



FG FINANCIAL PREFERRED INCOME FUND

QUARTERLY REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2012

INVESTMENT OBJECTIVE

FG Financial Preferred Income Fund (the "Fund") is a fixed income Fund that aims to provide the highest possible level of return while still maintaining liquidity and preserving capital. The Fund seeks to provide stable returns to unit holders in excess of average term deposit rates.

INVESTMENT STRATEGY

FG Financial Preferred Income Fund invests predominantly in government bonds and bank deposits but enhances its yield through investing in a diversified portfolio of mortgages, preference shares and corporate bonds. Its emphasis is on principal protection and constant income generation.

The Fund carries a low level of risk to the investor based primarily on investment in a combination of short-term financial instruments and government guaranteed securities.

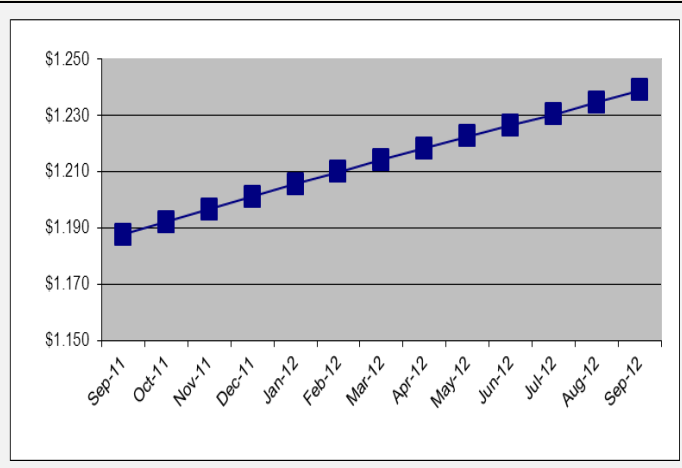
THIRD QUARTER REVIEW

During the third quarter, the Fund's net asset value (NAV) increased by 1.02% to \$1.2389 per share, outperforming its benchmark, the weighted average bank term deposit rate, by 54 basis points, which yielded 0.48% over the same period. Year-to-date, the Fund returned 3.15%, outperforming its benchmark by 1.58%. Over the last 12 months, three years and since inception the Fund has returned 4.31%, 5.06% and 5.31% respectively. Since inception, the Fund has outperformed its benchmark by 2.12% per annum.

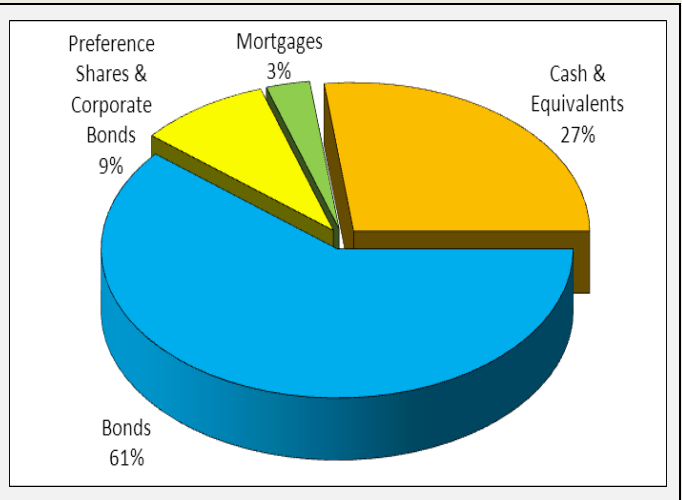
Prolonged excess market liquidity resulted in a further decline in the weighted average rate of interest on bank deposits. Consequently, investors continue to seek low risk investment alternatives that offer higher yields. The Fund remains a very attractive alternative for investors due to its stable returns in excess of bank term deposit rates and capital protection feature. As result, year-to-date, we have seen strong net investment inflows.

During the quarter, the Fund acquired \$480,000 of high grade bonds at attractive rates, thereby reducing its short-term bank deposit holdings to 24%. During the fourth quarter, we will endeavor to reinvest any excess cash in higher yielding instruments such as preferred shares and high quality mortgages.

Net Asset Value Performance



Fund Composition



INVESTMENT MANAGER	FAMILY GUARDIAN INSURANCE
Analysis Period:	Jun. 30, 2012 – Sep. 30, 2012
Benchmark:	WEIGHT AVERAGE TERM DEPOSIT RATE

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PERFORMANCE	QTR-3	YTD	1 YR	3 YRS	INCEPTION (PER ANNUM)
Fund	+1.02%	+3.15%	+4.31%	+5.06%	+5.31%
Benchmark	+0.48%	+1.56%	+2.30%	+2.85%	+3.19%
+/- Benchmark	+0.54%	+1.58%	+2.01%	+2.21%	+2.12%