



# FG FINANCIAL PREFERRED INCOME FUND

## Quarterly Report March 31, 2010

### 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. 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, preference shares and corporate bonds. 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 remains within the range of 5.5% to 6.5% per annum.

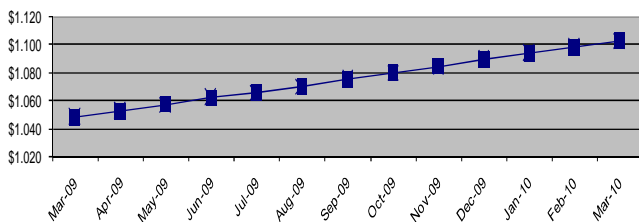
### FIRST QUARTER 2010 REVIEW

The Preferred Income Fund ended the first quarter with a net asset value (NAV) per share of \$1.1034, providing a return of 1.25%. The Fund outperformed its benchmark, the weighted average bank term deposit rate by 25 basis points during the quarter. The Fund yielded 12-month returns of 5.25%, 146 basis points above benchmark returns of 3.79%. The Fund's average annualized return from inception was 5.91%, which is within the range of our expected long-term rate of return.

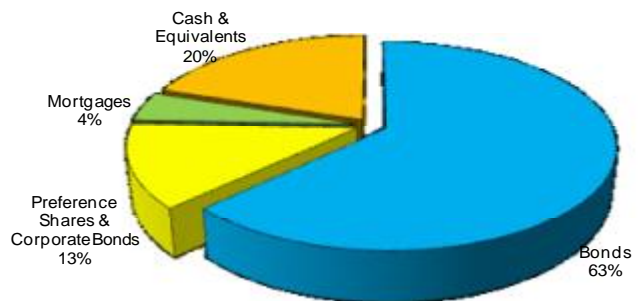
The Fund has experienced considerable growth as investors sought lower levels of exposure to the volatility of the equities market. Net assets available to shareholders increased by approximately \$196,000 due to net subscriptions of \$151,000 and investment income of \$45,000. During the quarter, we invested \$250,000 of our available funds into corporate bonds at an attractive interest rate above prime, which will provide a further boost to our yields.

During 2010, we will aggressively seek to grow our mortgage portfolio to further enhance our yields. Our long-term objectives remain the same...maximizing fund participant returns at an acceptable level of risk.

FUND PERFORMANCE



FUND COMPOSITION



Performance Analysis	QTR 1	Y-T-D	12-MTH	Inception
Fund	1.25%	1.25%	5.25%	5.91%
Benchmark	1.00%	1.00%	3.79%	3.83%
+/- Benchmark	+0.25%	+0.25%	+1.46%	+2.08%

<b>Investment Manager:</b>	<b>Family Guardian Insurance Co. Ltd.</b>
<b>Analysis Period:</b>	January 1, 2010 to March 31, 2010
<b>Benchmark:</b>	Weighted Average Term Deposit Rate

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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.