



## FG FINANCIAL PREFERRED INCOME FUND

*Quarterly Report For The Period Ended June 30, 2013*

### 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.

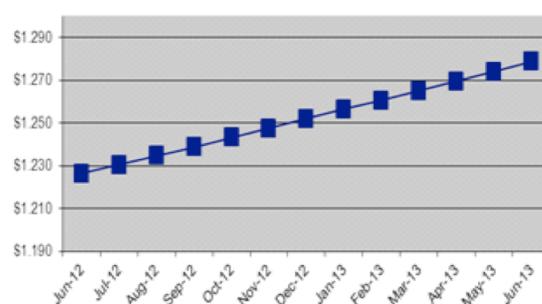
### SECOND QUARTER REVIEW

The Fund closed the second quarter with a net asset value (NAV) per share of \$1.2788, an increase of 1.07%, outperforming its benchmark (the weighted average bank term deposit rate), by 65 basis points, which yielded 0.42% over the same period. Year-to-date, the Fund returned 2.14%, outperforming the benchmark by 0.90%. Over the previous three years and since inception, the Fund has outpaced its benchmark by 2.42% and 2.34% respectively per annum.

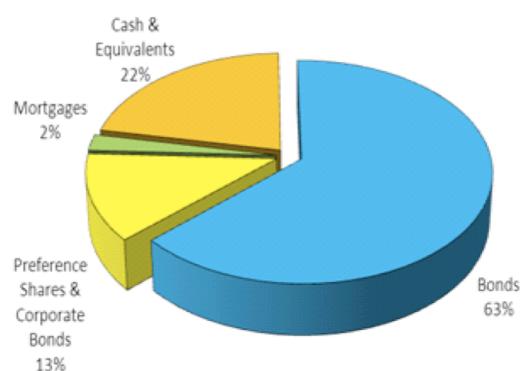
Prolonged high liquidity levels in the banking sector led to a further reduction in the weighted average bank term deposit rate of interest by 6 basis points to end the quarter at 1.67%. Hence, the Fund's returns above its benchmark and its principal protection focus continue to entice investors seeking low risk investment alternatives that offer higher yields. As a result, year-to-date, we have continued to experience strong net investment inflows. During the quarter, we reallocated our portfolio by reinvesting lower yielding term deposits into higher yielding instruments such as government bonds and preference shares at attractive market rates in an effort to further enhance our performance yields.

During the remaining portion of 2013, we will endeavor to prudently reinvest excess cash in 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, 2013 – Jun. 30, 2013
Benchmark:	WEIGHT AVERAGE TERM DEPOSIT RATE* (Source: Quarterly Digest, The Central Bank of The Bahamas website: <a href="http://www.centralbankbahamas.com">www.centralbankbahamas.com</a> )

PERFORMANCE	QTR-2	YTD	1 YR	3 YRS	INCEPTION (PER ANNUM)
Fund	+2.06%	+4.68%	+9.23%	+6.48%	+5.49%
Benchmark	+1.21%	+4.49%	+7.25%	-2.17%	-5.40%
+/- Benchmark	+0.85%	+0.19%	+1.97%	+8.66%	+10.89%

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