



# FG FINANCIAL DIVERSIFIED FUND

## Quarterly Report December 31, 2008

### INVESTMENT OBJECTIVE

FG Financial Diversified Fund is a balanced fund whose objective is to provide above-average income and opportunities for long-term growth of capital. Balanced funds are generally “middle of the road” investments that seek to provide a combination of growth, income and conservation of capital by investing in a mix of stocks, bonds, and/or fixed income securities.

### INVESTMENT STRATEGY

The Diversified Fund invests primarily in a combination of Bahamian equities (listed and non-listed), mortgages, and fixed income securities. The Fund may also invest in term deposits and in publicly traded or privately issued preference shares.

### INVESTMENT RISK AND RETURN

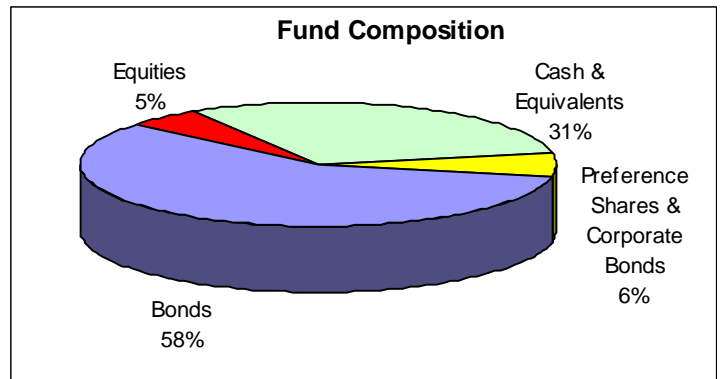
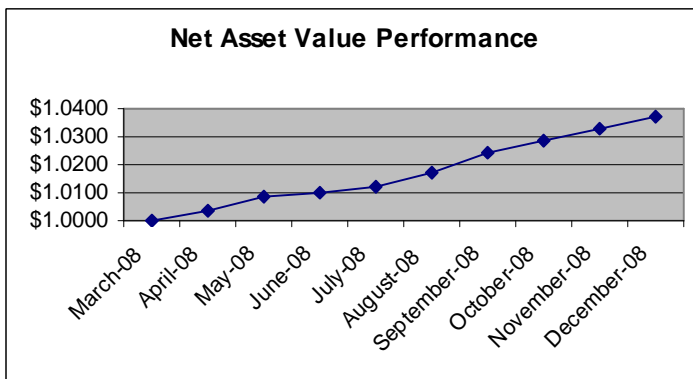
The Diversified Fund caters to investors with a moderate risk profile. The positioning of a balanced fund allows for investors to reap the benefits of an upturn in the equities market while not suffering the full impact during economic downturns. Our long-term expected rate of return for this Fund is 6.5% to 8% per annum.

### FOURTH QUARTER 2008 REVIEW

The Diversified Fund ended the fourth quarter with a net asset value of \$1.0373. For the quarter ended December 31, 2008, the Fund achieved a positive return of 1.26%, but underperformed its benchmark, which reported returns of 1.44% over the same period. Over the past nine months, the Fund underperformed compared to its benchmark, obtaining a yield of 3.70% compared to the benchmark return of 4.32%. This is due to the underperformance of our equities portfolio as a result of continued market contractions. The Fund’s annualized return from inception (April 1st, 2008) was 4.97%.

Invested assets increased by approximately \$73K during the quarter due to an increase of \$71K in net subscriptions, and \$12K in term deposit interest. These offset an \$11K decrease in our equities portfolio. Year-to-date, our equities yielded 1.55%, with Cable Bahamas being our top performer over the past nine months, with a positive return of 4.26%.

We continue to maintain our higher allocation of bonds in the Diversified Fund for the interim, due to continued contractions in the local capital markets. As market conditions improve, we will move to reduce our current bond balances in favor of higher performing equities.



Performance Analysis	QTR 4	6-MTH	Y-T-D	1-Year
Fund	1.26%	2.44%	N/A	N/A
Benchmark	1.44%	2.88%	5.75%	5.75%
+/- Benchmark	-0.18%	-0.44%	N/A	N/A

Investment Manager:	<b>Family Guardian Insurance Co. Ltd.</b>
Analysis Period:	March 31, 2008 to December 31, 2008
Benchmark:	Prime Rate + 25 Basis Points

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This document is prepared by FG Financial Limited, which is licensed by the Securities Commission of The Bahamas as a Fund Administrator. FG Financial Limited is the parent company of FG Financial Fund Limited SAC and a subsidiary of FamGuard Corporation Limited.

This quarterly review is for informational purposes only. Please note that past performance and rates of return are not indicative of future results.