



FG FINANCIAL PREFERRED INCOME FUND

QUARTERLY REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2011

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.

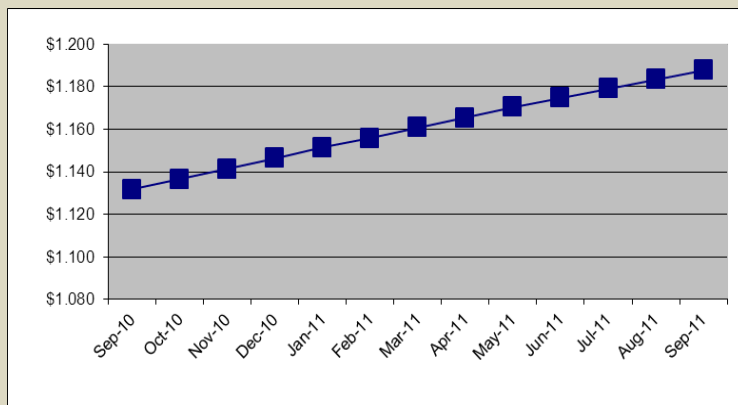
THIRD QUARTER 2011 REVIEW

FG Financial Preferred Income Fund closed out the third quarter with a net asset value (NAV) per share of \$1.1877, providing a return of 1.09%, outperforming its benchmark, the weighted average bank term deposit rate, by 52 basis points, which yielded 0.57%. The Fund's year-to-date returns of 3.59% (4.79% annualized) surpassed its benchmark returns by 81 basis points yielding 2.78% over the same period. The Fund's average annualized yield since inception approximates 5.36%, 187 basis points above its benchmark, which reflected average annualized returns of 3.49% over the same period.

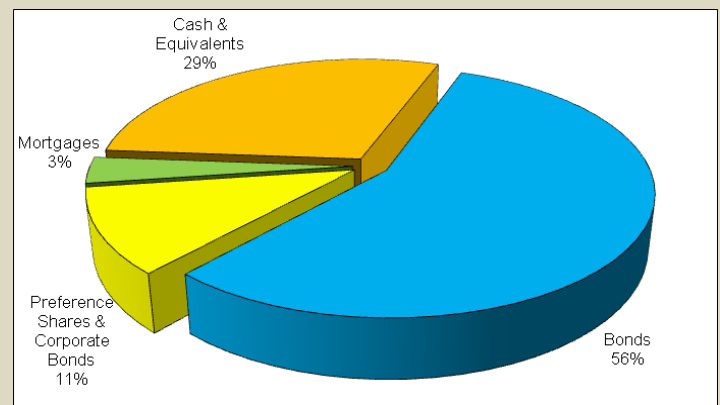
The Bahamian prime rate reduction coupled with excess market liquidity has led to a sharp decline in bank term deposit rates. As a result, the Fund has attracted an influx of risk-averse investors seeking principal protection and stable returns in excess of average term deposit rates. Consequently, year-to-date, net assets available to unit-holders increased notably by approximately \$721,000 attributable to net subscriptions of \$565,000 and net investment income of \$156,000. During the quarter, our available funds were channeled into investments in 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



PERFORMANCE	QTR.3	Y-T-D	12 MTHS	INCEPTION
Fund	+1.09 %	+3.59 %	+4.94 %	+5.36 %
Benchmark	+0.57 %	+2.78 %	+3.17 %	+3.49 %
+/- Benchmark	+0.52 %	+0.81 %	+1.77 %	+1.87 %

INVESTMENT MANAGER:	FAMILY GUARDIAN INSURANCE
Analysis Period:	June 30, 2011 – September 30, 2011
Benchmark:	Weighted Average Term Deposit Rate

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