



# FG FINANCIAL PREFERRED INCOME FUND

## Quarterly Report September 30, 2009

### 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, mainly through investments in government bonds, certificates of deposit, and mortgages. The Fund seeks to provide stable returns to unit holders in excess of average term deposit rates.

### INVESTMENT STRATEGY

The Preferred Income Fund invests predominantly in government bonds and bank deposits but enhances its yield through investing in a diversified portfolio of mortgages and preference shares. Its emphasis is on principal protection and constant income generation.

### INVESTMENT RISK AND RETURN

The Preferred Income 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. Our expected long-term rate of return is 5.5% to 6.5% per annum.

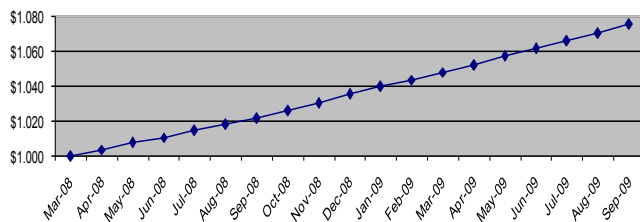
### THIRD QUARTER 2009 REVIEW

The Preferred Income Fund ended the third quarter with a net asset value per share of \$1.0757, providing a return of 1.27%, outperforming its benchmark, the weighted average bank term deposits rate by 27 basis points during the quarter. Year-to-date, the Fund yielded 3.86%, outperforming benchmark returns of 2.92%. Over the past 12 months, the Fund has provided a return of 5.30%, 142 basis points above benchmark returns of 3.88%. The Fund's average annualized return from inception was 5.05%.

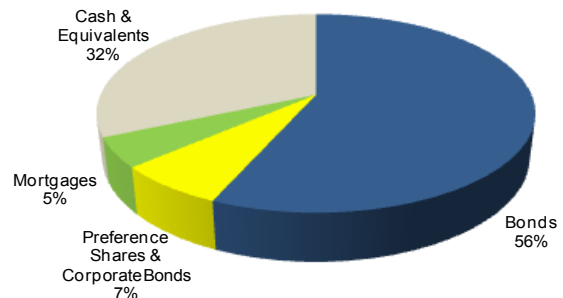
The Fund has experienced modest growth as investors sought lower levels of exposure to the volatility of the equities market. Net assets available to shareholders increased by approximately \$392,000 due to net subscriptions of \$278,000 and investment income of \$114,000. We channeled our available funds into government bonds in the amount of \$140,000 and a mortgage loan facility in the amount of \$174,000, which will provide a boost in our yields and further diversify our portfolio.

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

Net Asset Value Performance



Fund Composition



Performance Analysis	QTR 3	Y-T-D	12-MTH	Inception
Fund	1.27%	3.86%	5.30%	5.05%
Benchmark	1.00%	2.92%	3.88%	3.89%
+/- Benchmark	+0.27%	+0.94%	+1.42%	+1.16%

Investment Manager:	Family Guardian Insurance Co. Ltd.
Analysis Period:	March 31, 2008 to September 30, 2009
Benchmark:	Weighted Average Term Deposit Rate

**For further information contact:**

FG Capital Markets Limited  
Family Guardian Corporate Office:  
Telephone (242) 396-4000  
Fax (242) 393-1100  
P.O. Box SS-6232, Nassau Bahamas

*This document is prepared by FG Financial Limited, which is licensed by the Securities Commission of The Bahamas as a Fund Administrator. FG Financial Limited is the parent company of FG Financial Fund Limited SAC and a subsidiary of FamGuard Corporation Limited.*

*This quarterly review is for informational purposes only. Please note that past performance and rates of return are not indicative of future results.*