



FG FINANCIAL PREFERRED INCOME FUND

Quarterly Report December 31, 2008

INVESTMENT OBJECTIVE

FG Financial Preferred Income Fund is a fixed income fund that aims to provide the highest possible level of return while still maintaining liquidity and preserving capital, mainly through investments in government bonds, certificates of deposit, and mortgages. The Fund seeks to provide stable returns to unit holders in excess of average term deposit rates.

INVESTMENT STRATEGY

The Preferred Income Fund invests predominantly in government bonds and bank deposits but enhances its yield through investing in a diversified portfolio of mortgages and preference shares. Its emphasis is on principal protection and constant income generation.

INVESTMENT RISK AND RETURN

The Preferred Income Fund carries a low level of risk to the investor based primarily on investment in a combination of short-term financial instruments and government guaranteed securities. Our expected long-term rate of return is 5.5% to 6.5% per annum.

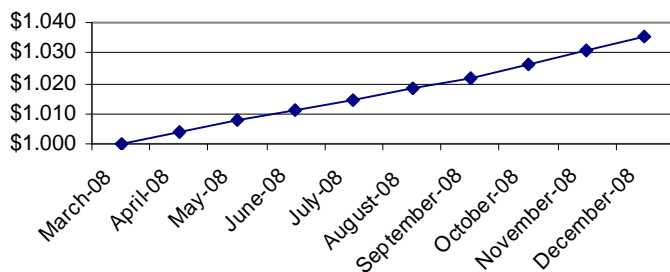
FOURTH QUARTER 2008 REVIEW

The Preferred Income Fund ended the fourth quarter with a net asset value of \$1.0357, a positive return of 1.38% for the quarter. The Fund outperformed its benchmark, the weighted average bank term deposits rate, by 38 basis points during the quarter. Over the past nine months, the Fund achieved a positive return of 3.54%, again outperforming its benchmark, which reported returns of 3.00%. The Fund's annualized return from inception (April 1st, 2008) was 4.76%.

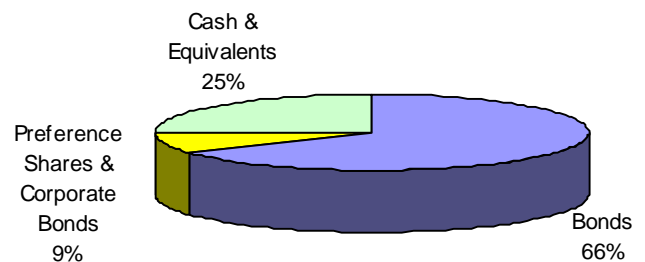
The Fund's asset allocation saw moderate movements over the quarter. Invested assets increased marginally by \$5K during the quarter, due to interest received on our fixed income securities. Bonds, which constitute the majority of the Fund has provided an average yield, year-to-date, of 5.75%.

Our long-term objectives remain the same...maximizing fund participant returns at an acceptable level of risk.

Net Asset Value Performance



Fund Composition



| Performance Analysis | QTR 4 | 6-MTH | Y-T-D | 1-Year |
|----------------------|--------|--------|-------|--------|
| Fund | 1.38% | 2.16% | N/A | N/A |
| Benchmark | 1.00% | 2.00% | 3.86% | 3.86% |
| +/- Benchmark | +0.38% | +0.16% | N/A | N/A |

| | |
|----------------------------|---|
| Investment Manager: | Family Guardian Insurance Co. Ltd. |
| Analysis Period: | March 31, 2008 to December 31, 2008 |
| Benchmark: | Weighted Average Term Deposit Rate |

For further information contact:
 FG Capital Markets Limited
 Family Guardian Corporate Office:
 Telephone (242) 396-4000
 Fax (242) 393-1100
 P.O. Box SS-6232, Nassau Bahamas

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.