

# ANNUAL REPORT 2016

FORTRESS MUTUAL FUND LIMITED  
CARIBBEAN GROWTH FUND





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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BB11144  
TEL (246) 431 2198  
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[www.fortressfund.com](http://www.fortressfund.com)



Fortress Mutual Fund Limited  
Caribbean Growth Fund

# Investment Objectives & Fund Details

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

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

<b>FUND NAME:</b>	Fortress Mutual Fund Limited (Fortress Caribbean Growth Fund)
<b>LAUNCH DATE:</b>	December 9, 1996
<b>LAUNCH PRICE:</b>	\$1.00 per share
<b>MINIMUM INVESTMENT:</b>	\$100.00 \$100.00 for subsequent investments \$50.00 for monthly savings plan
<b>NET ASSET VALUE PER SHARE</b> 9/30/2016	\$5.1449
<b>NET ASSETS</b> 9/30/2016	\$395,985,887
<b>MANAGEMENT EXPENSES:</b> <i>Investment Manager:</i>	1.75% per annum on the net assets
<i>Administrator:</i>	0.10% per annum on the first \$30 million of net assets 0.0875% per annum on the remaining balance of net assets
<i>Custodian:</i>	0.0875% per annum on the first \$30 million of the net assets 0.075% per annum of the remaining balance of net assets
<b>INITIAL CHARGES:</b>	2%
<b>REDEMPTION CHARGES:</b>	None
<b>INVESTMENT MANAGER &amp; ADMINISTRATOR:</b>	Fortress Fund Managers Limited
<b>CUSTODIAN:</b>	CIBC FirstCaribbean International Bank (Barbados) Limited Wealth Management Division
<b>FUND VALUATIONS:</b>	Weekly on Fridays
<b>NAV QUOTATIONS:</b>	Internet: <a href="http://www.fortressfund.com">www.fortressfund.com</a> Local Barbados newspapers Bloomberg: FORCAGF BA

# Directors & Administrators

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## **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

## **COMPANY SECRETARY**

Hanna M. Chrysostom  
Broad Street  
Bridgetown  
St. Michael  
Barbados

## **AUDIT COMMITTEE**

David Simpson  
C. David Bynoe  
John Howard

## **CORPORATE GOVERNANCE AND NOMINATION COMMITTEE**

C. David Bynoe  
Sir Fred Gollop K.A., Q.C.  
Kenneth Emery

## **REGISTERED OFFICE**

First Floor, Carlisle House  
Hincks Street  
Bridgetown  
St. Michael  
Barbados

## **ATTORNEY AT LAW**

Sir Henry Forde K.A., Q.C.  
Juris Chambers  
Fidelity House  
Wilkey Business Park  
St. Michael  
Barbados

## **INDEPENDENT AUDITORS**

Ernst & Young  
One Welches  
Welches  
St. Thomas  
Barbados

## **CUSTODIAN**

CIBC FirstCaribbean International Bank (Barbados) Limited  
Wealth Management Division  
3rd Floor  
Broad Street  
Bridgetown  
Barbados

## **INVESTMENT MANAGER & ADMINISTRATOR**

Fortress Fund Managers Limited  
First Floor, Carlisle House  
Hincks Street  
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Barbados

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Email: [invest@fortressfund.com](mailto:invest@fortressfund.com)

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

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



# Investment Performance

For the year ended September 30, 2016 the Fund gained 9.8%. Caribbean share indices posted solid gains led by a few stocks with large weights, and on very thin volumes. Jamaica had a very strong year, and the Fund benefited from its holdings there. The Fund also benefited from its investments in international and emerging markets which posted double digit gains for the year.

This was the 20th year of operation for the Fortress Caribbean Growth Fund. Since inception in 1996 it has

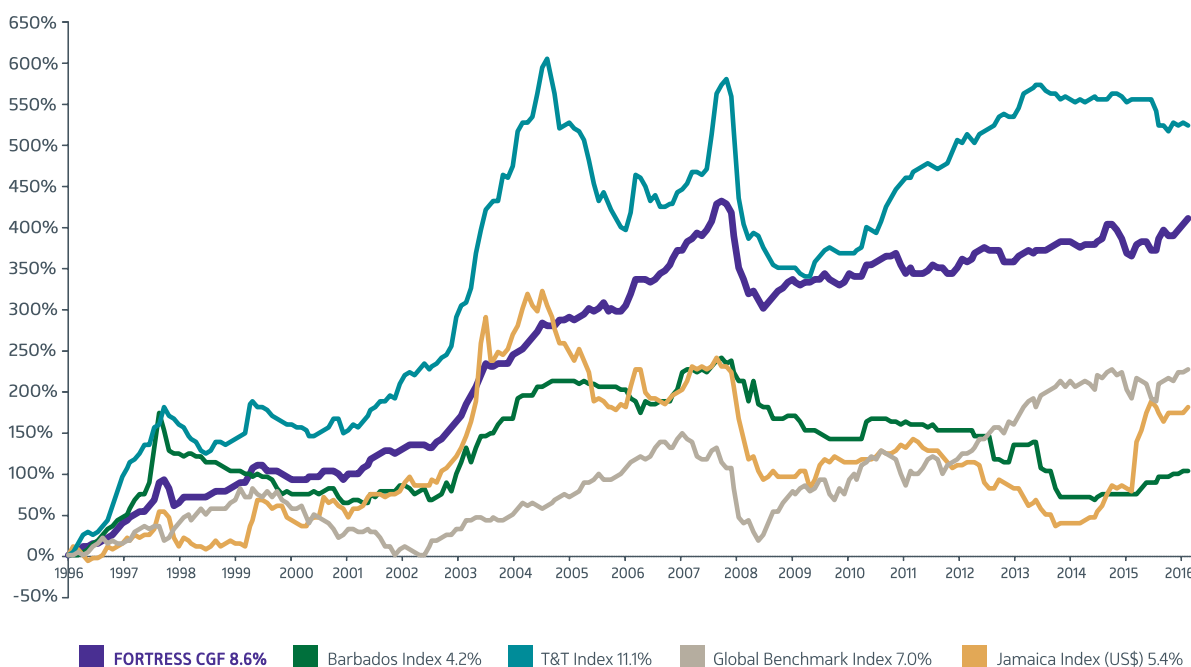
generated a compound annual rate of return of 8.6% per year, net of all fees and expenses. The net asset value per share has increased from \$1 to \$5.14 over this period. This has been accomplished by investing actively in a diversified mix of regional and international stocks. We use a value-conscious approach to all investments, seeking always to position in securities with good fundamentals and compelling valuations.

## Performance Summary as of 9/30/16\*

	3 month	1 year	3 year	5 year	Inception
<b>Fortress</b>	<b>4.4%</b>	<b>9.8%</b>	<b>3.2%</b>	<b>2.8%</b>	<b>8.6%</b>
Jamaica	2.2%	58.8%	15.7%	3.9%	5.4%
Trinidad	-0.5%	-4.8%	-1.1%	2.2%	11.1%
Barbados	1.5%	17.5%	-4.8%	-4.9%	4.2%
Global Benchmark	5.0%	12.0%	6.4%	12.3%	7.0%

\*periods longer than one year are annual compound returns

## Caribbean Growth Fund Performance vs Indices - Since Inception



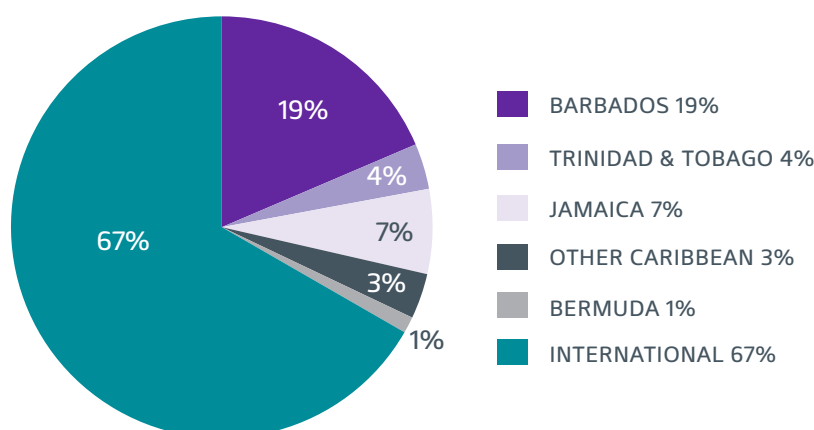
# Portfolio Positioning

The Fund's investment portfolio is a diversified mix of regional and international stocks, held both directly and via allocations to other funds. Our objective is to own shares in good, well-run businesses and to purchase them as cheaply as possible.

The Fund remains constrained in its ability to invest outside Barbados by exchange controls and the

availability of foreign currency. The graph below summarises the Fund's geographic distribution as of September 30, 2016. For a complete list of the Fund's holdings as of year-end please see the notes to the accompanying financial statements.

## Geographic Distribution of Portfolio



## Top 5 Holdings

<i>Holding</i>	<i>Country/Region</i>	<i>Sector</i>	<i>Weight</i>
Fortress International Equity Fund	International	Various	7.0%
Fortress Emerging Markets Fund	International	Various	6.3%
Fortress OAM Overseas Fund	Europe/Asia	Various	5.9%
Fortress Income Builder Int'l Fund	International	Various	4.4%
CS&C Joint Venture	Barbados	Real Estate	4.8%



## Directors' Report



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## Directors' Report



*Investment Director Roger Cave*

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This was a good year for the Fortress Caribbean Growth Fund with a 9.8% return for the year ended September 30, 2016. The net asset value (NAV) of the Fund increased from \$4.6846 per share at September 30, 2015 to \$5.1449 at September 30, 2016. During the year, the Fund's assets increased from \$357 million to \$396 million. The compound annual rate of return since inception is now 8.6% per year.

Nearly all areas in which the Fund has investments performed well over the year. Jamaican stocks led the way with significant gains from the depressed levels that we have noted in previous reports, supported by steady earnings and improvement in the government's fiscal situation. Shares in Barbados also saw gains as bank deposit rates fell to near zero and proceeds of the Banks Holdings takeover found their way into the relatively illiquid stock market. Stock markets in the U.S. and internationally performed well after a challenging January as central banks kept interest rates low and corporate profits in most areas remained healthy. Only Trinidad came under pressure during the year as its currency and share prices felt the pain of lower oil prices.

The year had several areas of concern that markets eventually overcame. In late 2015, investors were preoccupied with a slowdown in growth in China, now the world's second largest economy. This was followed

by a large drop in oil and basic materials' prices that hit producing companies and the currencies of big commodity exporters. A severe panic spread through global markets during the first weeks of 2016 as sovereign wealth funds of big commodity exporting countries liquidated investments to plug holes in their budgets. Later in the year, markets absorbed the uncertainty of the Brexit vote in the UK, and then the buildup to the U.S. presidential election shortly after. Behind the scenes, the U.S. Federal Reserve remained on hold after an initial rate hike of 0.25% in December 2015, seemingly waiting on its next hike until global market uncertainty subsided.

Closer to home, Caribbean economic activity remained subdued and pressure remained on currencies and the fiscal condition of governments here. Barbados government bonds were downgraded by Moody's to Caa1, a level closer to default than it is to investment grade, while Trinidad & Tobago was downgraded to Baa3. Foreign reserves remained under pressure in most Caribbean countries.

Many of the Fund's Barbados equity holdings performed well during the year. We benefited from strength in Goddard Enterprises (+25%), ICBL (+30%) and CIBC FirstCaribbean (+12%), although it should be noted that these moves occurred on extremely thin trading volume. As our holding in Sagcor preferred shares

matured we gradually increased the Fund's position in Sagicor common shares. The company faces meaningful challenges, some of which may be reduced by redomiciling to Bermuda, and others not. We feel the share price is depressed enough though relative to the earnings and dividend that there is likely some good value there. CIBC FirstCaribbean has seen earnings improve from depressed levels as loan impairments gradually subsided, and this trend will likely continue in the medium term.

In Jamaica, we took profits on some holdings that increased meaningfully along with the rally over the past year. The Jamaican dollar weakened 8% but shares rallied far more which led to very strong returns even in Barbados dollar terms. The government's fiscal position continued to stabilise from a very stressed level, and corporate activity and profits generally persisted at reasonable levels. The Fund's holdings in Pan Jamaican Investment Trust (+79%), GraceKennedy (+89%) and National Commercial Bank of Jamaica (+44%) all contributed to the overall gain for the year. Unfortunately, with only 1%-3% positions in each of these the impact on the overall fund was limited. As we have written for two years now, stock markets are thin in Jamaica and we have not been able to accumulate the size of positions that we would have liked when prices were much lower.

In Trinidad, we reduced holdings late in 2015 and early 2016 as energy-focused markets around the world came under acute pressure. While markets from Canada to Norway to Australia were in free-fall in January, Trinidad markets sailed along happily. Meanwhile, under the surface oil prices and production were down to damaging levels. More recently, economic data have confirmed a recession is likely underway and financial markets have adjusted lower. The official exchange rate has weakened from TT\$6.30 to TT\$6.70 per U.S. dollar. We see this trend continuing because even at the weaker rate U.S. dollars are still extremely scarce.

Technological improvements in the extraction of oil in the U.S. have likely put a long-term ceiling on prices and will continue to exert downward pressure over the long-term. This means it might be a very long time before we see US\$100/barrel oil again. The Fund had only a 3% weight in Trinidad as of year-end.

The Fund's global investments performed well over the year and have continued to do so since September 30. The best results came in our two largest allocations: the Fortress International Equity Fund which was up 9%, and the Fortress Emerging Markets Fund which gained 11% for the year. Returns in these areas, while strong, would have been even higher if not for strength in the U.S. dollar relative to other global currencies. The U.S. Federal Reserve is expected to raise interest rates in the medium term while other central banks such as the European Central Bank and Bank of Japan among others maintain extremely easy monetary policy to support their economies and financial institutions. This has resulted in investors favouring U.S. assets over those denominated in other currencies. We think this has created some interesting opportunities, and we continue to find value among international and emerging markets shares with great operations and bargain valuations, while shares in the U.S. are generally more fully valued with less potential for the future. The Fund's portfolio is positioned accordingly, with relatively little exposure to the U.S. and more substantial investments in Europe, Asia and certain emerging markets. We see plenty of "gas in the tank" there to drive future returns.

Among the Fund's largest holdings are allocations to the Fortress Global Funds. These funds, also managed by Fortress, offer an efficient way for the Fund to make and adjust its allocations to global investments in U.S. and international markets. It is worth noting that Fortress Fund Managers rebates the management fees applicable to these funds so that the Caribbean Growth Fund does not incur two layers of fees. This is another important source of efficiency for the Fund, and



*Investment Director Roger Cave speaking at the 7th Annual Fortress Investment Forum.*

it comes about because of our capability of managing these assets internally to a high global standard and at no additional cost to the Fund. Investors who would like to learn more about the portfolios underlying the Fortress Global Funds can find quarterly reports on our website at [www.fortressfund.com](http://www.fortressfund.com).

Looking forward, we continue to see challenging economic times for Barbados and the rest of the Caribbean. The weaker British pound and Cuba coming onstream as a tourist destination in the medium term will likely be headwinds for the tourism business, and the environment for tax-driven international business will likely remain difficult. High taxes, ageing infrastructure and structural inefficiencies remain a drain on potential economic growth and prosperity. Small and shrinking capital markets in the Caribbean severely limit the potential for the effective deployment of savings. In short, we expect reasonable investment returns in the Caribbean with appropriate levels of risk will be hard to come by. Generating them will continue to take consistent effort and discipline. The good news is that there are a few stocks in the region whose shares represent good value, and we own them.

Among global investments, we see mixed prospects on the horizon. Assets broadly categorized as "U.S." and "safe" have performed very well in recent years but are now so fully priced that their prospects for the future are severely constrained. Stocks in markets outside the U.S., denominated in currencies other than the U.S. dollar, are in general far better value and are priced in many cases for substantial future returns. Their recent returns have not been as good but their prospects for the future are much brighter. This is an environment suited for our disciplined, value-driven approach to finding good businesses with shares trading at attractive valuations, wherever they may be.

With an average Price/Earnings ratio among the Fund's portfolio holdings of just over 10x, there is significant potential embedded in the stocks we own. We believe we can expect good if not spectacular long-term returns from here. Nothing moves in a straight line, though, and we continue to keep cash on hand to respond to market weakness when it occurs, which it inevitably will.



The Fund's portfolio remains as diversified as possible, offering investors a unique mix of well-valued equity investments from the Caribbean and around the world. Currency controls remain a factor in Barbados which limit the opportunities for diversification. The Fund has been closed to new investment in the past during periods where new money could not be put to work effectively. The directors of the Fund are alert to the possibility that similar steps may be necessary in the future to protect the interests of current investors.

As we mark the 20th year of the Fund, and the 20th anniversary of Fortress, we sincerely thank our investors for their trust and support over the years. There have been "ups" and there have been "downs", and there will be more in the years to come. The growth in the Fund's NAV from \$1 in 1996 to \$5.14 today shows the value of patient, long-term investing. We look forward to the next twenty years of working to help you save and grow your money for the future.

Roger Cave, CA, CFA  
Investment Director



## Financial Statements

# **Fortress Mutual Fund Limited**

Consolidated Financial Statements

**September 30, 2016**

(expressed in Barbados dollars)





Ernst & Young Ltd  
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## AUDITORS' REPORT

### To the Shareholders of Fortress Mutual Fund Limited

We have audited the accompanying financial statements of **Fortress Mutual Fund Limited**, which comprise the statement of financial position as at 30 September 2016 and the statement of comprehensive income, statement of changes in equity 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 audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 financial statements present fairly, in all material respects, the statement of financial position of **Fortress Mutual Fund Limited** as at 30 September 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Other Matter

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

*Ernst & Young Ltd*  
CHARTERED ACCOUNTANTS  
Barbados  
29 December 2016

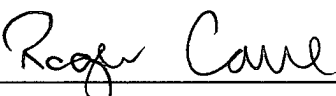
**Fortress Mutual Fund Limited**  
Consolidated Statement of Financial Position  
As at September 30, 2016

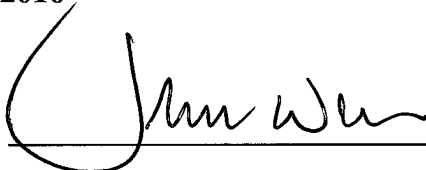
(expressed in Barbados dollars)

	2016 \$	2015 \$
<b>Assets</b>		
Financial assets (note 5)	342,750,782	297,532,712
Real estate available for re-sale (note 6)	2,400,000	2,336,094
Due from brokers (note 8)	–	227,013
Accounts receivable	341,161	279,653
Cash and cash equivalents (note 9)	50,901,909	56,755,235
<b>Total assets</b>	<b>396,393,852</b>	<b>357,130,707</b>
<b>Liabilities</b>		
Due to brokers (note 8)	99,077	1,819
Accounts payable and accrued expenses	268,888	173,930
<b>Total liabilities (excluding net assets attributable to holders of redeemable mutual fund shares)</b>	<b>367,965</b>	<b>175,749</b>
<b>Net assets attributable to holders of redeemable mutual fund shares (note 12)</b>	<b>395,985,887</b>	<b>356,914,958</b>
<b>Total liabilities</b>	<b>396,353,852</b>	<b>357,090,707</b>
<b>Share capital (note 13)</b>	<b>40,000</b>	<b>40,000</b>
<b>Liabilities and shareholder funds</b>	<b>396,393,852</b>	<b>357,130,707</b>
<b>Net asset value per redeemable mutual fund share</b>	<b>5.1449</b>	<b>4.6846</b>

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

Approved by the Board of Directors on December 29, 2016

 Director

 Director

# Fortress Mutual Fund Limited

## Consolidated Statement of Changes in Net Assets Attributable to Holders of Redeemable Mutual Fund Shares

For the year ended September 30, 2016

(expressed in Barbados dollars)

	Number of shares	Net assets attributable to holders of redeemable mutual fund shares \$
<b>Balance at September 30, 2014</b>	<b>74,667,078</b>	<b>359,732,230</b>
Issue of shares	5,297,440	25,878,103
Redemption of shares	(3,776,312)	(18,422,165)
Total comprehensive loss for the year	—	(10,273,210)
<b>Balance at September 30, 2015</b>	<b>76,188,206</b>	<b>356,914,958</b>
Issue of shares	5,325,893	26,213,159
Redemption of shares	(4,548,114)	(22,124,413)
Total comprehensive income for the year	—	34,982,183
<b>Balance at September 30, 2016</b>	<b>76,965,985</b>	<b>395,985,887</b>

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

# Fortress Mutual Fund Limited

## Consolidated Statement of Comprehensive (Loss)/Income For the year ended September 30, 2016

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(expressed in Barbados dollars)

	2016 \$	2015 \$
<b>Revenue</b>		
Net fair value gains/(losses) on financial assets at fair value through profit and loss (note 5)	37,292,974	(9,326,516)
Dividend income	4,251,131	5,417,460
Interest income (note 10)	189,726	181,273
Other income	125,596	91,165
	<hr/>	<hr/>
<b>Total investment income/(loss)</b>	<b>41,859,427</b>	<b>(3,636,618)</b>
	<hr/>	<hr/>
<b>Expenses</b>		
Management fees (note 11)	5,396,121	5,242,853
Administrator and custodian fees (note 11)	614,156	606,218
Trade fees	507,897	407,945
Operating expenses	204,619	196,424
Professional fees	172,237	103,524
Withholding taxes	46,120	79,628
Impairment on property	(63,906)	—
	<hr/>	<hr/>
<b>Operating expenditure</b>	<b>6,877,244</b>	<b>6,636,592</b>
	<hr/>	<hr/>
<b>Net income and total comprehensive income/(loss)</b>	<b>34,982,183</b>	<b>(10,273,210)</b>

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

# Fortress Mutual Fund Limited

## Consolidated Statement of Cash Flows

For the year ended September 30, 2016

(expressed in Barbados dollars)

	2016 \$	2015 \$
<b>Cash flows from operating activities</b>		
Total comprehensive income/(loss)	34,982,183	(10,273,210)
Adjustments for:		
Net fair value (gains)/losses on financial assets at fair value through profit and loss	(37,292,974)	9,326,516
Impairment on property	(63,906)	—
Dividend income	(4,251,131)	(5,417,460)
Interest income	(189,726)	(181,273)
<b>Operating loss before working capital changes</b>	<b>(6,815,554)</b>	<b>(6,545,427)</b>
Increase in accounts receivable	(32,340)	(17,002)
Decrease/(increase) in due from brokers	227,013	(7,068)
Increase in due to brokers	97,258	1,819
Increase in accounts payable and accrued expenses	94,958	3,970
Purchase of financial assets at fair value through profit and loss	(114,716,584)	(81,947,858)
Proceeds on sale of financial assets at fair value through profit and loss	106,878,051	70,793,177
<b>Cash used in operations</b>	<b>(14,267,198)</b>	<b>(17,718,389)</b>
Interest received	103,163	196,453
Dividends received	4,221,963	5,332,808
<b>Cash used in operating activities</b>	<b>(9,942,072)</b>	<b>(12,189,128)</b>
<b>Cash flows from financing activities</b>		
Issue of mutual fund shares	26,213,159	25,878,103
Redemption of mutual fund shares	(22,124,413)	(18,422,165)
<b>Cash generated from financing activities</b>	<b>4,088,746</b>	<b>7,455,938</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(5,853,326)</b>	<b>(4,733,190)</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>56,755,235</b>	<b>61,488,425</b>
<b>Cash and cash equivalents – end of year</b>	<b>50,901,909</b>	<b>56,755,235</b>

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

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

### 1 Incorporation and principal activity

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

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

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

These consolidated financial statements of the Fund and its subsidiary (“the Group”) were authorised for issue by the Board of Directors on December 29, 2016.

### 2 Summary of significant accounting policies

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

#### a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities held at fair value through profit or loss and joint ventures which are carried at fair value.

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

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



# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

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

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

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

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 Group.

##### *Standards, amendments and interpretations that are issued but not yet effective which may be relevant for the Group'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 consolidated financial statements of the Group 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 Group 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 January 1, 2018.

#### b) Consolidation

Subsidiaries are all entities (including structured entities) over which the Fund has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between the Fund and its subsidiaries are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Fund's accounting policies.

# Fortress Mutual Fund Limited

Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

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

### c) Foreign currency translation

#### *Functional and presentation currency*

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

#### *Transactions and balances*

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

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

### d) Financial assets

The Fund classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

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

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

##### *i) Classification*

The majority of the Fund’s investments have been classified as financial assets at fair value through profit or loss in accordance with International Accounting Standard 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.

# Fortress Mutual Fund Limited

Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

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

### d) Financial assets...continued

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

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

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

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

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

Investments in other investment funds are valued on the basis of the net asset value per share as determined by the administrators of those investment vehicles in accordance with industry practice.

All other financial assets at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value.

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 consolidated statement of comprehensive income as they arise. Average cost is used to compute realised and unrealised gains and losses on investments.

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

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

#### d) Financial assets...continued

##### iii) Fair value estimation

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

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

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

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

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method less provision for impairment. A loan or receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees and the financial condition and viability of the borrower.

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

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

#### e) Derivative contracts

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

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

#### f) Real estate available for re-sale

Properties that are being held for future sale are classified as real estate available for re-sale and are carried at lower of cost or net realisable value. Subsequent costs are included in the properties' carrying value. The carrying value is immediately written down to its recoverable amount if its carrying value is assessed to be greater than the estimated recoverable amount.

Gains and losses realised on the sale of real estate available for re-sale are included in the consolidated statement of comprehensive income at the time of sale.

#### g) Cash and cash equivalents

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

#### h) Income

##### Interest income

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

##### Dividend income

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

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

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

#### **i) Expenses**

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

#### **j) Due from and due to brokers**

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased, that have been contracted for but not yet settled or delivered by the consolidated statement of financial position date, respectively.

#### **k) Redeemable mutual fund shares/ Net asset value**

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

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

#### **l) Distributions payable to holders of redeemable mutual fund shares**

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

#### **m) Taxation**

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



# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

### 3 Critical accounting estimates and assumptions

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

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

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

### 4 Financial risk management

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

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

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

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

#### Market risk

##### (i) Price risk

The Fund is exposed to market price risk arising primarily from the changes in equity prices. To manage this risk the Fund holds a diversified portfolio of investments in accordance with its investment policy. A summary of the overall consolidated statement of financial position market exposures at September 30, 2016 is disclosed in note 5.

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

### 4 Financial risk management...continued

#### Market risk...continued

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

At September 30, 2016, 48% (2015- 52%) of financial assets at fair value through profit or loss, comprise of investments in other funds that have been fair valued in accordance with the policies set out in note 2d. Since the shares of the other funds are not publicly traded, redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of the Fund to request redemption of its investments in other funds may vary in frequency from daily to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in funds in which the Fund has invested.

The Fund'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 Fund 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 of the 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 5-13% with all other variables held constant.

Financial assets at fair value through profit or loss:

	Carrying Value 2016 \$	Effective change at September 2016	Impact on income \$
Listed on Caribbean stock exchange and markets	97,603,077	6%	5,856,185
Listed on US stock exchanges and markets	48,572,048	13%	6,314,366
Listed on other exchanges and markets	29,729,989	7%	2,081,099
Unlisted hedge and mutual funds	145,289,342	7%	10,170,254
Unlisted securities	21,508,092	10%	2,150,809
	<b>342,702,548</b>		<b>26,572,713</b>

# Fortress Mutual Fund Limited

Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

## 4 Financial risk management...continued

### Market risk ...continued

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

	Carrying Value 2015 \$	Effective change at September 2015	Impact on income \$
Listed on Caribbean stock exchange and markets	95,048,342	6%	5,702,901
Listed on US stock exchanges and markets	15,661,763	13%	2,036,029
Listed on other exchanges and markets	26,617,453	7%	1,863,222
Unlisted hedge and mutual funds	141,707,946	7%	9,919,556
Unlisted securities	18,448,974	10%	1,844,897
	<b>297,484,478</b>		<b>21,366,605</b>

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

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The majority of the Fund's financial assets and liabilities are non-interest bearing. The Fund's debt securities are fixed rate securities. As a result the Fund is not subject to significant amounts of cash flow interest risk due to fluctuation in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates. The maturity dates on the US Treasuries range from November 2018 to June 2023. The effective yield on loans and receivables is disclosed in note 5 and on cash and cash equivalents in note 9.

#### (iii) Foreign exchange risk

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

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

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 4 Financial risk management...continued

#### Market risk ...continued

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

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

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

	<b>JMD</b> \$	<b>GBP</b> \$	<b>GYD</b> \$	<b>NOK</b> \$
<b>September 30, 2016</b>				
<b>Financial assets</b>				
Investments	25,901,730	19,452,881	10,245,571	398,123
Accounts receivable	181,401	—	—	—
Cash and cash equivalents	118,141	—	29,266	—
<b>Total financial assets</b>	<b>26,201,272</b>	<b>19,452,881</b>	<b>10,274,837</b>	<b>398,123</b>
<b>Total financial liabilities</b>	—	—	—	—
<b>Net position</b>	<b>26,201,272</b>	<b>19,452,881</b>	<b>10,274,837</b>	<b>398,123</b>
	<b>JMD</b> \$	<b>GBP</b> \$	<b>GYD</b> \$	<b>NOK</b> \$
<b>September 30, 2015</b>				
<b>Financial assets</b>				
Investments	32,244,189	18,144,776	8,774,397	477,723
Due from brokers	—	—	80,666	—
Accounts receivable	236,890	—	—	—
Cash and cash equivalents	645,650	—	—	—
<b>Total financial assets</b>	<b>33,126,729</b>	<b>18,144,776</b>	<b>8,855,063</b>	<b>477,723</b>
<b>Total financial liabilities</b>	—	—	—	—
<b>Net position</b>	<b>33,126,729</b>	<b>18,144,776</b>	<b>8,855,063</b>	<b>477,723</b>

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 4 Financial risk management...continued

#### Market risk ...continued

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

##### Sensitivity

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

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

	Effect of a 5% depreciation as of September 30, 2016	Effect of a 5% depreciation as of September 30, 2015
	\$	\$
Balances denominated in JMD	1,310,064	1,656,336
Balances denominated in GBP	972,644	907,239
Balances denominated in GYD	513,742	442,753
Balances denominated in NOK	19,906	23,886

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

#### Credit risk

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

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

	2016	2015
	\$	\$
Debt securities	40,291,003	15,184,040
Loans and receivables	48,234	48,234
Due from brokers	—	227,013
Accounts receivable	341,161	279,653
Cash and cash equivalents	50,901,909	56,755,235
	<b>91,582,307</b>	<b>72,494,175</b>

Credit risk from debt securities and loans and receivables is minimised through holding a diversified portfolio of investments, purchasing securities after careful assessment of the borrower and placing deposits with financial institutions with a strong capital base. The Fund's loans and receivables are unrated.

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 4 Financial risk management...continued

#### Credit risk...continued

None of the Fund's loans and receivables and accounts receivables are impaired or past due but not impaired (2015- nil).

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

	2016 \$	2015 \$
<b>Debt securities</b>		
US treasury notes (AA+ by Standard & Poor's)	<b>40,291,003</b>	15,184,040

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

	2016 \$	2015 \$
<b>Due from brokers</b>		
Neither past due or impaired	—	227,013
	—	227,013

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

	2016 \$	2015 \$
<b>Cash and cash equivalents</b>		
Morgan Stanley (A by Standard & Poor's)	<b>25,774,209</b>	15,858,935
CIBC FirstCaribbean International Bank Ltd (not rated)	<b>15,420,835</b>	17,871,204
Wells Fargo Prime Services (Aa1 by Moody's)	—	13,366,180
	<b>41,195,044</b>	47,096,319



# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 4 Financial risk management ...continued

#### Liquidity risk

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

The Fund is exposed to weekly cash redemptions of Class “A” Redeemable Mutual Fund Shares (note 12). It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The table below analyses the Fund’s financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

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

	<b>Less than 1 month \$</b>	<b>1 - 3 months \$</b>
<b>September 30, 2016</b>		
Accounts payable and accrued expenses	22,110	246,778
Net assets attributable to holders of redeemable mutual fund shares	395,985,887	—
<b>Total financial liabilities</b>	<b>396,007,997</b>	<b>246,778</b>
	<b>Less than 1 month \$</b>	<b>1 - 3 months \$</b>
<b>September 30, 2015</b>		
Accounts payable and accrued expenses	94,382	79,548
Net assets attributable to holders of redeemable mutual fund shares	356,914,958	—
<b>Total financial liabilities</b>	<b>357,009,340</b>	<b>79,548</b>

Redeemable shares are redeemed on demand at the holder’s option (note 12). In the event of unusual circumstances and redemption requests representing more than 20% of the Fund’s assets being received within 30 consecutive days, the directors of the Fund reserve the right to suspend redemptions and to hold a special meeting of the Fund shareholders to determine the future of the Fund, including the liquidation of the Fund’s assets.

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

### 4 Financial risk management ...continued

#### Liquidity risk...continued

At September 30, 2016, 48% (2015- 52%) of financial assets at fair value through profit or loss, comprise of investments in other funds that have been fair valued in accordance with the policies set out in note 2d. Since the shares of the other funds are not publicly traded, redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the other funds. The rights of the Fund to request redemption of its investments in other funds may vary in frequency from daily to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in funds in which the Fund has invested.

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

	Less than 1 week \$	1 week- 1 month \$	1 - 3 months \$	Over 3 months \$
<b>September 30, 2016</b>				
Total assets	<u>129,203,946</u>	<u>231,263,595</u>	<u>10,595,822</u>	<u>25,330,489</u>
<b>September 30, 2015</b>				
Total assets	<u>101,365,697</u>	<u>220,124,179</u>	<u>12,670,431</u>	<u>22,970,400</u>

#### Capital risk management

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

#### Fair value estimation

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

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 4 Financial risk management ...continued

#### Fair value estimation ...continued

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

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>September 30, 2016</b>				
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	115,413,847	1,593,383	–	<b>117,007,230</b>
Mutual funds	3,809,824	157,931,899	2,502	<b>161,744,225</b>
Hedge funds	–	771,697	1,380,301	<b>2,151,998</b>
Debt securities	40,291,003	–	–	<b>40,291,003</b>
Joint arrangements	–	–	21,492,193	<b>21,492,193</b>
Unlisted equity securities	–	8,640	7,259	<b>15,899</b>
	<b>159,514,674</b>	<b>160,305,619</b>	<b>22,882,255</b>	<b>342,702,548</b>

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 4 Financial risk management ...continued

#### Fair value estimation ...continued

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>September 30, 2015</b>				
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss:</b>				
Listed equity securities	99,245,696	5,512,706	–	<b>104,758,402</b>
Mutual funds	6,155,891	147,610,681	139,209	<b>153,905,781</b>
Hedge funds	–	3,180,752	2,006,529	<b>5,187,281</b>
Debt securities	15,184,040	–	–	<b>15,184,040</b>
Joint arrangements	–	–	18,433,075	<b>18,433,075</b>
Unlisted equity securities	–	8,640	7,259	<b>15,899</b>
	<b>120,585,627</b>	<b>156,312,779</b>	<b>20,586,072</b>	<b>297,484,478</b>

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

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

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently, are unquoted or are determined by a third party. Level 3 instruments include unlisted hedge funds, mutual funds and securities.

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

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 4 Financial risk management ...continued

#### Fair value estimation ...continued

The level 3 hedge and mutual funds that amounts to \$1,382,803 (2015- \$2,145,738) consists of unlisted hedge and mutual funds. The Fund invests in funds for which observable prices are not available as they are not listed in active markets.

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

The level 3 unlisted equity securities amounts to \$7,259 (2015- \$7,259). The Fund values these instruments using prices from prior transactions or third party pricing information.

There were no transfers between levels as at September 30, 2015 (2015- nil).

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

	<b>Mutual funds</b>	<b>Hedge funds</b>	<b>Joint arrangements</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>September 30, 2016</b>					
Opening balance	<b>139,209</b>	<b>2,006,529</b>	<b>18,433,075</b>	<b>7,259</b>	<b>20,586,072</b>
Sales	—	(173,028)	—	—	(173,028)
(Losses)/gain recognised in the consolidated statement of comprehensive income	(136,707)	(453,200)	3,059,118	—	<b>2,469,211</b>
<b>Closing balance</b>	<b>2,502</b>	<b>1,380,301</b>	<b>21,492,193</b>	<b>7,259</b>	<b>22,882,255</b>
Change in unrealised (losses)/gains for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(136,707)	(453,200)	3,059,118	—	<b>2,469,211</b>

# Fortress Mutual Fund Limited

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation ...continued

	Mutual funds	Hedge funds	Joint arrangements	Other	Total
	\$	\$	\$	\$	\$
<b>September 30, 2015</b>					
Opening balance	181,348	1,423,397	16,711,433	662,689	18,978,867
Sales	(18,070)	(237,210)	–	(653,954)	(909,234)
(Losses)/gain recognised in the consolidated statement of comprehensive income	(24,069)	820,342	1,721,642	(1,476)	2,516,439
<b>Closing balance</b>	<b>139,209</b>	<b>2,006,529</b>	<b>18,433,075</b>	<b>7,259</b>	<b>20,586,072</b>
Change in unrealised losses)/gains for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(24,069)	820,342	1,721,642	(1,476)	2,516,439

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

Description	Fair value at September 30, 2016	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
	\$			
Mutual funds	2,502	Third party valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
Hedge funds	1,380,301	Third party valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
Joint arrangements	21,492,193	Proportionate share of the net assets of the joint arrangements	Fair value of underlying assets	The higher the fair value of the underlying assets of the joint arrangement the higher the fair value
Other	7,259	Net tangible assets	Net book value of underlying assets	The higher the net book value per share the higher the fair value

# Fortress Mutual Fund Limited

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

## 4 Financial risk management ...continued

### Fair value estimation ...continued

Description	Fair value at September 30, 2015 \$	Valuation technique	Unobservable input	Relationship of unobservable inputs to fair value
Mutual funds	139,209	Third party valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
Hedge funds	2,006,528	Third party valuation of net asset value per share	Net asset value per share	The higher the net asset value per share the higher the fair value
Joint arrangements	18,433,075	Proportionate share of the net assets of the joint arrangements	Fair value of underlying assets	The higher the fair value of the underlying assets of the joint arrangement the higher the fair value
Other	7,259	Net tangible assets	Net book value of underlying assets	The higher the net book value per share the higher the fair value

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2016</b>				
<b>Assets</b>				
Accounts receivable	—	341,161	—	<b>341,161</b>
Cash and cash equivalents	50,901,909	—	—	<b>50,901,909</b>
<b>Total</b>	<b>50,901,909</b>	<b>341,161</b>	<b>—</b>	<b>51,243,070</b>
<b>Liabilities</b>				
Due to brokers	—	99,077	—	<b>99,077</b>
Accounts payable and accrued expenses	—	268,888	—	<b>268,888</b>
Net assets attributable to holders of redeemable mutual fund shares	—	395,985,887	—	<b>395,985,887</b>
<b>Total</b>	<b>—</b>	<b>396,353,852</b>	<b>—</b>	<b>396,353,852</b>

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 4 Financial risk management ...continued

#### Fair value estimation ...continued

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>September 30, 2015</b>				
<b>Assets</b>				
Due from brokers	—	227,013	—	227,013
Accounts receivable	—	279,653	—	279,653
Cash and cash equivalents	56,755,235	—	—	56,755,235
<b>Total</b>	<b>56,755,235</b>	<b>506,666</b>	<b>—</b>	<b>57,261,901</b>
<b>Liabilities</b>				
Due to brokers	—	1,819	—	1,819
Accounts payable and accrued expenses	—	173,930	—	173,930
Net assets attributable to holders of redeemable mutual fund shares	—	356,914,958	—	356,914,958
<b>Total</b>	<b>—</b>	<b>357,090,707</b>	<b>—</b>	<b>357,090,707</b>

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

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

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



# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

### 5 Financial assets

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

	2016 \$	2015 \$
<b>Designated at fair value through profit or loss at inception:</b>		
- mutual funds	161,744,225	153,905,781
- listed equity securities	117,007,230	104,758,402
- debt securities	40,291,003	15,184,040
- joint arrangements	21,492,193	18,433,075
- hedge funds	2,151,998	5,187,281
- other	15,899	15,899
<b>Total financial assets designated at fair value through profit or loss</b>	<b>342,702,548</b>	<b>297,484,478</b>
<b>Loans and receivables</b>	<b>48,234</b>	<b>48,234</b>
<b>Total financial assets</b>	<b>342,750,782</b>	<b>297,532,712</b>
<b>Net gains/(losses) recognised in relation to investments</b>		
- realised	9,383,785	6,172,902
- change in unrealised	27,909,189	(15,499,418)
	<b>37,292,974</b>	<b>(9,326,516)</b>

# Fortress Mutual Fund Limited

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

## 5 Financial assets....continued

The detailed portfolio of investments is as follows:

	2016		2015	
	Cost	Market value	Cost	Market value
	\$	\$	\$	\$
<b>Security</b>				
<b>Financial assets at fair value through profit or loss</b>				
<b>Barbados</b>				
Goddard Enterprises Limited	6,978,911	15,960,071	6,941,325	12,216,550
Insurance Corporation of Barbados Ltd	6,315,146	6,820,000	6,315,146	5,000,000
Sagicor Financial Corporation	6,026,785	5,516,213	991,525	930,288
Cable & Wireless B'dos Limited	5,057,900	4,477,509	4,330,228	3,369,197
CIBC FirstCaribbean International Bank	6,536,378	4,111,460	6,534,628	3,424,466
Fortress Caribbean Property Fund SCC-Value Fund	1,307,145	1,119,577	1,307,145	785,668
Barbados Dairy Industries Ltd	877,117	355,491	877,117	283,637
Fortress Caribbean Property Fund SCC-Development Fund	989,191	353,551	989,191	412,476
Sagicor Financial Corporation-preference shares	—	—	3,999,018	4,053,875
Banks Holdings Limited	—	—	1,693,953	1,823,960
	<b>34,088,573</b>	<b>38,713,872</b>	<b>33,979,276</b>	<b>32,300,117</b>
<b>Jamaica</b>				
Grace Kennedy	8,928,731	15,115,055	16,598,754	14,948,789
National Commercial Bank Ltd	3,095,609	5,065,790	7,353,850	8,650,519
Pan Jam Investments Trust Co.	1,664,446	3,234,988	3,629,202	3,872,371
Jamaica Money Market Brokers Ltd	1,847,097	2,477,257	2,763,291	2,357,408
Sagicor Group Jamaica Ltd	—	—	1,179,908	1,567,420
Scotia Group Jamaica Ltd	—	—	725,140	839,042
	<b>15,535,883</b>	<b>25,893,090</b>	<b>32,250,145</b>	<b>32,235,549</b>
<b>Trinidad</b>				
Guardian Holdings	7,434,671	6,006,132	5,488,309	4,576,142
Massy Holdings Ltd	5,240,555	5,598,087	4,420,818	5,799,890
Prætorian Property Mutual Fund	4,862,536	2,336,696	4,862,536	2,853,514
	<b>17,537,762</b>	<b>13,940,915</b>	<b>14,771,663</b>	<b>13,229,546</b>
<b>Bermuda</b>				
Bermuda Fire & Marine Ltd	<b>3,874,154</b>	<b>4,983,461</b>	<b>3,874,154</b>	<b>4,613,497</b>

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 5 Financial assets....continued

	2016		2015	
	Cost \$	Market Value \$	Cost \$	Market Value \$
<b>Security</b>				
<b>Financial assets at fair value through profit or loss</b>				
<b>East Caribbean</b>				
East Caribbean Financial Holdings Ltd	2,932,344	1,720,819	2,932,344	1,884,707
St Lucia Electricity Services	534,208	1,085,160	536,480	1,089,775
Trading & Development Co Ltd	526,249	809,467	526,249	781,554
	<b>3,992,801</b>	<b>3,615,446</b>	<b>3,995,073</b>	<b>3,756,036</b>
<b>Guyana</b>				
Demerara Bank Limited	1,986,530	5,226,483	1,986,530	5,246,376
Banks DIH Ltd	2,167,152	3,869,289	2,103,984	2,883,511
Demerara Distilleries Ltd	233,674	547,273	233,674	644,510
Demerara Tobacco Co Ltd	85,392	84,808	—	—
Guyana Bank for Trade and Industry Ltd	520,268	517,718	—	—
	<b>4,993,016</b>	<b>10,245,571</b>	<b>4,324,188</b>	<b>8,774,397</b>
<b>International</b>				
US Treasury Notes	40,242,812	40,291,003	14,940,680	15,184,040
Fortress International Equity Fund	26,479,975	27,807,707	26,479,975	25,589,263
Fortress Emerging Markets Fund	25,969,083	24,891,290	25,969,083	22,384,502
Fortress OAM Overseas Fund Ltd	23,975,492	23,397,120	23,975,492	21,487,481
Fortress Income Builder Intl Fund	17,370,574	17,434,347	17,370,574	16,572,221
Fortress Income Builder US Fund	13,973,347	15,414,357	13,973,347	14,723,743
Templeton Asian Smaller Companies	12,000,000	12,769,326	12,000,000	10,921,747
Fortress US Equity Fund	9,312,521	10,809,377	9,312,521	10,531,883
OAM European Value Fund	5,288,858	8,738,965	5,288,858	8,399,904
C G Portfolio Fund Ltd	4,027,134	8,368,949	3,974,814	8,628,781
Caledonia Investment UK Ord shares	5,567,484	6,301,230	5,567,484	6,567,359
Fortress Global Opportunity Wealth Fund	5,999,920	6,272,730	5,999,920	5,959,445
Ishares TR Nasdaq Biotechnology	3,686,196	4,165,200	—	—
Ishares MSCI Frontier Fund	4,830,454	3,849,000	4,830,454	3,768,000
Ishares UK Dividend UCITS ETF	3,630,368	3,717,722	—	—
British Empire Securities & Gen Trust	2,781,148	3,328,523	1,465,938	1,597,131
Templeton Africa Fund Class A	2,840,000	2,027,731	2,840,000	2,411,711
Aberdeen Frontier Markets	1,649,309	1,454,179	1,649,309	1,351,505
<b>International c/fwd</b>	<b>209,624,675</b>	<b>221,038,756</b>	<b>175,638,449</b>	<b>176,078,716</b>

# Fortress Mutual Fund Limited

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

## 5 Financial assets....continued

	2016		2015	
	Cost \$	Market Value/ Amortised Cost \$	Cost \$	Market Value/ Amortised Cost \$
<b>Security</b>				
<b>Financial assets at fair value through profit or loss</b>				
<b>International b/fwd</b>	<b>209,624,675</b>	<b>221,038,756</b>	<b>175,638,449</b>	<b>176,078,716</b>
OAM Greenpark II	381,928	1,316,935	419,710	1,922,107
ChapleGate Credit Opportunity Fund Ltd	444,040	771,697	2,000,000	3,180,752
YARA International NOK	533,326	398,123	533,326	477,723
Integral ETF Index Strategy	–	–	2,000,000	2,104,233
	<b>210,983,969</b>	<b>223,525,511</b>	<b>180,591,485</b>	<b>183,763,531</b>
<b>Other</b>				
CS&C Joint Venture	5,784,000	19,162,824	5,784,000	16,452,912
Sunset Joint Venture	936,000	2,329,369	936,000	1,980,163
	<b>6,720,000</b>	<b>21,492,193</b>	<b>6,720,000</b>	<b>18,433,075</b>
<b>Holdings less than 0.05%</b>	<b>411,836</b>	<b>292,489</b>	<b>412,393</b>	<b>378,730</b>
<b>Total financial assets at fair value through profit and loss</b>	<b>298,137,994</b>	<b>342,702,548</b>	<b>280,918,377</b>	<b>297,484,478</b>
<b>Loans and receivables</b>				
Loans and receivables	48,000	48,234	48,000	48,234
<b>Total loans and receivables</b>	<b>48,000</b>	<b>48,234</b>	<b>48,000</b>	<b>48,234</b>
<b>Total financial assets</b>	<b>298,185,994</b>	<b>342,750,782</b>	<b>280,966,377</b>	<b>297,532,712</b>

The effective yield on loans and receivables is 6.05% (2015 – 6.05%).

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

### 6 Real estate available for re-sale

The detailed portfolio of real estate available for resale is as follows:

	2016	2015
	\$	\$
Coral Cove – Unit 11	<b>2,400,000</b>	2,336,094

Real estate available for re-sale is carried at lower of cost or net realisable value. During the year an impairment test on the carrying value of the real estate available for re-sale was performed. Based on the test there was no impairment loss for the Coral Cove Unit 11 for the current financial year. Valuations performed by professional valuers are utilised in the process of determining the net realisable value of the real estate available for re-sale. Due to the nature of the valuation process, valuations may differ between professional valuers. The effect on net income of an across the board 10% decline in fair value of the Fund's real estate available for re-sale would result in a decline for \$240,000 (2015 - \$233,609) in the carrying value. There were no changes to the valuation techniques during the year.

As of September 30, 2016 negotiations with a potential buyer for the sale of the Coral Cove- unit 11 were at an advance stage. The transaction is expected to complete by December 15, 2016.

### 7 Investment in subsidiary

The Fund had the following subsidiary at September 30, 2016:

Name	Country of incorporation	Proportion of ordinary shares held by parent (%)	Proportion of ordinary shares directly held by non-controlling interests (%)
Cove 11 Limited	Barbados	100%	—

The Fund owns a 100% interest in Cove 11 Limited, a company incorporated in Barbados. This company owns the Coral Cove – Unit 11 in Paynes Bay, St James, property which has been included in real estate available for re-sale (note 6).

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

### 8 Due from/to brokers

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

	2016	2015
	\$	\$
Funds advanced for purchases	—	277,013

This amount represents funds advanced for the purchase of shares, which have not been issued at the year end.

### Due to brokers

	2016	2015
	\$	\$
Purchases awaiting settlement	99,077	1,819

This amount represents funds due to brokers on the purchase of investments, which have not been paid at the year end.

### 9 Cash and cash equivalents

	2016	2015
	\$	\$
Cash at bank	28,226,169	40,896,300
Money market funds	22,675,740	15,858,935
	50,901,909	56,755,235

The effective yield on cash and cash equivalents and money market funds is 0.05% (2015- 0.21%).

### 10 Interest income

	2016	2015
	\$	\$
Loans and receivables	2,912	16,430
Debt securities at fair value through profit or loss	149,042	68,123
Cash and cash equivalents	37,772	96,720
	189,726	181,273

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

### 11 Related party transactions

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

Fortress Fund Managers Limited serves as manager, registrar and administrator of the Fund. As a result of providing investment advisory, management, registrar and administrator services, Fortress Fund Managers Limited receives a weekly management and administration fee based on the actual net asset value of the Fund, calculated weekly and payable in arrears. The gross management fee amounted to \$6,532,992 (2015- \$5,514,217) for the year. The administrator fees amounted to \$326,136 (2015- \$326,136) for the year.

Management fees of \$1,136,871 (2015- \$188,975) were refunded by Fortress Fund Managers Limited being 0.75% - 1.00% of the net asset values of Fortress Caribbean Property Fund SCC Limited, Fortress Caribbean High Interest Fund, Fortress OAM Overseas Fund, Fortress International Equity Fund Limited, Fortress Emerging Markets Fund, Fortress Income Builder US Fund, Fortress US Equity Fund, Fortress Income Builder International Fund and Fortress Global Opportunity Wealth Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

In the prior year, Fortress Fund Advisors Limited, a subsidiary of Fortress Fund Managers provides investment advisory and management services to the Fund. As a result, Fortress Fund Advisors Limited received a weekly advisory and management fee based on the actual net asset value of the Fund, calculated weekly and payable in arrears. The gross management fee amounted to nil (2015- \$933,518) for the year.

Management fees of nil (2015- \$1,015,907) were refunded by Fortress Fund Advisory Limited (a subsidiary of Fortress Fund Managers Limited) being 1% of the net asset values of Fortress International Equity Fund Limited, Fortress Emerging Markets Fund, Fortress Income Builder US Fund, Fortress US Equity Fund, Fortress Income Builder International Fund and Fortress Global Opportunity Wealth Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager.

Custodian fees of \$288,020 (2015- \$280,082) were paid to CIBC FirstCaribbean International Bank (Barbados) Limited for which there is shared directorship.

The Fund holds 1,964,171 (2015- 1,964,171) shares valued at \$1,119,577 (2015- \$785,668) in the Fortress Caribbean Property Fund SCC- Value Fund shares.

The Fund holds 1,964,171 (2015- 1,964,171) shares valued at \$353,551 (2015- \$412,476) in the Fortress Caribbean Property Fund SCC- Development Fund shares.

The Fund holds 11,402,328 (2015- 11,402,328) shares valued at \$23,397,120 (2015- \$21,487,481) in the Fortress OAM Overseas Fund.

The Fund holds 130,733 (2015- 130,733) shares valued at \$24,891,290 (2015- \$22,384,502) in the Fortress Emerging Markets Fund SPC.

# Fortress Mutual Fund Limited

## Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

### 11 Related party transactions.....continued

The Fund holds 29,999 (2015- 29,999) shares valued at \$6,272,730 (2015- \$5,959,445) in the Fortress Global Opportunity Wealth Fund SPC.

The Fund holds 85,409 (2015- 85,409) shares valued at \$17,434,347 (2015- \$16,572,221) in the Fortress Income Builder International Fund SPC.

The Fund holds 68,936 (2015- 68,936) shares valued at \$15,414,357 (2015- \$14,723,743) in the Fortress Income Builder US Fund SPC.

The Fund holds 128,032 (2015- 128,032) shares valued at \$27,807,707 (2015- \$25,589,263) in the Fortress International Equity Fund SPC.

The Fund holds 44,695 (2015- 44,695) shares valued at \$10,809,377 (2015- \$10,531,883) in the Fortress US Equity Fund SPC.

The Fund holds shares in various OAM funds for which there is shared directorship. The Fund holds 116,117 (2015- 116,117) shares valued at \$8,738,965 (2015- \$8,399,904) in OAM European Value Fund, 3,290 (2015- 3,290) valued at \$63,366 (2015- \$84,422) in OAM Greenpark Secondaries and 21,390 (2015- 23,506) shares valued at \$1,316,935 (2015- \$1,922,107) in OAM Greenpark II.

Directors fees of \$80,000 (2015- \$80,000) were paid during the year. Directors' interest (including beneficial interests) in class "A" 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>				
Directors	413,030	329	(147,390)	265,969

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

	Number of shares	
	2016	2015
Fortress Caribbean Pension Fund Limited	31,083,219	28,551,358
Fortress Insurance Company Limited	568,960	568,960
Fortress Fund Advisors Limited	172	172



# Fortress Mutual Fund Limited

Notes to the Consolidated Financial Statements

September 30, 2016

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(expressed in Barbados dollars)

## 12 Redeemable mutual fund shares

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

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

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

## 13 Share capital

	<u>2016</u>		<u>2015</u>	
	Number of shares	\$	Number of shares	\$
<b>Common shares</b>				
An unlimited number of common shares				
<b>Issued</b>	<b>1,000</b>	<b>40,000</b>	1,000	40,000

### Common shares

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



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