

**Manager Commentary**

The most notable activity for the Fund in the period was that four of the underlying investments all returned cash to the Fund through one mechanism or another. One of the hedge fund investments made a cash distribution as it continues to unwind its own underlying positions repaying investors whenever it generates a reasonable amount of cash to make such distributions worthwhile. 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 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 the performance shown 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, only a very small number of shares had been bought back. 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.

**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
Medley Opportunity Fund	USD	5,908,047	-	5,486,234	(1.01%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A small distribution has since been received in September.
BMS Specialist Debt Fund Ltd	GBP	4,530,723	-	4,659,112	0.31%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Ark Royal Fund Ltd	USD	4,985,135	-	4,578,320	(0.98%)	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.
Shipping Deal 1	USD	3,498,319	46,245	3,285,110	(0.62%)	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.
Pentagon Bernini Fund Ltd	USD	2,073,024	-	1,910,369	(0.39%)	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.
Noble Venture Finance II Fund	GBP	1,644,162	(1,692)	1,597,079	(0.11%)	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.
Scipion African Opportunities Fund SPC	USD	1,420,494	-	1,315,842	(0.25%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. \$500k of redemption proceeds received in August with a further \$200k received in September. Repayment plan agreed for the remaining proceeds with repayment due within 3 months.
Hedge Fund 1	USD	1,261,245	(295,425)	849,463	(0.28%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A cash distribution was received in June.
Aarkad Plc	USD	468,365	-	431,535	(0.09%)	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.
Shipping Deal 2	EUR	397,304	-	388,954	(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.
Financial Partners Loans	USD	37,072	(34,161)	-	(0.01%)	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.
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.
Bush Road Mezzanine Finance	GBP	-	-	-	-	
Cautley Ave Mezzanine Finance	GBP	-	-	-	-	
Lonscale Deferred Consideration	GBP	-	(44,573)	-	0.11%	Deferred Consideration payments received during June and July in line with agreed schedule. A further payment has subsequently been received in September.

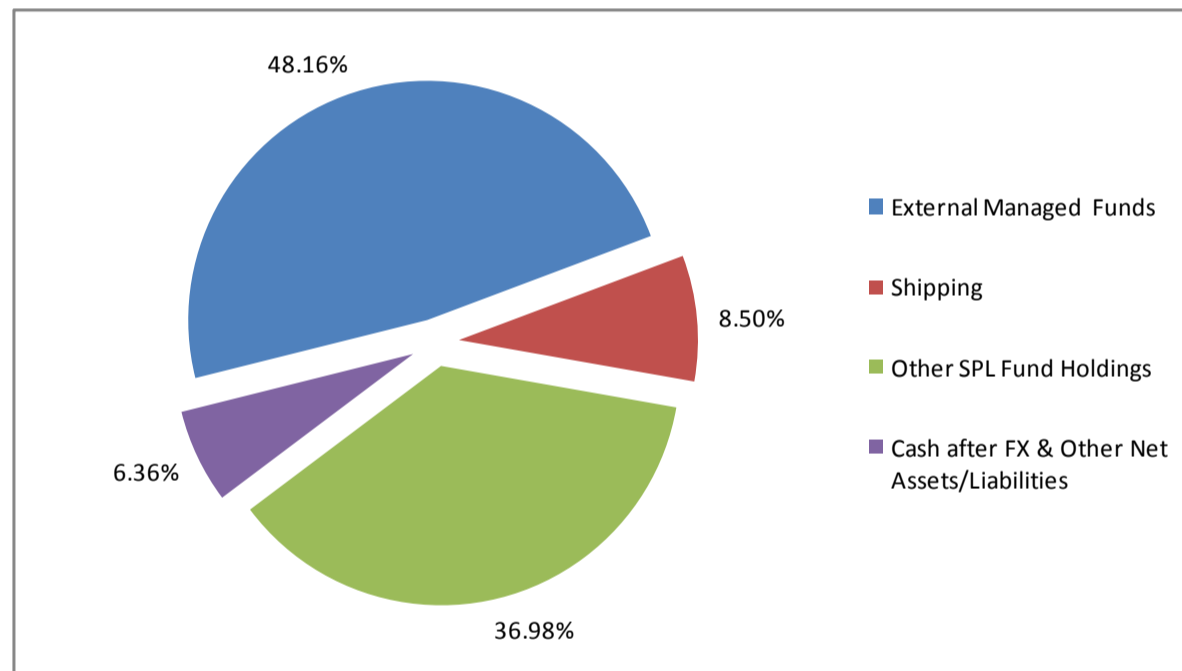
### Holdings in Other SPL Funds

Arch Private Finance IC Ltd	GBP	12,840,097	-	15,982,419	7.55%	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 Structured Finance (PF4) IC Ltd	GBP	6,952	-	8,390	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	20,364	(18,766)	-	(0.00%)	The remaining cash within this fund has been repaid to investors and the fund has gone in to liquidation.
<b>Other</b>						
Cash	GBP	2,662,424	215,059	2,876,823	(0.00%)	
Other Net Liabilities	GBP	(106,915)	133,313	(125,559)	(0.36%)	
<b>Total</b>		<b>41,646,812</b>		<b>43,244,091</b>		

### 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	0.6820	0.6090	0.5807	0.5696	0.5539	0.5555	0.5674	0.5525	0.5346	0.5290	0.5669	0.5493
% Change	(0.2%)	(10.7%)	(4.6%)	(1.9%)	(2.8%)	0.3%	2.1%	(2.6%)	(3.2%)	(1.0%)	7.2%	(3.1%)

### 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 is 1.5%.
- The Performance Fee for the Fund is 10% of performance.
- 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 Fund is GG00B28RXT63.
- The Sedol for the Fund is B28RXT6.
- 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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