



FG FINANCIAL PREFERRED INCOME FUND

Quarterly Report September 30, 2008

INVESTMENT OBJECTIVE

FG Financial Preferred Income Fund is a fixed income fund that aims to provide the highest possible level of return while still maintaining liquidity and preserving capital, mainly through investments in government bonds, certificates of deposit, and mortgages. The Fund seeks to provide stable returns to unit holders in excess of average term deposit rates.

INVESTMENT STRATEGY

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

INVESTMENT RISK AND RETURN

The Preferred Income 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. Our expected long-term rate is 5.5% to 6.5% per annum.

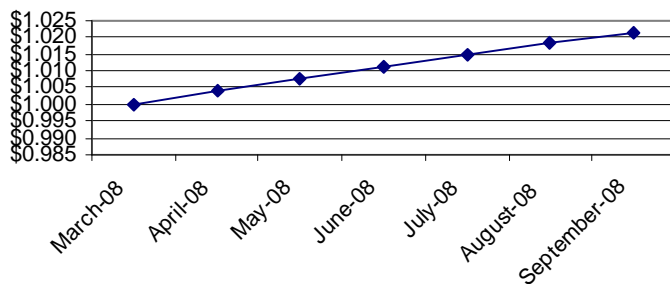
THIRD QUARTER 2008 REVIEW

The Preferred Income Fund ended the third quarter with a net asset value of \$1.0216 compared to the ending second quarter net asset value of \$1.0110. For the quarter ended September 30, 2008, The Preferred Income Fund achieved a return of 1.05%. The Fund outperformed its benchmark, the weighted average bank term deposits rates, by 5 basis points. Over the past six months, the Fund achieved a positive return of 2.16%, again outperforming its benchmark, which reported returns of 2.00%.

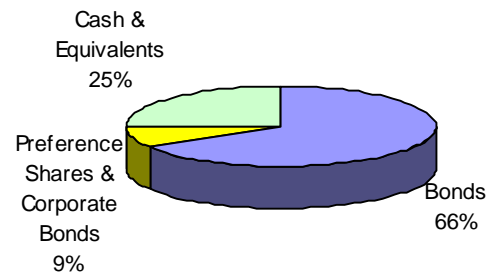
The Fund's asset allocation saw moderate movements over the quarter. Bonds decreased from 67% to 66%, while corporate bonds remained the same at 9% during the quarter. There was little movement in our cash and equivalents balance, moving from 24% to 25% during the quarter. Additional term deposits were negotiated during the quarter in order to layoff excess cash.

Our long-term objectives remain the same...maximizing fund participant returns at an acceptable level of risk.

Net Asset Value Performance



Fund Composition



Performance Analysis	QTR 3	6-MTH	Y-T-D	1-Year
Fund	1.05%	2.16%	N/A	N/A
Benchmark	1.00%	2.00%	2.00%	3.83%
+/- Benchmark	0.05%	0.16%	N/A	N/A

Investment Manager:	Family Guardian Insurance Co. Ltd.
Analysis Period:	March 31, 2008 to September 30, 2008
Benchmark:	Weighted Average Term Deposit Rate

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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 results.