



FG FINANCIAL PREFERRED INCOME FUND

Quarterly Report For The Period Ended June 30, 2014

INVESTMENT OBJECTIVE

FG Financial Preferred Income Fund (the "Fund") is a fixed income Fund that aims to provide a return in excess of bank fixed deposits 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

FG Financial Preferred Income Fund invests predominantly in government bonds, corporate bonds, preference shares and bank deposits but enhances its yield through investing in a diversified portfolio of mortgages. Its emphasis is on principal protection and constant income generation. The Fund's portfolio generates a steady flow of interest and preferred dividend income which is reinvested. This portfolio carries a low level of risk to the investor and provides capital preservation while generating a reasonable yield.

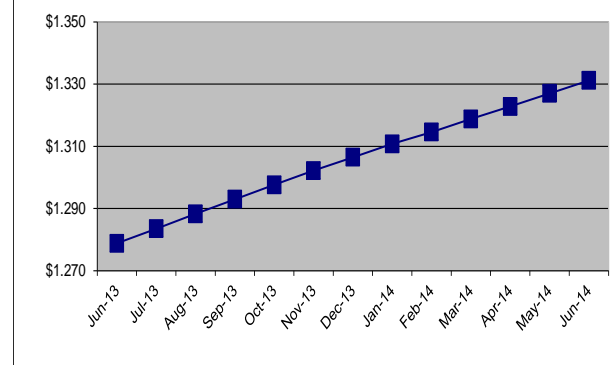
FOURTH QUARTER REVIEW

The Fund closed the second quarter with a net asset value (NAV) per share of \$1.3312, an increase of 0.94% over the quarter and 1.89% YTD, outperforming its benchmark (the weighted average bank term deposit rate), by 1.05% YTD. Over the last twelve months the Fund returned 4.10%, outperforming the benchmark by 2.42%. Over the previous three years and since inception, the Fund has outpaced its benchmark by 2.32% and 2.38% respectively per annum.

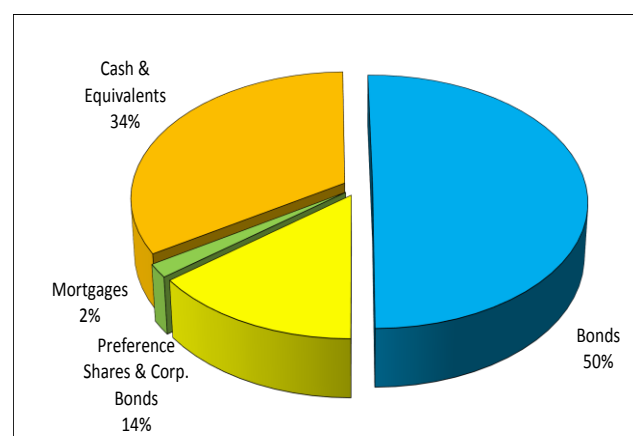
During the second quarter of 2014 the Fund continued to experience strong net investment inflows due to its steady returns above its benchmark, low level of risk, and preservation of capital objective. During the quarter, our cash holdings remained at 34%, but as noted in the 1Q14 report, the Fund made a \$160k investment in the Cable Bahamas Limited preference share offering during the second quarter, which increased the Fund's preference shares and corporate bond holding by 1% to 14%.

During the balance of 2014 we will endeavor to prudently reinvest excess cash and lower yielding short-term deposits into higher yielding instruments preferably high quality mortgages, bonds and preference shares.

NET ASSET VALUE PERFORMANCE



FUND COMPOSITION



ANALYSIS & BENCHMARK DETAILS

INVESTMENT MANAGER	FAMILY GUARDIAN INSURANCE
Analysis Period:	Mar. 31, 2014 – June 30, 2014
Benchmark:	WEIGHT AVERAGE TERM DEPOSIT RATE* (Source: Quarterly Digest, The Central Bank of The Bahamas website: www.centralbankbahamas.com)

PERFORMANCE	QTR-2	YTD	1 YR	3 YRS	INCEPTION (PER ANNUM)
Fund	+0.94%	+1.89%	+4.10%	+4.43%	+5.23%
Benchmark	+0.42%	+0.84%	+1.68%	+2.11%	+2.85%
+/- Benchmark	+0.52%	+1.05%	+2.42%	+2.32%	+2.38%

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