



FG FINANCIAL PENSIONS & INVESTMENTS

FG FINANCIAL DIVERSIFIED FUND

QUARTERLY REPORT FOR THE PERIOD ENDED SEPTEMBER 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.

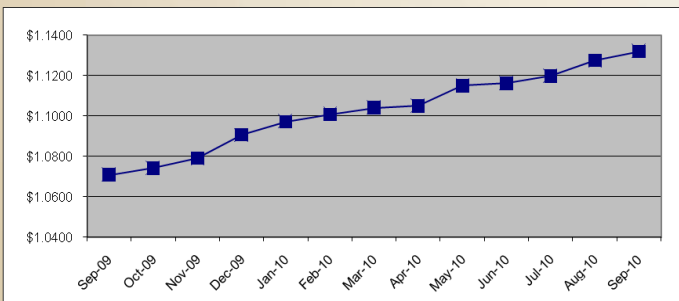
Third Quarter 2010 Review

FG Financial Diversified Fund yielded 1.42% for the third quarter, ending with a net asset value (NAV) per share of \$1.1320, marginally underperforming its benchmark, (prime rate plus 25 basis points), which reflected returns of 1.44%. Year-to-date, the Fund underperformed its benchmark by 53 basis points, yielding 3.79% compared to benchmark returns of 4.31%. Over the past 12-months, the Fund returned 5.71%, compared to benchmark returns of 5.75%. The Fund's average annualized yield since inception approximates 5.28% compared to its benchmark, which reflected annualized returns of 5.75% over the same period.

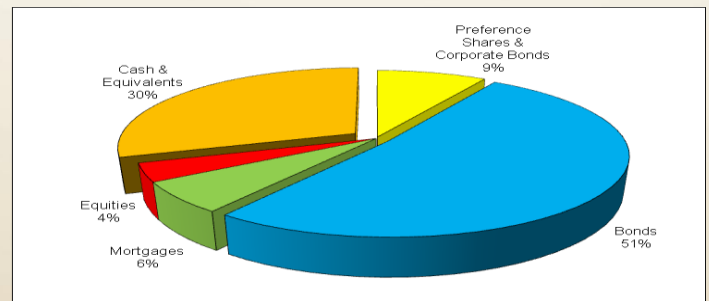
Year-to-date, the Fund's net assets increased by approximately \$388,000 aided by net subscriptions of \$183,000 and net investment income of \$205,000. Year-to-date, unrealized losses of \$10,000 resulted in our equities portfolio realizing net returns of -1.82%. Income from our other investments totaled \$234,000. In an effort to boost our yields during the quarter, we channeled our available funds into investments of \$130,000 in preference shares and \$22,000 in term deposits at attractive deposit rates. We also increased our investments in our mortgage portfolio by approximately \$197,000.

Domestic economic indicators continue to show signs of moderate improvement in tourism and liquidity levels, while construction output remains relatively subdued. Thus, as the domestic economy continues to stabilize, we will seek new opportunities to enhance our yields by increasing our mortgage holdings at competitive rates and investing in undervalued equities with above-average growth potential.

NET ASSET VALUE PERFORMANCE



FUND COMPOSITION



Performance	QTR.3	Y-T-D	12-MTH	Inception
Fund	+1.42%	+3.79%	+5.71%	+5.28%
Benchmark	+1.44%	+4.31%	+5.75%	+5.75%
+/- Benchmark	-0.02%	-0.53%	-0.04%	-0.47%

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

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