



FG FINANCIAL DIVERSIFIED FUND

QUARTERLY REPORT FOR THE PERIOD ENDED JUNE 30, 2012

INVESTMENT OBJECTIVE

FG Financial Diversified Fund (the "Fund") is a balanced Fund whose objective is to provide an above-average income yield and opportunities for long-term capital growth. 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 equity market downturns.

INVESTMENT STRATEGY

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

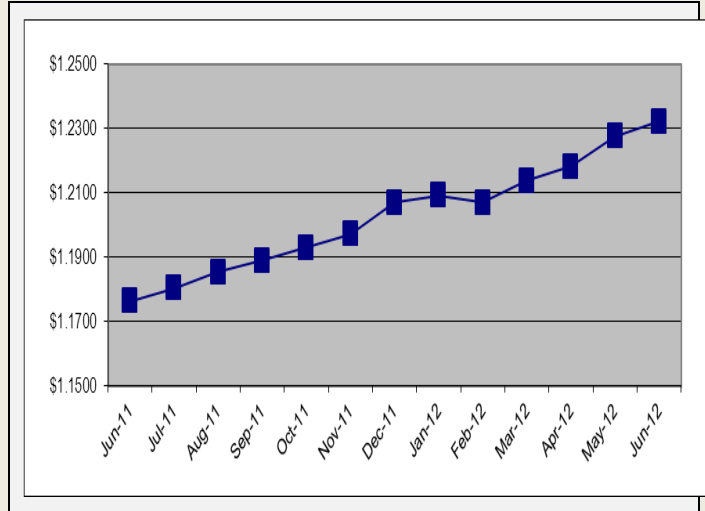
SECOND QUARTER REVIEW

During the second quarter, the Fund's net asset value (NAV) increased by 1.52% to \$1.2323 per share, outperforming its benchmark (prime rate plus 25 basis points) by 27 basis points, which returned 1.25% over the same period. Year-to-date, the Fund returned 2.10%, underperforming benchmark returns of 2.50% by 40 basis points. Over the last twelve months, three years and since inception, the Fund has returned 4.75%, 5.47% and 5.47% respectively. Since inception, the Fund has underperformed its benchmark by 0.10%.

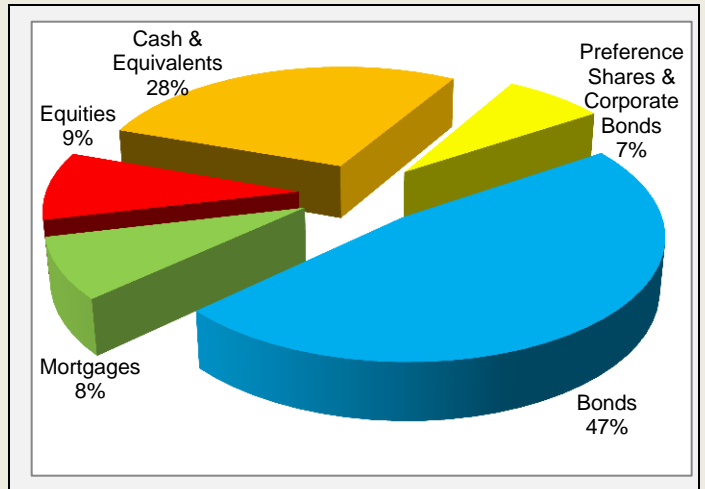
Moderate risk investor appetites fueled sizeable growth in net assets of \$367,000 sustained by net subscriptions of \$230,000 coupled with net investment income of \$137,000. During the quarter, our equities portfolio yielded net returns of 5.37% through a combination of capital gains and dividends, boosting the Fund's yields while reducing year-to-date losses on the Fund's equity portfolio to -0.14%. However, total income of \$175,000 generated on fixed income and equity securities remain more than adequate to cushion the effects of year-to-date net capital losses of \$19,000.

Approximately 28% of the Fund's assets are invested in short-term bank deposits. During the second half of the year, we will endeavor to invest the majority of this cash in higher yielding instruments, with a focus on equities and high quality mortgages offering attractive long-term yields in excess of yields offered by high grade bond and preferred shares issues.

Net Asset Value Performance



Fund Composition



Top Three Equity Positions

STOCK HOLDINGS	DIVIDEND YIELD	QTR.2 RETURN	YTD RETURN
CAB	4.89%	13.08%	2.98%
CBB	6.82%	3.88%	3.88%
FIN	0.00%	3.33%	3.33%

INVESTMENT MANAGER	FAMILY GUARDIAN INSURANCE
Analysis Period:	Mar. 31, 2012 — Jun. 30, 2012
Benchmark:	PRIME RATE + 25 BASIS POINTS

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PERFORMANCE	QTR-2	YTD	1 YR	3 YRS	INCEPTION (PER ANNUM)
Fund	+1.52%	+2.10%	+4.75%	+5.47%	+5.47%
Benchmark	+1.25%	+2.50%	+5.43%	+5.49%	+5.56%
+/- Benchmark	+0.27%	-0.40%	-0.68%	-0.01%	-0.10%