



FG FINANCIAL PREFERRED INCOME FUND

QUARTERLY REPORT FOR THE PERIOD ENDED MARCH 31, 2012

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

FG Financial 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.

The 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.

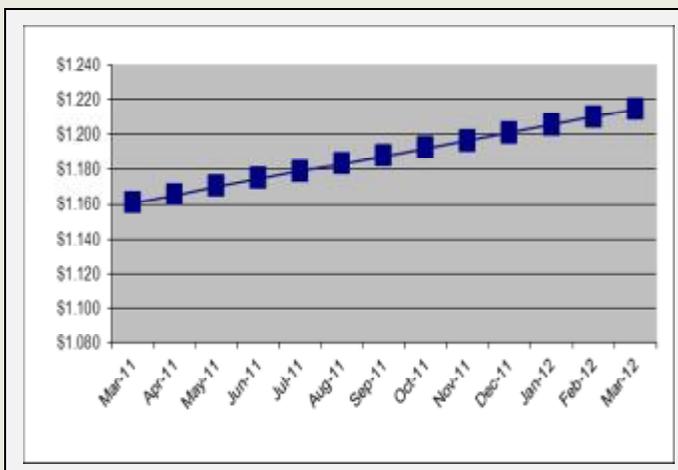
FIRST QUARTER REVIEW

FG Financial Preferred Income Fund concluded the first quarter with a net asset value (NAV) per share of \$1.2142, providing a return of 1.09%, outperforming its benchmark, the weighted average bank term deposit rate, by 55 basis points, which yielded 0.54%. The Fund's average annualized yield since inception approximates 5.36%, 200 basis points above its benchmark, which reflected average annualized returns of 3.35% over the same period.

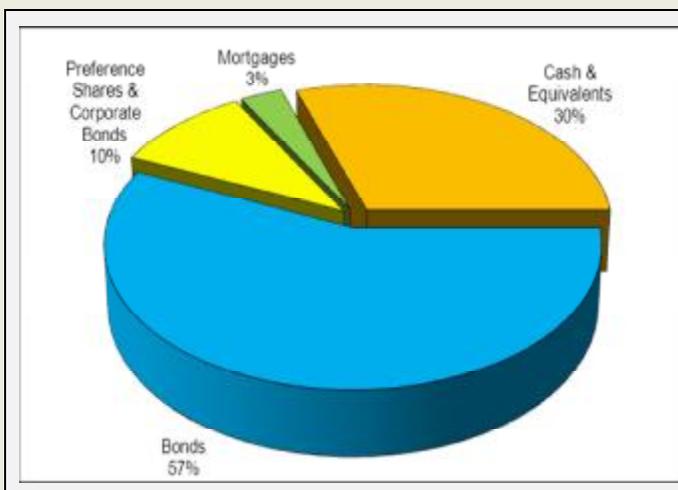
Lending restrictions due to significantly high delinquency ratios on existing loan portfolios of various financial institutions continue to contribute to excess market liquidity resulting in further deterioration of bank term deposit rates. As a result, the Fund's unwavering returns continue to attract an influx of risk-averse investors seeking principal protection and returns in excess of average term deposit rates. Consequently, year-to-date, net assets available to unit-holders increased by approximately \$284,000 attributable to net subscriptions of \$230,000 and net investment income of \$54,000. During the quarter, available funds were channeled into investments in government guaranteed bonds at 25 basis points above the prime rate and additional term deposits.

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

Net Asset Value Performance



Fund Composition



INVESTMENT MANAGER	FAMILY GUARDIAN INSURANCE
Analysis Period:	Dec. 31, 2011 — Mar. 31, 2012
Benchmark:	WEIGHT AVERAGE TERM DEPOSIT RATE

PERFORMANCE	QTR-1	YTD	12-MTHS	INCEPTION (Annualized)
Fund	+1.09%	+1.09%	+4.60%	+5.36%
Benchmark	+0.54%	+0.54%	+2.46%	+3.35%
+/- Benchmark	+0.55%	+0.55%	+2.14%	+2.00%

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