



FG FINANCIAL PENSIONS & INVESTMENTS

FG FINANCIAL DIVERSIFIED FUND

QUARTERLY REPORT FOR THE PERIOD ENDED JUNE 30, 2010

Investment Objective

FG Financial Diversified Fund is a balanced Fund whose objective is to provide above-average income and opportunities for long-term growth of capital and income. The Fund caters to investors with a moderate risk profile, and is well positioned to allow investors to reap the benefits of an upturn in the equities market while not suffering the full impact of losses during economic downturns.

Investment Strategy

FG Financial Diversified Fund seeks to provide a combination of growth, income and conservation of capital by investing in a combination of term deposits, mortgages, equities (listed and non-listed) and fixed income securities. The Fund may also invest in publicly traded or privately issued preference shares.

Second Quarter 2010 Review

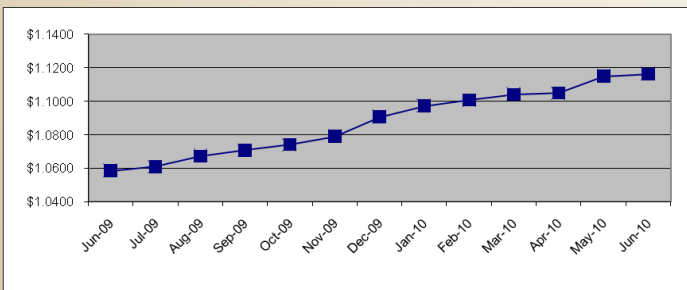
FG Financial Diversified Fund yielded 1.10% for the second quarter, ending with a net asset value (NAV) per share of \$1.1162. The Fund underperformed benchmark returns of 1.44% by 34 basis points over the same period. Year-to-date, The Fund underperformed its benchmark by 54 basis points, yielding 2.34% compared to benchmark returns of 2.88%. The Fund's average annualized yield since inception approximates 5.16% compared to its benchmark, prime rate plus 25 basis points, which reflected average annualized returns of 5.75% over the same period.

Year-to-date, the Fund's net assets increased by approximately \$192,000 aided by net subscriptions of \$66,000 and net investment income of \$126,000. Year-to-date, unrealized losses of \$16,000 resulted in our equities portfolio realizing net returns -5.25%, which were cushioned by income from our other investments totaling \$154,000.

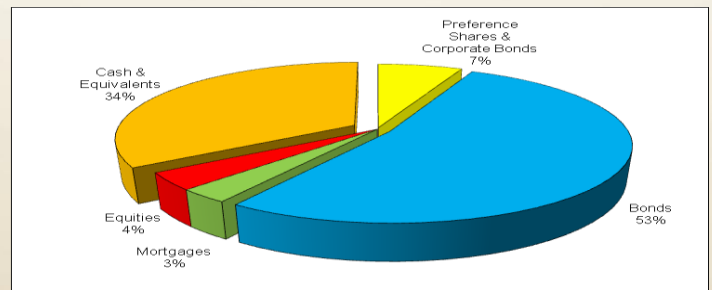
In an effort to further diversify our portfolio, during the quarter, the Fund increased term deposit holdings by approximately \$25,000 to take advantage of attractive deposit rates. We also increased our mortgage portfolio holdings by approximately \$69,000 at competitive market rates in order to further boost our yields, by way of providing a steady stream of income into the Fund.

Domestic economic indicators continue to show signs of stabilization as a result of moderate improvement in tourism and liquidity levels, while construction output remains constrained due to the effects of the financial crisis. We will continue to seek opportunities to grow our mortgage and equity portfolios in order to further position the Fund to take advantage of improved market conditions.

NET ASSET VALUE PERFORMANCE



FUND COMPOSITION



Performance	QTR.2	QTR.1	Y-T-D	Inception
Fund	+1.10%	+1.23%	+2.34%	+5.16%
Benchmark	+1.44%	+1.44%	+2.88%	+5.75%
+/- Benchmark	-0.34%	-0.21%	-0.54%	-0.59%

Investment Mgr.:	Family Guardian Insurance
Analysis Period:	March 31, 2010 – June 30, 2010
Benchmark:	PRIME RATE + 25 BASIS POINTS

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