



FG FINANCIAL PREFERRED INCOME FUND

QUARTERLY REPORT FOR THE PERIOD ENDED DECEMBER 31, 2012

INVESTMENT OBJECTIVE

FG Financial Preferred Income Fund (the "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.

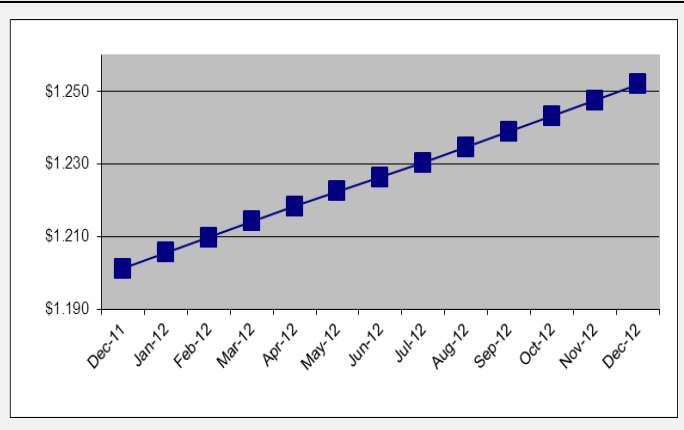
FOURTH QUARTER REVIEW

The Fund closed out the fourth quarter with a net asset value (NAV) per share of \$1.2520, an increase of 1.06%, outperforming its benchmark (the weighted average bank term deposit rate), by 60 basis points, which yielded 0.46% over the same period. Year-to-date, the Fund returned 4.24%, outperforming its benchmark by 2.20%. Over the previous three years and since inception, the Fund has outperformed its benchmark by 2.21% and 2.17% respectively per annum.

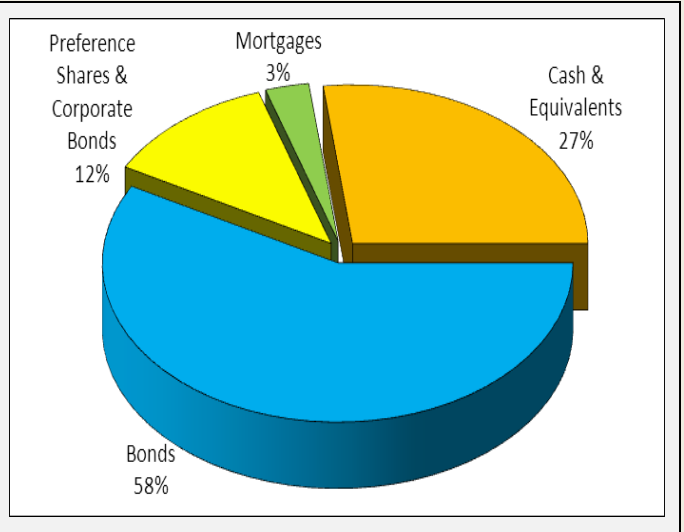
The relatively low weighted average bank term deposit rate of interest marginally increased by 3 basis points to end the quarter at 1.87%. Hence, the Fund's solid returns above its benchmark and its principal protection focus continue to entice investors seeking low risk investment alternatives that offer higher yields. As a result, year-to-date, we have continued to experience strong net investment inflows.

During the quarter, the Fund invested in a preference share offering at an attractive market rate. During 2013, we will endeavor to reinvest any excess cash in higher yielding instruments preferably high quality mortgages and preference shares.

Net Asset Value Performance



Fund Composition



INVESTMENT MANAGER	FAMILY GUARDIAN INSURANCE
Analysis Period:	Sep. 30, 2012 – Dec. 31, 2012
Benchmark:	WEIGHT AVERAGE TERM DEPOSIT RATE*

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* Source: Quarterly Digest, The Central Bank of The Bahamas website: www.centralbankbahamas.com

PERFORMANCE	QTR-3	YTD	1 YR	3 YRS	INCEPTION (PER ANNUM)
Fund	+1.06%	+4.24%	+4.24%	+4.96%	+5.31%
Benchmark	+0.46%	+2.04%	+2.04%	+2.75%	+3.14%
+/- Benchmark	+0.60%	+2.20%	+2.20%	+2.21%	+2.17%