



# Fortress Caribbean Property Fund SCC

## HIGHLIGHTS:

- *The Fund's total net assets declined to \$75.3 million as of September 30 from \$78.1 million a year ago as extremely difficult operating conditions continued to prevail in the Caribbean real estate market.*
- *Following near unanimous support from shareholders, the Fund effected a conversion to a segregated cell company and the division of its assets into a "Value Fund" share and a "Development Fund" share. Shareholders received one of each.*

The financial year to September 2013 was a poor one for the Fund in line with the general decline in the property market. The year witnessed many business closures and failures as a result of recessionary conditions and higher taxes in the Barbados economy, where most of the Fund's assets are domiciled. The Fund recorded a loss of \$1.673 million compared to a loss of \$16,112 in 2012. The Fund's net assets decreased to \$75.3 million from \$78.1 million in the prior year. The net asset value (NAV) is now \$1.35 per share compared to \$1.40 per share at September 30th 2012. The Fund's loss is primarily due to two main factors:

1. A significant increase in revaluation losses on the Fund's investment properties of \$2.5 million, up from \$0.86 million in the prior year, and
2. Impairment losses on the Fund's real estate available for re-sale of \$1.449 million, which is down from \$1.954 million in 2012.

Together, these non-cash items resulted in a \$3.955 million charge to the Fund's net income.

On an operating basis, the Fund generated cash of \$5.1 million, most of which was used in the repayment of loans and the payment of dividends. The Fund paid a dividend of \$0.02 per share in December 2012 and has declared a dividend of \$0.035 per share on the new Value Fund share which was paid in December 2013. There were no dividends declared for the Development Fund share.

During the year, our Board took a decision, after extensive professional advice, to approach shareholders on a proposal to convert the Fund into a segregated cell company. The purpose of the proposal was to split the Fund's portfolio into two new "segregated cells": one to hold the income producing properties and one to hold the development assets, with an objective in both cases of enhancing shareholder value through a reduced trading discount of the Fund's shares on the stock market. A Shareholders' Information Memorandum was prepared and sent to all shareholders and at a Special Meeting held on September 26th, 2013, the Fund's shareholders voted almost unanimously for the proposal. The split has no immediate financial benefit or loss to the Fund's shareholders, as their underlying value before and after the split is exactly the same.

The Fund has a very strong balance sheet with total liabilities of only \$19 million financing \$109 million of gross assets. The Fund has the ability to borrow to re-develop certain assets and to take advantage of future opportunities where appropriate. We anticipate a modest increase in property values in 2014.

A complete commentary and full financial statements for the year ended September 30th, 2013 are contained in the Fund's Annual Report available at [www.fortressfund.com](http://www.fortressfund.com).

## FUND OBJECTIVES

### VALUE FUND:

Produce annual income and long term capital gains from a diversified portfolio of income producing properties in the Caribbean. It is expected that the Value Fund will pay out a minimum of 75 % of its available distributable profits.

### DEVELOPMENT FUND:

Realize value in the medium term on its portfolio of development properties in the Caribbean, and return capital to shareholders. It is not expected that the Fund will pay a regular dividend.

*The Fund is closed end and its shares are listed on the Barbados Stock Exchange. Net Asset Values (NAV) for each class of share are updated and published monthly at [www.fortressfund.com](http://www.fortressfund.com). The trading prices on the stock exchange may differ significantly from the shares' NAVs.*

## FINANCIAL HIGHLIGHTS

As of September 30, 2013

<b>Fund net assets:</b>	<b>\$75,337,808</b>
<i>Of which now:</i>	
Value Fund:	\$44,771,240
Development Fund:	\$30,566,568
Net Asset Value per share:	\$1.35
Share trading price:	\$0.65
2013 Operating Cash Flow:	\$5,138,519
2013 Earnings/(Loss):	(\$1,673,039)
<i>Of which now:</i>	
Value Fund:	\$2,185,189
Development Fund:	(\$3,858,228)
2013 Earnings/(Loss) per share:	(\$0.03)
<b>2013 dividends per share:</b>	
Value Fund:	\$0.035
Development Fund:	nil

### EXPENSES

*Manager:*  
0.75% per annum of the net assets of the Fund  
*Investment Advisor:*  
0.75% per annum of the net assets of the Fund

### MANAGER & ADMINISTRATOR

Fortress Fund Managers Limited

### INVESTMENT ADVISOR & PROPERTY MANAGER

Altman Real Estate  
Property Consultancy Services Inc

### BANKER

CIBC First Caribbean International Bank®

### ATTORNEY-AT-LAW

Sir Henry deB. Forde, K.A., Q.C.

### INDEPENDENT AUDITORS

PricewaterhouseCoopers SRL

### INDEPENDENT VALUER

Terra Caribbean

### DIRECTORS

Geoffrey Cave, Chairman  
Paul Altman  
Anthony Audain  
Senator Sir Trevor Carmichael  
Maureen Davis  
Terry Hanton  
Algernon Leacock  
John Williams

Please see [www.fortressfund.com](http://www.fortressfund.com) for further important information

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## DEVELOPMENT FUND SHARES



### Holder's Site

Location - St. James, Barbados  
 Fair Market Value - \$1.9 million  
 Size - 158,000 square feet  
 Property Type - Residential



### Lion Castle Lot 21

Location - Lion Castle, Barbados  
 Fair Market Value - \$0.95 million  
 Property type - Undeveloped residential lands



### Apes Hill Land

Location - Apes Hill, Barbados  
 Fair Market Value - \$1.05 million  
 Property type - Undeveloped residential lands



### Apes Hill Polo Villa

Location - Waterhall, Barbados  
 Fair Market Value - \$1.5 million  
 Property type - Residential unit



### Villas on the Green

Location - Cap Estate, St. Lucia  
 Carrying Value - \$9.3 million  
 Property type - Residential development



### Wotton Lands

Location - Wotton, Barbados  
 Carrying Value - \$6.2 million  
 Property type - Undeveloped commercial lands



### Rockley Cane Garden

Location - Rockley, Barbados  
 Carrying Value - \$2.3 million  
 Property type - Undeveloped lands



### Rockley Central Area

Location - Rockley, Barbados  
 Carrying Value - \$2.76 million  
 (entire joint venture, remaining lands)  
 Property type - Undeveloped lands



### Lower Estate Lands

Location - Lower Estate, Barbados  
 Carrying Value - \$8.3 million (entire joint venture)  
 Property Type - Undeveloped commercial lands



### Lime Grove Hillside Villa

Location - Lime Grove, Barbados  
 Carrying Value - \$1.24 million  
 Property type - Residential unit



### Canouan Land

Location - Canouan Island, St. Vincent  
 Carrying Value - \$8.6 million (entire site)  
 Property type - Undeveloped residential lands

## VALUE FUND SHARES



### The CWBET Building

Location - Wildey, Barbados  
 Fair Market Value - \$34.5 million  
 Tenantable Space - 84,838 square feet  
 Property Type - Commercial



### Carter's Buildings, Cave Shepherd Building

Location - various, Barbados  
 Fair Market Value - \$60.6 million (entire joint venture)  
 Property Type - Commercial



### Carlisle House

Location - Bridgetown, Barbados  
 Fair Market Value - \$11.5 million  
 Tenantable Space - 48,426 square feet  
 Property Type - Commercial



### No. 24 Broad Street

Location - Bridgetown, Barbados  
 Fair Market Value - \$8.5 million  
 Tenantable Space - 14,000 square feet  
 Property Type - Commercial



### Chattel Village

Location - Hometown, Barbados  
 Fair Market Value - \$1.45 million  
 Tenantable space - 8,000 square feet  
 Property Type - Commercial



### Sunset Mall

Location - Sunset Crest, Barbados  
 Fair Market Value - \$9.4 million (entire joint venture)  
 Property type - Commercial building

### All prices listed in Barbados Dollars

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