

# ANNUAL REPORT 2016

FORTRESS GLOBAL FUNDS SPC





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

We offer a range of funds and investment products to meet the needs of individuals and institutions. In each case, our main goal is to achieve consistent long-term returns for our clients. We do this by applying sound, disciplined processes to our investments in equities, fixed income and real estate. We offer products with global reach, as well as those that focus primarily on the Caribbean region.

Please feel free to contact us to learn more about this Fund, or any of our products.

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Fortress Global Funds SPC

# Investment Objectives & Fund Details

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

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

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

<b>FUND NAME:</b>	Fortress Global Funds SPC Inc.
<b>SUB-FUNDS:</b>	Fortress Emerging Markets Fund SP Fortress Global Opportunity Wealth Fund SP Fortress Income Builder International Fund SP Fortress Income Builder US Fund SP Fortress International Equity Fund SP Fortress US Equity Fund SP
<b>LAUNCH DATE:</b>	February 28, 2013 (Fortress Global Opportunity Wealth Fund: May 31, 2013)
<b>NAV CURRENCY:</b>	USD
<b>LAUNCH PRICE:</b>	\$1.00 per share
<b>DEALING/NAV DATES:</b>	15th and end of each month
<b>MINIMUM INVESTMENT:</b>	\$100,000 initial \$10,000 subsequent
<b>MANAGEMENT FEE:</b>	1.00% per annum on the net assets
<b>ADMINISTRATOR FEE:</b>	0.10% per annum on the net assets
<b>NAV QUOTATIONS:</b>	Internet: <a href="http://www.fortressfund.com">www.fortressfund.com</a> Bloomberg: FORTEMA KY : FORTGOW KY : FORIBIA KY : FORIBUA KY : FORIEFA KY : FORUEFA KY

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

# Directors & Administrators

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## **FORTRESS FUND MANAGERS DIRECTORS**

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

## **FUND DIRECTORS**

C. David Bynoe  
Roger Cave  
John Howard

## **REGISTERED OFFICE**

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

## **INVESTMENT MANAGER**

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

## **ADMINISTRATOR**

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## **PRIMARY CUSTODIAN**

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

## **INDEPENDENT AUDITORS**

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

## **LEGAL ADVISORS**

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

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

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

**The Fund may not be sold to U.S. persons.**

# Fund Net Asset Values

As of September 30, 2016:

Fund	Net Asset Value per Share (NAV)	Fund Net Assets	Bloomberg Ticker
Fortress Emerging Markets Fund SP	\$95.1988	\$15,159,937	FORTEMA KY
Fortress Global Opportunity Wealth Fund SP	\$104.5464	\$3,494,358	FORTGOW KY
Fortress Income Builder International Fund SP	\$102.0627	\$12,737,730	FORIBIA KY
Fortress Income Builder US Fund SP	\$111.8012	\$12,940,596	FORIBUA KY
Fortress International Equity Fund SP	\$108.5965	\$15,825,978	FORIEFA KY
Fortress US Equity Fund SP	\$120.9231	\$6,097,790	FORUEFA KY

# Investment Performance

Net Asset Value and Return Summary to September 30, 2016:

Fund	Sep. 30, 2015 NAV	Sep. 30, 2016 NAV	One Year Return	Return Since Inception*
Fortress Emerging Markets Fund SP	\$85.6112	\$95.1988	+11.2%	-1.4%
Fortress Global Opportunity Wealth Fund SP	\$99.3254	\$104.5464	+5.3%	+1.2%
Fortress Income Builder International Fund SP	\$97.0160	\$102.0627	+5.2%	+0.6%
Fortress Income Builder US Fund SP	\$106.7929	\$111.8012	+4.7%	+3.2%
Fortress International Equity Fund SP	\$99.9327	\$108.5965	+8.7%	+2.3%
Fortress US Equity Fund SP	\$117.8192	\$120.9231	+2.6%	+5.4%

*\*periods longer than one year are annual compound returns*

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



## Directors' Report

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## Directors' Report



*Investment Director Roger Cave*

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The year ended September 30, 2016 saw positive returns from all the Fortress Global Funds as stock and bond markets generally recovered from the lows of September, 2015. There was broader participation among market geographies than in the last few years, with markets outside the U.S. posting gains as well as those in the U.S. Over the year, our value-based strategies kept pace with market indexes internationally but tended to lag in the U.S. and emerging markets. Relative performance has subsequently surged across the board due to a rally in value shares in late 2016. Total assets in the funds increased from \$62.4 million to \$66.3 million during the year from positive investment returns and net new subscriptions.

Each fund pursues its own, independent mandate and investment objective. The goal in all cases is to provide investors with easy access to effective and durable investment processes at reasonable cost. The range of funds allows investors to choose an investment that suits their specific needs – whether it is with a focus on a particular area of the global equity markets (i.e. U.S., international or emerging markets), a bond-alternative fund with a targeted return objective, or one with a balanced approach between the asset classes of equities and fixed income.

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

### MARKET ENVIRONMENT

This was a volatile year for global stocks and bonds that ended with positive returns in most areas. U.S. large capitalisation shares returned 14.7%, while international shares were up 9.3% and emerging gained 16.8%. The broad U.S. bond market index returned 5.2%.

Early 2016 saw a swift and substantial selloff in most markets around the world. The initial pressure was felt in stocks, corporate bonds and commodities as the global share index fell 13% in a matter of a few weeks before recovering. The main concerns were the extent of economic slowdown in China and the additional stress on banks and sovereign wealth funds from the decline in oil prices. Oil fell from US\$45/barrel to \$27 over the same period and subsequently recovered to stabilise in the \$40-50 range. Later in the year, the UK's vote to exit the European Union ("Brexit") introduced renewed selling pressure which eventually abated and saw UK shares rally strongly, though the British

pound fell sharply and did not recover. Even with these global cross-currents U.S. corporate earnings generally continued to be strong, and earnings in Europe and Asia were stable after seeing declines in recent years. The earnings power of global companies is therefore greater at the end of the year than it was at the beginning, and the price to own a share of these earnings remained supported by accommodative monetary policy.

Interest rates stayed low in developed markets around the world, but began inching up in the U.S. The U.S. Federal Reserve raised the upper bound of its target rate in December 2015 to 0.5% from 0.25%, its first hike in over a decade. The indication was that further hikes would be coming as the economy improved, but that such hikes would only occur gradually. Investors grappled with what trajectory this might take. During the year, the U.S. 10-year Treasury yields wound up falling from 2.04% to 1.60%, as the conclusion was that the rate of increase might be slower than previously anticipated, partly in response to the early 2016 stock market turmoil. In Europe and Japan central banks kept rates unchanged, and government bond yields in some European countries pushed squarely into negative territory.

Major currencies were mixed against the U.S. dollar during the year as investors adjusted their expectations for rate hikes and the possible yield differentials among countries. The euro was approximately unchanged, the Japanese yen was significantly stronger, and the British pound weakened after the Brexit vote and did not recover, finishing at 1.2972 vs the U.S. dollar, a level not seen in a generation.

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

long term returns while limiting risk. More commentary by fund may be found below, with additional details available in the quarterly reports for each fund.

## FUND PERFORMANCE AND POSITIONING

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

### Fortress Income Builder US Fund

The Fund gained 4.7% for the year ended September 30, 2016, below its objective but still favourable compared to bonds. The Fund's objective is to target an 8% per year return with only bond-like volatility. It offers an alternative to bonds by investing in a portfolio of high quality U.S. stocks and put and call options around the portfolio to limit risk and generate income.

The portfolio's holdings are currently focused in the consumer discretionary, industrial and financial sectors. The average Price/Earnings ratio is 14x, which equates to an earnings yield of 7.3%. The average dividend yield is 2.3%. Hedges are currently focused on call option sales at or near the money, while still holding a moderate position in out-of-the-money put options. Cash in the Fund is 19%, reflecting the relative shortage of good value shares that meet our criteria and our assessment of overall market risk in the U.S. market. As always, the Fund's holdings are made up of companies that are generating consistent, high quality earnings and whose shares are trading at reasonable valuations.

Over the past year, U.S. equities performed well and this provided a solid tailwind for the Fund's underlying portfolio. The consumer discretionary and financial sectors lagged the market as information technology, telecom and materials led. The strategy favours companies with steady earnings - but not at any price. We found more and more value among out of favour stocks in the consumer discretionary sector, adding names through the year such as Foot Locker, Kohl's and

Disney, while reducing holdings in utilities and consumer staples companies such as Wisconsin Energy, Dr Pepper Snapple and CMS Energy as their prices rallied strongly. As a result of changes like this, the portfolio's weight in utilities fell from 15% to 3%, consumer staples dropped from 14% to 10%, and consumer discretionary rose from 12% to 28% to make it the largest sector weight in the Fund. The companies in this sector, some of them retailers, have great operations and are trading at attractive valuations, but some are facing operating headwinds. When these headwinds abate, the underlying value is significant and the portfolio may benefit from this. With the exception of the first few weeks of 2016 implied volatility levels were relatively low during the year, limiting the amount of premium income earned from call option sales.

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

The Fund returned 5.2% for the year ended September 30, 2016, slightly below its objective but comparing well to bonds. As with the Income Builder US Fund, this fund's objective is to target an 8% per year return with only bond-like volatility. It offers an alternative to bonds by investing in a portfolio of high quality *non*-U.S. stocks and put and call options around the portfolio to limit risk and generate income.

By selecting only stocks from outside the U.S., the Fund builds a portfolio with holdings from around Europe, the Asia-Pacific region, Canada and South America. This brings a broad opportunity set where we can search for companies with consistent earnings, responsible balance sheets and whose shares are trading at attractive valuations – as well as provide long-term currency diversification. During the year, holdings in Japan and the rest of Asia generally performed well, while those in Europe had lower returns. Questions surrounding the health of some of Europe's largest banks remained a concern that weighed on markets there.

The portfolio's holdings are currently weighted heaviest in consumer discretionary and financial sectors, where from a bottom-up perspective we are finding the best combination of operating characteristics and reasonable prices. Stocks such as BMW, Bank of Nova Scotia and Hon Hai Precision were added over the year at advantageous levels. The portfolio now has an average Price/Earnings ratio of just over 9x, which equates to an earnings yield of 10.6%. The average dividend yield is 3.8%. Approximately 58% of the holdings are currently in Europe, with a 10% weight in Canada, 21% in Japan and 11% in emerging markets. Over the year these geographic weights remained relatively stable. With the underlying portfolio priced extremely well, and major currencies now much more reasonably valued against the U.S. dollar, we believe the long-term return potential for the Fund remains excellent, especially when compared to near zero yields on bonds.

Implied volatility on options was elevated through much of the year as the June Brexit vote neared. The Fund benefited from this via greater premium income on call option sales and this contributed to its return over the year. In recent months, implied volatility has declined to levels more in line with those in the U.S., and this may limit the income to be earned from this source in the near term.

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

#### **Fortress US Equity Fund**

The Fund gained 2.6% for the year ended September 30, 2016, substantially lagging the market's return of 14.7%. The portfolio is constructed bottom-up, guided entirely by where the best value is based on current prices, and typically has positions and sector weights that are quite different from those of the broad market. Because of this, its performance will almost certainly continue to

be substantially different from that of the index - both up and down. During the year, the areas of the market that we would classify as expensive became even more expensive, and those that are cheap became even cheaper. So far in the fourth quarter of 2016 there has been a meaningful reversal in this trend and the Fund's holdings have benefited, in some cases dramatically.

As of September 30, the Fund's portfolio had an average Price/Earnings ratio of less than 12x, a 30% discount to the broad market's 17x. Over the last year, the portfolio's valuation improved while the market's valuation worsened. The average dividend yield of the Fund's holdings is now 2.8%. The largest sector weights are consumer discretionary and financials, where we are finding excellent value among companies in unloved areas as diverse as retail, credit cards, banking, autos and insurance, even as there are other segments of the U.S. market which are fully priced. During the year, we added new positions in stocks such as Foot Locker, Anthem, Kroger and Cisco Systems. The Fund's existing holdings in the retail sector (Kohl's, Macy's, Gap) saw large declines as sales suffered with greater online competition. These companies trade at low multiples of now reduced earnings; in our view this pessimism leaves room for competitive headwinds to continue while any normalisation could see valuations increase substantially. Elsewhere, financials continue to trade with Price/Earnings ratios of approximately 10x, a level consistent with well above average long term returns even if earnings growth remains subdued for now.

The U.S. stock market has been rallying for nearly six years from the 2009 lows and it is not cheap. In many areas investors are paying high multiples for earnings that are themselves at a cyclically high ebb. This is a situation requiring caution. Higher interest rates and increased wage pressures - or any number of other factors - may hurt profit margins going forward, and valuations could easily decline. While we are constructive on the Fund's

portfolio because of its substantial valuation advantage, we think it is worth underlining that the broad U.S. market today is not priced for anything like the kinds of returns seen in recent years. Investors need to be very careful projecting past returns into the future from this market.

### Fortress International Equity Fund

The Fund returned 8.7% for the year ended September 30, 2016, slightly underperforming the 9.3% produced by the market index, after outperforming last year. The portfolio is constructed bottom-up, guided entirely by where the best value can be found at current prices. The Fund typically has positions, sector weights and geographic exposures that are substantially different from those of the broad market indexes.

European markets showed only lacklustre returns during the year, but Asian and emerging markets shares posted double digit gains. Europe continued to grapple with concerns over the viability of some of its largest banks, as well as the potential impact from the UK's Brexit vote. Asia meanwhile saw earnings stabilise or improve and received continued monetary stimulus from central banks. The Fund benefited especially from outsized returns in Asian holdings such as Samsung (+55%), Nippon Tel & Tel (+33%) and ORIX (+17%). Even with these gains, the average Price/Earnings ratio of the portfolio is still only 9x, cheap in absolute terms and a 36% discount to the market index's average of 14x. The portfolio's dividend yield is 4.0%, substantially higher than bond yields in most countries. The portfolio is diversified among holdings in Europe (45%), Japan (32%), Canada (9%), and emerging markets (14%). The Fund's mandate caps emerging markets investments at 20%.

During the year, we added to holdings in the UK on market weakness. We were buyers of Ashtead, easyJet and Persimmon. Elsewhere we initiated positions in Hon

Hai Precision and Randstad Holding - all great companies trading at hugely attractive prices. The portfolio's largest sector weights are in consumer discretionary, financials and industrials, where we see exceptional value in companies from a number of regions around the world. Financials especially are trading at depressed levels in many markets. This does not mean that they will recover any time soon, but the value is certainly there if market sentiment shifts. We see potential risks to global markets coming from the fact that U.S. stocks are in general fully valued. With reasonably valued currencies, good fundamentals and great valuations, though, we feel the Fund's portfolio of holdings outside the U.S. has very good long-term return potential indeed.

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

The Fund returned 11.2% for the year ended September 30, 2016 as markets snapped back from the lows of September 2015. The return lagged the market index return of 16.8% over the same period, after outperforming last year. The portfolio is constructed bottom-up, guided entirely by where the best value can be found. The Fund typically has positions, sector weights and geographic exposures that are quite different from those of the broad market indexes.

Even with the substantial gains during the year the Fund's portfolio remains cheap in absolute and relative terms. The average Price/Earnings ratio of 7.4x is consistent with well above average long-term returns, and it is a 40% discount to the market index's 12.4x. The portfolio has an average dividend yield of 3.9%. Currently the largest sector weights are financials, energy and consumer discretionary. Geographically, Hong Kong and China together account for 39% of the portfolio, with weight also in South Africa (16%), India (7%), Russia (19%) and Brazil (7%). During the year we reduced holdings in Brazil as their prices rose, and we added new positions in stocks like Barclays Africa, Hon Hai Precision, Mondy and Haier Electronics. All have good, steady operations

with growing earnings, attractive dividends and trade at what by global standards are very attractive prices.

We continue to believe that emerging markets stocks should trade at something of a discount to those in developed markets where there is usually greater transparency, political stability, depth and liquidity of the market, and reliable rule of law. It is also more challenging to create a portfolio as broadly diversified by sector as would be possible in developed markets. Still, the value we are finding in certain parts of the emerging markets is hugely compelling. There will no doubt be volatility to come, but we feel the long-term return expectations in this Fund's portfolio are currently outstanding.

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

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

The Fund gained 5.3% for the year ended September 30, 2016, lagging its blended benchmark return of 10.3% after outperforming in last year's weakness. Global stocks and bonds rallied during the year as the prospects for U.S. Federal Reserve rate hikes waned and the market panic of September 2015 subsided. With the exception of a sharp selloff in stocks and corporate bonds in January, the year saw a move to higher prices for financial assets generally.

This Fund offers investors a balanced option for wealth preservation and growth, with an allocation of approximately 60% to "growth assets" and 40% to "income and security assets". The bulk of the Fund's investments are via the other Fortress Global Funds. These funds account for approximately 60% of the Fund's portfolio, with the remainder allocated to specialist managers, and to direct investments in high quality fixed income securities. Fortress Fund Advisors rebates the management fees applicable to other

Fortress funds so that the Fund does not incur two layers of fees from these allocations. During the year, the Fortress US Equity Fund, International Equity Fund and Emerging Markets Fund underperformed their respective benchmarks after outperforming them last year. This was a detractor from relative performance, as was the Fund's relatively short bond duration. Our tilt towards international and emerging markets and away from the U.S., meanwhile, contributed positively to relative performance.

We make use of the Fortress targeted return funds as alternatives to both pure equity and fixed income exposure. During the year, the Income Builder US Fund gained 4.7% while the Income Builder International Fund returned 5.2%. Both were slightly below their 8% targets. By comparison, the U.S. bond benchmark returned 5.2% for the year. Together these two targeted return funds make up approximately 21% of the Fund and over time help limit volatility relative to stocks and add incremental return relative to bonds. So far in Q4 2016 bonds have sold off sharply and the Income Builder funds have added to their gains.

During the year, we took profits on the Fund's holding in inflation-linked bonds as the yield moved towards -0.3%, leaving little potential for future gains from a long-term holding, in our view. There were no other significant changes to the Fund's asset allocation during the year. The Fund continues to have no exposure to small capitalisation stocks in the U.S., which we still believe are some of the most overvalued in the world. Bonds are also a source of risk due to high prices. To mitigate the risk of rising interest rates, while still earning an acceptable return, we are keeping bond holdings in the intermediate 5-year term. We continue to be as focused on capital preservation as on positioning to generate good long-term returns.

## OVERALL OUTLOOK

While markets have recovered somewhat since this time last year, our outlook remains largely unchanged. Bonds globally are priced for low single digit returns and at the same time carry substantial price risk if rates rise. In the stock market, anything broadly categorised as "U.S." or "safe" has seen its price appreciate to levels that also imply poor future returns. We continue to find some good value under the surface among U.S. stocks, but more and more the value to be had is in international and emerging markets. In Europe, Asia, Africa, South America and elsewhere there are reasonably valued shares to buy in what are now reasonably valued currencies. Some emerging currencies would even qualify as cheap, offering the potential of tailwinds if and when they normalise.

The gains over the last year have not changed the story in stocks, in our view, and they have made the caution required in an expensive bond market even more important now that prices are higher and yields correspondingly lower. The value embedded in the Fortress funds' portfolios especially in international and emerging markets is still outstanding by historic standards. We remain constructive on potential future returns, and will continue to apply our consistent, disciplined processes to position appropriately for them.

Thank you very much for investing with us.



Roger Cave, CA, CFA  
Investment Director



Peter Arender, CFA  
Chief Investment Officer



## Financial Statements

## Independent Auditors' Report

The Board of Directors  
Fortress Global Funds SPC Inc.

We have audited the accompanying financial statements of 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 and Fortress Global Opportunity Wealth Fund SP (each "a fund" and together "the funds") which comprise the statement of financial position as at September 30, 2016, and the statement of changes in equity, statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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 and Fortress Global Opportunity Wealth Fund SP, as at September 30, 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young Ltd.*

February 21, 2017

# Fortress Global Funds SPC Inc.

Statement of Financial Position


As at September 30, 2016


(expressed in United States dollars)

	September 30, 2016					
	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>Assets</b>						
Cash and cash equivalents (note 6)	996,664	1,482,269	2,498,345	1,437,202	2,840,602	607,486
Accounts receivable	5,142	76,080	8,634	40,705	15,506	—
Financial assets at fair value through profit or loss (note 5)	5,104,698	14,285,773	10,600,957	11,431,305	12,322,454	3,051,323
<b>Total assets</b>	<b>6,106,504</b>	<b>15,844,122</b>	<b>13,107,936</b>	<b>12,909,212</b>	<b>15,178,562</b>	<b>3,658,809</b>
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss (note 5)	—	—	90,300	159,000	—	—
Accounts payable and accrued expenses	8,714	18,144	77,040	12,482	18,625	164,451
<b>Total liabilities</b>	<b>8,714</b>	<b>18,144</b>	<b>167,340</b>	<b>171,482</b>	<b>18,625</b>	<b>164,451</b>
<b>Equity</b>						
<b>Net assets attributable to holders of redeemable mutual fund shares (note 8)</b>	<b>6,097,790</b>	<b>15,825,978</b>	<b>12,940,596</b>	<b>12,737,730</b>	<b>15,159,937</b>	<b>3,494,358</b>
<b>Total liabilities and equity</b>	<b>6,106,504</b>	<b>15,844,122</b>	<b>13,107,936</b>	<b>12,909,212</b>	<b>15,178,562</b>	<b>3,658,809</b>
<b>Net asset value per share</b>	<b>120.9231</b>	<b>108.5965</b>	<b>111.8012</b>	<b>102.0627</b>	<b>95.1988</b>	<b>104.5464</b>

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

Approved by the Board of Directors on February 21, 2017

 Director

 Director

# Fortress Global Funds SPC Inc.

Statement of Financial Position...continued

As at September 30, 2016

(expressed in United States dollars)

	September 30, 2015					
	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>Assets</b>						
Cash and cash equivalents (note 6)	633,195	989,159	2,581,520	1,325,038	2,303,927	275,024
Accounts receivable	3,424	2,888	10,438	—	—	—
Financial assets at fair value through profit or loss (note 5)	5,311,543	13,570,909	10,039,744	11,011,301	11,558,028	3,060,674
<b>Total assets</b>	<b>5,948,162</b>	<b>14,562,956</b>	<b>12,631,702</b>	<b>12,336,339</b>	<b>13,861,955</b>	<b>3,335,698</b>
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss (note 5)	—	—	83,050	123,600	—	—
Accounts payable and accrued expenses	6,912	13,413	12,961	8,637	14,014	3,460
<b>Total liabilities</b>	<b>6,912</b>	<b>13,413</b>	<b>96,011</b>	<b>132,237</b>	<b>14,014</b>	<b>3,460</b>
<b>Equity</b>						
<b>Net assets attributable to holders of redeemable mutual fund shares (note 8)</b>	<b>5,941,250</b>	<b>14,549,543</b>	<b>12,535,691</b>	<b>12,204,102</b>	<b>13,847,941</b>	<b>3,332,238</b>
<b>Total liabilities and equity</b>	<b>5,948,162</b>	<b>14,562,956</b>	<b>12,631,702</b>	<b>12,336,339</b>	<b>13,861,955</b>	<b>3,335,698</b>
<b>Net asset value per share</b>	<b>117.8192</b>	<b>99.9327</b>	<b>106.7929</b>	<b>97.0160</b>	<b>85.6112</b>	<b>99.3254</b>

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

# Fortress Global Funds SPC Inc.

## Statement of Changes in Equity For the year ended September 30, 2016

(expressed in United States dollars)

	Number of shares						Net assets attributable to holders of redeemable mutual fund shares					
	Fortress US Equity Fund SP	Fortress International Equity Fund SP	Fortress Income Builder US Fund SP	Fortress Income Builder International Fund SP	Fortress Emerging Markets Fund SP	Fortress Global Opportunity Wealth Fund SP	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>Balance as at September 30, 2014</b>	<b>51,388</b>	<b>98,476</b>	<b>99,694</b>	<b>65,574</b>	<b>118,449</b>	<b>33,549</b>	<b>6,507,742</b>	<b>10,594,486</b>	<b>10,540,634</b>	<b>6,683,136</b>	<b>12,149,848</b>	<b>3,480,548</b>
Issue of shares	–	47,117	22,362	64,332	43,304	–	–	5,200,000	2,471,473	6,699,980	4,562,500	–
Redemption of shares	(961)	–	(4,672)	(4,111)	–	–	(122,793)	–	(514,652)	(432,030)	–	–
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	(443,699)	(1,244,943)	38,236	(746,984)	(2,864,407)	(148,310)
<b>Balance as at September 30, 2015</b>	<b>50,427</b>	<b>145,593</b>	<b>117,384</b>	<b>125,795</b>	<b>161,753</b>	<b>33,549</b>	<b>5,941,250</b>	<b>14,549,543</b>	<b>12,535,691</b>	<b>12,204,102</b>	<b>13,847,941</b>	<b>3,332,238</b>
Issue of shares	–	1,375	1,519	1,253	1,086	1,003	–	150,000	162,811	125,000	100,000	100,000
Redemption of shares	–	(1,236)	(3,157)	(2,245)	(3,594)	(1,128)	–	(130,260)	(346,600)	(217,396)	(300,880)	(107,263)
Total comprehensive income for the year	–	–	–	–	–	–	156,540	1,256,695	588,694	626,024	1,512,876	169,383
<b>Balance as at September 30, 2016</b>	<b>50,427</b>	<b>145,732</b>	<b>115,746</b>	<b>124,803</b>	<b>159,245</b>	<b>33,424</b>	<b>6,097,790</b>	<b>15,825,978</b>	<b>12,940,596</b>	<b>12,737,730</b>	<b>15,159,937</b>	<b>3,494,358</b>

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

# Fortress Global Funds SPC Inc.

## Statement of Comprehensive Income For the year ended September 30, 2016

(expressed in United States dollars)

	For the year ended September 30, 2016					
	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>Investment income</b>						
Net fair value gain on financial assets/liabilities through profit or loss (note 5)	137,665	913,942	582,909	428,514	1,266,053	179,499
Dividend income	141,225	655,690	261,590	484,114	519,588	13
Interest income	179	342	797	358	536	8,623
Other income	—	261	472	2,639	879	—
<b>Total investment income</b>	<b>279,069</b>	<b>1,570,235</b>	<b>845,768</b>	<b>915,625</b>	<b>1,787,056</b>	<b>188,135</b>
<b>Expenditure</b>						
Management fees (note 7)	58,783	152,265	127,971	123,225	139,845	11,344
Withholding taxes	40,189	98,538	74,233	84,900	59,413	—
Trade fees	10,921	22,842	26,064	52,526	30,682	—
Administrator and custodian fees (note 7)	5,878	15,226	12,797	12,323	13,984	3,334
Professional fees	2,886	7,280	6,111	6,004	6,813	1,649
Directors fees (note 7)	1,838	4,745	3,926	3,869	4,567	1,055
Office and administration fees	2,034	12,644	5,972	6,754	18,876	1,370
<b>Operating expenses</b>	<b>122,529</b>	<b>313,540</b>	<b>257,074</b>	<b>289,601</b>	<b>274,180</b>	<b>18,752</b>
<b>Total comprehensive income for the year</b>	<b>156,540</b>	<b>1,256,695</b>	<b>588,694</b>	<b>626,024</b>	<b>1,512,876</b>	<b>169,383</b>

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

# Fortress Global Funds SPC Inc.

Statement of Comprehensive Income...continued

For the year ended September 30, 2016

(expressed in United States dollars)

	For the year ended September 30, 2015					
	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>Investment income</b>						
Net fair value gain/(loss) on financial assets/liabilities through profit or loss (note 5)	(461,271)	(1,396,522)	28,282	(750,076)	(3,073,621)	(136,663)
Dividend income	139,983	423,701	233,575	253,109	483,382	—
Interest income	30	42	67	35	292	10,748
<b>Total investment income/(loss)</b>	<b>(321,258)</b>	<b>(972,779)</b>	<b>261,924</b>	<b>(496,932)</b>	<b>(2,589,947)</b>	<b>(125,915)</b>
<b>Expenditure</b>						
Management fees (note 7)	65,701	147,962	113,899	109,932	147,419	11,948
Withholding taxes	38,200	58,480	66,538	45,620	52,177	—
Trade fees	3,933	32,680	20,753	69,647	37,517	—
Administrator and custodian fees (note 7)	5,799	14,025	10,619	10,222	13,971	2,789
Professional fees	5,009	6,422	6,083	5,779	6,321	4,484
Directors fees (note 7)	2,145	4,739	3,699	3,496	4,861	1,160
Office and administration fees	1,654	7,856	2,097	5,356	12,194	2,014
<b>Operating expenses</b>	<b>122,441</b>	<b>272,164</b>	<b>223,688</b>	<b>250,052</b>	<b>274,460</b>	<b>22,395</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>(443,699)</b>	<b>(1,244,943)</b>	<b>38,236</b>	<b>(746,984)</b>	<b>(2,864,407)</b>	<b>(148,310)</b>

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

# Fortress Global Funds SPC Inc.

## Statement of Cash Flows

For the year ended September 30, 2016

(expressed in United States dollars)

	For the year ended September 30, 2016					
	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>Cash flows from operating activities</b>						
<b>Comprehensive income for the year</b>	<b>156,540</b>	<b>1,256,695</b>	<b>588,694</b>	<b>626,024</b>	<b>1,512,876</b>	<b>169,383</b>
Adjustments for:						
Net fair value gain on financial assets/liabilities at fair value	(137,665)	(913,942)	(582,909)	(428,514)	(1,266,053)	(179,499)
Dividend income	(141,225)	(655,690)	(261,590)	(484,114)	(519,588)	(13)
Interest income	(179)	(342)	(797)	(358)	(536)	(8,623)
<b>Operating loss before working capital changes</b>	<b>(122,529)</b>	<b>(313,279)</b>	<b>(256,602)</b>	<b>(286,962)</b>	<b>(273,301)</b>	<b>(18,752)</b>
Decrease in accounts payable	1,802	4,731	64,079	3,845	4,611	160,991
Purchase of financial assets/liabilities at fair value through profit or loss	(1,950,855)	(3,556,717)	(5,678,815)	(4,082,644)	(5,491,083)	—
Proceeds on sale of financial assets/liabilities at fair value through profit or loss	2,295,365	3,755,795	5,707,761	4,126,554	5,992,710	189,211
<b>Cash generated from/(used in) operations</b>	<b>223,783</b>	<b>(109,470)</b>	<b>(163,577)</b>	<b>(239,207)</b>	<b>232,937</b>	<b>331,450</b>
Interest received	179	342	797	358	536	8,262
Dividend received	139,507	582,498	263,394	443,409	504,082	13
<b>Net cash generated from operating activities</b>	<b>363,469</b>	<b>473,370</b>	<b>100,614</b>	<b>204,560</b>	<b>737,555</b>	<b>339,725</b>

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

# Fortress Global Funds SPC Inc.

Statement of Cash Flows ...continued

For the year ended September 30, 2016

(expressed in United States dollars)

	For the year ended September 30, 2016					
	Fortress US Equity Fund SP	Fortress International Equity Fund SP	Fortress Income Builder US Fund SP	Fortress Income Builder International Fund SP	Fortress Emerging Markets Fund SP	Fortress Global Opportunity Wealth Fund SP
	\$	\$	\$	\$	\$	\$
<b>Cash flows from financing activities</b>						
Issue of redeemable mutual fund shares	–	150,000	162,811	125,000	100,000	100,000
Redemption of redeemable mutual fund shares	–	(130,260)	(346,600)	(217,396)	(300,880)	(107,263)
<b>Net cash generated from/(used in) financing activities</b>	<b>–</b>	<b>19,740</b>	<b>(183,789)</b>	<b>(92,396)</b>	<b>(200,880)</b>	<b>(7,263)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>363,469</b>	<b>493,110</b>	<b>(83,175)</b>	<b>112,164</b>	<b>536,675</b>	<b>332,462</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>633,195</b>	<b>989,159</b>	<b>2,581,520</b>	<b>1,325,038</b>	<b>2,303,927</b>	<b>275,024</b>
<b>Cash and cash equivalents - end of year</b>	<b>996,664</b>	<b>1,482,269</b>	<b>2,498,345</b>	<b>1,437,202</b>	<b>2,840,602</b>	<b>607,486</b>

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

# Fortress Global Funds SPC Inc.

Statement of Cash Flows ...continued

For the year ended September 30, 2016

(expressed in United States dollars)

	For the year ended September 30, 2015					
	Fortress US Equity Fund SP	Fortress International Equity Fund SP	Fortress Income Builder US Fund SP	Fortress Income Builder International Fund SP	Fortress Emerging Markets Fund SP	Fortress Global Opportunity Wealth Fund SP
	\$	\$	\$	\$	\$	\$
<b>Cash flows from operating activities</b>						
<b>Comprehensive income/(loss) for the year</b>	<b>(443,699)</b>	<b>(1,244,943)</b>	<b>38,236</b>	<b>(746,984)</b>	<b>(2,864,407)</b>	<b>(148,310)</b>
Adjustments for:						
Net fair value (gain)/ loss on financial assets/liabilities at fair value	461,271	1,396,522	(28,282)	750,076	3,073,621	136,663
Dividend income	(139,983)	(423,701)	(233,575)	(253,109)	(483,382)	—
Interest income	(30)	(42)	(67)	(35)	(292)	(10,748)
<b>Operating loss before working capital changes</b>	<b>(122,441)</b>	<b>(272,164)</b>	<b>(223,688)</b>	<b>(250,052)</b>	<b>(274,460)</b>	<b>(22,395)</b>
Decrease in accounts payable	(3,254)	(2,348)	(3,989)	(1,087)	(2,604)	(2,890)
Purchase of financial assets/liabilities at fair value through profit or loss	(3,082,629)	(12,772,240)	(7,835,337)	(18,624,389)	(10,792,120)	—
Proceeds on sale of financial assets/liabilities at fair value through profit or loss	2,727,662	6,833,899	6,851,905	11,983,618	7,003,547	—
<b>Cash used in operations</b>	<b>(480,662)</b>	<b>(6,212,853)</b>	<b>(1,211,109)</b>	<b>(6,891,910)</b>	<b>(4,065,637)</b>	<b>(25,285)</b>
Interest received	30	42	67	35	292	10,748
Dividend received	141,069	439,642	235,974	265,692	511,310	—
<b>Net cash used in operating activities</b>	<b>(339,563)</b>	<b>(5,773,169)</b>	<b>(975,068)</b>	<b>(6,626,183)</b>	<b>(3,554,035)</b>	<b>(14,537)</b>

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

# Fortress Global Funds SPC Inc.

Statement of Cash Flows ...continued

For the year ended September 30, 2016

(expressed in United States dollars)

	For the year ended September 30, 2015					
	Fortress US Equity Fund SP	Fortress International Equity Fund SP	Fortress Income Builder US Fund SP	Fortress Income Builder International Fund SP	Fortress Emerging Markets Fund SP	Fortress Global Opportunity Wealth Fund SP
	\$	\$	\$	\$	\$	\$
<b>Cash flows from financing activities</b>						
Issue of redeemable mutual fund shares	—	5,200,000	2,471,473	6,699,980	4,562,500	—
Redemption of redeemable mutual fund shares	(122,793)	—	(514,652)	(432,030)	—	—
<b>Net cash generated from /(used in) financing activities</b>	<b>(122,793)</b>	<b>5,200,000</b>	<b>1,956,821</b>	<b>6,267,950</b>	<b>4,562,500</b>	<b>—</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(462,356)</b>	<b>(573,169)</b>	<b>981,753</b>	<b>(358,233)</b>	<b>1,008,465</b>	<b>(14,537)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>1,095,551</b>	<b>1,562,328</b>	<b>1,599,767</b>	<b>1,683,271</b>	<b>1,295,462</b>	<b>289,561</b>
<b>Cash and cash equivalents - end of year</b>	<b>633,195</b>	<b>989,159</b>	<b>2,581,520</b>	<b>1,325,038</b>	<b>2,303,927</b>	<b>275,024</b>

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

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

### 1 Incorporation and principal activity

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

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

At September 30, 2016, there were six (6) Segregated Portfolios, (each "a fund" and together "the funds") in existence: Fortress US Equity Fund SP, Fortress International Equity Fund SP, Fortress Income Builder US Fund SP, Fortress Income Builder International Fund SP, Fortress Emerging Markets Fund SP and Fortress Global Opportunity Wealth Fund SP.

These are the financial statements of each of the funds.

The primary objectives of each fund are stated below:

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

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

### 1 Incorporation and principal activity...continued

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

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

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

These financial statements have been authorised for issue by the Board of Directors on February 21, 2017.

### 2 Summary of significant accounting policies

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

#### a) Basis of preparation

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

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

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 Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

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

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

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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning October 1, 2015 that would be expected to have a material impact on the Fund.

##### *Standards, amendments and interpretations that are issued but not yet effective which may be relevant for the Company's operations*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is applicable from January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after October 1, 2018.

#### b) Foreign currency translation

##### *Functional and presentation currency*

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

##### *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.

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

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

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

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

#### c) Income

##### Interest income

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

##### Dividend income

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

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

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

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

##### i) Classification

The funds' investments have been classified as financial assets at fair value through profit or loss in accordance with International Accounting Standards 39 (IAS 39), Financial Instruments: Recognition and Measurement.

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of the managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

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

Regular-way purchases and sales of financial assets at fair value through profit or loss are recognised on the trade date, which is the date a fund commits to purchase or sell the investments. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense. Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the investments have expired or a fund has transferred substantially all risks and rewards of ownership.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

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

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

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

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

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

All other financial assets at fair value through profit or loss are initially recognised at fair value and are subsequently carried at fair value based on quoted exit prices. In the absence of quoted exit prices, the last close price and other information including the quoted offer price is considered by the Manager to determine the appropriate fair value price to be used. In the event that a security held by a fund is unquoted, if unusual market conditions exist, or in the event that a particular security's value has become impaired, the Manager, and on advice of an independent broker, will make a reasonable estimate of the fair value price by using valuation techniques. These can include the use of recent arm's length transactions, reference to other instruments that are substantially the same or discounted cash flow analysis which make maximum use of market inputs and rely as little as possible on entity-specific inputs.

Gains or losses arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are recognised in the statement of comprehensive income as they arise. Average cost is used to compute realised and unrealised gains on investments.

#### iii) Fair value estimation

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

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

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

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

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

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

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

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

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

Open contracts held for trading purposes are included in the statement of financial position at fair value. Fair value is based generally on market prices or broker quotations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of open contracts, which are comprised of call and put options, is included in financial assets at fair value through profit or loss where the fair value represents an asset of a fund. Where the fair value of the options represents an obligation of a fund, the fair value is included in derivative financial liabilities as a financial liability at fair value through profit or loss. Amounts are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously. This is not generally the case and the related assets and liabilities are presented gross in the statement of financial position. Gains and losses arising from the application of this policy are taken to the statement of comprehensive income.

### f) Cash and cash equivalents

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

### g) Expenses

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

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

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

### h) Equity

Redeemable shares are classified as equity instruments when:

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

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

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

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

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

Each funds' net asset value per redeemable mutual fund share is calculated by dividing the net assets attributable to those shares by the number of outstanding redeemable shares. In accordance with the provisions of each funds' regulations, investment positions are valued based on the procedures described in note 2d for the purpose of determining the net asset value per share for subscriptions and redemptions.

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

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

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

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

#### j) Taxation

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

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

### 3 Critical accounting estimates and assumptions

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

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

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

### 4 Financial risk management

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

The funds' overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the funds' financial performance. The risk management policies employed by the funds to manage these risks are discussed below. The management of these risks is carried out by the manager under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

### 4 Financial risk management...continued

#### Market risk

##### i) Price risk

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

To manage this risk each fund holds a diversified portfolio of investments in accordance with its investment policy. A summary of the overall statement of financial position market exposures at September 30, 2016 is disclosed in note 5.

At September 30, 2016, 86% (2015- 81%) of financial assets at fair value through profit or loss for Fortress Global Opportunity Wealth Fund SP ("FGOW"), comprise of investments in the other funds that have been fair valued in accordance with the policies set out in note 2d. Since the shares in the other funds are not publicly traded, redemption can only be made by FGOW on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of FGOW to request redemption of its investments in the other funds may vary in frequency from daily to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, FGOW may be materially affected by the actions of other investors who have invested in the other funds in which FGOW has invested.

The FGOW's holding in a third party investee fund, as a percentage of the investee fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the investee fund level. It is possible that the FGOW may, at any point in time, hold a majority of an investee fund's total units in issue.

#### *Sensitivity*

The effects of a change in equity prices for each fund's financial assets at fair value through profit or loss are set out below. The analysis is based on the assumption that the equity indexes increase/decrease by 3-13% (2015- 3- 13%) with all other variables held constant. These changes represents what is considered to be a reasonable movement within the specific benchmarks by management.

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management...continued

### Market risk...continued

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

	Fair value \$	Effective change at September 30, 2016	Impact on income \$
<b>2016</b>			
<b>Fortress US Equity Fund SP</b>			
Listed on US stock exchanges and markets	<b>5,104,698</b>	13%	<b>663,611</b>
<b>Fortress International Equity Fund SP</b>			
Listed on US stock exchanges and markets	5,362,820	13%	697,167
Listed on European stock exchanges and markets	2,388,029	3%	71,641
Listed on London stock exchange	1,580,228	3%	47,406
Listed on Hong Kong stock exchange	895,448	3%	26,863
Listed on other exchanges and markets	4,059,248	3%	121,777
	<b>14,285,773</b>		<b>964,854</b>
<b>Fortress Income Builder US Fund SP</b>			
Listed on US stock exchanges and markets	<b>10,600,957</b>	13%	<b>1,378,124</b>
<b>Fortress Income Builder International Fund SP</b>			
Listed on US stock exchanges and markets	3,075,000	13%	399,750
Listed on European stock exchanges and markets	3,412,267	3%	102,368
Listed on London stock exchange	1,947,024	3%	58,410
Listed on Hong Kong stock exchange	774,374	3%	23,231
Listed on other exchanges and markets	2,222,640	3%	66,679
	<b>11,431,305</b>		<b>650,438</b>
<b>Fortress Emerging Markets Fund SP</b>			
Listed on US stock exchanges and markets	6,338,069	13%	823,949
Listed on Hong Kong stock exchange	4,601,196	3%	138,035
Listed on other exchanges and markets	1,383,189	3%	41,496
	<b>12,322,454</b>		<b>1,003,480</b>
<b>Fortress Global Opportunity Wealth Fund SP</b>			
Listed on US stock exchanges and markets	415,436	4%	16,617
Unlisted Cayman securities	2,180,042	4%	87,202
Unlisted US securities	455,845	4%	18,234
	<b>3,051,323</b>		<b>122,053</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management...continued

### Market risk...continued

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

##### Sensitivity

	Fair value \$	Effective change at September 30, 2015	Impact on income \$
<b>2015</b>			
<b>Fortress US Equity Fund SP</b>			
Listed on US stock exchanges and markets	<b>5,311,543</b>	13%	<b>690,500</b>
<b>Fortress International Equity Fund SP</b>			
Listed on US stock exchanges and markets	4,101,972	13%	533,256
Listed on European stock exchanges and markets	2,345,049	3%	70,351
Listed on London stock exchange	1,397,495	3%	41,924
Listed on Hong Kong stock exchange	812,312	3%	24,369
Listed on other exchanges and markets	4,914,081	3%	147,422
	<b>13,570,909</b>		<b>817,322</b>
<b>Fortress Income Builder US Fund SP</b>			
Listed on US stock exchanges and markets	<b>10,039,744</b>	13%	<b>1,305,167</b>
<b>Fortress Income Builder International Fund SP</b>			
Listed on US stock exchanges and markets	2,415,888	13%	314,065
Listed on European stock exchanges and markets	2,690,750	3%	80,722
Listed on London stock exchange	1,820,477	3%	54,614
Listed on Hong Kong stock exchange	702,692	3%	21,081
Listed on other exchanges and markets	3,381,494	3%	101,445
	<b>11,011,301</b>		<b>571,927</b>
<b>Fortress Emerging Markets Fund SP</b>			
Listed on US stock exchanges and markets	5,194,197	13%	675,246
Listed on Hong Kong stock exchange	4,682,733	3%	140,482
Listed on other exchanges and markets	1,681,098	3%	50,433
	<b>11,558,028</b>		<b>866,161</b>
<b>Fortress Global Opportunity Wealth Fund SP</b>			
Listed on US stock exchanges and markets	593,376	4%	23,735
Unlisted Cayman securities	2,052,765	4%	82,111
Unlisted US securities	414,533	4%	16,581
	<b>3,060,674</b>	<b>4%</b>	<b>122,427</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

## 4 Financial risk management...continued

### Market risk...continued

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

The carrying value of all financial assets and liabilities are considered reasonable estimates of their fair value. A depreciation in the fair value at the levels above will have an equal and opposite effect to that disclosed above.

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

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The majority of each funds' financial assets and liabilities are non-interest bearing. The funds' debt securities are fixed rate securities. As a result the funds are not subject to significant amounts of risk due to fluctuation in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The effective yield on cash and cash equivalents is disclosed in note 6.

#### iii) Foreign currency risk

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

When the Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the funds, the Manager factors that into its portfolio allocation decisions. While the funds have direct exposure to foreign exchange rate changes on the price of non-United States dollar-denominated securities, they may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the funds invest, even if those companies' securities are denominated in United States dollars. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the funds' net assets attributable to holders of redeemable shares of future movements in foreign exchange rates.

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

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management...continued

Market risk...continued

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

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

	GBP \$	NOK \$	JPY \$	EUR \$
<b>Fortress International Equity Fund SP</b>				
<b>At September 30, 2016</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	1,580,228	422,294	3,129,988	2,388,029
Accounts receivable	5,860	—	59,665	—
<b>Total financial assets</b>	<b>1,586,088</b>	<b>422,294</b>	<b>3,189,653</b>	<b>2,388,029</b>
<b>Total financial liabilities</b>	—	—	—	—
<b>Net position</b>	<b>1,586,088</b>	<b>422,294</b>	<b>3,189,653</b>	<b>2,388,029</b>

	GBP \$	NOK \$	JPY \$	EUR \$	CHF \$	DKK \$
<b>Fortress International Equity Fund SP</b>						
<b>At September 30, 2015</b>						
<b>Financial assets</b>						
Cash and cash equivalents	7,249	—	—	—	—	—
Financial assets at fair value through profit or loss	1,397,495	505,882	2,862,646	2,345,049	1,115,216	430,337
<b>Total financial assets</b>	<b>1,404,744</b>	<b>505,882</b>	<b>2,862,646</b>	<b>2,345,049</b>	<b>1,115,216</b>	<b>430,337</b>
<b>Total financial liabilities</b>	—	—	—	—	—	—
<b>Net position</b>	<b>1,404,744</b>	<b>505,882</b>	<b>2,862,646</b>	<b>2,345,049</b>	<b>1,115,216</b>	<b>430,337</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management...continued

Market risk...continued

iii) Foreign currency risk...continued

	GBP \$	NOK \$	JPY \$	EUR \$	SEK \$
<b>Fortress Income Builder International Fund SP</b>					
<b>At September 30, 2016</b>					
<b>Financial assets</b>					
Financial assets at fair value through profit or loss	1,947,024	229,435	1,661,679	3,072,439	—
Accounts receivable	4,727	—	30,969	—	331,526
<b>Total financial assets</b>	<b>1,951,751</b>	<b>229,435</b>	<b>1,692,648</b>	<b>3,072,439</b>	<b>331,526</b>
<b>Total financial liabilities</b>	—	—	—	—	—
<b>Net position</b>	<b>1,951,751</b>	<b>229,435</b>	<b>1,692,648</b>	<b>3,072,439</b>	<b>331,526</b>

	GBP \$	NOK \$	JPY \$	EUR \$	CHF \$	SEK \$	DKK \$
<b>Fortress Income Builder International Fund SP</b>							
<b>At September 30, 2015</b>							
<b>Financial assets</b>							
Cash and cash equivalents	204,837	—	—	—	—	—	—
Financial assets at fair value through profit or loss	1,820,477	274,849	1,498,785	2,690,750	881,742	372,627	353,491
<b>Total financial assets</b>	<b>2,025,314</b>	<b>274,849</b>	<b>1,498,785</b>	<b>2,690,750</b>	<b>881,742</b>	<b>372,627</b>	<b>353,491</b>
<b>Total financial liabilities</b>	—	—	—	—	—	—	—
<b>Net position</b>	<b>2,025,314</b>	<b>274,849</b>	<b>1,498,785</b>	<b>2,690,750</b>	<b>881,742</b>	<b>372,627</b>	<b>353,491</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management...continued

Market risk...continued

iii) Foreign currency risk...continued

	ZAR \$
<b>Fortress Emerging Markets Fund SP</b>	
<b>At September 30, 2016</b>	
<b>Financial assets</b>	
Financial assets at fair value through profit or loss	920,551
<b>Total financial assets</b>	<b>920,551</b>
<b>Total financial liabilities</b>	—
<b>Net position</b>	<b>920,551</b>

	THB \$	ZAR \$
<b>At September 30, 2015</b>		
<b>Financial assets</b>		
Cash and cash equivalents	—	14,532
Financial assets at fair value through profit or loss	422,681	1,258,417
<b>Total financial assets</b>	<b>422,681</b>	<b>1,272,949</b>
<b>Total financial liabilities</b>	—	—
<b>Net position</b>	<b>422,681</b>	<b>1,272,949</b>

*Sensitivity*

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

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

### 4 Financial risk management...continued

#### Market risk...continued

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

	Effect of a 5% depreciation as of September 30, 2016 \$	Effect of a 5% depreciation as of September 30, 2015 \$
<b>Fortress International Equity Fund SP</b>		
Balances denominated in GBP	79,304	70,237
Balances denominated in NOK	21,114	25,294
Balances denominated in JPY	159,482	143,132
Balances denominated in EUR	119,401	117,252
Balances denominated in CHF	—	55,761
Balances denominated in DKK	—	21,517
<b>Fortress Income Builder International Fund SP</b>		
Balances denominated in GBP	97,587	101,265
Balances denominated in NOK	11,472	13,742
Balances denominated in JPY	84,632	74,939
Balances denominated in EUR	153,622	134,538
Balances denominated in SEK	16,576	18,631
Balances denominated in CHF	—	44,087
Balances denominated in DKK	—	17,674
<b>Fortress Emerging Markets Fund SP</b>		
Balances denominated in ZAR	46,028	63,647
Balances denominated in THB	—	21,134

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

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

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

### 4 Financial risk management...continued

#### Credit risk

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

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

	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>September 30, 2016</b>						
Cash and cash equivalents	996,664	1,482,269	2,498,345	1,437,202	2,840,602	607,486
Accounts receivable	5,142	76,080	8,634	40,705	15,506	—
Debt securities	—	—	—	—	—	415,436
	<b>1,001,806</b>	<b>1,558,349</b>	<b>2,506,979</b>	<b>1,477,907</b>	<b>2,856,108</b>	<b>1,022,922</b>
<b>September 30, 2015</b>						
Cash and cash equivalents	633,195	989,159	2,581,520	1,325,038	2,303,927	275,024
Accounts receivable	3,424	2,888	10,438	—	—	—
Debt securities	—	—	—	—	—	593,376
	<b>636,619</b>	<b>992,047</b>	<b>2,591,958</b>	<b>1,325,038</b>	<b>2,303,927</b>	<b>868,400</b>

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

As of September 30, 2016, (2015- nil) none of the other funds' accounts receivables are impaired or past due but not impaired.

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

### 4 Financial risk management...continued

#### Credit risk ...continued

The analysis below summarises the credit quality of the funds debt portfolio:

	2016 \$	2015 \$
<b>Fortress Global Opportunity Wealth Fund SP</b>		
<b>Debt securities</b>		
US treasury notes (AA+ by Standard & Poor's)	<b>415,436</b>	593,376

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

Each funds' exposure to individual counterparty credit risk on its cash and cash equivalents exceeding 2.5% of the total of its net assets is set out below:

	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>September 30, 2016</b>						
Morgan Stanley (A by Standard & Poor's)	899,207	1,395,159	2,463,132	1,347,391	2,743,034	292,195
CIBC FirstCaribbean International Bank Ltd (not rated)	96,309	87,110	32,802	89,811	97,568	315,291
	<b>995,516</b>	<b>1,482,269</b>	<b>2,495,934</b>	<b>1,437,202</b>	<b>2,840,602</b>	<b>607,486</b>

	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>September 30, 2015</b>						
Deutsche Bank (A-2 by Standard & Poor's)	533,739	887,423	2,388,810	211,480	2,164,201	217,527

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

## 4 Financial risk management...continued

### Credit risk ...continued

The clearing and depository operations for each fund's security transactions were mainly concentrated with one prime broker JP Morgan Clearing Corp., a member of the J.P. Morgan Chase & Co. group. J.P. Morgan Chase & Co. is a member of a major securities exchange, and at September 30, 2016 had a credit rating of AA+ by Standard & Poors. At September 30, 2016, substantially all cash and cash equivalents, balances due from broker and investments are placed in custody with JP Morgan Clearing Corp.

In the prior year, the clearing and depository operations for each fund's security transactions are mainly concentrated with one prime broker, namely Credit Suisse Securities (USA) LLC., a member of the Credit Suisse Group AG. Credit Suisse Group AG is a member of a major securities exchange and at September 30, 2015 had a credit rating of A by Standard & Poors.

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

### Liquidity risk

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

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

	Less than 1 month \$	1 -3 months \$
<b>2016</b>		
<b>Fortress US Equity Fund SP</b>		
Accounts payable and accrued expenses	8,002	712
Net assets attributable to holders of redeemable mutual fund shares	6,097,790	—
<b>Total financial liabilities and equity</b>	<b>6,105,792</b>	<b>712</b>
<b>Fortress International Equity Fund SP</b>		
Accounts payable and accrued expenses	16,305	1,839
Net assets attributable to holders of redeemable mutual fund shares	15,825,978	—
<b>Total financial liabilities and equity</b>	<b>15,842,283</b>	<b>1,839</b>
<b>Fortress Income Builder US Fund SP</b>		
Accounts payable and accrued expenses	75,519	1,521
Net assets attributable to holders of redeemable mutual fund shares	12,940,596	—
<b>Total financial liabilities and equity</b>	<b>13,016,115</b>	<b>1,521</b>
<b>Fortress Income Builder International Fund SP</b>		
Accounts payable and accrued expenses	10,983	1,499
Net assets attributable to holders of redeemable mutual fund shares	12,737,730	—
<b>Total financial liabilities and equity</b>	<b>12,748,713</b>	<b>1,499</b>
<b>Fortress Emerging Markets Fund SP</b>		
Accounts payable and accrued expenses	16,855	1,770
Net assets attributable to holders of redeemable mutual fund shares	15,159,937	—
<b>Total financial liabilities and equity</b>	<b>15,176,792</b>	<b>1,770</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management...continued

### Liquidity risk...continued

	Less than 1 month \$	1-3 months \$
<b>2016</b>		
<b>Fortress Global Opportunity Wealth Fund SP</b>		
Accounts payable and accrued expenses	164,042	409
Net assets attributable to holders of redeemable mutual fund shares	3,494,358	—
<b>Total financial liabilities and equity</b>	<b>3,658,400</b>	<b>409</b>
<b>2015</b>		
<b>Fortress US Equity Fund SP</b>		
Accounts payable and accrued expenses	6,164	748
Net assets attributable to holders of redeemable mutual fund shares	5,941,250	—
<b>Total financial liabilities and equity</b>	<b>5,947,414</b>	<b>748</b>
<b>Fortress International Equity Fund SP</b>		
Accounts payable and accrued expenses	11,560	1,853
Net assets attributable to holders of redeemable mutual fund shares	14,549,543	—
<b>Total financial liabilities and equity</b>	<b>14,561,103</b>	<b>1,853</b>
<b>Fortress Income Builder US Fund SP</b>		
Accounts payable and accrued expenses	11,473	1,488
Net assets attributable to holders of redeemable mutual fund shares	12,535,691	—
<b>Total financial liabilities and equity</b>	<b>12,547,164</b>	<b>1,488</b>
<b>Fortress Income Builder International Fund SP</b>		
Accounts payable and accrued expenses	7,114	1,523
Net assets attributable to holders of redeemable mutual fund shares	12,204,102	—
<b>Total financial liabilities and equity</b>	<b>12,211,216</b>	<b>1,523</b>

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

### 4 Financial risk management...continued

#### Liquidity risk...continued

	Less than 1 month \$	1-3 months \$
<b>2015</b>		
<b>Fortress Emerging Markets Fund SP</b>		
Accounts payable and accrued expenses	12,289	1,725
Net assets attributable to holders of redeemable mutual fund shares	13,847,941	–
<b>Total financial liabilities and equity</b>	<b>13,860,230</b>	<b>1,725</b>
<b>Fortress Global Opportunity Wealth Fund SP</b>		
Accounts payable and accrued expenses	3,048	412
Net assets attributable to holders of redeemable mutual fund shares	3,332,238	–
<b>Total financial liabilities and equity</b>	<b>3,335,286</b>	<b>412</b>

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

At September 30, 2016, 86% (2015- 81%) of financial assets at fair value through profit or loss for FGOW, comprise of investments in the other funds that have been fair valued in accordance with the policies set out in note 2d. Since the shares in the other funds are not publicly traded, redemption can only be made by FGOW on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of FGOW to request redemption of its investments in the other funds may vary in frequency from daily to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, FGOW may be materially affected by the actions of other investors who have invested in the other funds in which FGOW has invested.

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

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

### 4 Financial risk management...continued

#### Liquidity risk...continued

	Less than 1 month \$	1 - 3 months \$	Over 3 months \$
<b>September 30, 2016</b>			
<b>Fortress US Equity Fund SP</b>			
Total assets	6,106,504	—	—
<b>Fortress International Equity Fund SP</b>			
Total assets	15,777,927	11,134	55,061
<b>Fortress Income Builder US Fund SP</b>			
Total assets	13,107,936	—	—
<b>Fortress Income Builder International Fund SP</b>			
Total assets	12,878,243	6,744	24,225
<b>Fortress Emerging Markets Fund SP</b>			
Total assets	15,178,562	—	—
<b>Fortress Global Opportunity Wealth Fund SP</b>			
Total assets	3,658,809	—	—
<b>September 30, 2015</b>			
<b>Fortress US Equity Fund SP</b>			
Total assets	5,948,162	—	—
<b>Fortress International Equity Fund SP</b>			
Total assets	14,562,956	—	—
<b>Fortress Income Builder US Fund SP</b>			
Total assets	12,631,702	—	—
<b>Fortress Income Builder International Fund SP</b>			
Total assets	12,336,339	—	—
<b>Fortress Emerging Markets Fund SP</b>			
Total assets	13,861,955	—	—
<b>Fortress Global Opportunity Wealth Fund SP</b>			
Total assets	3,335,698	—	—

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

### 4 Financial risk management...continued

#### Liquidity risk...continued

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

	Less than 7 days \$	7 days -1 month \$	1- 12 months \$
<b>September 30, 2016</b>			
<b>Gross settled derivatives</b>			
<b>Fortress Income Builder US Fund SP</b>			
Call Spy 216 21 Oct 2016	—	90,300	—
<b>Fortress Income Builder International Fund SP</b>			
Call EFA 58 21 Oct 2016	—	109,200	—
Call EFA 59 21 Oct 2016	—	49,800	—
	—	159,000	—
<b>September 30, 2015</b>			
<b>Gross settled derivatives</b>			
<b>Fortress Income Builder US Fund SP</b>			
Call Spy 197 20 Nov 2015	—	—	74,750
Call Spy 198 16 Oct 2015	—	8,300	—
	—	8,300	74,750
<b>Fortress Income Builder International Fund SP</b>			
Call EFA 59 20 Nov 2015	—	—	123,600

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

### 4 Financial risk management ...continued

#### Capital risk management

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

#### Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the funds is the current bid 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.

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

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

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

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by each fund. Each fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

### 4 Financial risk management ...continued

#### Fair value estimation ...continued

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2016</b>				
<b>Fortress US Equity Fund SP</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	<b>5,104,698</b>	—	—	<b>5,104,698</b>
<b>Fortress International Equity Fund SP</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	<b>14,285,773</b>	—	—	<b>14,285,773</b>
<b>Fortress Income Builder US Fund SP</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	10,562,157	—	—	<b>10,562,157</b>
Purchased options	38,800	—	—	<b>38,800</b>
	<b>10,600,957</b>	—	—	<b>10,600,957</b>
<b>Financial liabilities at fair value through profit or loss:</b>				
Written options	<b>90,300</b>	—	—	<b>90,300</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management ...continued

### Fair value estimation ...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2016</b>				
<b>Fortress Income Builder International Fund SP</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	11,411,305	—	—	11,411,305
Purchased options	20,000	—	—	20,000
	<b>11,431,305</b>	—	—	<b>11,431,305</b>
<b>Financial liabilities at fair value through profit or loss:</b>				
Written options	159,000	—	—	159,000
<b>Fortress Emerging Markets Fund SP</b>				
Listed equity securities	12,322,454	—	—	12,322,454
<b>Fortress Global Opportunity Wealth Fund SP</b>				
Debt securities	415,436	—	—	415,436
Mutual funds	—	2,635,887	—	2,635,887
	<b>415,436</b>	<b>2,635,887</b>	—	<b>3,051,323</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

## 4 Financial risk management ...continued

### Fair value estimation ...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2015</b>				
<b>Fortress US Equity Fund SP</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	5,311,543	—	—	5,311,543
<b>Fortress International Equity Fund SP</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	13,570,909	—	—	13,570,909
<b>Fortress Income Builder US Fund SP</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	9,955,744	—	—	9,955,744
Purchased options	84,000	—	—	84,000
	10,039,744	—	—	10,039,744
<b>Financial liabilities at fair value through profit or loss:</b>				
Written options	83,050	—	—	83,050

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management ...continued

### Fair value estimation ...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2015</b>				
<b>Fortress Income Builder International Fund SP</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	10,970,801	—	—	10,970,801
Purchased options	40,500	—	—	40,500
	<b>11,011,301</b>	—	—	<b>11,011,301</b>
<b>Financial liabilities at fair value through profit or loss:</b>				
Written options	123,600	—	—	123,600
<b>Fortress Emerging Markets Fund SP</b>				
Listed equity securities	11,558,028	—	—	11,558,028
<b>Fortress Global Opportunity Wealth Fund SP</b>				
Debt securities	593,376	—	—	593,376
Mutual funds	—	2,467,298	—	2,467,298
	<b>593,376</b>	<b>2,467,298</b>	—	<b>3,060,674</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The funds do not adjust the quoted price for these instruments.

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

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently, are unquoted or are determined by a third party.

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

### 4 Financial risk management ...continued

#### Fair value estimation ...continued

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

The following table analyses within the fair value hierarchy the funds' assets and liabilities (by class) not measured at fair value at September 30, 2016 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2016</b>				
<b>Fortress US Equity Fund SP</b>				
<b>Assets</b>				
Accounts receivable	5,142	—	—	5,142
Cash and cash equivalents	996,664	—	—	996,664
<b>Total</b>	<b>1,001,806</b>	<b>—</b>	<b>—</b>	<b>1,001,806</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	8,714	—	8,714
Net assets attributable to holders of redeemable mutual fund shares	—	6,097,790	—	6,097,790
<b>Total</b>	<b>—</b>	<b>6,106,504</b>	<b>—</b>	<b>6,106,504</b>
<b>Fortress International Equity Fund SP</b>				
<b>Assets</b>				
Accounts receivable	76,080	—	—	76,080
Cash and cash equivalents	1,482,269	—	—	1,482,269
<b>Total</b>	<b>1,558,349</b>	<b>—</b>	<b>—</b>	<b>1,558,349</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	18,144	—	18,144
Net assets attributable to holders of redeemable mutual fund shares	—	15,825,978	—	15,825,978
<b>Total</b>	<b>—</b>	<b>15,844,122</b>	<b>—</b>	<b>15,844,122</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management ...continued

### Fair value estimation ...continued

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2016</b>				
<b>Fortress Income Builder US Fund SP</b>				
<b>Assets</b>				
Accounts receivable	8,634	—	—	8,634
Cash and cash equivalents	2,498,345	—	—	2,498,345
<b>Total</b>	<b>2,506,979</b>	<b>—</b>	<b>—</b>	<b>2,506,979</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	77,040	—	77,040
Net assets attributable to holders of redeemable mutual fund shares	—	12,940,596	—	12,940,596
<b>Total</b>	<b>—</b>	<b>13,017,636</b>	<b>—</b>	<b>13,017,636</b>
<b>Fortress Income Builder International Fund SP</b>				
<b>Assets</b>				
Accounts receivable	40,705	—	—	40,705
Cash and cash equivalents	1,437,202	—	—	1,437,202
<b>Total</b>	<b>1,477,907</b>	<b>—</b>	<b>—</b>	<b>1,477,907</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	12,482	—	12,482
Net assets attributable to holders of redeemable mutual fund shares	—	12,737,730	—	12,737,730
<b>Total</b>	<b>—</b>	<b>12,750,212</b>	<b>—</b>	<b>12,750,212</b>

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

### 4 Financial risk management ...continued

#### Fair value estimation ...continued

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2016				
<b>Fortress Emerging Market Fund SP</b>				
<b>Assets</b>				
Accounts receivable	15,506	—	—	15,506
Cash and cash equivalents	12,322,454	—	—	12,322,454
<b>Total</b>	<b>12,337,960</b>	—	—	<b>12,337,960</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	18,625	—	18,625
Net assets attributable to holders of redeemable mutual fund shares	—	15,159,937	—	15,159,937
<b>Total</b>	—	<b>15,178,562</b>	—	<b>15,178,562</b>
<b>Fortress Global Opportunity Wealth Fund SP</b>				
<b>Assets</b>				
Cash and cash equivalents	607,486	—	—	607,486
<b>Total</b>	<b>607,486</b>	—	—	<b>607,486</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	164,451	—	164,451
Net assets attributable to holders of redeemable mutual fund shares	—	3,494,358	—	3,494,358
<b>Total</b>	—	<b>3,658,809</b>	—	<b>3,658,809</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

## 4 Financial risk management ...continued

Fair value estimation ...continued

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2015				
<b>Fortress US Equity Fund SP</b>				
<b>Assets</b>				
Accounts receivable	3,424	—	—	3,424
Cash and cash equivalents	633,195	—	—	633,195
<b>Total</b>	<b>636,619</b>	<b>—</b>	<b>—</b>	<b>636,619</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	6,912	—	6,912
Net assets attributable to holders of redeemable mutual fund shares	—	5,941,250	—	5,941,250
<b>Total</b>	<b>—</b>	<b>5,948,162</b>	<b>—</b>	<b>5,948,162</b>
<b>Fortress International Equity Fund SP</b>				
<b>Assets</b>				
Accounts receivable	2,888	—	—	2,888
Cash and cash equivalents	989,159	—	—	989,159
<b>Total</b>	<b>992,047</b>	<b>—</b>	<b>—</b>	<b>992,047</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	13,413	—	13,413
Net assets attributable to holders of redeemable mutual fund shares	—	14,549,543	—	14,549,543
<b>Total</b>	<b>—</b>	<b>14,562,956</b>	<b>—</b>	<b>14,562,956</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management ...continued

Fair value estimation ...continued

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2015</b>				
<b>Fortress Income Builder US Fund SP</b>				
<b>Assets</b>				
Accounts receivable	10,438	—	—	<b>10,438</b>
Cash and cash equivalents	2,581,520	—	—	<b>2,581,520</b>
<b>Total</b>	<b>2,591,958</b>	—	—	<b>2,591,958</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	12,961	—	<b>12,961</b>
Net assets attributable to holders of redeemable mutual fund shares	—	12,535,691	—	<b>12,535,691</b>
<b>Total</b>	—	<b>12,548,652</b>	—	<b>12,548,652</b>
<b>Fortress Income Builder International Fund SP</b>				
<b>Assets</b>				
Cash and cash equivalents	1,325,038	—	—	<b>1,325,038</b>
<b>Total</b>	<b>1,325,038</b>	—	—	<b>1,325,038</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	8,637	—	<b>8,637</b>
Net assets attributable to holders of redeemable mutual fund shares	—	12,204,102	—	<b>12,204,102</b>
<b>Total</b>	—	<b>12,212,739</b>	—	<b>12,212,739</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

## 4 Financial risk management ...continued

Fair value estimation ...continued

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2015				
<b>Fortress Emerging Market Fund SP</b>				
<b>Assets</b>				
Cash and cash equivalents	2,303,927	—	—	2,303,927
<b>Total</b>	<b>2,303,927</b>	<b>—</b>	<b>—</b>	<b>2,303,927</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	14,014	—	14,014
Net assets attributable to holders of redeemable mutual fund shares	—	13,847,941	—	13,847,941
<b>Total</b>	<b>—</b>	<b>13,861,955</b>	<b>—</b>	<b>13,861,955</b>
<b>Fortress Global Opportunity Wealth Fund SP</b>				
<b>Assets</b>				
Cash and cash equivalents	275,024	—	—	275,024
<b>Total</b>	<b>275,024</b>	<b>—</b>	<b>—</b>	<b>275,024</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	—	3,460	—	3,460
Net assets attributable to holders of redeemable mutual fund shares	—	3,332,238	—	3,332,238
<b>Total</b>	<b>—</b>	<b>3,335,698</b>	<b>—</b>	<b>3,335,698</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

## 4 Financial risk management ...continued

### Fair value estimation ...continued

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

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

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

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

	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>September 30, 2016</b>						
<b>Financial assets designated at fair value through profit or loss:</b>						
- listed equity investments	5,104,698	14,285,773	10,562,157	11,411,305	12,322,454	—
- purchased options	—	—	38,800	20,000	—	—
- debt securities	—	—	—	—	—	415,436
- mutual funds	—	—	—	—	—	2,635,887
<b>Total financial assets designated at fair value through profit or loss</b>	<b>5,104,698</b>	<b>14,285,773</b>	<b>10,600,957</b>	<b>11,431,305</b>	<b>12,322,454</b>	<b>3,051,323</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>September 30, 2016</b>						
<b>Financial liabilities designated at fair value through profit or loss:</b>						
- written options	—	—	90,300	159,000	—	—
<b>Total gain/(losses) recognized in relation to financial assets and liabilities at fair value through profit or loss:</b>						
- realized gains/(losses)	279,236	(193,819)	96,949	20,465	(856,201)	15,896
- change in unrealized gains/(losses)	(141,571)	1,107,761	485,960	408,049	2,122,254	163,603
	<b>137,665</b>	<b>913,942</b>	<b>582,909</b>	<b>428,514</b>	<b>1,266,053</b>	<b>179,499</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

	Fortress US Equity Fund SP \$	Fortress International Equity Fund SP \$	Fortress Income Builder US Fund SP \$	Fortress Income Builder International Fund SP \$	Fortress Emerging Markets Fund SP \$	Fortress Global Opportunity Wealth Fund SP \$
<b>September 30, 2015</b>						
<b>Financial assets designated at fair value through profit or loss:</b>						
- listed equity investments	5,311,543	13,570,909	9,955,744	10,970,801	11,558,028	—
- purchased options	—	—	84,000	40,500	—	—
- debt securities	—	—	—	—	—	593,376
- mutual funds	—	—	—	—	—	2,467,298
<b>Total financial assets designated at fair value through profit or loss</b>	<b>5,311,543</b>	<b>13,570,909</b>	<b>10,039,744</b>	<b>11,011,301</b>	<b>11,558,028</b>	<b>3,060,674</b>
<b>Financial liabilities designated at fair value through profit or loss:</b>						
- written options	—	—	83,050	123,600	—	—
<b>Total gain/(losses) recognized in relation to financial assets and liabilities at fair value through profit or loss:</b>						
- realized gains/(losses)	(7,642)	175,848	815,755	236,552	693,016	—
- change in unrealized gains/(losses)	(453,629)	(1,572,370)	(787,473)	(986,628)	(3,766,637)	(136,663)
	<b>(461,271)</b>	<b>(1,396,522)</b>	<b>28,282</b>	<b>(750,076)</b>	<b>(3,073,621)</b>	<b>(136,663)</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

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

	2016		2015	
	Cost \$	Fair Value \$	Cost \$	Fair Value \$
<b>Financial assets at fair value through profit and loss:</b>				
<b>Fortress US Equity Fund SP</b>				
Omnicom Group	195,994	238,000	195,994	184,576
Discover Financial Services	233,940	231,855	233,940	213,036
Aetna Inc	94,380	230,980	94,380	218,740
Cisco Systems Inc	185,150	221,970	-	-
Foot Locker Inc	176,571	216,672	-	-
Aflac Inc	152,165	215,610	152,165	174,330
CVS Caremark Corp	122,688	213,552	122,688	231,552
Prudential Financial Inc	213,275	212,264	213,275	198,094
UnitedHealth GRP	80,175	210,000	106,900	232,000
Principal Financial Group Inc	197,303	206,000	197,303	189,280
Raytheon Company	81,855	204,180	130,968	262,200
Cummins Inc	174,012	192,210	174,012	162,825
Apple Inc	190,770	192,117	190,770	187,476
TE Connectivity Ltd	195,574	186,702	-	-
W W Grainger Inc	206,728	179,896	206,728	172,000
Whirlpool Corp	194,140	178,376	-	-
Harley Davidson Inc	192,427	173,514	192,427	181,104
Lincoln National Corp	209,865	169,128	209,865	170,784
Gamestop Corp	187,174	168,299	-	-
Ford Motor Co	186,260	167,634	-	-
Kroger Co	189,833	163,185	-	-
Anthem Inc	171,651	162,864	-	-
Ameriprise Finl Inc	203,130	159,616	203,130	174,576
Kohls Corp	174,430	148,716	174,430	157,454
Seagate Technology	214,081	146,490	214,081	170,164
Macy's Inc	203,195	118,528	203,195	164,224
GAP Inc	201,048	111,150	201,048	142,450
CF Industries Holdings Inc	201,933	85,190	201,933	157,045
CMS Energy CP	-	-	195,464	257,690
Wisconsin Energy Corp	-	-	187,398	234,900
Wal Mart Stores Inc	-	-	164,505	149,109
Parker-Hannifin Corp	-	-	191,170	175,104
<b>Balance c/fwd</b>	<b>5,029,747</b>	<b>5,104,698</b>	<b>4,357,769</b>	<b>4,560,713</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

	2016		2015	
	Cost \$	Fair Value \$	Cost \$	Fair Value \$
<b>Financial assets at fair value through profit and loss:</b>				
<b>Fortress US Equity Fund SP</b>				
<b>Balance b/fwd</b>	<b>5,029,747</b>	<b>5,104,698</b>	<b>4,357,769</b>	<b>4,560,713</b>
PulteGroup Inc	—	—	207,510	205,574
CSX Corp	—	—	172,497	193,608
Marathon Pete Corp	—	—	205,034	185,240
CA Inc	—	—	152,211	166,408
	<b>5,029,747</b>	<b>5,104,698</b>	<b>5,095,021</b>	<b>5,311,543</b>
<b>Fortress International Equity Fund SP</b>				
Samsung Electronics Ltd	563,470	645,193	563,470	421,943
Ashtead Grp PLC	486,173	617,306	—	—
Orix Corporation	538,501	612,077	538,501	535,687
Sekisui House Ltd	558,240	599,139	558,240	550,506
Nissan Motor Co Ltd	566,406	584,556	566,406	548,778
FUJI Heavy Industris Ltd	525,405	577,977	525,405	555,657
Koninklijke Ahold NV	436,476	577,623	436,481	523,748
Randstad Holdings	421,999	537,451	—	—
Michelin	491,371	519,860	491,371	427,505
KDDI Corp	501,315	506,966	—	—
Persimmon PLC	573,514	494,155	—	—
AXA SA	561,235	480,654	561,235	546,374
Toyota Motor CP	501,930	475,764	501,930	480,643
Nippon Telegraph & Telephone Corp	252,355	462,378	314,820	445,032
China Construction Bank Corp	467,596	459,621	467,596	411,200
Hon Hai Precision Ind Ltd Global Dep	458,091	452,700	—	—
Old Mutual PLC	548,382	443,758	548,382	483,489
ITOCHU Corp	408,680	441,517	408,680	371,347
Industrial & Commercial Bank of China	490,285	435,827	490,285	401,112
Magna International Inc	564,368	433,593	564,368	484,699
Manulife Financial Corp	521,224	426,122	521,224	467,194
Yara International	565,061	422,294	565,061	505,882
<b>Balance c/fwd</b>	<b>11,002,077</b>	<b>11,206,531</b>	<b>8,623,455</b>	<b>8,160,796</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

	2016		2015	
	Cost \$	Fair Value \$	Cost \$	Fair Value \$
<b>Financial assets at fair value through profit and loss:</b>				
<b>Fortress International Equity Fund SP</b>				
<b>Balance b/fwd</b>	<b>11,002,077</b>	<b>11,206,531</b>	<b>8,623,455</b>	<b>8,160,796</b>
Agrium Inc	428,153	417,174	428,153	411,700
Daimler AG	560,419	406,780	560,419	422,410
Bayerische Motoren Werke AG	557,808	403,112	557,808	425,012
Babcock Intl Group PLC	489,535	402,781	489,535	413,902
Skandinaviska Enskilda Banken AKT	464,488	400,984	464,488	426,528
Legal & General Group PLC	576,430	394,056	576,430	500,104
EasyJet PLC	548,446	339,633	—	—
Marubeni Corp	419,004	314,722	419,004	300,671
Adecco SA	—	—	555,164	599,856
Swiss RE Ltd	—	—	544,385	515,360
AP Moeller Maersk	—	—	542,458	430,337
Itau Unibanco Holdings	—	—	522,357	353,711
Banco Bradesco SA	—	—	601,241	322,177
Banco do Brazil SA	—	—	554,140	288,345
	<b>15,046,360</b>	<b>14,285,773</b>	<b>15,439,037</b>	<b>13,570,909</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

	2016		2015	
	Cost \$	Fair Value \$	Cost \$	Fair Value \$
<b>Financial assets at fair value through profit and loss:</b>				
<b>Fortress Income Builder US Fund SP</b>				
Raytheon Company	245,228	503,644	245,228	404,225
Foot Locker Inc	395,638	480,741	—	—
Cisco Systems Inc	398,352	475,650	—	—
Scana Corp	299,855	455,868	299,855	354,375
Omnicom Group	369,554	442,000	369,554	342,784
Honeywell Intl Inc	375,118	440,409	375,118	359,746
Aflac Inc	374,690	438,407	374,690	354,471
Torchmark Corp	363,794	434,452	363,794	383,384
Principal Financial Group Inc	416,863	432,600	416,863	397,488
United Technologies Corp	388,197	422,818	388,197	370,127
Time Warner Inc	394,150	422,092	—	—
TE Connectivity Ltd	401,728	418,470	—	—
Aetna Inc	381,997	404,215	381,997	382,795
Kohls Corp	397,747	402,408	—	—
Walt Disney Co Holdings	402,364	399,255	—	—
CVS Caremark Corp	247,010	394,537	247,010	427,792
Snap-On Inc	398,720	379,700	—	—
Hormel Geo A & Co	191,643	371,714	269,865	436,632
Whirlpool Corp	400,170	364,860	—	—
W W Grainger Inc	407,828	359,792	407,828	344,000
CSX Corp	270,412	344,537	270,412	303,857
Kroger Co	394,677	326,370	—	—
Wells Fargo & Co	371,417	314,388	371,417	364,230
INVESCO Ltd	375,339	312,600	375,339	312,200
Harley Davidson Inc	370,211	310,222	370,211	323,792
Ameriprise Finl Inc	381,963	299,280	381,963	327,330
Macy's Inc	377,084	211,128	377,084	292,524
Put Spy 200 18 Nov 2016	30,000	38,800	—	—
<b>Balance c/fwd</b>	<b>9,821,749</b>	<b>10,600,957</b>	<b>6,286,425</b>	<b>6,481,752</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$

### Financial assets at fair value through profit and loss:

#### Fortress Income Builder US Fund SP

<b>Balance b/fwd</b>	<b>9,821,749</b>	<b>10,600,957</b>	<b>6,286,425</b>	<b>6,481,752</b>
Pinnacle West Capital	—	—	376,139	436,084
Dr Pepper Snapple Group Inc	—	—	374,480	387,394
CMS Energy CP	—	—	291,452	377,710
UnitedHealth GRP	—	—	379,827	371,200
Wisconsin Energy Corp	—	—	295,158	368,950
CA Inc	—	—	319,392	348,693
Patterson Companies Inc	—	—	375,564	332,948
PACCAR Inc	—	—	379,857	297,198
GAP Inc	—	—	378,975	284,900
Wal Mart Stores Inc	—	—	295,287	268,915
Put Spy 180 19 Dec 2015	—	—	72,100	84,000
	<b>9,821,749</b>	<b>10,600,957</b>	<b>9,824,656</b>	<b>10,039,744</b>

#### Fortress Income Builder International Fund SP

Michelin	445,442	530,921	445,442	436,600
Publicis Group SA	472,114	506,673	472,114	456,055
Nissan Motor Co Ltd	472,264	501,187	472,264	470,511
Henkel AG & Co KGAA	433,729	499,192	433,729	378,971
Orix Corporation	466,936	488,204	466,936	427,274
Bank of Nova Scotia	405,032	471,611	—	—
Valeo SA	323,548	454,640	323,548	350,321
Randstad Holdings	329,016	419,030	—	—
Toyota Motor CP	417,736	406,140	417,736	410,305
Bayerische Motoren Werke AG	334,249	394,714	—	—
China Construction Bank Corp	413,135	389,195	413,135	348,194
Industrial & Commercial Bank of China	431,006	385,179	431,006	354,498
Hon Hai Precision Ind Ltd Global Dep	348,123	377,250	—	—
Manulife Financial Corp	451,104	369,682	451,104	405,314
AXA SA	428,475	363,680	428,475	413,407
Old Mutual PLC	427,846	357,946	427,846	389,994
<b>Balance c/fwd</b>	<b>6,599,755</b>	<b>6,915,244</b>	<b>5,183,335</b>	<b>4,841,444</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$
<b>Financial assets at fair value through profit and loss:</b>				
<b>Fortress Income Builder International Fund SP</b>				
<b>Balance b/wd</b>	<b>6,599,755</b>	<b>6,915,244</b>	<b>5,183,335</b>	<b>4,841,444</b>
Nippon Telegraph & Telephone Corp	209,704	357,084	276,917	363,796
FUJI Heavy Industris Ltd	401,367	351,973	—	—
Whitbread PLC	375,821	345,252	—	—
Magna International Inc	453,081	343,440	453,081	383,920
Babcock Intl Group PLC	441,148	342,364	441,148	351,817
Allianz Aktiengesellschaft Holdings	374,203	339,828	—	—
Nordea Bank	417,256	331,526	417,256	372,627
WPP 2012 PLC	264,954	331,424	264,954	292,867
Daimler AG	402,181	322,619	402,181	335,015
Marubeni Corp	415,327	320,315	415,327	306,014
Skandinaviska Enskilda Banken AKT	363,435	310,763	363,435	330,559
Legal & General Group PLC	410,982	303,557	410,982	385,250
EasyJet PLC	469,414	266,481	373,582	400,549
Yara International	297,672	229,435	297,672	274,849
Put EFA 53 18 Nov 2016	30,000	20,000	—	—
ITOCHU Corp	—	—	327,176	294,986
Swatch Group	—	—	349,823	273,208
Swiss RE Ltd	—	—	432,909	420,877
Adecco SA	—	—	445,653	460,865
AP Moeller Maersk	—	—	381,296	353,491
Put EFA 52 18 Dec 2015	—	—	46,590	40,500
Koninklijke Ahold NV	—	—	271,661	320,381
Banco Bradesco SA	—	—	400,375	208,286
	<b>11,926,300</b>	<b>11,431,305</b>	<b>11,955,353</b>	<b>11,011,301</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

	2016		2015	
	Cost \$	Fair Value \$	Cost \$	Fair Value \$
<b>Financial assets at fair value through profit and loss:</b>				
<b>Fortress Emerging Markets Fund SP</b>				
Industrial & Commercial Bank of China	662,479	607,469	593,718	488,816
China Merchants Bank	491,675	580,839	431,393	486,403
China Overseas Land & Invt Ltd	516,383	580,746	449,010	451,935
Samsung Electronics Ltd	513,942	578,000	465,722	330,750
PICC Property & Casualty Co Ltd	519,668	556,713	439,742	569,791
OJSC Oc Rosneft	402,744	543,864	526,565	466,785
Bank of Communications Co	576,157	530,714	519,124	421,884
TATNEFTY	598,662	528,728	544,190	418,200
Barclays Africa Group Ltd	438,277	528,182	—	—
Lukoil OAO	569,300	516,114	528,655	315,828
Barloworld Ltd	624,117	497,194	587,302	392,377
Banco do Brazil SA	495,788	487,902	464,548	226,920
Ishare MSCI Taiwan ETF	372,871	486,390	—	—
Mondi Ltd	408,681	462,638	—	—
Banco Bradesco SA	488,789	447,287	700,655	320,272
Haier Electronics Group	475,119	437,992	—	—
Imperial Holdings Ltd	628,997	423,357	599,025	371,758
ICICI Bank Ltd	561,926	417,760	511,457	410,130
Hon Hai Precision Ind Ltd Global Dep	385,651	417,490	—	—
China Unicom Hong Kong	565,694	417,431	517,248	382,800
DongFeng Motor GRP Co Ltd	560,234	378,897	500,056	413,394
China Resources Power Holdings	531,099	378,250	478,891	436,026
Shimao Property Holdings Ltd	573,851	373,898	519,065	358,978
Great Wall Motor Co Ltd	506,527	345,873	461,626	345,221
Gazprom OAO	547,742	333,324	513,488	278,356
Lenovo Group Limited	578,029	267,797	530,814	297,360
Beijing Enterprises Holdings	227,148	197,605	—	—
China Merchants Bank	—	—	501,041	412,925
China Overseas Land & Invt Ltd	—	—	508,326	319,433
TATNEFTY	—	—	386,306	272,129
China Construction Bank Corp	—	—	531,045	271,950
ICICI Bank Ltd	—	—	518,383	422,681
China Unicom Hong Kong	—	—	548,937	524,644
<b>Balance c/fwd</b>	<b>13,821,550</b>	<b>12,322,454</b>	<b>13,876,332</b>	<b>10,407,746</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$
<b>Financial assets at fair value through profit and loss:</b>				
<b>Fortress Emerging Markets Fund SP</b>				
<b>Balance b/fwd</b>	<b>13,821,550</b>	<b>12,322,454</b>	<b>13,876,332</b>	<b>10,407,746</b>
Shimao Property Holdings Ltd	—	—	742,400	656,000
Samsung Electronics Ltd	—	—	560,655	494,282
	<b>13,821,550</b>	<b>12,322,454</b>	<b>15,179,387</b>	<b>11,558,028</b>
<b>Fortress Global Opportunity Wealth Fund SP</b>				
Fortress International Equity Fund	672,618	704,548	672,618	648,340
Fortress US Equity Fund	460,200	499,939	460,200	487,105
US Treasury Note 31 July 2020	398,464	415,436	398,464	413,043
Fortress Income Builder International Fund	391,357	389,634	391,357	370,367
Fortress Income Builder US Fund	339,210	358,428	339,210	342,371
Pimco GLB Invest GRD CRDT	299,994	347,241	299,994	319,594
Fortress Emerging Markets Fund	212,400	227,493	212,400	204,582
Legg Mason WA Asian Opp A	99,994	108,604	99,994	94,939
US Treasury TIPS Note 15 Jan 2022	—	—	173,314	180,333
	<b>2,874,237</b>	<b>3,051,323</b>	<b>3,047,551</b>	<b>3,060,674</b>

# Fortress Global Funds SPC Inc.

Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

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

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
	\$	\$	\$	\$
<b>Financial liabilities at fair value through profit and loss:</b>				
<b>Fortress Income Builder US Fund SP</b>				
Call Spy 216 21 Oct 2016	90,650	90,300	—	—
Call Spy 197 20 Nov 2015	—	—	99,750	74,750
Call Spy 198 16 Oct 2015	—	—	31,410	8,300
	<b>90,650</b>	<b>90,300</b>	<b>131,160</b>	<b>83,050</b>
<b>Fortress Income Builder International Fund SP</b>				
Call EFA 58 21 Oct 2016	78,400	109,200	—	—
Call EFA 59 21 Oct 2016	36,600	49,800	—	—
Call EFA 59 20 Nov 2015	—	—	120,780	123,600
	<b>115,000</b>	<b>159,000</b>	<b>120,780</b>	<b>123,600</b>

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

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

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

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

At September 30, 2016 the following funds held purchased options contracts. The table below shows the carrying value and the underlying notional amount of the options purchased. These numbers are most meaningfully considered in the context of the total market value and offsetting exposures within each funds’ portfolio.

	2016		2015	
	Carrying value \$	Notional value \$	Carrying value \$	Notional value \$
<b>Fortress Income Builder US Fund SP</b>				
Purchased options	<b>38,800</b>	<b>20,000,000</b>	84,000	3,600,000
<b>Fortress Income Builder International Fund SP</b>				
Purchased options	<b>20,000</b>	<b>5,300,000</b>	40,500	2,600,000

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

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

At September 30, 2016 the funds held written option contracts. The table below shows the carrying value and the underlying notional amount of the options written. These numbers are most meaningfully considered in the context of the total market value and offsetting exposures within each fund's portfolio.

	2016		2015	
	Carrying	Notional	Carrying	Notional
	value	value	value	value
	\$	\$	\$	\$
<b>Fortress Income Builder US Fund SP</b>				
Written options	90,300	7,560,000	83,050	6,895,000
<b>Fortress Income Builder International Fund SP</b>				
Written options	159,000	7,600,000	123,600	7,080,000

### 6 Cash and cash equivalents

Cash and cash equivalents are placed with leading commercial banks. The effective yield on cash and cash equivalents is nil (2015- nil).

### 7 Related parties

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

Fortress Fund Advisors Limited serves as investment advisor and manager of the funds. As a result of providing management services, Fortress Fund Advisors Limited receives a monthly management fee based on the actual net asset value of each Fund, calculated monthly and payable in arrears. The gross management fee amounted to \$635,424 (2015-\$620,514) for the year.

Management fees of \$21,991 (2015- \$23,653) were refunded by Fortress Fund Advisory Limited being 1% of the net asset values of Fortress US Equity Fund SP, Fortress International Equity Fund Limited SP, Fortress Income Builder US Fund SP, Fortress Income Builder Intl Fund SP and the Fortress Emerging Markets Fund SP shares held by the Fortress Global Opportunity Wealth Fund SP during the year. This is to avoid double charging of management fees on assets invested in related funds which have the same manager.

Fortress Fund Managers Limited serves as administrator of the funds. As a result of providing administrator services, Fortress Fund Managers Limited receives a monthly administration fee based on the actual net asset value of each fund, calculated monthly and payable in arrears. The administrator fees amounted to \$63,542 (2015- \$62,051) for the year.

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

(expressed in United States dollars)

### 7 Related parties ...continued

Directors' fees of \$20,000 (2015- \$20,100) were accrued during the year. Directors' interest (including beneficial interests) in participating redeemable mutual fund shares are as follows:

	Number of shares at start of year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end
<b>Shareholder</b>				
Director	2,628	3,714	(6,074)	268

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

	Number of shares	
	2016	2015
<b>Fortress Mutual Fund Limited</b>		
Fortress US Equity Fund SP	44,695	44,695
Fortress International Equity Fund SP	128,032	128,032
Fortress Income Builder US Fund SP	68,936	68,936
Fortress Income Builder International Fund SP	85,409	85,409
Fortress Emerging Markets Fund SP	130,733	130,733
Fortress Global Opportunity Wealth Fund SP	29,999	29,999
<b>Fortress Caribbean High Interest Fund Limited</b>		
Fortress Income Builder US Fund SP	19,859	19,859
Fortress Income Builder International Fund SP	20,430	20,430
<b>Fortress Caribbean Pension Fund Limited</b>		
Fortress Emerging Markets Fund SP	2,856	2,856
Fortress Global Opportunity Wealth Fund SP	2,421	2,421
<b>Fortress Global Opportunity Wealth Fund SP</b>		
Fortress US Equity Fund SP	4,134	4,134
Fortress International Equity Fund SP	6,488	6,488
Fortress Income Builder US Fund SP	3,206	3,206
Fortress Income Builder International Fund SP	3,818	3,818
Fortress Emerging Markets Fund SP	2,390	2,390
<b>Fortress Fund Advisors Limited</b>		
Fortress International Equity Fund SP	1,847	1,847
Fortress Income Builder US Fund SP	1,148	1,148
Fortress Income Builder International Fund SP	1,420	1,420
Fortress Emerging Markets Fund SP	1,865	1,865

# Fortress Global Funds SPC Inc.

## Notes to the Financial Statements

September 30, 2016

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(expressed in United States dollars)

### 8 Capital management

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

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

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

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



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