

## Manager Commentary

The most significant development on the Fund in the period, and since, has been the decision to declare the Nautical Ventures loan in default along with the ensuing enforcement process. We inherited an awful position in December 2009 which we tried to save through a restructuring. The recovery in both dry cargo and tanker rates required in order for the restructure to be successful has not materialised which placed stresses on the structure it was ultimately unable to cope with. Despite every effort being made to find some form of resolution with the borrower we were unable to agree to terms that, in our view, would have served investors interests better than the decision to enforce. A review of the fleet has revealed the condition of the vessels to have deteriorated leading to a write-down in the valuation of the fleet. This, coupled with both the costs of enforcement and lost trading days while the vessels are under arrest, has led to a hit to the NAV of this asset and ultimately the Fund. At present, all of the vessels are under the control of the courts in different jurisdictions with court sales scheduled for varying dates over the next 3 months, with the exception of those in West Africa. We will keep investors updated as and when there are significant further developments. Aside from this, the Fund received a further payment from Medley as they begin to get some traction in exiting their own portfolio. We have agreed further asset sales in relation to the Financial Partners loans with payments scheduled throughout this year. However, we retain a cautious view on whether this schedule will be met and will therefore only recognise value when cash is actually received. The deferred payments from the Lonscale purchasers continue to come in and across the various SPL funds we have now received in excess of £3m against an asset that was marked at nil a year ago. The Cloud loan plus both the Tranquil and BMS warrant positions have also been exited. Please note that performance shown is for both October and November.

## Share Buybacks

A significant landmark in the process of providing liquidity to investors was reached on 31 March 2010 with the lifting of the suspension of trading. As at 28 January 2011 when these factsheets were finalised, the fund had spent £34.2m in buying back shares since the suspension was lifted. Any investor wishing to sell in the market should request their stockbroker to contact the Channel Islands Stock Exchange market maker. Details can be found at [www.cisx.com](http://www.cisx.com).

## Fund Objective

The Investment Manager will manage the Fund's portfolio with a view to realising its assets within the shortest period of time consistent with achieving a reasonable realisation price for such assets and with the intention of disposing of all such assets within 5 years. Realisations will be managed, as far as possible, with a view to ensuring regular and consistent distributions of proceeds to Shareholders. This objective is as per the EGM resolution dated 28 January 2010.

## Holdings

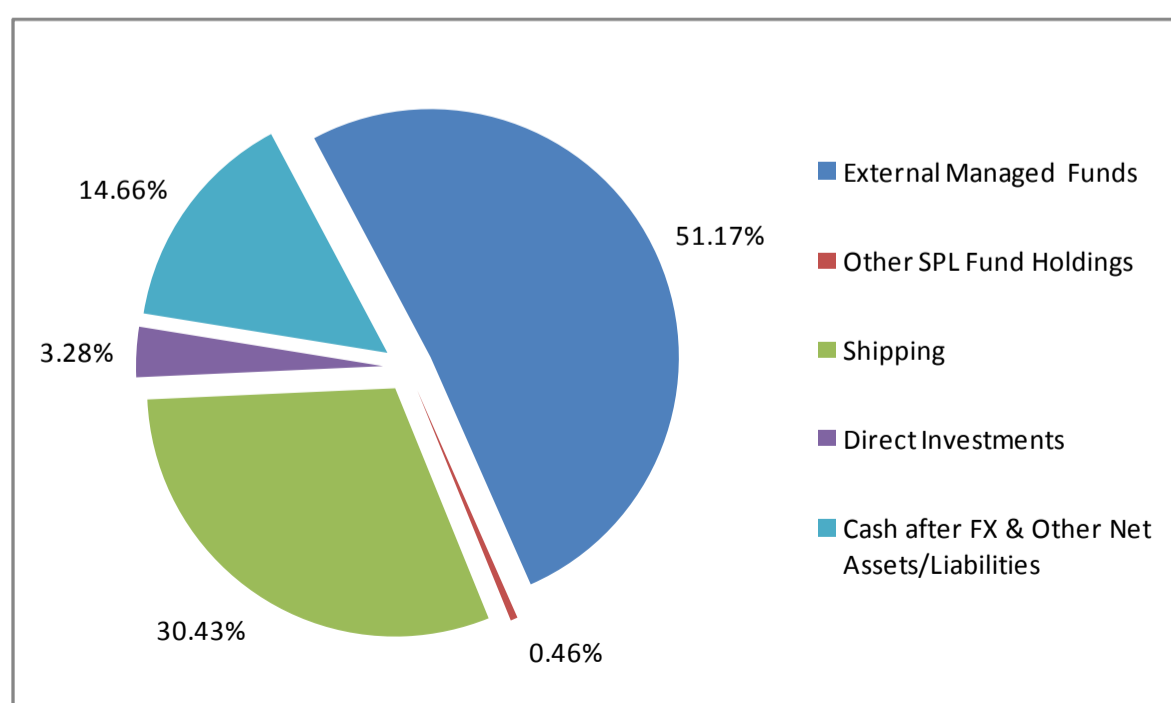
Investment	Currency of Investment	Value as at 30 Sep 10 (in GBP)	Cash Movement	Value as at 30 Nov 10 (in GBP)	Contribution to Overall Change in Net Assets in the Period	Comments / Additional Information
BMS Specialist Debt Fund Ltd	GBP	8,591,568	-	8,626,476	0.06%	Monthly fund revaluation based on the NAV provided by the fund's administrator. A repayment schedule has now been agreed with periodic payments due over the next four years. Subsequent to the date of this factsheet we have been advised by the investment manager of an expected writedown against the value of the underlying assets of around 10.25%. This is expected to be reflected in the December NAV.
Nautical Ventures Loan	USD	12,151,587	315	8,601,963	(5.60%)	Since the September factsheet, the Board has taken the decision to declare the loan in default and enforce the rights of the SPL funds over the collateral assets of Nautical Ventures. This has led to a decline in the expected realisation value likely from this asset. A more in depth update on this holding can be found on the Channel Islands Stock Exchange website which was posted on 20 January 2011.
Medley Opportunity Fund	USD	6,488,749	(65,529)	6,337,402	(0.14%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A small distribution was received in November.
Ark Royal Fund Ltd	USD	4,160,396	-	4,186,945	0.04%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Noble Venture Finance II Fund	GBP	2,988,245	(3,462)	2,988,245	0.01%	The restructure has been formally agreed by the limited partners within the fund and final regulatory approval of new directors is expected by the end of January. In the meantime the investment manager is continuing with the run-off of the underlying portfolio.
Bond Capital Partners I Ltd	EUR	1,383,104	-	1,329,792	(0.08%)	Fund revaluation based on the quarterly report provided by the fund manager.
Growth Management Limited	USD	1,290,699	-	1,276,632	(0.02%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Espirito Santo Investment Holdings Limited - Equity	GBP	1,265,732	-	1,083,008	(0.29%)	Regulatory approval has now been received from the various jurisdictions and the merger has now completed. The Fund has received shares in Espirito Santo Investment Holdings Limited which is the new entity created as a result of the merger and replaces the previous holding in Execution Noble. Initial valuations of the new business are below the estimated value provided prior to the merger which has caused the fall in NAV.
Hedge Fund 1	USD	1,090,992	-	1,071,412	(0.03%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. The investment manager advised the fund is on target to make a further distribution of around 50% of NAV in the first half of 2011.
Santa Maria Linked Funding Note	EUR	1,228,471	186,819	1,034,312	(0.60%)	The purchaser has now taken possession and begun the work necessary to bring the vessel up to standard in order to begin trading during the spring. We have employed a technical advisor to ensure the works being carried out are in line with the plan submitted by the purchaser and receive regular updates on the progress being made. Upon completion of the repair works the borrower will begin making quarterly repayments over the following 3.5 years until the agreed sale price is met.
Pentagon Bernini Fund Ltd	USD	810,207	-	818,224	0.01%	A recent update from the investment manager shows little change in the value of the underlying assets, although some progress has been reported in terms of movement towards generating exits from these positions. We await further news.
Shipping Deal 3	EUR	752,604	-	723,595	(0.05%)	Unfortunately there are no significant developments to report since the last factsheet. The lengthy arbitration process continues and we hope to have more to report soon.
Shipping Deal 2	EUR	405,972	-	390,324	(0.02%)	Unfortunately there are no significant developments to report since the last factsheet. The lengthy arbitration process continues and we hope to have more to report soon.
Hedge Fund 2	USD	74,018	-	74,750	0.00%	We still await the details of the settlement proposal from other share classes invested in this fund. Once received, we can better appraise the likely recovery from the fund. The current holding value of this position includes a provision for the estimated impairment.

Lonscale Deferred Consideration	GBP	57,592	(118,761)	71,425	0.21%	Deferred Consideration payments received during October and November in line with the agreed schedule. A further payment has subsequently been received in December.
Financial Partners Loans	USD	-	1,123	2,882	0.00%	A sale was agreed for both the Dubai devolved business along with two property projects also in Dubai. A sale price of \$1.05m was agreed to be paid in installments during 2011 and split across the invested SPL funds. To date, we have still only received a partial payment of the initial \$50k fee due in December. Such a delay means we are sceptical as to the likelihood of future payments being met. We will therefore only recognise value when the cash for these payments is received.
The Cloud Loan Note	EUR	146,836	(94,980)	-	(0.08%)	Loan now fully repaid and position exited.
Tranquil Insurance Company Warrants	GBP	21,925	(11,000)	-	(0.02%)	Warrants sold and position exited during the period.
BMS Finance Ltd - Warrant	GBP	4,486	(12,600)	-	0.01%	Warrants sold and position exited during the period.
Aarkad Plc	USD	-	-	-	-	The Liquidator continues to investigate the background to the portfolio with a view to building cases against the principal parties involved with the fund where evidence of wrongdoing is found.
Arche Fund Ltd	USD	-	-	-	-	The investment manager for Arche continues to try to negotiate a settlement with the leverage provider which would allow at least some return to investors. It is unclear if this will be successful so the NAV continues to be marked in line with expected return.
Stewardship International Fund Ltd	USD	-	-	-	-	The unwind of the fund continues with expected completion during 2011, although with minimal return to investors.
<b>Holdings in Other SPL Funds</b>						
SPL Treasury IC (AT1) Ltd	USD	176,895	-	149,903	(0.04%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
SPL Structured Finance (PF4) IC Ltd	GBP	13,703	-	11,414	(0.00%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
<b>Other</b>						
Cash	GBP	20,705,663	(14,557,980)	6,103,855	(0.07%)	While the overall cash balance has decreased mainly due to share buybacks, there has also been a decrease in the value of cash due to currency movements.
Buybacks	GBP	-	14,443,508	-	(22.79%)	Cash distributed to investors reduced the overall NAV of the Fund but contributed to an increase in the NAV per share due to the discount at which these shares were purchased.
Other Net Liabilities	GBP	(420,253)	232,548	(923,440)	(1.16%)	Liabilities increased due to the revised performance fee now applicable to the Fund.
<b>Total</b>		<b>63,389,191</b>		<b>43,959,119</b>		

#### Performance Over Last 12 Months

	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10
NAV per Share (£ Class)	0.6959	0.6925	0.7004	0.6945	0.6971	0.7151	0.7017	0.6846	0.6795	0.6607	0.6493	0.5946
% Change	(1.7%)	(0.5%)	1.1%	(0.8%)	0.4%	2.6%	(1.9%)	(2.4%)	(0.7%)	(2.8%)	(1.7%)	(8.4%)
NAV per Share (€ Class)	0.5920	0.5808	0.5698	0.5664	0.5862	0.6153	0.6301	0.6053	0.6046	0.5597	0.5490	0.5153
% Change	(4.5%)	(1.9%)	(1.9%)	(0.6%)	3.5%	5.0%	2.4%	(3.9%)	(0.1%)	(7.4%)	(1.9%)	(6.1%)

#### Investment Allocation



## Additional Information

- The Fund is listed on the Channel Islands Stock Exchange (CISX) and official announcements relating to the Fund can be found on the exchange's website ([www.cisx.com](http://www.cisx.com)) under the 'CISX Market News' section.
- The financial year-end for the Fund is 31st March and the audited Report and Financial Statements can also be found on the CISX website.
- The Annual Management Charge for the Fund 1%.
- The Revised Performance Fee for the Fund is now calculated as follows:
  - (a) where the Cash Proceeds are equal to or less than Base Cost - no Performance Fee is payable;
  - (b) where the Cash Proceeds received by the Company are greater than Base Cost but less than the Base Cost plus 3% - the Performance Fee shall be 1.5% of cash received on the realisation of the relevant investment;
  - (c) where the Cash Proceeds received are equal to or greater than Base Cost plus 3% but less than Base Cost plus 7% - the Performance Fee shall be 2% of cash received on the realisation of the relevant investment; and
  - (d) where the Cash Proceeds received are equal to or greater than Base Cost plus 7% - the Performance Fee shall be 3% of cash received on the realisation of the relevant investment.
- The "Base Cost" of an investment in calculating the Revised Performance Fee is the audited carrying value of that investment as included in the Company's financial statements as at 31 March 2010, plus the carrying value of any debtors related to that investment included in the Company's 31 March 2010 financial statements, plus any amounts that have been added to the cost of that investment (per the Company's accounts) since 31 March 2010.
- The ISIN for the GBP Share Class is GG00B1LG1H76 and for the EUR Share Class is GG00B1M8X105.
- The Sedol for the GBP Share Class is B1LG1H7 and for the EUR Share Class is B1M8X10.
- Information relating to the Fund is also available on the SPL Funds website ([www.splfunds.com](http://www.splfunds.com)).

## Disclaimer

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