



FG FINANCIAL DIVERSIFIED FUND

QUARTERLY REPORT FOR THE PERIOD ENDED DECEMBER 31, 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.

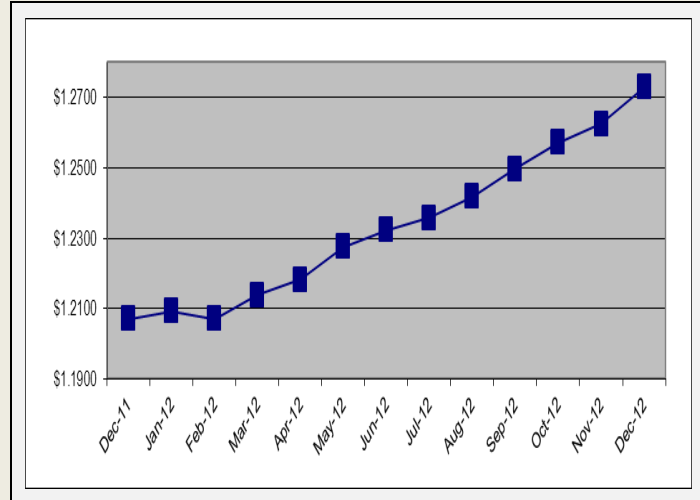
FOURTH QUARTER REVIEW

The Fund ended the fourth quarter with a net asset value (NAV) per share of \$1.2730, an increase of 1.86% from the previous quarter, outperforming its benchmark (prime rate plus 25 basis points) by 61 basis points. Year-to-date, the Fund outpaced its benchmark by 47 basis points yielding 5.47%, compared to benchmark returns of 5.00%. Over the previous three years and since inception, the Fund has yielded 5.57% and 5.75% respectively, above benchmark returns by 21 and 25 basis points.

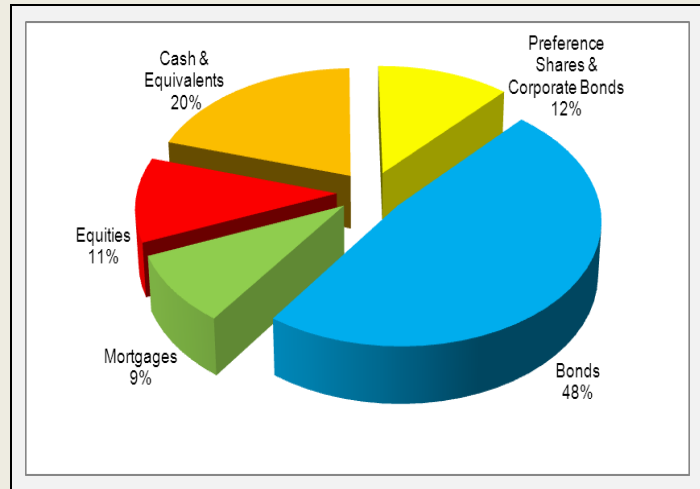
During the quarter, we reallocated our portfolio by reinvesting a considerable portion of lower yielding term deposit holdings into higher yielding securities such as a high grade mortgage facility and preference shares at attractive market rates. We also acquired additional equities at attractive multiples. Through a combination of capital gains and dividend income, our equities portfolio provided year-to-date net returns of 11.74%. This aided in cushioning the effects of the lower income levels generated on our fixed income securities, due to the reduction in the Bahamian prime rate, of which the majority of our fixed income securities are pegged.

The Fund's short-term bank deposit holdings at year-end represent approximately 15% of total invested assets. During 2013, we will endeavor to invest surplus cash and cash equivalents in higher yielding securities.

Net Asset Value Performance



Fund Composition



Equity Position Highlights

STOCK HOLDINGS	DIVIDEND YIELD	QTR.4 RETURN	YTD RETURN
CAB	4.24%	12.36%	36.13%
CBL	4.41%	6.24%	-1.86%
FIN	1.74%	16.28%	39.08%

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

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PERFORMANCE	QTR-4	YTD	1 YR	3 YRS	INCEPTION (PER ANNUM)
Fund	+1.86%	+5.47%	+5.47%	+5.57%	+5.75%
Benchmark	+1.25%	+5.00%	+5.00%	+5.36%	+5.50%
+/- Benchmark	+0.61%	+0.47%	+0.47%	+0.21%	+0.25%