



**FG FINANCIAL DIVERSIFIED FUND**

QUARTERLY REPORT FOR THE PERIOD ENDED SEPTEMBER 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.

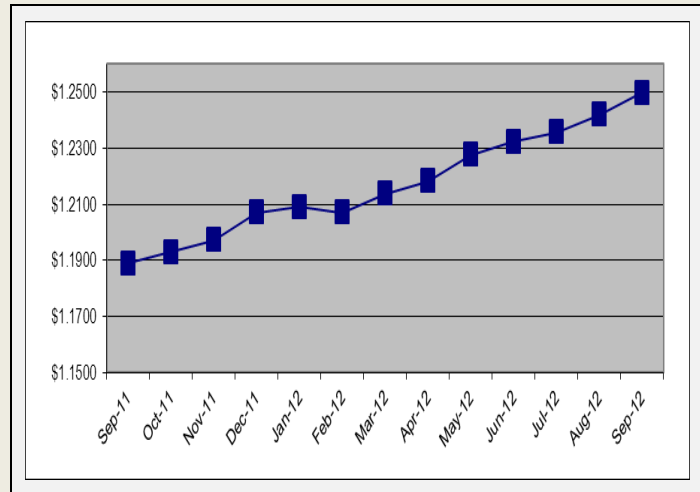
**THIRD QUARTER REVIEW**

During the third quarter, the Fund's net asset value (NAV) increased by 1.41% to \$1.2497 per share, outperforming its benchmark (prime rate plus 25 basis points) by 16 basis points, which returned 1.25% over the same period. Year-to-date, the Fund returned 3.54%, underperforming benchmark returns of 3.75% by 21 basis points. Over the last twelve months, three years and since inception, the Fund has outperformed its benchmark returning 5.11%, 5.57% and 5.55% respectively.

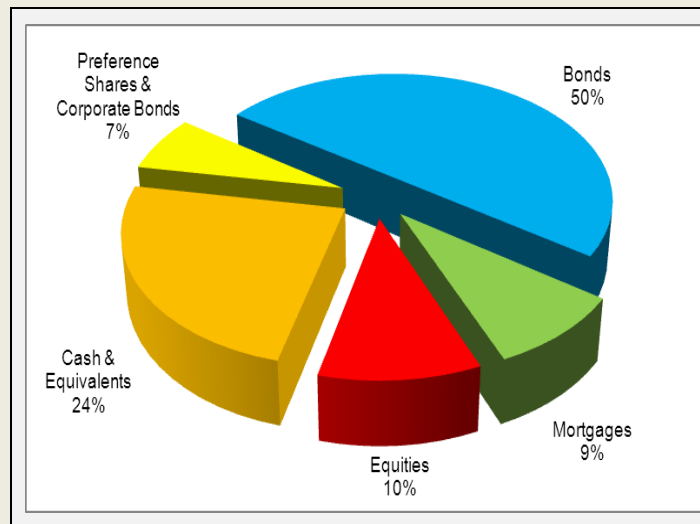
The Fund acquired approximately \$44,000 of undervalued equities relative to their long-term growth potential, which well positioned the Fund to reap the benefits of sizeable capital gains. As a result our equities portfolio yielded net returns of 3.80%, fully recouping net capital losses incurred during the previous two quarters. We also invested \$200,000 of available cash in high grade government bonds at higher yields relative to short-term bank deposit rates. As a result the Fund has seen steady net inflows.

Approximately 24% of the Fund's assets are invested in short-term bank deposits. During the fourth quarter, we will endeavor to reinvest this excess cash in higher yielding instruments such as equities, high quality mortgages and preference shares at attractive yields.

**Net Asset Value Performance**



**Fund Composition**



**Equity Position Highlights**

| STOCK HOLDINGS | DIVIDEND YIELD | QTR.3 RETURN | YTD RETURN |
|----------------|----------------|--------------|------------|
| CAB            | 3.04%          | 15.39%       | 18.38%     |
| CBB            | 6.53%          | 4.47%        | 8.35%      |
| FIN            | 0.00%          | 12.06%       | 15.80%     |

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

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 records.

| PERFORMANCE   | QTR-3  | YTD    | 1 YR   | 3 YRS  | INCEPTION (PER ANNUM) |
|---------------|--------|--------|--------|--------|-----------------------|
| Fund          | +1.41% | +3.54% | +5.11% | +5.57% | +5.55%                |
| Benchmark     | +1.25% | +3.75% | +5.00% | +5.42% | +5.53%                |
| +/- Benchmark | +0.16% | -0.21% | +0.11% | +0.14% | +0.02%                |