

Manager Commentary

The most notable activity for the Fund in the period was that nine of the underlying investments all returned cash to the Fund through one mechanism or another. Three of the hedge fund investments made cash distributions as these continue to unwind their own underlying positions repaying investors whenever they generate a reasonable amount of cash to make such distributions worthwhile while the Caritas redemption was paid out in full. Cash was received from the agreed sale of one of the Financial Partners regional businesses and we are continuing to look for ways to exit the remaining legacy Financial Partners assets which are currently valued at zero but for which we hope to generate some form of return. The purchasers of Lonscale made their first two scheduled payments during the period and The Cloud loan continued to repay as it moves towards maturity at the end of the year. A holding in one of the other SPL funds was also liquidated. The single factor most impacting performance during the period was the increase in the USD/GBP rate from 1.45 in May to almost 1.57 in July. This shift in the exchange rate notably reduced performance as the unhedged USD denominated assets declined in value. The 31 March 2010 audited results have now been published and are available on both the Channel Islands Stock Exchange and SPL Funds websites. Please note that included within this are the details of a Tender Offer being made by the Fund providing an opportunity for investors to sell their shares. Performance shown below is for both June and July.

Share Buybacks

A significant landmark in the process of providing liquidity to investors was reached on 31 March with the lifting of the suspension of trading. As at 30 September when these factsheets were finalised, the fund had spent £5.3m in buying back shares. 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.

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.

Holdings

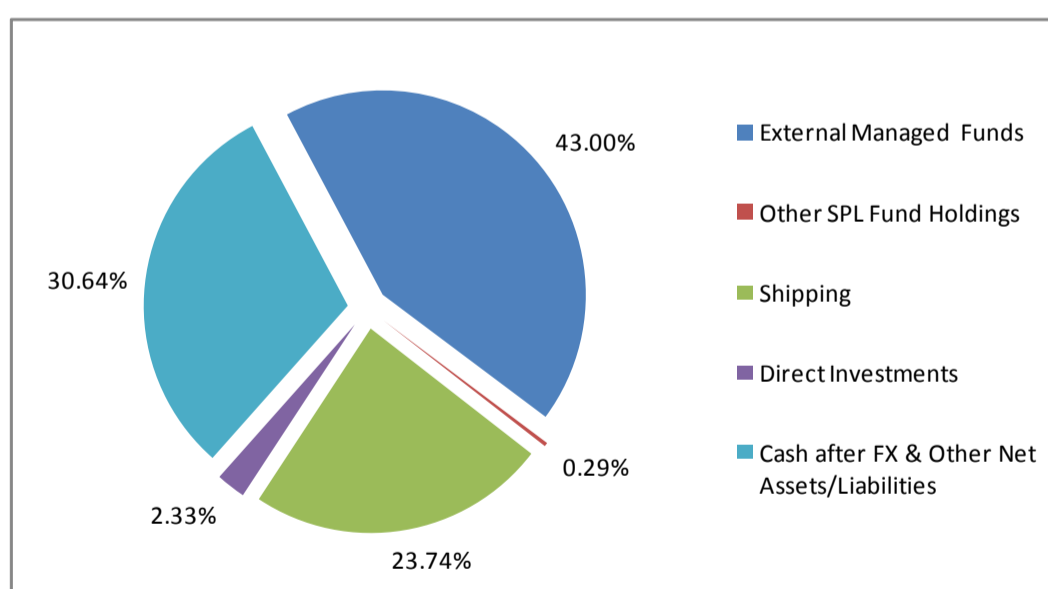
Investment	Currency of Investment	Value as at 28 May 10 (in GBP)	Cash Movement	Value as at 31 Jul 10 (in GBP)	Contribution to Overall Change in Net Assets in the Period	Comments / Additional Information
Shipping Deal 1	USD	13,942,240	177,559	13,092,487	(1.49%)	Small ongoing monitoring costs were incurred during the period some of which were offset by the first scheduled repayment of accrued interest by the borrower. The decline in value has been caused by currency movements.
BMS Specialist Debt Fund Ltd	GBP	8,352,099	-	8,588,775	0.34%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Medley Opportunity Fund	USD	7,142,795	-	6,630,442	(0.75%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A small distribution has since been received in September.
Ark Royal Fund Ltd	USD	4,569,921	-	4,196,990	(0.54%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. The fund has recently advised investors of the appointment of a new independent director. We will be speaking with him in due course to ensure he understands our concerns and will be addressing them.
Noble Venture Finance II Fund	GBP	3,363,438	(3,462)	3,267,121	(0.14%)	Fund revaluation based on the monthly statement provided by the fund manager. We have provisionally agreed the details for the process for unwinding the fund although we are still awaiting a formal shareholder vote.
Santa Maria Linked Funding Note	EUR	1,419,958	102,058	1,390,090	(0.19%)	Since the last factsheet the vessel has been released to our control. We are discussing a potential sale with various parties. In the interim the vessel continues to incur general maintenance costs.
Growth Management Limited	USD	1,445,245	(50,034)	1,285,080	(0.16%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A small distribution was received in July.
Execution Noble - Equity	GBP	1,265,732	(71,703)	1,266,725	0.11%	Further merger pending with Banco Espirio Santo de Investment but this is still awaiting multi-jurisdictional regulatory approval.
Bond Capital Partners I Ltd	EUR	1,143,547	-	1,236,596	0.14%	Fund revaluation based on the quarterly report provided by the fund manager.
Hedge Fund 1	USD	1,646,309	(385,620)	1,108,808	(0.22%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A cash distribution was received in June.
Aarkad Plc	USD	1,058,605	-	975,361	(0.12%)	Sufficient loan documentation and records now received by the liquidator allowing a meaningful appraisal of the underlying assets to now take place. Legal advisers are now reviewing the possibility of a claim against the former FX hedge providers to the fund. The liquidator will report further in due course but does not expect to be in a position to report his findings until the end of the year.
Pentagon Bernini Fund Ltd	USD	888,439	-	818,729	(0.10%)	This fund is currently suspended only providing irregular asset revaluations. The manager has advised that certain assets are due to be written down when the next NAV is published. A reserve was taken in May against the last administrator valuation in anticipation of these write downs. The decline in value since then has been due to currency movements.
Shipping Deal 3	EUR	736,534	-	721,056	(0.02%)	There has been no real movement on this asset since the May factsheet. The arbitration process continues and we hope to have more to report soon.
Shipping Deal 2	EUR	397,304	-	388,954	(0.01%)	There has been no real movement on this asset since the May factsheet. The arbitration process continues and we hope to have more to report soon.
The Cloud Loan Note	EUR	331,727	(94,648)	232,347	(0.01%)	Loan performing in line with expectations. Monthly principal and interest repayment received during June and July.
Hedge Fund 2	USD	611,044	-	136,833	(0.69%)	Successful legal action taken by certain classes of shareholder within this fund has resulted in the allocation of some assets to specific share classes. This has significantly reduced the value of the underlying assets applicable to the share class held by SPL. The full effect of this is not yet known as some form of settlement between the shareclasses within the fund is being negotiated. At 75% reserve has been taken against the last published NAV in a best estimate of likely value to be returned. This may be adjusted when the full terms of the settlement are known.
BMS Finance Ltd - Warrant	GBP	14,280	-	12,593	(0.00%)	Revaluation based on the latest management accounts.
Caritas Royalties Fund (Bermuda) Ltd	USD	1,930,701	(1,844,333)	-	(0.13%)	Position redeemed, full redemption proceeds received in July.

Financial Partners Loans	USD	13,329	(12,506)	-	(0.00%)	Cash proceeds received in June for the sale of the one of the regional businesses. Any further value derived from the remaining assets will only be recognised upon receipt of cash.
Tranquil Insurance Company Warrants	GBP	-	-	17,589	0.03%	Revaluation based on the latest management accounts.
Lonscale Deferred Consideration	GBP	-	(75,576)	-	0.11%	Deferred Consideration payments received during June and July in line with agreed schedule. A further payment has subsequently been received in September.
Arche Fund Ltd	USD	-	-	-	-	This fund has a leverage facility well in excess of the value of the remaining assets held by the fund. The leverage provider is in the process of enforcing against these assets and it is highly unlikely any value will be returned to investors.
Stewardship International Fund Ltd	USD	-	-	-	-	The wind-up of this fund is now expected to be completed during Q4 2010 with no further return to investors.
Holdings in Other SPL Funds						
SPL Treasury IC (AT1) Ltd	USD	191,508	-	176,895	(0.02%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
SPL Structured Finance (PF4) IC Ltd	GBP	11,787	-	14,226	0.00%	Monthly fund revaluation based on the NAV provided by the fund's administrator. The valuation methodology has changed during the period from previously being based on the CISX mid-market share price to now using NAV. This has led to an uplift in the valuation.
SPL China Energy (NR1) IC Ltd	USD	34,529	(31,820)	-	(0.00%)	The remaining cash within this fund has been repaid to investors and the fund has gone in to liquidation.
Other						
Cash	GBP	18,453,895	1,984,428	20,336,042	(0.15%)	While the overall cash balance has increased, there has been a decrease in the value of cash due to currency movements.
Buybacks	GBP	-	69,477	-	(0.10%)	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	(219,932)	236,180	(210,478)	(0.33%)	
Total		68,745,034		65,683,261		

Performance Over Last 12 Months

	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
NAV per Share (£ Class)	0.8277	0.7366	0.7188	0.7081	0.6959	0.6925	0.7004	0.6945	0.6971	0.7151	0.7017	0.6846
% Change	(1.5%)	(11.0%)	(2.4%)	(1.5%)	(1.7%)	(0.5%)	1.1%	(0.8%)	0.4%	2.6%	(1.9%)	(2.4%)
NAV per Share (€ Class)	0.7165	0.6427	0.6271	0.6201	0.5920	0.5808	0.5698	0.5664	0.5862	0.6153	0.6301	0.6053
% Change	(0.4%)	(10.3%)	(2.4%)	(1.1%)	(4.5%)	(1.9%)	(1.9%)	(0.6%)	3.5%	5.0%	2.4%	(3.9%)

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) 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 Performance Fee for the Fund is 10% of performance above the Cumulative Hurdle Rate of three month LIBOR for the currency of the share class + 4%.
- The High Water Mark for the Fund will be reset as the higher of: i) The November end-of-month NAV, ii) The arithmetic average of the end-of-month NAV's, for the 9 data points between March and November 2009 inclusive subject to various adjustments. This will be published once it has been agreed by the board.
- 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).

Disclaimer

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