLOATING		6/12/2024	2.3%
AMERICAN EXPRESS CO FLOATING		2/27/2023	2.2%

## EXPENSES

### Paid by the Fund

Management Fee: 0.35% of net assets per annum  
 Administrator Fee: 0.075% of net assets per annum

### Investor Redemption Fees

Within 3 months of purchase: 2%  
 All other times: 0.1%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited  
**ADMINISTRATOR**  
 Fortress Fund Managers Limited  
**PRIMARY CUSTODIAN**  
 Morgan Stanley  
**AUDITORS**  
 EY

## FORTRESS FUND MANAGERS DIRECTORS

Sir Geoffrey Cave	John Williams
Roger Cave	John Howard
David Bynoe	David Simpson

**FUND DIRECTORS**  
 David Bynoe      Roger Cave  
 John Howard

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# Global Opportunity Wealth Fund

## HIGHLIGHTS:

The Fund gained 0.4% in the third quarter and is up 1.1% over the past year. Its allocations saw mixed performance in a quarter when U.S. bonds and stocks were up and international shares mostly declined. More recently, signs of potential progress on trade issues have emerged and global stocks have strengthened.

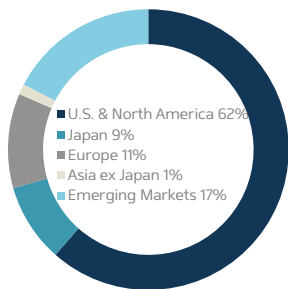
We continue to find some of the best value in the world among equities in Europe, Japan and select emerging markets. Many of these companies have growing earnings, pay healthy dividends and have stocks trading at single-digit price/earnings (PE) ratios. The Fortress International Equity Fund's portfolio, for example, has an average PE of just over 9x. The fixed income portfolio is robust to a number of possible outcomes while earning a reasonable, if unspectacular, rate of return. Interest rates in the U.S. are extremely low by historic standards but high relative to other developed markets, many of which have negative yields. We are including floating rate notes and inflation-linked bonds in case today's embedded expectations of further monetary easing and low inflation prove overly optimistic.

During the quarter we moved out of allocations to the lower risk Fortess Income Builder funds and added correspondingly to the Fortress US Equity, International Equity and Fixed Income Funds. These changes serve to increase equity exposure in the areas where values are best and we believe potential returns are the highest.

## PORTFOLIO SUMMARY

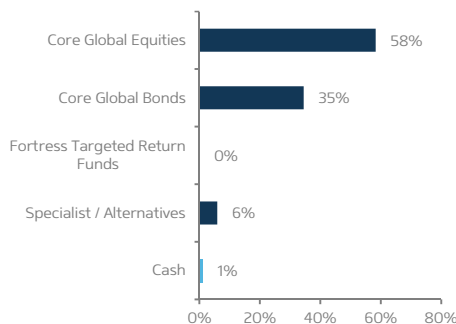
The Fund's portfolio is spread across core global equities and high-quality bonds with a long-term value orientation. The benchmark for the Fund is a blended index of **60%** global stocks and **40%** global bonds, though positioning may differ from this both structurally and tactically. The Fund may include smaller allocations to specialist managers and alternative assets depending on the value available in areas such as small capitalisation shares, real estate and emerging markets debt.

## GEOGRAPHIC ALLOCATION



Geographic allocations estimated on a look-through basis.

## ASSET CLASS SUMMARY



## FUND OBJECTIVE

Long term wealth preservation and growth for the whole portfolio.

<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 114.446
<b>Fund Net Assets:</b>	US\$ 5,428,525
<b>Fund Inception:</b>	May 31, 2013
<b>Strategy Inception:</b>	May 31, 2013
<b>Bloomberg Ticker:</b>	FORTGOW KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>0.4%</b>	<b>1.1%</b>	<b>3.1%</b>	<b>2.0%</b>	<b>2.2%</b>
<b>Benchmark</b>	<b>0.4%</b>	<b>4.2%</b>	<b>6.5%</b>	<b>4.9%</b>	<b>5.5%</b>

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 9/30/2019



Fund returns are net of fees and withholding taxes.

## TOP ALLOCATIONS

Fortress Fixed Income Fund	34.5%
Fortress International Equity Fund	25.1%
Fortress US Equity Fund	19.2%
Fortress Emerging Markets Fund	12.6%
Templeton Asian Smaller Companies Fund	3.8%
Legg Mason WA Asian Opportunities Fund	2.1%
Vanguard Total World Stock ETF	1.4%
US Dollar Cash	1.2%

## EXPENSES

### Paid by the Fund

Management Fee: 0.65% of net assets p.a. (rebated for Fortress funds)

Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%

All other times: 0.2%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

### ADMINISTRATOR

Fortress Fund Managers Limited

### PRIMARY CUSTODIAN

Morgan Stanley

### AUDITORS

EY

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Roger Cave John Howard

David Bynoe David Simpson

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FORTRESS FUND MANAGERS, RADLEY COURT, UPPER COLLYMORE ROCK, ST. MICHAEL, BB14004, BARBADOS

TEL: (246) 431-2198 invest@fortressfund.com www.fortressfund.com



# US Equity Fund



## HIGHLIGHTS:

The Fund gained 1.1% during the third quarter and is down 2.9% over the past year. U.S. equities had mixed performance over the summer as trade tensions with China caused recession worries to intensify and some companies felt pressure from the manufacturing and capital investment slowdown. The U.S. Federal Reserve (Fed) cut its target rate twice.

With the economic and interest rate cross-currents this quarter, performance of the Fund's individual holdings varied widely even within sectors. Holdings like CVS (+17%), DR Horton (+23%) and Target (+24%) helped performance while positions in Royal Caribbean (-10%), Tractor Supply (-17%) and Anthem detracted. In general, growth shares continued to outpace value but there were signs that multi-year trend may be turning as value has become historically extremely cheap. In July the U.S. Department of Justice announced a probe of the large technology companies and a number of U.S. state attorneys general announced antitrust and labour actions against many of the same companies. Meanwhile, the anticipated initial public offering of WeWork was pulled as public market investors balked at the high price and weak underlying fundamentals.

During the quarter we moved out of positions in Ford and CVS and established new holdings in General Dynamics and Interpublic. The Fund's portfolio continues to be quietly focused in the market's areas of very good value. With an average price/earnings (PE) ratio of 10x it is still at a wide discount to the broad market and offers what we think is meaningful absolute and relative return potential from here.

## FUND OBJECTIVE

Long term growth with limited risk in U.S. large cap equities.

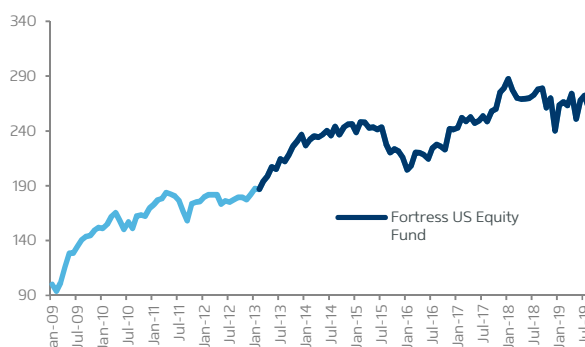
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 144.8874
<b>Fund Net Assets:</b>	US\$ 14,426,378
<b>Fund Inception:</b>	Feb 28, 2013
<b>Strategy Inception:</b>	Feb 18, 2009
<b>Bloomberg Ticker:</b>	FORUEFA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	1.1%	-2.9%	6.2%	2.7%	9.8%
<b>Index</b>	1.5%	3.6%	12.7%	10.2%	15.8%

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 9/30/2019

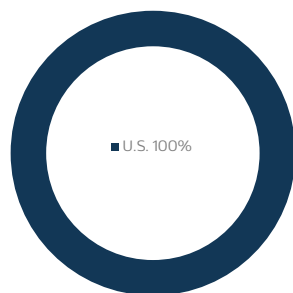


Returns prior to Feb 28, 2013 are for the composite of segregated accounts managed with the identical strategy, adjusted for Fund management and administration fees. Fund returns are net of fees and withholding taxes.

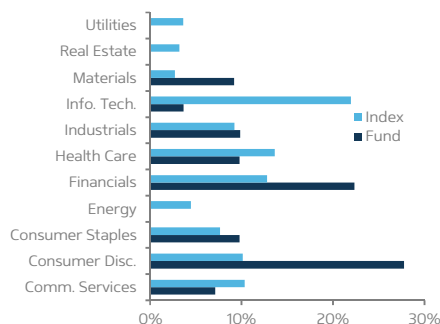
## PORTFOLIO SUMMARY

	P/E Ratio	P/B Ratio	Div Yld	ROE	Volatility
<b>FUND</b>	10.0	1.9	2.9%	19.0%	3.8%
<b>Index</b>	16.7	3.4	2.0%	20.4%	3.8%
<b>+/-</b>	-6.7	-1.5	0.9%	-1.4%	0.0%

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

TARGET CORP	3.8%
DR HORTON INC	3.6%
AT&T INC	3.6%
WHIRLPOOL CORP	3.4%
INTERPUBLIC GROUP OF COS INC	3.3%
SNAP-ON INC	3.3%
WALGREENS BOOTS ALLIANCE INC	3.3%
LYONDELLBASELL INDU-CL A	3.3%
PRUDENTIAL FINANCIAL INC	3.2%
ANTHEM INC	3.2%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.2%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited  
**ADMINISTRATOR**  
 Fortress Fund Managers Limited  
**PRIMARY CUSTODIAN**  
 Morgan Stanley  
**AUDITORS**  
 EY

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# International Equity Fund

## HIGHLIGHTS:

The Fund gained 2.2% in the third quarter and is down 2.7% over the past year. Trade tensions continued to weigh on international shares through the summer even as central banks eased monetary policy further. More recently there have been signs of potential improvement on the trade front and markets have reacted positively.

The Fund's holdings in Japan were a source of strength during the quarter, with shares like Tokyo Electron (+37%), Sekisui House (+22%) and Itochu (+10%) contributing outsized gains. In contrast, European shares, especially among industrials, were weaker and here the Fund's holdings in companies like Michelin (-12%), Continental (-12%) and Daimler (-11%) were detractors from performance. Our holdings in the UK saw mixed results as the Brexit headlines continued and the British Pound weakened. Behind the scenes, many UK companies continued to see admirable earnings and dividend growth and the negative headlines mean the shares are often still trading at substantially discounted valuations. We continue to find excellent value in the UK.

During the quarter we moved out of a holding in Japanese industrial NSK and established a new position in Swiss computer device maker Logitech International. The Fund's portfolio remains tilted towards consumer discretionary and industrial companies especially in Europe and Japan where values are excellent. The average price/earnings (PE) ratio of the Fund's portfolio is just over 9x, a level typically consistent with strong returns in subsequent years. As Fed policy eases, currencies outside the U.S. may also begin to strengthen.

## FUND OBJECTIVE

**Long term growth with limited risk in non-U.S. large cap equities.**

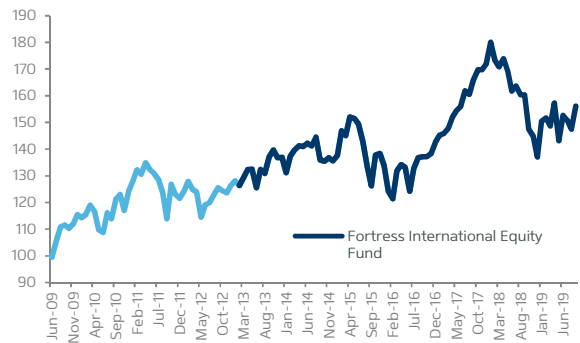
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 123.5488
<b>Fund Net Assets:</b>	US\$ 36,044,265
<b>Fund Inception:</b>	Feb 28, 2013
<b>Strategy Inception:</b>	Jun 30, 2009
<b>Bloomberg Ticker:</b>	FORIEFA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>2.2%</b>	<b>-2.7%</b>	<b>4.4%</b>	<b>2.8%</b>	<b>4.4%</b>
<b>Index</b>	<b>-1.8%</b>	<b>-1.2%</b>	<b>6.3%</b>	<b>2.9%</b>	<b>6.2%</b>

*Periods longer than one year are annual compound returns*

## PERFORMANCE SINCE INCEPTION to 9/30/2019

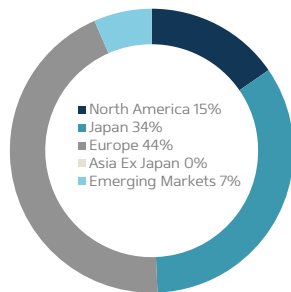


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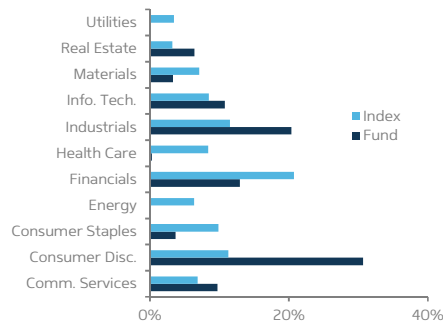
## PORTFOLIO SUMMARY

	P/E Ratio	P/B Ratio	Div Yld	ROE	Volatility
<b>FUND</b>	<b>9.2</b>	<b>1.4</b>	<b>4.2%</b>	<b>15.2%</b>	<b>3.9%</b>
<b>Index</b>	<b>13.1</b>	<b>1.5</b>	<b>3.3%</b>	<b>11.5%</b>	<b>4.3%</b>
<b>+/-</b>	<b>-3.9</b>	<b>-0.1</b>	<b>0.9%</b>	<b>3.8%</b>	<b>-0.4%</b>

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

TOKYO ELECTRON LTD	4.1%
MANULIFE FINANCIAL CORP	3.9%
SEKISUI HOUSE LTD	3.8%
ASHTREAD GROUP PLC	3.7%
ITOCHU CORP	3.7%
MTU AERO ENGINES AG	3.5%
KONINKLIJKE AHOLD DELHAIZE N	3.4%
CANADIAN TIRE CORP-CLASS A	3.3%
MAGNA INTERNATIONAL INC	3.3%
LOGITECH INTERNATIONAL-REG	3.3%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.2%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

## ADMINISTRATOR

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## PRIMARY CUSTODIAN

Morgan Stanley

## AUDITORS

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TEL: (246) 431-2198 invest@fortressfund.com www.fortressfund.com



# Emerging Markets Fund

## HIGHLIGHTS:

The Fund declined 4.9% in the third quarter and is up 0.7% over the past year. Protests in Hong Kong combined with the ongoing U.S.-China trade dispute to keep pressure on China-related shares during the quarter as well as on other areas of the emerging markets. More recently, signs of potential progress on the trade front have pushed shares higher.

Most regions and sectors within emerging markets came under pressure during the quarter. These parts of the world have been feeling pressure on earnings growth and in many cases on their currencies for nearly two years from the U.S.-China trade conflict. Our Hong Kong-listed Chinese holdings mostly saw single-digit percentage declines in the third quarter, while positions in South Africa like Absa (-16%), Barloworld (-16%) and Nedbank (-14%) experienced larger drops. There were some notable exceptions to the weakness: Taiwan Semiconductor (+13%) and CSPC Pharma (+25%), both recent additions to the portfolio, saw solid gains as their underlying fundamentals continued to improve.

During the quarter we established a new position in South African technology company Naspers following its 20% decline from highs in April. Here we primarily achieve exposure to Chinese internet giant Tencent Holdings (Naspers entities own 31% of Tencent) at a meaningful discount that may narrow in time. We remain very constructive on the opportunities within emerging markets. With the U.S. Federal Reserve (Fed) and other global central banks once again in easing mode and trade tensions potentially stabilising, the catalysts may be approaching for outsized gains in this portfolio. Its average price/earnings (PE) ratio of 8x remains consistent with substantial long-term returns.

## FUND OBJECTIVE

Long term growth with limited risk in emerging markets equities.

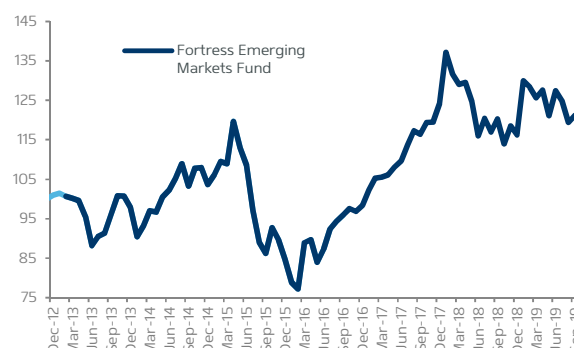
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 120.359
<b>Fund Net Assets:</b>	US\$ 39,044,869
<b>Fund Inception:</b>	Feb 28, 2013
<b>Strategy Inception:</b>	Dec 20, 2012
<b>Bloomberg Ticker:</b>	FORTEMA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>-4.9%</b>	<b>0.7%</b>	<b>8.1%</b>	<b>3.2%</b>	<b>2.9%</b>
<b>Index</b>	<b>-4.2%</b>	<b>-2.0%</b>	<b>6.0%</b>	<b>2.3%</b>	<b>1.7%</b>

Periods longer than one year are annual compound returns

## PERFORMANCE SINCE INCEPTION to 9/30/2019

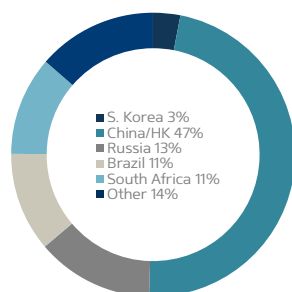


Returns prior to Feb 28, 2013 are for the composite of segregated accounts managed with the identical strategy, adjusted for Fund management and administration fees. Fund returns are net of fees and withholding taxes.

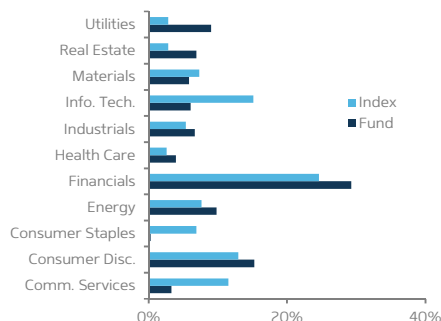
## PORTFOLIO SUMMARY

	P/E Ratio	P/B Ratio	Div Yld	ROE	Volatility
<b>FUND</b>	<b>7.8</b>	<b>1.2</b>	<b>4.5%</b>	<b>15.0%</b>	<b>4.7%</b>
<b>Index</b>	<b>11.9</b>	<b>1.5</b>	<b>2.9%</b>	<b>12.5%</b>	<b>4.3%</b>
<b>+/-</b>	<b>-4.1</b>	<b>-0.3</b>	<b>1.6%</b>	<b>2.5%</b>	<b>0.4%</b>

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

TAIWAN SEMICONDUCTOR-SP ADR	4.9%
SHIMAO PROPERTY HOLDINGS LTD	3.8%
CSPC PHARMACEUTICAL GROUP LTD	3.8%
PING AN INSURANCE GROUP CO-H	3.7%
US DOLLAR CASH	3.7%
SBERBANK PJSC - SPONSORED ADR	3.7%
ROSNEFT OIL CO PJSC-REGS GDR	3.5%
CIA SANEAMENTO BASICO DE-ADR	3.4%
CHINA MERCHANTS BANK-H	3.4%
GRUPO AEROPORTUARIO SUR-ADR	3.3%

## EXPENSES

### Paid by the Fund

Management Fee: 1% of net assets per annum  
 Administrator Fee: 0.1% of net assets per annum

### Investor Redemption Fees

Within 6 months of purchase: 2%  
 All other times: 0.5%

Paid to the benefit of remaining shareholders in both cases

## INVESTMENT MANAGER

Fortress Fund Advisors Limited

## ADMINISTRATOR

Fortress Fund Managers Limited

## PRIMARY CUSTODIAN

Morgan Stanley

## AUDITORS

EY

## FORTRESS FUND MANAGERS DIRECTORS

Sir Geoffrey Cave     John Williams  
 Roger Cave             John Howard  
 David Bynoe             David Simpson

## FUND DIRECTORS

David Bynoe             Roger Cave  
 John Howard

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FORTRESS FUND MANAGERS, RADLEY COURT, UPPER COLLYMORE ROCK, ST. MICHAEL, BB14004, BARBADOS

TEL: (246) 431-2198 invest@fortressfund.com www.fortressfund.com





# Income Builder US Fund

## HIGHLIGHTS:

The Fund returned 2.3% in the third quarter and is down 1.2% over the past year. U.S. stocks were marginally stronger as the U.S. Federal Reserve (Fed) cut its target rate twice. Bond yields declined further on economic concerns, nearing the lows last seen in 2016 and 2012. The Fund's portfolio of high-quality equities performed well and option hedges limited volatility.

With global interest rates falling and central banks easing, the interest-sensitive areas of the stock market saw some of the best returns during the quarter. Utilities, real estate and consumer staples were the strongest sectors even though their valuations are not especially cheap. Consistent with this we saw the largest gains from stocks like Eversource Energy (+14%), Hormel Foods (+8%) and Tyson Foods (+7%). There were pockets of weakness in materials companies like Eastman Chemical (-4%) and consumer discretionary stocks like Royal Caribbean (-10%) but on the whole the portfolio performed well through the summer's volatility. Call option sales contributed to returns and there were gains from tactical put option purchases in late July and early August.

With U.S. Treasury 10-year yields now below 1.7% again, high-quality, well-valued stocks with "bond-like" fundamentals look increasingly attractive by comparison. The Fund's portfolio is spread across a range of sectors where our valuation and criteria can be met. With an average earnings yield of 8.5% the portfolio is priced to deliver on its objective of mid-single digit returns, especially when "value" shares move back to a more normal relationship to the overall market. There were no changes to the Fund's underlying equity portfolio during the quarter.

## FUND OBJECTIVE

**Target a fixed return of 8% per year with bond-like volatility.**

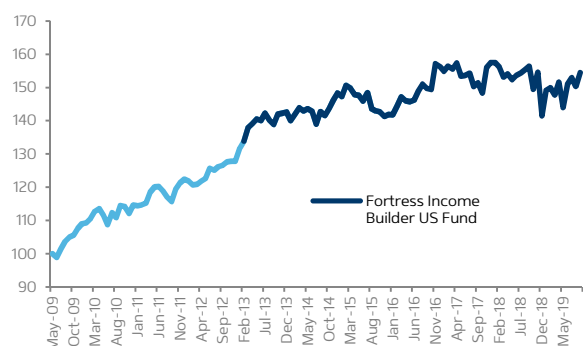
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 115.4051
<b>Fund Net Assets:</b>	US\$ 13,885,314
<b>Fund Inception:</b>	Feb 28, 2013
<b>Strategy Inception:</b>	Jun 11, 2009
<b>Bloomberg Ticker:</b>	FORBUA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	<b>2.3%</b>	<b>-1.2%</b>	<b>1.1%</b>	<b>1.8%</b>	<b>4.3%</b>

*Periods longer than one year are annual compound returns*

## PERFORMANCE SINCE INCEPTION to 9/30/2019



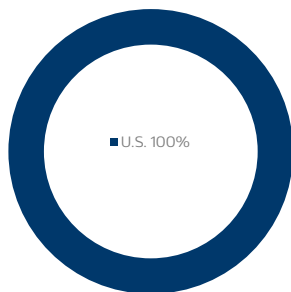
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## PORTFOLIO SUMMARY

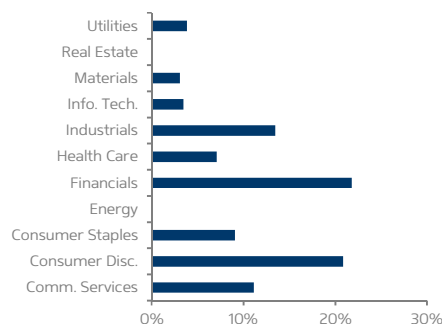
	Earnings Yield	Dividend Yield	Call Option Coverage	Put Option Protection	Monthly Volatility
<b>FUND</b>	<b>8.5%</b>	<b>2.7%</b>	<b>28%</b>	<b>0%</b>	<b>2.0%</b>

Options data are delta-adjusted

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

US DOLLAR CASH	6.3%
AT&T INC	4.9%
GLOBE LIFE INC	4.7%
TARGET CORP	4.1%
DISCOVER FINANCIAL SERVICES	4.1%
AMGEN INC	3.9%
EVERSOURCE ENERGY	3.8%
ROYAL CARIBBEAN CRUISES LTD	3.7%
FORTUNE BRANDS HOME & SECURITY	3.6%
TYSON FOODS INC-CL A	3.5%

<p><b>EXPENSES</b>  <b>Paid by the Fund</b>                  Management Fee: 1% of net assets per annum                  Administrator Fee: 0.1% of net assets per annum  <b>Investor Redemption Fees</b>                  Within 6 months of purchase: 2%                  All other times: 0.2%                  Paid to the benefit of remaining shareholders in both cases</p>	<p><b>INVESTMENT MANAGER</b>                  Fortress Fund Advisors Limited  <b>ADMINISTRATOR</b>                  Fortress Fund Managers Limited  <b>PRIMARY CUSTODIAN</b>                  Morgan Stanley  <b>AUDITORS</b>                  EY</p>	<p><b>FORTRESS FUND MANAGERS DIRECTORS</b>                  Sir Geoffrey Cave     John Williams                  Roger Cave             John Howard                  David Bynoe             David Simpson  <b>FUND DIRECTORS</b>                  David Bynoe             Roger Cave                  John Howard</p>
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# Income Builder International Fund

## HIGHLIGHTS:

The Fund gained 2.9% in the third quarter and is down 4.8% over the past year. The underlying equity portfolio performed well in the quarter with holdings in Japan and Canada showing particular strength. Global trade tensions and Brexit developments in the UK kept pressure on European shares. Option hedges limited volatility and contributed to return during the quarter.

Holdings like Tokyo Electron (+37%), Subaru (+18%) and Itochu (+10%) were typical of the dynamic in Japan during the quarter where trade pessimism began to abate against a backdrop of extremely cheap stocks. In Canada our holdings like Magna (+8%) and Bank of Nova Scotia (+7%) were also typical of a general move higher from prices that have been under pressure since early 2018. European holdings did not fare so well: companies like Continental (-12%), Daimler (-11%) and Securitas (-13%) showed that there is still real pressure on operations and share prices in Europe. Our UK holdings were mixed, and we continue to find excellent value in that market as prices reflect a "Brexit discount" in spite of steady, profitable operating performance in many cases.

With the German 10-year government bond now yielding negative 0.3%, high-quality equities continue to offer a viable alternative. The fact that many are on sale at bargain prices makes the alternative even more compelling. The Fund's portfolio has an average earnings yield of 10.3%, a level consistent with substantial future returns. There were no changes to the underlying equity portfolio during the quarter.

## FUND OBJECTIVE

Target a fixed return of 8% per year with bond-like volatility.

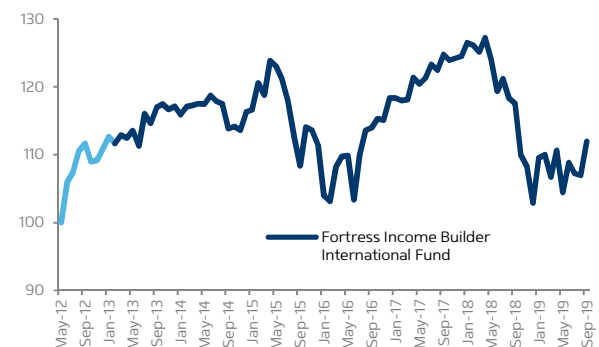
<b>Minimum Investment:</b>	US\$ 100,000
<b>Net Asset Value per Share:</b>	US\$ 100.2351
<b>Fund Net Assets:</b>	US\$ 18,422,360
<b>Fund Inception:</b>	Feb 28, 2013
<b>Strategy Inception:</b>	Jun 1, 2012
<b>Bloomberg Ticker:</b>	FORIBIA KY
<b>Dealing/NAV Dates:</b>	15th and end of each month

## INVESTMENT RETURNS

	3mo	1yr	3yr	5yr	Inception
<b>Fund</b>	2.9%	-4.8%	-0.6%	-0.3%	1.6%

*Periods longer than one year are annual compound returns*

## PERFORMANCE SINCE INCEPTION to 9/30/2019



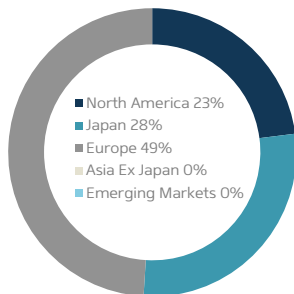
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## PORTFOLIO SUMMARY

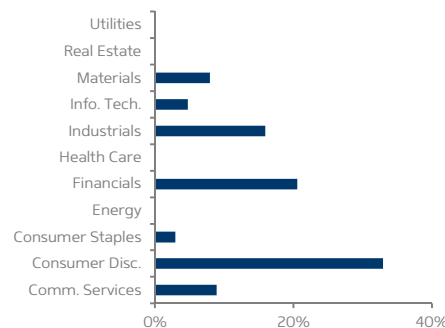
	Earnings Yield	Dividend Yield	Call Option Coverage	Put Option Protection	Monthly Volatility
<b>FUND</b>	10.3%	4.1%	27%	0%	2.8%

Options data are delta-adjusted

## GEOGRAPHIC ALLOCATION



## SECTOR ALLOCATION



## TOP 10 HOLDINGS

US DOLLAR CASH	6.0%
TOKYO ELECTRON LTD	4.8%
ITOCHU CORP	4.3%
MAGNA INTERNATIONAL INC	4.1%
ALLIANZ SE-REG	4.0%
TOYOTA MOTOR CORP -SPON ADR	3.9%
NIPPON TELEGRAPH & TELE-ADR	3.8%
BARRATT DEVELOPMENTS PLC	3.7%
WHITBREAD PLC	3.6%
MICHELIN (CGDE)	3.6%

## EXPENSES

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### Investor Redemption Fees

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**ADMINISTRATOR**  
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**PRIMARY CUSTODIAN**  
 Morgan Stanley  
**AUDITORS**  
 EY

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