



2021 ANNUAL REPORT

Fortress Caribbean
High Interest 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.

Fortress Fund Managers Limited
Radley Court
Upper Collymore Rock
St. Michael, BB14004
Barbados
BB11144
TEL (246) 431 2198
FAX (246) 431 0514
invest@fortressfund.com
www.fortressfund.com

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Fortress Caribbean
High Interest Fund

Investment Objectives & Fund Details

The Fund's primary objective is income and capital preservation over the medium term. The Fund actively invests in a diversified portfolio of primarily Caribbean and international debt securities.

The Fund issues two classes of shares - "Accumulation" and "Distribution". Holders of the Distribution shares receive dividends every six months. Holders of the Accumulation shares are not paid dividends, but receive their entire return via the Fund's increase in Net Asset Value. Pre-tax returns to holders of the two share classes are identical.

FUND NAME:	Fortress Caribbean High Interest Fund	
LAUNCH DATE:	May 17, 2002	
LAUNCH PRICE:	\$1.00 per share	
MINIMUM INVESTMENT:	\$500.00 \$100.00 for subsequent investments \$50.00 for monthly savings plan	
FUND STATUS:	Closed to lump sum subscriptions Open for pension and monthly savings programme only	
	ACCUMULATION	DISTRIBUTION
NET ASSET VALUE PER SHARE 9/30/2021	\$2.1220	\$1.0132
NET ASSETS 9/30/2021	\$140,450,707	\$2,542,430
MANAGEMENT EXPENSES: <i>Management fees:</i>	0.75% per annum on the net assets	
<i>Custodian & Administrator:</i>	0.20% per annum on the first \$30 million of net assets 0.175% per annum on the next \$50 million of the net assets and 0.15% per annum on amounts over \$80 million in net assets	
INITIAL CHARGES:	Nil	
REDEMPTION CHARGES:	Up to 2% on amounts placed less than 6 months Up to 1% on amounts placed less than 2 years Nil on amounts placed greater than 2 years	
INVESTMENT MANAGER & ADMINISTRATOR:	Fortress Fund Managers Limited	
CUSTODIAN:	SigniaGlobe Financial Group Inc.	
FUND VALUATIONS:	Weekly on Fridays	
NAV QUOTATIONS:	Internet: www.fortressfund.com Local Barbados newspapers Bloomberg: FORCAHI BA	

Directors & Administrators

DIRECTORS

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

COMPANY SECRETARY

Hanna M. Chrysostom
One+ Haggatt Hall
St. Michael
Barbados

FORTRESS FUND MANAGERS AUDIT COMMITTEE

John Howard
Maria Nicholls

REGISTERED OFFICE

Radley Court
Upper Collymore Rock
St. Michael, BB14004
Barbados

ATTORNEY AT LAW

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

INDEPENDENT AUDITORS

Ernst & Young Ltd.
One Welches
Welches
St. Thomas
Barbados

CUSTODIAN

SigniaGlobe Financial Group Inc.
Shirley House
Hastings Main Road
Christ Church
Barbados

INVESTMENT MANAGER & ADMINISTRATOR

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

Tel: (246) 431 2198
Fax: (246) 431 0514
Internet: www.fortressfund.com
Email: invest@fortressfund.com

Fortress Caribbean High Interest Fund Limited ("the Fund") is an open-ended mutual fund company and was incorporated on May 9, 2002 under the provisions of the Mutual Funds Act of Barbados. The Fund maintains its registered office at Radley Court, Upper Collymore Rock, St. Michael, BB14004, Barbados. The principal activity of the Fund is investment in domestic, regional and international fixed income markets with the aim of achieving the highest level of return consistent with capital preservation.

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.



Directors' Report

“The fund returned 3.4% for the year, a positive and satisfying result.. “

Directors' Report

Roger Cave, Investment Director

The Fortress Caribbean High Interest Fund returned 3.4% for the year ended September 30, 2021, generating a positive result even as U.S. bond prices declined, and the domestic Barbados bond market saw few opportunities for new investment. The net asset value (NAV) of the Accumulation shares increased to \$2.1220 as of September 30, 2021, from \$2.0532 last year. The Distribution shares moved from \$1.0283 to \$1.0132 after paying dividends of \$0.0486 during the year. Total assets increased from \$133 million to \$143 million during the year due to positive investment returns and net subscriptions from pensions and monthly savings programmes. The Fund's compound annual return since inception of 2002 is now 4.0% per year, net of all fees and expenses. Its investment objective continues to be the highest level of income consistent with the preservation of capital.

The Fund is still closed to new lump-sum subscriptions but remains open for subscriptions from monthly savings programmes, RRSPs and pension plans. This limitation reflects ongoing challenges in finding suitable Barbados dollar investments consistent with our requirements.

The Fund's portfolio continues to be as diversified as possible given the constraints and controls in place in Barbados and the limited capital markets in the region. Its holdings are a mix of Barbados corporate bonds, a moderate allocation to government securities, a wide range of high-quality global bonds accomplished via the US\$ Fortress Fixed Income Fund and directly, investments in specialised funds, and cash on deposit with CIBCFirstCaribbean International Bank, the

Fund's banker. The gross yield of the Fund's portfolio is approximately 3.1%, a good estimate of its return potential in the medium-term.

During the year, the Manager again invited holders of Distribution shares to switch their holdings into the more tax efficient Accumulation share. Many investors made this switch, and the net assets of the Distribution share declined by approximately \$760,000 or 24% over the year. By far the bulk of the Fund's total assets is represented by Accumulation shares.

2021 Investment Performance

The Fund returned 3.4% for the year, a positive and satisfying result given that global bond prices generally declined and fixed income investment options within Barbados remained extremely limited. Our investments in global bonds – approximately half of the total portfolio – showed slightly positive returns, while our holdings in Barbados dollar corporate and government bonds contributed mostly single digit returns and continued to perform in line with our expectations even as the local economy remained stressed.

As the global recovery from last year's pandemic shock continued, interest rates generally trended higher and back towards pre-pandemic levels. The 10-year U.S. Treasury yield rose from 0.7% to 1.5% during the year as the U.S. Federal Reserve (Fed) kept in place its immense stimulus programmes and kept its target rate pinned in the range of 0-0.25%. As more economic activity returned to normal, pent-up consumer demand ran up

against supply chains that were still operating below normal and this pushed prices significantly higher on some key inputs such as lumber and shipping. Not surprisingly, as the year progressed, broader inflation readings rose, and bond investors had to contend with uncertainty over how long such inflation pressures may last as a result of recent enormous fiscal and monetary stimulus. It is worth noting that even with these inflation pressures, global bond yields are still extremely low by historical standards and in some markets like Germany and Japan are still hovering near or even below zero.

The decline in international travel since the pandemic kept pressure on the Barbados economy, which was felt by companies, individuals and, via them, by the government. Barbados government (GOB) bonds continued to be rated "B-" by rating agency

Standard & Poor's, but with very low coupons on the recently restructured debt and an ongoing programme supported by multilateral lenders such as the IMF, we believe default risk in the near term is not acute. Our GOB holdings generated acceptable returns during the year, given the risks. Unfortunately, new corporate bond issues remained few and far between, and the Fund's cash and cash equivalents balance remained higher than we would have liked at 18% of the total portfolio. This was a drag on the overall return of the Fund. We remain hopeful that as the domestic economic environment improves there will be a renewed interest from companies to issue bonds, but this has not yet occurred.

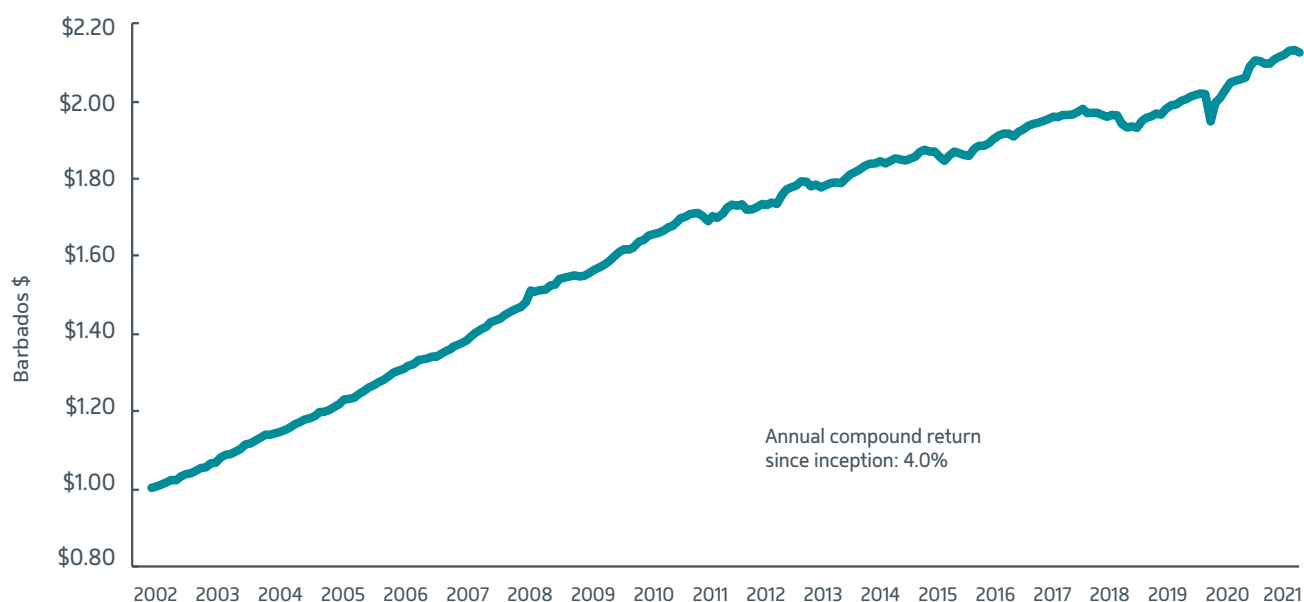
The Fund's recent performance and performance since inception in 2002 are summarised in the table and graph below.

Investment Performance as of 9/30/21*

	3 month	1 year	3 year	5 year	Inception
Caribbean High Interest Fund (Accumulation Shares)	0.2%	3.4%	3.1%	2.1%	4.0%

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

Caribbean High Interest Fund Net Asset Value Since Inception - Accumulation Share



Portfolio Positioning

The Fund's investment portfolio continues to be as widely diversified as possible among regional and international holdings. These include Barbados dollar bank deposits, corporate and government bonds, U.S. dollar government and corporate bonds, and specialised funds investing globally in income-producing assets. The portfolio is constructed to maximise return from diversified sources, while limiting overall risk and maintaining an acceptable level of liquidity.

The Fund's portfolio is divided almost equally between U.S. dollar denominated global bond investments and holdings in local Barbados dollar bonds. The holding in the US\$ Fortress Fixed Income Fund remains our largest allocation at 17% of the portfolio. This fund, also managed directly by Fortress, invests in high-quality corporate and government bonds primarily in the U.S., and is an efficient way to access this type of conservative investment with an actively managed, well-diversified portfolio. It offers us the ability to gain efficient diversification for the Fund and to easily adjust allocations as necessary. The fund had a positive year even as global bond yields rose and prices fell, gaining 0.8%. (Management fees related to the Fund's investments in other Fortress funds are rebated by Fortress to the Fund to avoid double charging.)

The Fund's other allocations to global bonds via external managers and individual holdings also generated slightly positive returns during the year. The high levels of activity seen in the U.S. bond market last year were not

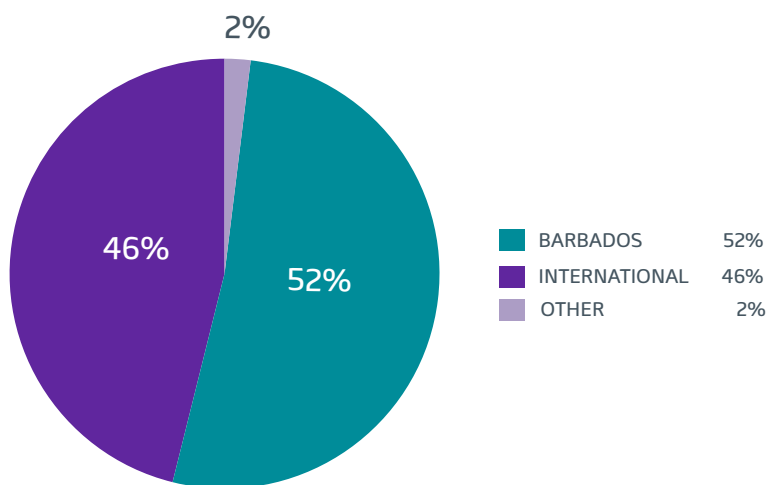
repeated in 2021 and with corporate spreads tightening, lucrative investment opportunities outside of high yield debt dwindled. In our opinion, the risk/reward did not favour adding lower grade credits at this point in the cycle with the Fed potentially looking to begin tightening. The Fund's holdings remained squarely focused on investment grade issuers.

In Barbados, the Fund's holdings in corporate and government bonds were largely steady during the year. We continued to add gradually to holdings in longer term post-restructuring Government of Barbados (GOB) bonds as our holdings of GOB Series F bonds continued to repay principal on schedule. These purchases occurred at yields between 7% and 12% depending on maturity and left the Fund's allocation to Government of Barbados debt at approximately 9% of the total portfolio. We added one new corporate bond position during the year and rolled over some that matured. Cash in the portfolio increased from \$15 million at September 30, 2020 to \$26 million at September 30, 2021. This cash is primarily in Barbados dollars.

As of September 30, 2021, the average term to maturity of the Fund's diversified holdings was just over five years, and the average gross yield to maturity was 3.1% (down from 3.5% last year). Approximately 40% of the portfolio is invested outside the Caribbean region in U.S. dollars and other global currencies.

The graph below summarises the Fund's geographic distribution as of September 30, 2021 and the table lists some of the top holdings. 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 as of 9/30/21



Top 5 Holdings

<i> Holding </i>	<i> Country/Region </i>	<i> Sector </i>	<i> Weight </i>
Fortress Fixed Income Fund SP	International	Various	17%
Deposits - CIBC FirstCaribbean Int'l Bank	Barbados	Bank	16%
Fortress World Funds - Fixed Income Fund	International	Various	7%
Government of Barbados - Series F Bond	Barbados	Government	6%
First Citizens Repo	Barbados	Financial	6%

Outlook

Investors in the Caribbean region seeking to earn an acceptable return from low-risk government and corporate bonds still face significant challenges. Close to home we face stressed credits and inactive bond markets, while abroad we face prevailing yields that are closer to zero than they are to our return expectations based on history.

It is true that global interest rates have recently risen somewhat from the very low levels in the previous year. But they remain well below historical averages. We expect short-term and long-term rates to continue to rise, but this process may take years, not months. A short-term rate hike is imminent in 2022, as the Fed moves away from its extremely accommodative monetary policy stance which helped to support the U.S. (and global) economy last year. Long-term rates may also rise to reflect the progression of economic recovery and future growth. Higher inflation expectations may also play a part in pushing up long-term rates over time. While this would be a headwind for bond investors as this occurs, it would eventually set the stage for higher yields and returns in future years.

In the Caribbean region, and especially in Barbados, our tourism-dependent economies remain under stress that is reflected in bond credit ratings. This stress affects the risks underlying the full range of regional governments and companies. It also diminishes the desire of companies to raise new capital via bond issues to invest and grow their businesses. Thankfully, the current situation is unlikely to persist forever. But while it does, it will simultaneously reduce the potential sources of return and raise the risks for bond investments in the region.

The average gross yield on the Fund's portfolio is just over 3%. We think this is a good estimate of its medium-term return potential. The yield may rise marginally in the months ahead to the extent that viable Barbados dollar bond issues become available, and we can deploy

cash in line with our requirements. Similarly, this yield may decline if global yields sink. There are limits to what can be accomplished given the challenges of the current environment, both in the Caribbean and abroad. We continue to suggest that investors in the Fund for now expect returns that are below those historically generated by the Fund.

Service providers are important to the operation of the Fund and there was a change to one of the Fund's key providers during the year. FirstCaribbean International Bank (Barbados) Limited (FCIB), the Fund's Custodian since inception in 1996, took the decision during the year to exit the business and therefore to resign as Custodian of the Fund. We are pleased to report that SigniaGlobe Financial Group Inc. has added custody services to its service offering, and that following approval from the Financial Services Commission (FSC), it has from September assumed the role of Custodian for the Fund on the same terms and conditions as FCIB previously. The months-long exercise of transitioning to a new Custodian for the Fund was immensely time-consuming and required significant effort by the Fortress team as FCIB stepped back from its role and new arrangements with SigniaGlobe were put in place.

On a more positive note, we are pleased to report that subsequent to the year-end, Ms. Ruth Henry and Mr. Greg McConnie have agreed to join the Board of Directors of Fortress Fund Managers and the related boards of the various mutual funds. We sincerely look forward to working with them in the years ahead, and to the contributions we know they will make to the benefit of all our investors.

Related to these new appointments is some news that is both happy and sad for Fortress, and for me personally. Effective September 30, 2021, in line with our long-term corporate governance plan, Sir Geoffrey Cave retired from the Boards of the various Fortress mutual funds. He will also retire from the Fortress Fund Managers

Board at the end of December 2021. Sir Geoffrey has chaired all the Fortress boards from inception in 1996 and I can confidently say he has been in attendance to every Board of Directors meeting over the last 25 years. His leadership, direction, guidance, and most of all his keen and excited interest in the Fortress business and its clients could never be matched. His contribution to the financial success and investment returns of so many thousands of individual shareholders and large pension schemes alike cannot be overstated. We truly thank Sir Geoffrey for all that he has done in the creation and growth of this Fund and wish him many happy years in retirement. Mr. John Williams will assume the role of Chairman, and we look forward to his continued leadership and guidance in the years ahead.

Finally, and most importantly, thanks to you our valued shareholders for your continued trust and support.

A handwritten signature in black ink that reads "Roger Cave". The signature is written in a cursive, flowing style.

Roger Cave, CA, CFA
Investment Director



Financial Statements



Ernst & Young Ltd
P.O. Box 261
Bridgetown, BB11000
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 430 3879
www.ey.com

Street Address
One Welches
Welches
St. Thomas, BB22025
Barbados, W.I.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN HIGH INTEREST FUND LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fortress Caribbean High Interest Fund (“the Fund”), which comprise the statement of financial position as at 30 September 2021, and the statement of net assets attributable to holders of redeemable mutual fund shares, statement of comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 30 September 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

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



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN HIGH INTEREST FUND LIMITED

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN HIGH INTEREST FUND LIMITED

Report on the Audit of the Financial Statements (Continued)

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

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

Ernst & Young Ltd

BARBADOS

17 December 2021

Fortress Caribbean High Interest Fund Limited

Statement of Financial Position

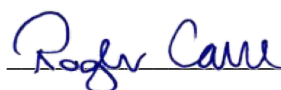
As at September 30, 2021

(expressed in Barbados dollars)

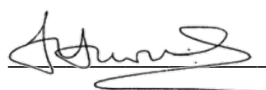
	2021 \$	2020 \$
Assets		
Financial assets (note 5)	117,116,497	117,298,716
Accounts receivable	38,685	744,449
Cash and cash equivalents (note 6)	<u>25,920,424</u>	<u>14,794,014</u>
Total assets	<u>143,075,606</u>	132,837,179
Liabilities		
Accounts payable and accrued expenses	<u>81,469</u>	49,118
Liabilities (excluding net assets attributable to holders of redeemable mutual fund shares)	<u>81,469</u>	49,118
Net assets attributable to holders of redeemable mutual fund shares:		
Accumulation shares (note 9)	140,450,707	129,485,494
Distribution shares (note 9)	<u>2,542,430</u>	<u>3,301,567</u>
	<u>142,993,137</u>	132,787,061
Total liabilities	<u>143,074,606</u>	132,836,179
Share capital (note 10)	<u>1,000</u>	1,000
Liabilities and shareholder funds	<u>143,075,606</u>	132,837,179
Net asset value per accumulation share	<u>2.1220</u>	2.0532
Net asset value per distribution share	<u>1.0132</u>	1.0282

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

Approved by the Board of Directors on December 13, 2021



Director



Director

Fortress Caribbean High Interest Fund Limited

Statement of Changes in Net Assets Attributable to Holders of Redeemable Mutual Fund Shares For the year ended September 30, 2021

(expressed in Barbados dollars)

	Number of shares		Net assets attributable to holders of redeemable mutual fund shares		
	Accumulation	Distribution	Accumulation	Distribution	Total
			\$	\$	\$
Balance - September 30, 2019	66,901,240	3,441,658	133,633,464	3,506,812	137,140,276
Issue of shares	2,006,989	14,465	4,039,539	14,250	4,053,789
Redemption of shares	(5,842,914)	(245,243)	(11,778,705)	(246,808)	(12,025,513)
Total comprehensive income for the year	–	–	3,591,196	27,313	3,618,509
Balance - September 30, 2020	63,065,315	3,210,880	129,485,494	3,301,567	132,787,061
Issue of shares	7,159,932	4,142	15,025,422	4,200	15,029,622
Redemption of shares	(4,037,350)	(705,607)	(8,499,597)	(714,573)	(9,214,170)
Total comprehensive income/(loss) for the year	–	–	4,439,388	(48,764)	4,390,624
Balance - September 30, 2021	66,187,897	2,509,415	140,450,707	2,542,430	142,993,137

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

Fortress Caribbean High Interest Fund Limited

Statement of Comprehensive Income

For the year ended September 30, 2021

(expressed in Barbados dollars)

	2021 \$	2020 \$
Revenue		
Interest income (note 7)	1,848,034	1,756,031
Net fair value gains on investments (note 5)	3,603,614	3,008,781
Dividend income	293,372	84,167
Total investment income	<u>5,745,020</u>	<u>4,848,979</u>
Expenditure		
Management fees (note 8)	826,697	827,416
Administrator and custodian fees (note 8)	234,767	228,941
Other operating expenses	89,714	58,884
Audit fees	40,539	37,567
Trade fees	6,936	12,953
Operating expenditure	<u>1,198,653</u>	<u>1,165,761</u>
Operating income	<u>4,546,367</u>	<u>3,683,218</u>
Finance costs		
Distributions to holders of redeemable shares- distribution shares (note 9)	<u>(155,743)</u>	<u>(64,709)</u>
Total comprehensive income	<u>4,390,624</u>	<u>3,618,509</u>
Total comprehensive income on ordinary activities allocated to:		
Holders of redeemable mutual fund distribution shares	(48,764)	27,313
Holders of redeemable mutual fund accumulation shares	<u>4,439,388</u>	<u>3,591,196</u>
Total comprehensive income	<u>4,390,624</u>	<u>3,618,509</u>

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

Fortress Caribbean High Interest Fund Limited

Statement of Cash Flows

For the year ended September 30, 2021

(expressed in Barbados dollars)

	2021	2020
	\$	\$
Cash flows from operating activities		
Total comprehensive income	4,390,624	3,618,509
Adjustments for:		
Net fair value gains on investments	(3,603,614)	(3,008,781)
Interest income	(1,848,034)	(1,756,031)
Dividend income	(293,372)	(84,167)
Distributions to holders of redeemable shares	155,743	64,709
	<hr/>	<hr/>
Operating loss before working capital changes	(1,198,653)	(1,165,761)
Decrease/(increase) in account receivable	705,764	(744,449)
Increase in accounts payable and accrued expenses	32,351	9,049
Purchase of investments	(71,214,353)	(80,221,455)
Proceeds on the sale of investments	74,960,480	73,313,858
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Cash generated from/ (used in) operations	3,285,589	(8,808,758)
Interest received	1,887,740	1,707,816
Dividends received	293,372	84,167
	<hr/>	<hr/>
Cash generated from/ (used in) operating activities	5,466,701	(7,016,775)
	<hr/>	<hr/>
Cash flows from financing activities		
Issue of mutual fund shares	15,029,622	4,053,789
Redemption of mutual fund shares	(9,214,170)	(12,025,513)
Distributions paid to holders of redeemable shares	(155,743)	(64,709)
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Cash generated from/ (used in) financing activities	5,659,709	(8,036,433)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	11,126,410	(15,053,208)
	<hr/>	<hr/>
Cash and cash equivalents - beginning of year	14,794,014	29,847,222
	<hr/>	<hr/>
Cash and cash equivalents - end of year	25,920,424	14,794,014
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The accompanying notes form an integral part of these financial statements.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

1 Incorporation and principal activity

Fortress Caribbean High Interest Fund Limited (“the Fund”) was incorporated in Barbados on May 9, 2002 under the Companies Act of Barbados and is licensed under the Mutual Funds Act 2002-22 of Barbados as an authorised mutual fund. The Fund maintains its registered office at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

The Fund’s primary objective is income and capital preservation over the medium term. The Fund actively invests in a diversified portfolio of primarily Caribbean and international debt securities.

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 financial statements were authorised for issue by the Board of Directors on December 13, 2021.

2 Summary of significant accounting policies

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

a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies. Although these estimates are based on management’s 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.

New and amended standards and interpretations

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2020, that have a material effect on the financial statements of the Fund.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

c) Financial instruments

(i) Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Fund can also elect to select the fair value option to eliminate an accounting mismatch.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(i) Classification...continued

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or;
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

- Equity instruments
- Debt instruments. These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains. It also includes instruments management has elected to designate at fair value through profit and loss under IFRS 9.
- Instruments held for trading. This category includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(i) Classification...continued

Financial liabilities

Financial liabilities measured at fair value through profit or loss (FVPL)

A financial liability is measured at FVPL if it meets the definition of held for trading. A financial liability is also measured at fair value through profit or loss if, upon initial recognition, it is irrevocably designated by the entity as at fair value through profit or loss when doing so results in more relevant information, because it eliminates, or significantly reduces, a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category other short-term payables.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(iv) Subsequent measurement...continued

Financial assets, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset or;
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(v) Impairment of financial assets

The Fund holds only other receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its other receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

d) Cash and cash equivalents

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

e) Investment income

Interest income

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

Dividend income

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

f) Expenses

Expenses are accounted for on an accrual basis. Expenses are charged to the statement of comprehensive income.

In addition to the management fees and administration expenses, the Fund is responsible for the payment of all direct expenses relating to its operations such as audit, legal and professional fees.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

g) 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 statement of financial position date, respectively.

h) Redeemable shares/net asset value

The Fund issues redeemable shares which are redeemable at the holder's option and are classified as financial liabilities. Redeemable 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 shares are carried at the redemption amount that is payable at the statement of financial position date if the holders exercise the right to put the shares back to the Fund.

Redeemable 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 shares. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the procedures described in note 2c for the purpose of determining the net asset value per share for subscriptions and redemptions.

i) Distributions payable to holders of redeemable mutual fund shares

The Fund issues two classes of redeemable mutual fund shares - accumulation and distribution. Holders of distribution receive all income earned in the Fund with respect to these shares in the form of a dividend every six months. These dividends are presented as a finance cost in the statement of comprehensive income. Holders of accumulation shares are not paid dividends and all income earned in the Fund with respect of these shares, including interest, dividends and capital gains is automatically reinvested and this income is reflected in the quoted net asset value of these shares.

j) Taxation

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

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(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 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 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 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*

Price risk is the risk of unfavourable changes in the fair values of equity instruments or equity-linked instruments as the result of changes in the levels of equity indices and the value of individual shares. The majority of the Fund's financial assets are debt securities and units in managed bond funds. To manage this risk the Fund holds a diversified portfolio of investments in accordance with its investment policy. A summary of the overall statement of financial position market exposures at September 30, 2021 is disclosed in note 5.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk...continued

i) Price risk...continued

Sensitivity

Management's best estimate of the effect on profit or loss for a year due to a reasonably possible change in indices, with all other variables held constant is indicated in the table below. The analysis is based on the assumptions that the Bloomberg Barclays US Aggregate Bond Index increased by 3% (2020- 6%), with all other variables held constant. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

	Effect on profit or loss for the	
	2021	2020
	\$	\$
Effect on net assets attributable to redeemable shares of an increase in the indices		
Bloomberg Barclays US Aggregate Bond Index	<u>2,559,900</u>	<u>3,258,594</u>

The Investment Manager uses the Bloomberg Barclays US Aggregate Bond Index as a reference point in evaluating portfolio risk and performance. However, the Investment Manager does not manage the Fund's investment strategy to track the Bloomberg Barclays US Aggregate Bond Index or any other index or external benchmark.

ii) Cash flows and fair value interest rate risk

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

The effective interest rates on investments and cash and cash equivalents are disclosed in note 5 and note 6 respectively. All of the other financial assets and liabilities of the Fund are non-interest bearing. The Fund would be impacted by movement in the market interest rates on the maturity of short term fixed rate instruments which would have to be reinvested at different rates of return.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk...continued

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

Sensitivity

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

	Effect on net assets 2021	Effect on net assets 2020
	\$	\$
Change in interest rate:		
-2%	1,579,590	1,749,118
2%	(1,404,053)	(1,757,265)

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

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

iii) Foreign currency risk

The Fund holds financial assets denominated in currencies other than 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 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 Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(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 Fund is most exposed to currency risk in its operating currencies whose values have noticeably fluctuated against the Barbados dollar. The Fund has no significant exposure to currency risk at year end as the foreign currencies within the Fund do not fluctuate noticeably against the Barbados dollar.

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 main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivable balances.

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

	2021	2020
	\$	\$
Government backed securities	12,189,752	18,525,422
Corporate debt securities	42,629,868	39,771,385
Accounts receivable	38,685	744,449
Cash and cash equivalents	25,920,424	14,794,014
Total	80,778,729	73,835,270

Credit risk from financial instruments is managed through holding a diversified portfolio of investments and purchasing securities after careful assessment of the borrower and placing deposits with financial institutions with a strong capital base and other corporations. The Fund seeks to manage credit risk by holding investments with strong credit ratings and low risk of default.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

4 Financial risk management...continued

Credit risk...continued

The credit ratings of the Fund's rated debt securities are set out below:

	2021	2020
	% of debt securities	
BBB+	1%	2%
BBB	1%	1%
BBB-	—	17%
BB	—	1%
BB+	1%	—
B-	20%	31%
B	2%	—
Unrated*	75%	48%
Total	100%	100%

*In order to monitor the credit quality of the "Unrated" underlying debt securities, the Investment Manager, on the basis of internal research, reviews the key financial metrics of the issue and structural features of the instruments in order to calculate the implied ratings for each of these investments. The majority of unrated securities have been assessed by the Investment Manager to have credit quality consistent with BBB-/Baa3 rated securities. A BBB-/Baa3 rating is the lowest rating a bond can have and still be considered investment-grade. An investment grade bond is a bond considered to have a relatively low risk of default.

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

	2021	2020
	\$	
Cash and cash equivalents		
CIBC FirstCaribbean International Bank Limited	23,537,697	8,038,368
NCB Capital Markets Ltd	—	5,107,010
	23,537,697	13,145,378

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(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 9). The table below analyses the Fund’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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.

The Fund is exposed to liquidity risk due to the relatively undeveloped nature of the secondary market for fixed income securities in the Caribbean. The maturity profile of the Fund’s significant financial assets is disclosed in note 5.

	Less than 1 month \$	1 - 3 months \$
At September 30, 2021		
Accounts payable and accrued expenses	–	81,469
Net assets attributable to holders of redeemable mutual fund shares	142,993,137	–
	<hr/>	<hr/>
Total financial liabilities	142,993,137	81,469
At September 30, 2020		
Accounts payable and accrued expenses	–	49,118
Net assets attributable to holders of redeemable mutual fund shares	132,787,061	–
	<hr/>	<hr/>
Total financial liabilities	132,787,061	49,118

Redeemable shares are redeemed at the holder’s option (note 9). In the event of unusual circumstances, should redemption requests representing more than 20% of the Fund’s assets be 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.

At September 30, 2021, 45% (2020 - 48%) 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 2c. 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

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

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 in securities that it expects to be able to easily liquidate. The following table illustrates the expected liquidity of assets held.

	Less than 1 week \$	1 week- 1 month \$	1 - 3 months \$	Over 3 months \$
September 30, 2021				
Total assets	<u>25,920,424</u>	<u>28,630,721</u>	<u>47,382,039</u>	<u>41,142,422</u>
September 30, 2020				
Total assets	<u>23,871,833</u>	<u>6,872,634</u>	<u>25,998,131</u>	<u>76,094,581</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 assets 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 exit price; the quoted market price for financial liabilities is the current exit price. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value.

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

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

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

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

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

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

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

The following tables analyse within the fair value hierarchy the Fund's financial assets measured at fair value:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2021				
Financial assets at fair value through profit or loss				
Mutual funds	761,030	50,558,482	–	51,319,512
Corporate debt securities	2,593,569	–	40,036,299	42,629,868
Government backed securities	–	–	12,189,752	12,189,752
Listed equity securities	9,412,180	–	–	9,412,180
Hedge funds	–	1,565,185	–	1,565,185
	12,766,779	52,123,667	52,226,051	117,116,497

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2020				
Financial assets at fair value through profit or loss				
Mutual funds	550,866	54,520,167	–	55,071,033
Corporate debt securities	3,125,516	–	36,645,869	39,771,385
Government backed securities	–	–	18,525,422	18,525,422
Listed equity securities	2,492,070	–	–	2,492,070
Hedge funds	–	1,438,806	–	1,438,806
	6,168,452	55,958,973	55,171,291	117,298,716

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, corporate securities 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. 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 government issued debt and corporate issued debt securities. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

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.

There were no transfers between levels in the current year. The following table presents the transfers between levels for the prior year ended September 30, 2020.

	Level 1 \$	Level 2 \$
Financial assets at fair value through profit or loss:		
Mutual funds	491,845	(491,845)

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

The mutual funds transferred into Level 1 relate to positions for which significant trading activity existed on September 30, 2020 but which were only thinly traded on and around September 30, 2019.

Transfers between levels of the fair value hierarchy, for the purpose of preparing the above table, are deemed to have occurred at the beginning of the reporting period.

The following table presents the movement in level 3 instruments by class of financial instrument:

	Government backed securities \$	Corporate debt securities \$	Total \$
September 30, 2021			
Opening balance	18,525,422	36,645,869	55,171,291
Purchases	1,115,224	18,190,978	19,306,202
Sales	(7,721,515)	(14,693,922)	(22,415,437)
Gains/(losses) recognised in statement of comprehensive income	270,621	(106,626)	163,995
Closing balance	12,189,752	40,036,299	52,226,051
Change in unrealised gains or losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	270,621	(106,626)	163,995
	Government backed securities \$	Corporate debt securities \$	Total \$
September 30, 2020			
Opening balance	11,586,746	37,931,137	49,517,883
Purchases	12,534,377	28,535,236	41,069,613
Sales	(5,571,238)	(30,081,837)	(35,653,075)
(Losses)/gains recognised in statement of comprehensive income	(24,463)	261,333	236,870
Closing balance	18,525,422	36,645,869	55,171,291
Change in unrealised gains or losses for level 3 assets held at year end and included in other net changes in fair value on financial assets at fair value through profit or loss	(24,463)	261,333	236,870

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

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

Description	Fair value at September 30, 2021 \$	Fair value at September 30, 2020 \$	Valuation technique	Unobservable Inputs	Relationship of unobservable inputs to fair value
Government backed securities	12,189,752	18,525,422	DCF method	Discount rate	The higher the discount rate, the lower the fair value
Corporate debt securities	40,036,299	36,645,869	DCF method	Discount rate	The higher the discount rate, the lower 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, 2021 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2021				
Assets				
Accounts receivable	–	38,685	–	38,685
Cash and cash equivalents	25,920,424	–	–	25,920,424
Total	25,920,424	38,685	–	25,959,109
Liabilities				
Accounts payable and accrued expenses	–	81,469	–	81,469
Net assets attributable to holders of redeemable mutual fund shares	–	142,993,137	–	142,993,137
Total	–	143,074,606	–	143,074,606

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2020				
Assets				
Accounts receivable	–	744,449	–	744,449
Cash and cash equivalents	14,794,014	–	–	14,794,014
Total	14,794,014	744,449	–	15,538,463
Liabilities				
Accounts payable and accrued expenses	–	49,118	–	49,118
Net assets attributable to holders of redeemable mutual fund shares	–	132,787,061	–	132,787,061
Total	–	132,836,179	–	132,836,179

The 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.

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These represent contractual amounts due to the Fund. 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 2h). The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, level 2 is deemed to be the most appropriate categorisation for net assets attributable to holders of redeemable shares.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

5 Financial assets

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

	2021	2020
	\$	\$
Financial assets at fair value through profit or loss		
- mutual funds	51,319,512	55,071,033
- corporate debt securities	42,629,868	39,771,385
- government backed securities	12,189,752	18,525,422
- listed equity securities	9,412,180	2,492,070
- hedge funds	1,565,185	1,438,806
Total financial assets designated as fair value through profit or loss	117,116,497	117,298,716
Gains recognised in relation to financial assets at fair value through profit or loss:		
- unrealised (losses)/ gains	(891,032)	2,231,871
- realised gains	4,494,646	776,910
Net gains in fair value through profit or loss	3,603,614	3,008,781

The maturity profile of the Fund's investments is disclosed below:

	Carrying value 2021	Carrying value 2020
	\$	\$
Due within one year	37,112,435	13,767,739
Due after one year but within five years	11,188,918	40,525,096
Due after 5 years	6,518,267	4,003,972
No stated maturity	62,296,877	59,001,909
	117,116,497	117,298,716

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

5 Financial assets ...continued

The detailed portfolio of investments is as follows:

Security	Rate	Maturity	2021		2020	
			Cost \$	Market value \$	Cost \$	Market value \$
Financial assets at fair value through profit or loss:						
Barbados						
Fortress World Fixed Income Fund	—	—	10,002,000	9,890,978	—	—
First Citizens Bank	3.25%	2022-01-03	9,145,849	9,215,958	—	—
Government of Barbados- Series F (zero coupon)	0.00%	2022-09-30	7,583,562	8,144,888	15,065,361	15,581,951
Goddards Enterprises Ltd	3.00%	2021-11-30	8,000,000	8,081,099	8,000,000	8,105,739
Stallion Property Holdings	5.00%	2021-12-31	5,000,000	5,017,850	5,000,000	5,076,750
Cave Shepherd & Co. Ltd	5.00%	2021-12-31	3,500,000	3,522,417	4,500,000	4,614,412
Eppley Caribbean Property Fund-Value Fund	4.60%	2023-07-31	3,000,000	3,074,137	3,000,000	3,052,867
Government of Barbados- Series B	2.00%	2033-09-30	2,802,786	2,737,285	1,736,580	1,654,487
Eppley Caribbean Property Fund-Value Fund	4.00%	2023-07-31	2,400,000	2,426,685	—	—
Williams Industries Inc	4.25%	2026-06-30	2,000,000	2,009,118	—	—
Cave Shepherd & Co. Ltd	3.75%	2022-08-31	1,000,000	1,014,435	1,000,000	1,007,335
Cave Shepherd & Co. Ltd	3.50%	2024-03-31	1,000,000	999,898	—	—
Eppley Caribbean Property Fund-Value Fund			758,341	761,030	534,341	550,866
Government of Barbados- Series D	4.00%	2053-08-31	1,502,770	631,425	1,502,770	569,035
Cave Shepherd & Co. Ltd	3.75%	2022-10-31	500,000	507,652	—	—
N.S.R Limited	5.00%	2029-09-30	500,000	501,869	500,000	510,599
Eppley Caribbean Property Fund-Value Fund	4.00%	2023-07-31	300,000	303,939	300,000	301,587
Williams Industries Inc	5.25%	2023-06-30	200,000	207,743	200,000	208,841
First Citizens Bank	3.25%	2021-01-04	—	—	9,000,000	9,077,819
Eppley Caribbean Property Fund-Value Fund	4.00%	2021-07-31	—	—	1,500,000	1,519,138
Cave Shepherd & Co. Ltd	3.25%	2021-03-31	—	—	500,000	505,327
			59,195,308	59,048,406	52,339,052	52,336,753
OECS						
Government of Grenada	7.00%	2030-05-12	853,444	676,154	948,271	719,949

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

5 Financial assets ...continued

Security	Rate	Maturity	2021		2020	
			Cost \$	Market value \$	Cost \$	Market value \$
Financial assets at fair value through profit or loss:						
Jamaica						
NCB Capital Markets Ltd	2.25%	2021-10-25	2,107,085	2,115,788	–	–
NCB Financial Group	5.00%	2024-03-01	1,000,000	1,037,711	–	–
NCB Capital Markets Ltd	2.75%	2020-10-26	–	–	2,055,363	2,065,584
NCB Financial Group	4.75%	2021-03-01	–	–	600,000	599,871
			3,107,085	3,153,499	2,655,363	2,665,455
International						
Fortress Fixed Income Fund SP			21,186,716	24,062,870	25,700,627	29,760,543
LEGG Mason WA Asian Opportunity			5,000,000	6,300,546	5,000,000	6,279,038
PIMCO GLB Inv			4,398,440	6,226,436	4,398,440	6,085,821
Ishares JP Morgan EM Bond ETF			5,406,570	5,364,520	–	–
Fortress Global Opportunity Wealth Fund SP			4,000,000	4,077,652	–	–
Utilities Select Sector SPDR			2,497,022	2,682,960	2,497,022	2,492,070
ChapelGate Credit Opportunity Fund Ltd			522,545	1,565,185	522,545	1,438,806
Berkshire Hathaway Inc			1,401,304	1,364,700	–	–
United States Steel Corp	6.88%	2029-03-01	797,800	858,441	–	–
Scotiabank Peru	4.50%	2022-12-13	589,398	622,035	589,398	644,835
Wells Fargo & Co	4.25%	2029-07-25	600,000	576,902	600,000	549,902
Sagikor Finance Ltd	5.30%	2028-05-13	512,500	536,191	–	–
Franklin Templeton Global Bond Fund			–	–	4,178,564	4,796,845
Fortress Income Builder US Fund SP			–	–	3,971,799	4,067,783
Fortress Income Builder International Fund SP			–	–	4,200,000	3,530,137
Kohls Corp	9.50%	2025-05-15	–	–	617,700	732,725
Southwest Airlines Co	5.25%	2025-05-04	–	–	598,500	675,292
Sagikor Finance Ltd	8.88%	2022-08-11	–	–	502,332	522,762
			46,912,295	54,238,438	53,376,927	61,576,559
Total financial assets at fair value through profit or loss			110,068,132	117,116,497	109,319,613	117,298,716

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

6 Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank	23,566,193	13,150,902
Money market funds	2,354,231	1,643,112
	<u>25,920,424</u>	<u>14,794,014</u>

The effective yield on interest bearing cash and cash equivalents is nil% (2020 – nil%).

7 Interest income

	2021	2020
	\$	\$
Debt securities at fair value through profit or loss	1,847,953	1,752,891
Cash and cash equivalents	81	3,140
	<u>1,848,034</u>	<u>1,756,031</u>

8 Related parties

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

Fortress Fund Managers Limited serves as manager and registrar 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. Management fees for the financial year amounted to \$1,036,347 (2020 - \$1,014,808).

Management fees of \$209,650 (2020- \$187,392) were refunded by Fortress Fund Advisors Limited and Fortress Fund Managers Limited being 0.35%- 1.0% of the net asset values of Fortress World Funds Limited SCC- Fixed Income, Fortress Fixed Income Fund SP, Fortress Global Opportunity Fund SP, Fortress Income Builder US Fund SP, and Fortress Income Builder Intl Fund SP 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. The administrator fees amounted to \$117,384 (2020 - \$114,471) for the year.

The Fund holds 102,268 (2020 - 127,339) shares valued at \$24,062,870 (2020 - \$29,760,543) in Fortress Fixed Income Fund SP.

The Fund holds 14,587 (2020 - nil) shares valued at \$ 4,077,652 (2020 - nil) in Fortress Global Opportunity Fund SP.

The Fund holds 5,001,000 (2020 - nil) shares valued at \$9,890,978 (2020- \$nil) in Fortress World Funds Limited SCC - Fixed Income.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

8 Related parties...continued

The Fund holds nil (2020 - 19,859) shares valued at \$nil (2020- \$4,067,783) in Fortress Income Builder US Fund SP.

The Fund holds nil (2020 - 20,430) shares valued at \$nil (2020 - \$3,530,137) in Fortress Income Builder International Fund SP.

Directors fees of \$14,000 (2020 - \$14,000) 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 purchased in the year	Number of shares redeemed in the year	Number of shares at year end
September 30,2021				
Shareholder				
Directors	8,338	67	–	8,405
September 30,2020				
Shareholder				
Directors	80,831	–	(72,493)	8,338

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

	Number of shares	
	2021	2020
Fortress Caribbean Pension Fund Limited	50,002,970	47,069,333

9 Redeemable mutual fund shares

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

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

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2021

(expressed in Barbados dollars)

9 Redeemable mutual fund shares...continued

Redeemable Distribution Shares

This class of shares will distribute substantially all of its income accruing to the investors in the form of dividends, which are paid semi-annually. A total dividend of \$0.0486 (2020 - \$0.0188) per share amounting to \$155,743 (2020 - \$64,709) was declared and paid during the financial year. These dividends are presented as finance cost.

Redeemable Accumulation Shares

This class of shares will not pay dividends but will retain all of its income accruing to the benefit of the net asset value of the shareholders of this class.

10 Share capital

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

11 Covid-19

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

As at the reporting date any impact on the balances as of September 30,2021 due to the ongoing COVID-19 pandemic have been appropriately accounted for in accordance with the reporting framework.

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

We have evaluated all significant activities through to December 13, 2021, the date these financial statements were available to be issued and concluded that no additional subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



FORTRESS FUND MANAGERS LIMITED
RADLEY COURT, UPPER COLLYMORE ROCK, ST. MICHAEL, BB14004, BARBADOS
TEL: (246) 431-2198 FAX: (246) 431-0514 • invest@fortressfund.com • www.fortressfund.com