

2022 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

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:	\$1,000 initial / \$500 if monthly savings plan \$100 for subsequent investments	
FUND STATUS:	Closed to lump sum subscriptions Open for pension and monthly savings programme only	
NET ASSET VALUE PER SHARE 9/30/2022	ACCUMULATION	DISTRIBUTION
	\$2.0383	\$0.9730
NET ASSETS 9/30/2022	\$140,993,204	\$2,127,491
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

John Williams, Chairman
Ruth Henry
John Howard
Greg McConnie
Maria Nicholls
Tracey Shuffler
Roger Cave, Investment Director

COMPANY SECRETARY

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

FORTRESS FUND MANAGERS AUDIT COMMITTEE

John Howard
Greg McConnie
Maria Nicholls

FORTRESS FUND MANAGERS GOVERNANCE COMMITTEE

Ruth Henry
Maria Nicholls
Tracey Shuffler

REGISTERED OFFICE

Radley Court
Upper Collymore Rock
St. Michael, BB14004
Barbados

ATTORNEY AT LAW

Clarke Gittens Farmer
Parker House
Wildey Business Park
Wildey 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

Directors' Report

Roger Cave, Investment Director

"The Fund's compound annual return since inception of 2002 is now 4% per year... "

The Fortress Caribbean High Interest Fund had a rare negative return of 4.0% for the year ended September 30, 2022, as global central banks hiked rates dramatically to fight inflation and bond prices fell. Opportunities for investment in domestic Barbados dollar bonds, meanwhile, remained few and far between, limiting the potential to generate returns. The net asset value (NAV) of the Accumulation shares decreased to \$2.0383 as of September 30, 2022, from \$2.1220 last year. The Distribution shares declined to \$0.9730 from \$1.0132. Total assets were unchanged at \$143 million during the year as positive net subscriptions from pensions and monthly savings programmes continued. The Fund's compound annual return since inception of 2002 is now 4% 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. As has been the case for a few years, 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 FirstCaribbean International Bank, the Fund's banker. With global bond price declines, the gross yield of the Fund's portfolio is up to approximately 3.9%, a good estimate of its return potential in the medium-term.

During the year, the Manager continued to invite holders of Distribution shares to switch their holdings into the more tax efficient Accumulation share. Many more investors made this switch, and the net assets of the Distribution share declined by approximately \$400,000 or 16% over the year. Approximately 99% of the Fund's total assets are now represented by Accumulation shares.

2022 Investment Performance

The Fund declined 4.0% for the year in an unusually volatile and negative period for global bond markets. As post-pandemic inflation remained stubbornly high, the U.S. Federal Reserve (Fed) hiked its target rate five times, bringing it from zero at the start of the year to a range of 3-3.25% by September 30. It has increased still further subsequently. The Fed also continued to gradually unwind its pandemic bond buying programmes. The yield on 10-year U.S. Treasury notes rose from 1.5% to 3.8% and corporate yields increased even more as fears of recession grew. Bonds of all maturities came under pressure as a result. The main index of U.S. high-quality bonds fell more than 14% for the year ended September 30. The Fund's core allocation to U.S. bonds via the US\$ Fortress Fixed Income Fund outperformed the market

but still registered a decline of 12% during the year. The Fund's other allocations to global bonds via external managers and individual holdings saw similar declines during the year.

Over the course of the year, inflation worsened due to lingering supply chain disruptions and became even more acute with the energy and commodity price shocks following Russia's invasion of Ukraine. It was also fueled on the demand side by the effects of generous monetary and fiscal policy undertaken during the pandemic. Inflation remained well above the levels desired by the Fed and other central banks. In addition to rate hikes, central bankers "talked tough" through much of the year, suggesting rates will need to rise more and stay high for some time to beat back demand.

In Barbados, the Fund continued to face challenges finding new local investments consistent with its risk and return objectives, and undeployed cash remained

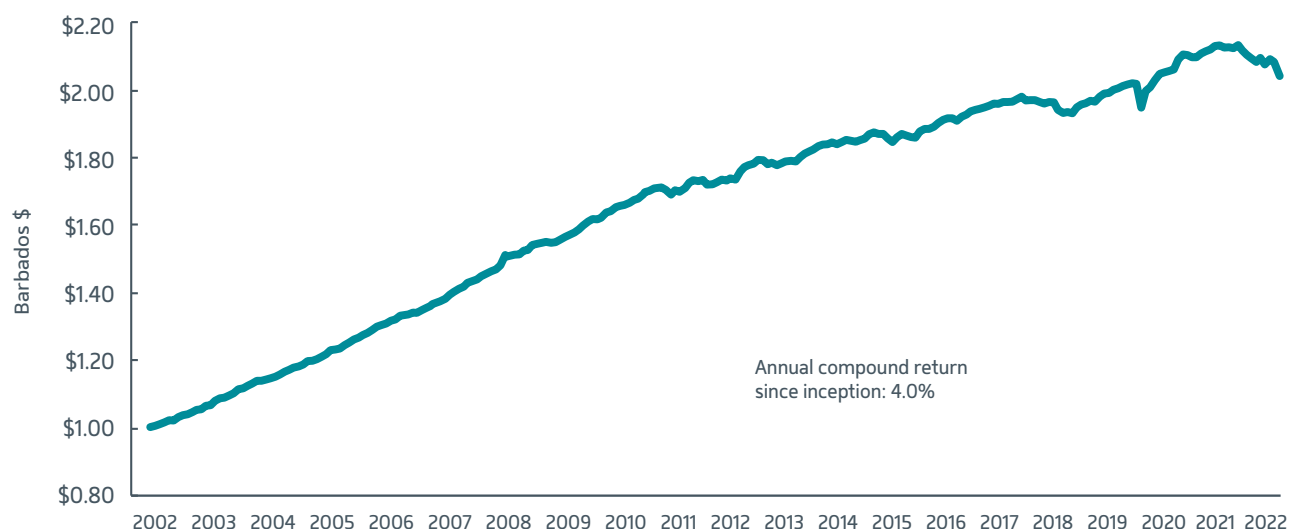
a drag on performance. The Government of Barbados (GOB) resumed domestic issuance with two five-year bonds at yields in the 4-4.5% range, well below where post-restructuring bonds had been trading in the secondary market. We added a small position in one of the notes and continued to buy GOB Series B bonds in the secondary market at yields we believe compensate for the substantial credit risks that remain in a small, B-rated credit. GOB Series F bonds, a substantial holding in the Fund since just after the 2018 restructuring, had their last principal payment at the end of the year, drawing that investment to a close having generated yields in the 7-8% range. The Fund's select corporate holdings performed as expected and contributed to the overall return during the year. Some corporate issuers repaid their notes at maturity rather than rolling, and at least one has announced a call of their bonds before maturity. These moves increased the cash in the Fund and reduced the overall return and running yield on the portfolio.

Investment Performance as of 9/30/22*

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

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

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



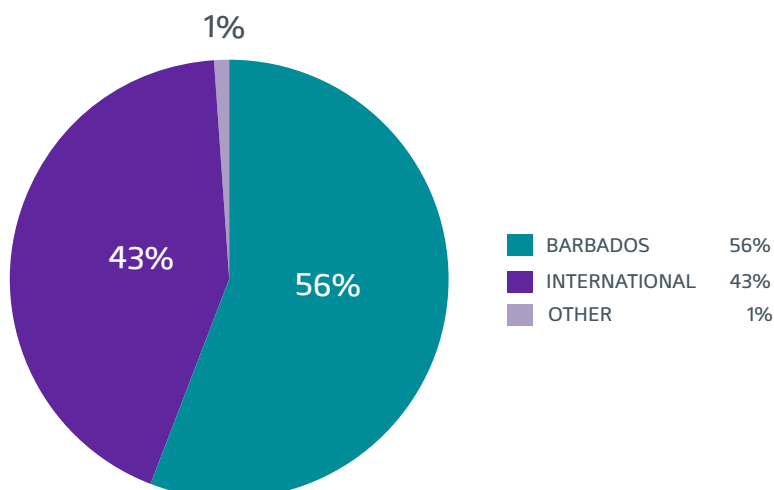
Portfolio Positioning

The Fund's investment portfolio continues to be as diversified as possible across 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 portfolio is allocated primarily across U.S. dollar denominated global bond investments and holdings in local Barbados dollar bonds. Cash and cash equivalents (largely Barbados dollars) is the largest weight at 24% of the portfolio, while the holding in the US\$ Fortress Fixed Income Fund is now the second largest at 19% 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.

In anticipation of rising rates at the beginning of the financial year, we kept the average term to maturity of the Fund's US\$ portfolio relatively short while still positioning to earn an acceptable return. As yields rose during the year, we added to high-quality corporate holdings in the 3-5-year maturities. During the year, the Fund's holdings have been focused on only the highest quality corporate credits and relatively short maturities. More recently, though, as rates have risen and credit spreads widened, we have gradually added to the Fund's exposure to longer maturity bonds and credit. Today's lower bond prices, following a period of unusual volatility, will lead directly to higher returns in the future. In September, we added some long-dated U.S. Treasury inflation-linked bonds to the portfolio, as prices fell, and yields rose to their highest levels in more than 10 years. We expect to keep increasing the average term to maturity of the portfolio steadily if yields keep rising. The portfolio remains focused in high-quality, investment grade fixed income securities where we should see little credit impact from a recession, if one comes.

Geographic Distribution of Portfolio as of 9/30/22



In Barbados, the Fund's holdings in corporate and government bonds were mostly steady during the year. The Government of Barbados (GOB) resumed local bond issuance, with a 5-year, 4.25% note, "Boss Bond" and "Boss PLUS" bond. Participation in these new issues has apparently been lacklustre but we are encouraged at least to see local market issuance come back for the first time since 2018. By the end of this financial year, the GOB Series F bonds, a substantial holding for the Fund since shortly after the 2018 restructuring, were fully matured. During the year, Government of Barbados (GOB) bonds saw slightly higher prices on the secondary market so the Fund's positions in these securities were marked higher. New corporate issuances in Barbados continued to be scarce. A few of our local corporate positions matured, and the remaining positions performed well.

Cash and cash equivalents in the portfolio increased from \$26 million to \$34 million during the year. This cash is almost entirely in Barbados dollars, where it remains a substantial challenge to deploy appropriately. Even with higher than desired cash levels, the gross yield of the Fund's portfolio is now up to 3.9%, a good estimate of its medium-term return potential.

As of September 30, 2022, the average term to maturity of the Fund's diversified holdings was six years. Approximately 43% of the portfolio is invested outside the Caribbean region in U.S. dollars and other global currencies.

Top 5 Holdings

<i>Holding</i>	<i>Country/Region</i>	<i>Sector</i>	<i>Weight</i>
Deposits - CIBC FirstCaribbean Intl Bank	Barbados	Bank	21%
Fortress Fixed Income Fund	International	Various	19%
Fortress World Fixed Income Fund	International	Various	6%
Barbados Series B Sep 30, 2033	Barbados	Government	6%
GEL Note Nov 30 2022	Barbados	Corporate	6%

Outlook

For the past several years we have written that fixed income investors in the Caribbean faced two important challenges to earning healthy returns. The first was risky government credits and limited investment options in Caribbean bond markets. The second was exceptionally low prevailing bond yields in the U.S. and other major markets.

Unfortunately, the first challenge remains, and is possibly even more acute now because of stresses caused by the pandemic. The second challenge, though, has seen much improvement. **With this year's historic selloff in global bonds, U.S. bond yields – and therefore future return prospects – are now the highest they've been in 15 years.** That's not to say prospective bond returns from here will be huge. But with yields now around 5% for entirely acceptable credit and term risks, U.S. bonds are for the first time in more than a decade offering very interesting return prospects. The average yield to maturity of the Fund's portfolio at 3.9% is now higher than its compound annual return since inception (3.5%) for the first time in many years. While perhaps not exciting, this does suggest future returns that are much more in line with historical ones than we have seen in some time.

Of course, bond yields are higher for a reason: current and future inflation. It is possible that global inflation will stay above long-term trend for some time. That would seem to be the base case that markets have priced in. It is also possible, though, that inflation will gradually fade, and today's yields will in hindsight be shown to be a great gift. No one knows. The Fund's portfolio is constructed as much as possible to be robust to a range of outcomes, none of which we can know today, and to earn an acceptable return along the way.

The primary challenge that remains for the Fund is the lack of viable investment options within the Barbados bond market. We have been hopeful for some time that the situation would improve, but it has not. Some of the

reasons for it persisting are structural and some are cyclical, but the fact remains that for now the Fund is severely constrained in its ability to accept new investor subscriptions. Excess cash earning no return is a drag on overall portfolio performance. All we can do is continue to approach this and all markets with patience and discipline, and to deploy capital appropriately when the right opportunities arrive.

The key governance, regulatory and oversight aspects of the Fund's operations were unchanged during the year. The Fund's board and that of the Manager were active and engaged, and we would like to thank all members of our boards for their efforts on behalf of investors. SigniaGlobe Financial, the Fund's custodian, as well as EY the external auditor and BDO the internal auditor all worked diligently over the course of the year and as these financial statements were prepared. We would like to thank them, and the other excellent counterparties and service providers who make operating a fund like this possible and secure in today's environment.

At Fortress Fund Managers we recently celebrated our 25th anniversary. We marked the occasion in a few ways, one of which was to plant 100 trees alongside the Barbados Trailway. The idea of taking steps *today* to help something grow *over many years* into the future naturally appeals to long-term investors like us, and we hope we can do more of this type of activity in the future.

Sincere thanks to you, our valued shareholders, for your trust and support over the years. We wouldn't have started, let alone grown into what we are today without you.



Roger Cave, CA, CFA
Investment Director

The background features a light blue gradient with abstract, overlapping shapes in shades of blue and pink. A solid dark blue rectangle is positioned in the center-left, containing the text "Financial Statements".

Financial Statements

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 2022, 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 2022 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.

Other information included in the 2022 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN HIGH INTEREST FUND LIMITED

Report on the Audit of the Financial Statements (Continued)

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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN HIGH INTEREST FUND LIMITED

Report on the Audit of the Financial Statements (Continued)

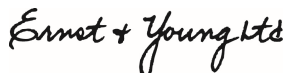
Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

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



BARBADOS
15 December 2022

Fortress Caribbean High Interest Fund Limited

Statement of Financial Position

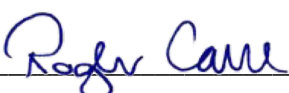
As at September 30, 2022

(expressed in Barbados dollars)

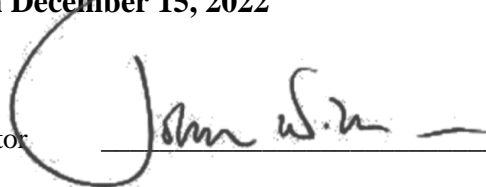
	2022 \$	2021 \$
Assets		
Financial assets (note 5)	108,979,113	117,116,497
Accounts receivable	—	38,685
Cash and cash equivalents (note 6)	34,240,634	25,920,424
Total assets	143,219,747	143,075,606
Liabilities		
Accounts payable and accrued expenses	98,052	81,469
Liabilities (excluding net assets attributable to holders of redeemable mutual fund shares)	98,052	81,469
Net assets attributable to holders of redeemable mutual fund shares:		
Accumulation shares (note 9)	140,993,204	140,450,707
Distribution shares (note 9)	2,127,491	2,542,430
	143,120,695	142,993,137
Total liabilities	143,218,747	143,074,606
Share capital (note 10)	1,000	1,000
Liabilities and shareholder funds	143,219,747	143,075,606
Net asset value per accumulation share	2.0383	2.1220
Net asset value per distribution share	0.9730	1.0132

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

Approved by the Board of Directors on December 15, 2022



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, 2022

(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, 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
Issue of shares	6,326,845	—	13,317,601	—	13,317,601
Redemption of shares	(3,341,465)	(322,991)	(7,041,993)	(324,145)	(7,366,138)
Total comprehensive loss for the year	—	—	(5,733,111)	(90,794)	(5,823,905)
Balance - September 30, 2022	69,173,277	2,186,424	140,993,204	2,127,491	143,120,695

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, 2022

(expressed in Barbados dollars)

	2022 \$	2021 \$
Revenue		
Interest income (note 7)	2,070,695	1,848,034
Net fair value (losses)/gains on investments (note 5)	(6,890,101)	3,603,614
Dividend income	313,668	293,372
Total investment (loss)/income	(4,505,738)	5,745,020
Expenditure		
Management fees (note 8)	908,053	826,697
Administrator and custodian fees (note 8)	242,958	234,767
Other operating expenses	116,662	89,714
Audit fees	38,695	40,539
Brokerage and investment fees	11,799	6,936
Operating expenditure	1,318,167	1,198,653
Operating (loss)/income	(5,823,905)	4,546,367
Finance costs		
Distributions to holders of redeemable shares- distribution shares (note 9)	—	(155,743)
Total comprehensive (loss)/income	(5,823,905)	4,390,624
Total comprehensive (loss)/income on ordinary activities allocated to:		
Holders of redeemable mutual fund distribution shares	(90,794)	(48,764)
Holders of redeemable mutual fund accumulation shares	(5,733,111)	4,439,388
Total comprehensive (loss)/income	(5,823,905)	4,390,624

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, 2022

(expressed in Barbados dollars)

	2022 \$	2021 \$
Cash flows from operating activities		
Total comprehensive (loss)/income	(5,823,905)	4,390,624
Adjustments for:		
Net fair value losses/(gains) on investments	6,890,101	(3,603,614)
Interest income	(2,070,695)	(1,848,034)
Dividend income	(313,668)	(293,372)
Distributions to holders of redeemable shares	—	155,743
Operating loss before working capital changes	(1,318,167)	(1,198,653)
Decrease in account receivable	38,685	705,764
Increase in accounts payable and accrued expenses	16,583	32,351
Purchase of investments	(60,150,318)	(71,214,353)
Proceeds on the sale of investments	61,365,820	74,960,480
Cash (used in)/generated from operations	(47,397)	3,285,589
Interest received	2,102,476	1,887,740
Dividends received	313,668	293,372
Cash generated from operating activities	2,368,747	5,466,701
Cash flows from financing activities		
Issue of mutual fund shares	13,317,601	15,029,622
Redemption of mutual fund shares	(7,366,138)	(9,214,170)
Distributions paid to holders of redeemable shares	—	(155,743)
Cash generated from financing activities	5,951,463	5,659,709
Net increase in cash and cash equivalents	8,320,210	11,126,410
Cash and cash equivalents - beginning of year	25,920,424	14,794,014
Cash and cash equivalents - end of year	34,240,634	25,920,424

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

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(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 Radley Court, Upper Collymore Rock, St. Michael, 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 15, 2022.

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, 2021, 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, 2022

(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.

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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(i) Classification...continued

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.

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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(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.

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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Financial instruments...continued

(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.

(vi) 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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

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.

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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

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.

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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

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, 2022 is disclosed in note 5.

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 9% (2021- 3%), 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 year	
	2022	2021
	\$	\$
Effect on net assets attributable to redeemable shares of an increase in the indices		
Bloomberg Barclays US Aggregate Bond Index	<u>4,148,353</u>	<u>2,559,900</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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk...continued

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.

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 2022 \$	Effect on net assets 2021 \$
Change in interest rate:		
-2%	3,208,955	1,579,590
2%	(2,683,890)	(1,404,053)

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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk...continued

iii) Foreign currency risk...continued

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.

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.

	2022 \$	2021 \$
Corporate debt securities	34,621,854	42,629,868
Government backed securities	17,675,696	12,189,752
Cash and cash equivalents	34,240,634	25,920,424
Accounts receivable	—	38,685
Total	86,538,184	80,778,729

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, 2022

(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:

	2022 % of debt securities	2021
AAA	5%	—
BBB+	1%	1%
BBB	1%	1%
BBB-	12%	17%
BB+	1%	1%
BB-	1%	1%
B	27%	2%
B-	—	20%
Unrated*	52%	57%
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:

	2022 \$	2021 \$
Cash and cash equivalents		
CIBC FirstCaribbean International Bank Limited	30,843,827	23,537,697
	30,843,827	23,537,697

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(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, 2022		
Accounts payable and accrued expenses	—	98,052
Net assets attributable to holders of redeemable mutual fund shares	143,120,695	—
Total financial liabilities	143,120,695	98,052
At September 30, 2021		
Accounts payable and accrued expenses	—	81,469
Net assets attributable to holders of redeemable mutual fund shares	142,993,137	—
Total financial liabilities	142,993,137	81,469

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, 2022, 47% (2021 - 45%) 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, 2022

(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, 2022				
Total assets	34,240,634	21,613,527	71,344,939	16,020,647
September 30, 2021				
Total assets	25,920,424	28,630,721	47,382,039	41,142,422

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, 2022

(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, 2022				
Financial assets at fair value through profit or loss				
Mutual funds	705,682	49,453,606	—	50,159,288
Corporate debt securities	2,357,737	—	32,264,117	34,621,854
Government backed securities	2,785,517	—	14,890,179	17,675,696
Listed equity securities	5,072,125	—	—	5,072,125
Hedge funds	—	1,450,150	—	1,450,150
	10,921,061	50,903,756	47,154,296	108,979,113

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

	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

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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

4 Financial risk management ...continued

Fair value estimation...continued

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

	Government backed securities \$	Corporate debt securities \$	Total \$
September 30, 2022			
Opening balance	12,189,752	40,036,299	52,226,051
Purchases	9,457,570	21,103,876	30,561,446
Sales	(8,281,243)	(28,790,215)	(37,071,458)
Gains/(losses) recognised in statement of comprehensive income	1,524,100	(85,843)	1,438,257
Closing balance	14,890,179	32,264,117	47,154,296
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	1,524,100	(85,843)	1,438,257
	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

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(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, 2022 \$	Fair value at September 30, 2021 \$	Valuation technique	Unobservable Inputs	Relationship of unobservable inputs to fair value
Government backed securities	14,890,179	12,189,752	DCF method	Discount rate	The higher the discount rate, the lower the fair value
Corporate debt securities	32,264,117	40,036,299	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, 2022 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2022				
Assets				
Cash and cash equivalents	34,240,634	—	—	34,240,634
Total	34,240,634	—	—	34,240,634
Liabilities				
Accounts payable and accrued expenses	—	98,052	—	98,052
Net assets attributable to holders of redeemable mutual fund shares	—	143,120,695	—	143,120,695
Total	—	143,218,747	—	143,218,747

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(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, 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

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, 2022

(expressed in Barbados dollars)

5 Financial assets

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

	2022 \$	2021 \$
Financial assets at fair value through profit or loss		
- mutual funds	50,159,288	51,319,512
- corporate debt securities	34,621,854	42,629,868
- government backed securities	17,675,696	12,189,752
- listed equity securities	5,072,125	9,412,180
- hedge funds	1,450,150	1,565,185
Total financial assets designated as fair value through profit or loss	108,979,113	117,116,497
Gains recognised in relation to financial assets at fair value through profit or loss:		
- unrealised losses	(8,485,101)	(891,032)
- realised gains	1,595,000	4,494,646
Net (losses)/gains in fair value through profit or loss	(6,890,101)	3,603,614

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

	Carrying value 2022 \$	Carrying value 2021 \$
Due within one year	24,150,886	37,112,435
Due after one year but within five years	8,871,226	11,188,918
Due after 5 years	19,275,438	6,518,267
No stated maturity	56,681,563	62,296,877
	108,979,113	117,116,497

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

5 Financial assets ...continued

The detailed portfolio of investments is as follows:

Security	Rate	Maturity	2022		2021	
			Cost \$	Market value \$	Cost \$	Market value \$
Financial assets at fair value through profit or loss:						
Barbados						
Government of Barbados- Series B	2.00%	2033-09-30	7,203,686	8,534,148	2,802,786	2,737,285
Goddards Enterprises Ltd	3.00%	2022-11-30	8,000,000	8,078,379	—	—
First Citizens Bank repo	3.00%	2023-01-03	6,000,000	6,037,591	—	—
Stallion Property Holdings	5.00%	2027-12-31	5,000,000	4,995,850	—	—
Government of Barbados	4.25%	2026-11-30	5,000,000	4,917,708	—	—
Eppley Caribbean Property Fund-Value Fund	4.60%	2023-07-31	3,000,000	3,073,207	3,000,000	3,074,137
Eppley Caribbean Property Fund-Value Fund	4.00%	2023-07-31	2,400,000	2,444,301	2,400,000	2,426,685
Williams Industries Inc	4.25%	2026-06-30	2,000,000	2,012,638	2,000,000	2,009,118
Cave Shepherd & Co. Ltd	3.50%	2024-03-31	1,000,000	1,008,368	1,000,000	999,898
Government of Barbados- Series D	4.00%	2053-08-31	1,502,770	837,297	1,502,770	631,425
Eppley Caribbean Property Fund-Value Fund	—	—	758,341	705,682	758,341	761,030
Cave Shepherd & Co. Ltd	3.75%	2022-10-31	500,000	505,272	500,000	507,652
N.S.R Limited	5.00%	2029-09-30	500,000	501,240	500,000	501,869
Eppley Caribbean Property Fund-Value Fund	4.00%	2023-07-31	300,000	305,538	300,000	303,939
Williams Industries Inc	5.25%	2023-06-30	200,000	205,425	200,000	207,743
First Citizens Bank	3.25%	2022-01-03	—	—	9,145,849	9,215,958
Government of Barbados- Series F (zero coupon)	—	2022-09-30	—	—	7,583,562	8,144,888
Goddards Enterprises Ltd	3.00%	2021-11-30	—	—	8,000,000	8,081,099
Stallion Property Holdings	5.00%	2021-12-31	—	—	5,000,000	5,017,850
Cave Shepherd & Co. Ltd	5.00%	2021-12-31	—	—	3,500,000	3,522,417
Cave Shepherd & Co. Ltd	3.75%	2022-08-31	—	—	1,000,000	1,014,435
			43,364,797	44,162,644	49,193,308	49,157,428
OECS						
Government of Grenada	7.00%	2030-05-12	758,617	601,026	853,444	676,154

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

5 Financial assets ...continued

Security	Rate	Maturity	2022		2021	
			Cost \$	Market value \$	Cost \$	Market value \$
Financial assets at fair value through profit or loss:						
Jamaica						
NCB Capital Markets Ltd	2.25%	2022-10-24	2,154,764	2,163,796	—	—
NCB Financial Group	5.00%	2024-03-01	1,000,000	932,512	1,000,000	1,037,711
NCB Capital Markets Ltd	2.25%	2021-10-25	—	—	2,107,085	2,115,788
			3,154,764	3,096,308	3,107,085	3,153,499
International						
Fortress Fixed Income Fund SP			27,186,716	26,836,139	21,186,716	24,062,870
Fortress World Fixed Income Fund	—	—	10,032,000	8,733,112	10,002,000	9,890,978
LEGG Mason WA Asian Opportunity Fund			5,000,000	5,408,315	5,000,000	6,300,546
PIMCO GLB Inv			4,398,440	5,084,642	4,398,440	6,226,436
Ishares JP Morgan EM Bond			5,406,570	3,855,810	5,406,570	5,364,520
Fortress Global Opportunity Wealth Fund SP			4,000,000	3,391,398	4,000,000	4,077,652
United States Treasury TIPS	0.63%	2032-07-15	2,823,485	2,785,517	—	—
ChapelGate Credit Opportunity Fund Ltd			522,545	1,450,150	522,545	1,565,185
MFS US TR Bond Fund			1,300,000	1,216,315	—	—
United States Steel Corp	6.88%	2029-03-01	797,800	733,669	797,800	858,441
Scotiabank Peru	4.50%	2022-12-13	589,398	603,708	589,398	622,035
Wells Fargo & Co	4.25%	2029-07-25	600,000	541,802	600,000	576,902
Sagikor Finance Ltd	5.30%	2028-05-13	512,500	478,558	512,500	536,191
Utilities Select Sector SPDR			—	—	2,497,022	2,682,960
Berkshire Hathaway Inc			—	—	1,401,304	1,364,700
			63,169,454	61,119,135	56,914,295	64,129,416
Total financial assets at fair value through profit or loss			110,447,632	108,979,113	110,068,132	117,116,497

Financial assets at fair value at profit and loss are grouped based on their primary market in which the issuer operates.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

6 Cash and cash equivalents

	2022	2021
	\$	\$
Cash at bank	33,850,991	23,566,193
Money market funds	389,643	2,354,231
	<u>34,240,634</u>	<u>25,920,424</u>

The effective yield on interest bearing cash and cash equivalents is nil% (2021 – nil%).

7 Interest income

	2022	2021
	\$	\$
Debt securities at fair value through profit or loss	2,067,746	1,847,953
Cash and cash equivalents	2,949	81
	<u>2,070,695</u>	<u>1,848,034</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 \$1,077,292 (2021 - \$1,036,347).

Management fees of \$169,239 (2021- \$209,650) 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 and Fortress Global Opportunity 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 \$121,479 (2021- \$117,384) for the year.

The Fund holds 128,933 (2021- 102,268) shares valued at \$26,836,139 (2021- \$24,062,870) in Fortress Fixed Income Fund SP.

The Fund holds 14,587 (2021- 14,587) shares valued at \$3,391,398 (2021- \$4,077,652) in Fortress Global Opportunity Fund SP.

The Fund holds 5,016,723 (2021- 5,001,000) shares valued at \$8,733,112 (2021- \$9,890,978) in Fortress World Funds Limited SCC - Fixed Income.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

8 Related parties...continued

Director fees of \$28,000 (2021 - \$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, 2022				
Shareholder				
Directors	8,405	20,902	(7,183)	22,124
September 30, 2021				
Shareholder				
Directors	8,338	67	—	8,405

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

	Number of shares 2022	2021
Fortress Caribbean Pension Fund Limited	51,294,148	50,002,970

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:

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

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 \$nil (2021 - \$0.0486) per share amounting to \$nil (2021 - \$155,743) 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.

Fortress Caribbean High Interest Fund Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Barbados dollars)

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

As at the reporting date any impact on the balances as of September 30, 2022, 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 15, 2022, 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.



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