

**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. 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 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, the fund had spent £548k 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](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.

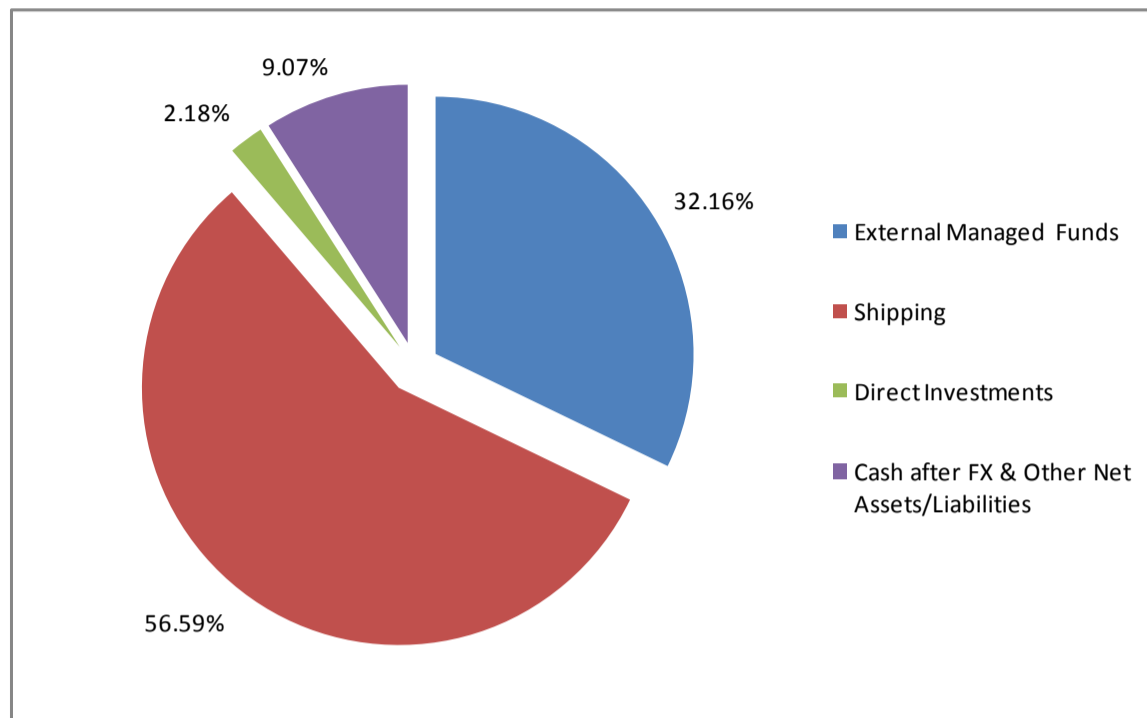
**Holdings**

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
Shipping Deal 1	USD	6,856,519	90,638	6,438,637	(3.72%)	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.
Noble Venture Finance II Fund	GBP	1,335,360	(1,375)	1,297,120	(0.27%)	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.
Ark Royal Fund Ltd	USD	1,301,796	-	1,195,563	(0.78%)	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.
Bond Capital Partners I Ltd	EUR	952,962	-	1,030,504	0.57%	Fund revaluation based on the quarterly report provided by the fund manager.
Santa Maria Linked Funding Note	EUR	645,435	43,404	631,800	(0.42%)	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.
Hedge Fund 1	USD	734,222	(171,980)	494,507	(0.50%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A cash distribution was received in June.
The Cloud Loan Note	EUR	331,727	(94,648)	232,346	(0.03%)	Loan performing in line with expectations. Monthly principal and interest repayment received during June and July.
cru Investment Management Loan	GBP	87,354	-	40,432	(0.34%)	Decline in value due to lower estimated return advised by the liquidator. We are still currently working with him to recoup as much value on this loan as possible.
Lonscale Deferred Consideration	GBP	-	(75,576)	-	0.55%	Deferred Consideration payments received during June and July in line with agreed schedule. A further payment has subsequently been received in September.
<b>Holdings in Other SPL Funds</b>						
SPL China Energy (NR1) IC Ltd	USD	34,529	(31,820)	-	(0.02%)	The remaining cash within this fund has been repaid to investors and the fund has gone in to liquidation.
<b>Other</b>						
Cash	GBP	1,397,112	(137,710)	1,198,920	(0.44%)	While the overall cash balance has decreased, there has also been a decrease in the value of cash due to currency movements.
Buybacks	GBP	-	316,440	-	(2.31%)	Cash distributed to investors reduced the overall Net Assets of the Fund but contributed to an increase in the NAV per share due to the discount at which shares were purchased.
Other Net Liabilities	GBP	3,026	62,627	(65,400)	(0.96%)	
<b>Total</b>		<b>13,680,042</b>		<b>12,494,429</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	0.6029	0.4037	0.3845	0.3705	0.3518	0.3488	0.3438	0.3435	0.3438	0.3527	0.3461	0.3319
% Change	(3.4%)	(33.0%)	(4.8%)	(3.6%)	(5.0%)	(0.9%)	(1.4%)	(0.1%)	0.1%	2.6%	(1.9%)	(4.1%)

### 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 above the Cumulative Hurdle Rate of three month Sterling LIBOR + 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 Fund is GG00B1VNNJ48.
- The Sedol for the Fund is B1VNNJ4.
- 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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