



# FG FINANCIAL PENSIONS & INVESTMENTS

## FG FINANCIAL PREFERRED INCOME FUND

### QUARTERLY REPORT FOR THE PERIOD ENDED JUNE 30, 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

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.

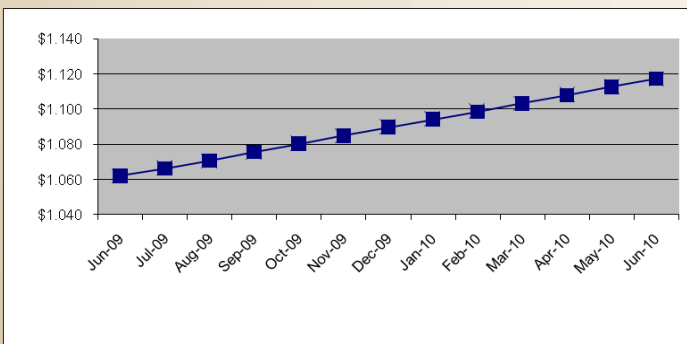
#### Second Quarter 2010 Review

FG Financial Preferred Income Fund ended the second quarter with a net asset value (NAV) per share of \$1.1173, providing a return of 1.26%, and outperforming benchmark returns of 1.00% by 26 basis points over the same period. The Fund yielded year-to-date returns of 2.52%, again beating out its benchmark, the weighted average bank term deposit rate by 52 basis points, which reported returns of 2.00%. The Fund's average annualized yield since inception approximates 5.87%, compared to its benchmark, which reflected average annualized returns of 3.82% over the same period.

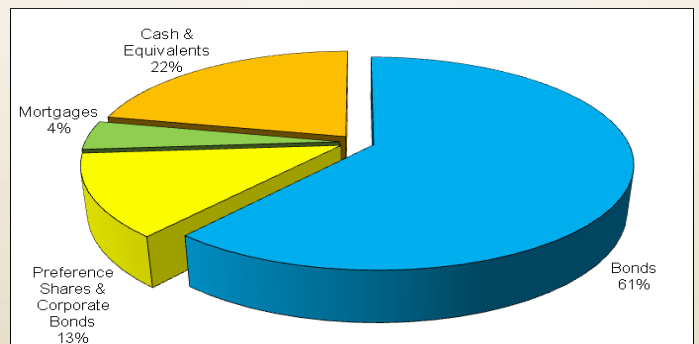
The Fund has experienced considerable growth as investors sought lower levels of risk by safeguarding their investments from exposure to the volatility of the equities market. Due to our investments primarily in government guaranteed securities at higher yields, the Fund has been able to provide a steady flow of income generation for investors as compared to alternative investment in term deposits. As a result, year-to-date, net assets available to shareholders increased by approximately \$296,000 attributable to net subscriptions of \$204,000 and net investment income of \$92,000.

We will continue to seek opportunities to increase our mortgage portfolio to boost our flow of income into Fund and 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	QTR.2	QTR.1	Y-T-D	Inception
Fund	+1.26%	+1.25%	+2.52%	+5.87%
Benchmark	+1.00%	+1.00%	+2.00%	+3.82%
+/- Benchmark	+0.26%	+0.25%	+0.52%	+2.05%

<b>Investment Mgr.:</b>	<b>Family Guardian Insurance</b>
<b>Analysis Period:</b>	March 31, 2010 – June 30, 2010
<b>Benchmark:</b>	Weighted Average Term Deposit Rate

**for life, for health, for wealth**

Call us today at + 242 396-4076 | [www.fgfinancialbahamas.com](http://www.fgfinancialbahamas.com)

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