



# FG FINANCIAL PREFERRED INCOME FUND

## Quarterly Report December 31, 2009

### 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.

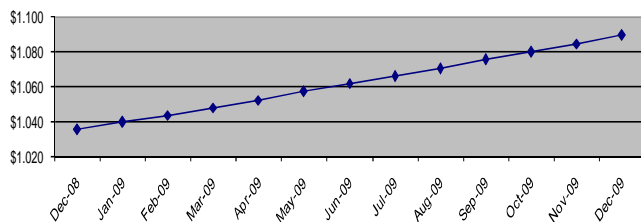
### FOURTH QUARTER 2009 REVIEW

The Preferred Income Fund ended the fourth quarter with a net asset value (NAV) per share of \$1.0898, providing a return of 1.31%, up from 1.27% in the third quarter. The Fund outperformed its benchmark, the weighted average bank term deposits rate by 31 basis points during the quarter. Year-to-date, the Fund yielded 5.22%, 140 basis points above benchmark returns of 3.83%. The Fund's average annualized return from inception was 5.99%.

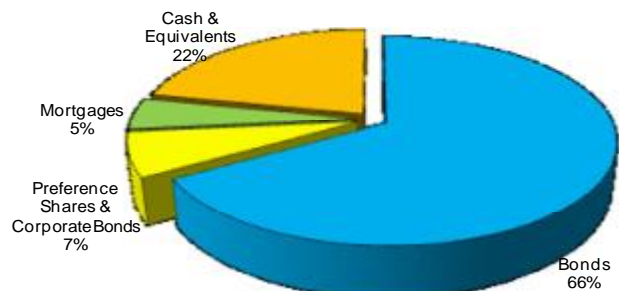
The Fund has experienced considerable growth as investors sought lower levels of exposure to the volatility of the equities market. Net assets available to shareholders increased by approximately \$760,000 due to net subscriptions of \$601,000 and investment income of \$159,000. During the quarter, we channeled our available funds into government bonds in the amount of \$393,000 at attractive interest rates above prime, which provided a further boost in our yields.

During 2010, we will look to increase our mortgage holdings, preference shares and corporate bonds in order to further enhance our yields. 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  | Y-T-D  | 12-MTH | Inception |
|----------------------|--------|--------|--------|-----------|
| Fund                 | 1.31%  | 5.22%  | 5.22%  | 5.99%     |
| Benchmark            | 1.00%  | 3.83%  | 3.83%  | 3.86%     |
| +/- Benchmark        | +0.31% | +1.40% | +1.40% | +2.13%    |

|                            |   |
|----------------------------|---|
| <b>Investment Manager:</b> | <b>Family Guardian Insurance Co. Ltd.</b>   |
| <b>Analysis Period:</b>    | <b>October 1, 2009 to December 31, 2009</b> |
| <b>Benchmark:</b>          | <b>Weighted Average Term Deposit Rate</b>   |

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