

Manager Commentary

The most notable activity in the period covered by this factsheet was the buybacks undertaken by the Fund, which saw 8% of net assets returned to investors. With regard to Shipping Deal 1, the final drawdowns to cover vessel conversion costs were made by the borrower, meaning an end to the negative impact on performance of these cash calls. The costs of the drawdowns in this period were in fact, more than offset by the increase in the valuation of the underlying fleet leading to an increase in NAV. There were some small hedge fund distributions received by the Fund along with proceeds from the sales of some of the Financial Partners entities. The first deferred consideration payment from the sale of Lonscale came in and two investments in other SPL funds were also sold as we carry on working to simplify the overall structure. We continue to look for exits from the private assets held by the Fund while we also maintain a regular dialogue with the managers of the Hedge Fund holdings in order to try and coax out liquidity where possible. However, the medium to longer term nature of some of these assets makes this a slower process than we would like. On a brighter note, we have very recently signed an MoU with the intended purchaser of the Santa Maria. The transfer of ownership is due to complete in early August which will provide both a stop to the costs currently being incurred for her maintenance and a repayment schedule allowing some value to be recouped on this asset. Please note that due to the move to bi-monthly factsheets the performance shown below is for both April and May.

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 17 June when these factsheets were finalised, the fund had spent £1.119m 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

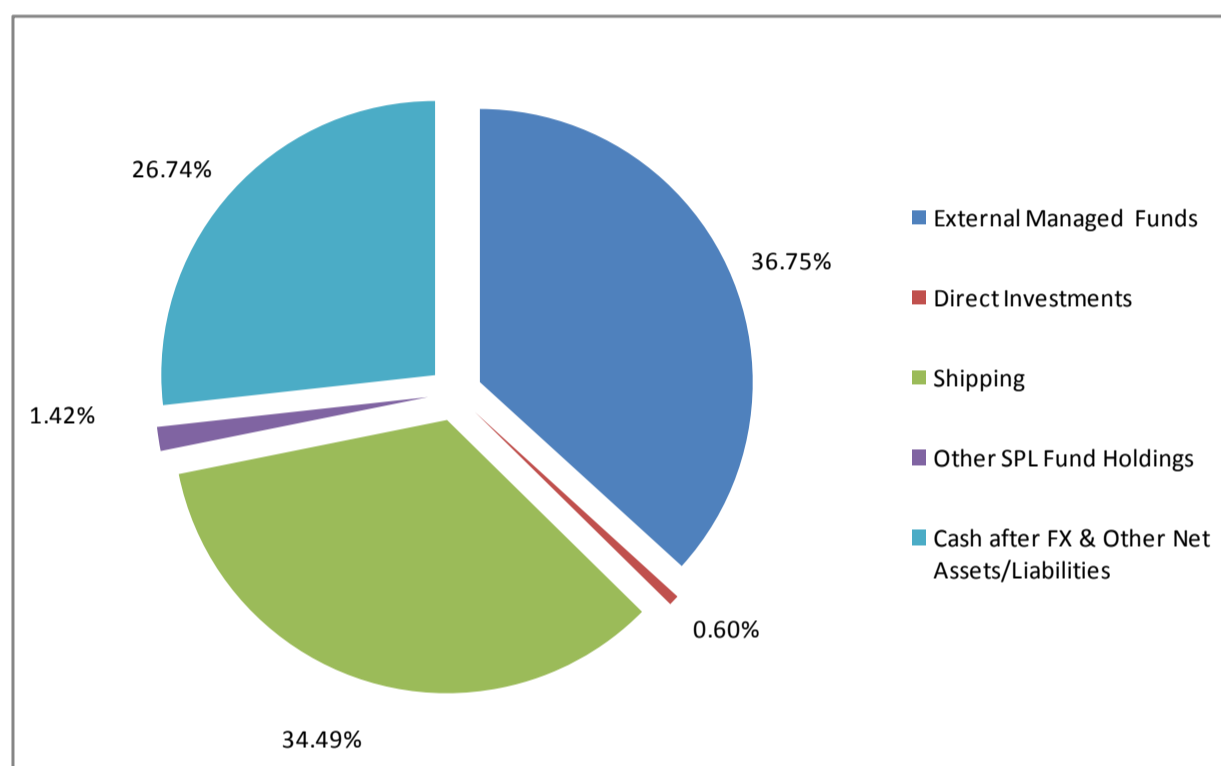
| Investment | Currency of Investment | Value as at 31 Mar 10 (in GBP) | Cash Movement | Value as at 28 May 10 (in GBP) | Contribution to Overall Change in Net Assets in the Period | Comments / Additional Information |
|-------------------------------------|------------------------|--------------------------------|---------------|--------------------------------|--|--|
| Shipping Deal 1 | USD | 3,679,189 | 218,266 | 4,094,682 | 1.41% | The final drawdowns to fund conversion works were made by the borrower during the period. The cost of these was more than offset by an increase in the underlying value of the fleet based on the latest valuation received from Clarksons. |
| Acheron Portfolio Corporation | USD | 2,383,721 | - | 2,525,400 | 1.01% | Monthly fund revaluation based on the NAV provided by the fund's administrator. |
| Growth Management Limited | USD | 992,761 | (24,923) | 1,020,119 | 0.37% | Monthly fund revaluation based on the NAV provided by the fund's administrator. A small distribution was received in April and subsequently again in July. |
| Medley Opportunity Fund | USD | 713,550 | - | 752,903 | 0.28% | Monthly fund revaluation based on the NAV provided by the fund's administrator. |
| Hedge Fund 1 | USD | 650,374 | (67,235) | 608,934 | 0.18% | Monthly fund revaluation based on the NAV provided by the fund's administrator. A small cash amount was received in May and a larger distribution was subsequently received in June. |
| Santa Maria Linked Funding Note | EUR | 550,410 | 32,402 | 516,348 | (0.48%) | Since the last factsheet, negotiations have continued with 3rd parties who have made claims against the vessel and these have recently completed. The Greek courts are now on holiday until early August after which time we expect the courts to release the vessel in to our control. We will then hopefully be in a position to complete on the sale we have been negotiating for the last few months. During the period covered by the factsheet, the vessel has continued to incur legal and maintenance costs which have had a negative impact on NAV. |
| cru Investment Management Loan | GBP | 62,396 | - | 62,396 | - | There has been no change on this asset during the period. We are still currently working with the liquidator to recoup as much value on this loan as possible. |
| Financial Partners Loans | USD | 80,392 | (84,679) | 18,328 | 0.16% | In April we accepted offers from the management of two of the new devolved regional businesses for the shares held by the SPL funds. \$685k has since been received spread across various SPL funds. We do believe we will extract some further value from the remaining unsold entities over time. |
| Agamas Continuum Fund Ltd | USD | 4,020 | - | 4,224 | 0.00% | |
| LM Isis Opportunities Fund Ltd | USD | 2,125 | - | 2,233 | 0.00% | |
| Arche Fund Ltd | USD | - | - | - | - | |
| Lonscale Deferred Consideration | GBP | - | (54,618) | - | 0.39% | Deferred Consideration due over the next 18 months. Value will only be recognised as and when the scheduled payments are received. |
| Stewardship International Fund Ltd | USD | - | - | - | - | The wind-up of this fund is now expected to be completed during Q3 2010 with no further return to investors. |
| Holdings in Other SPL Funds | | | | | | |
| SPL Treasury IC (AT1) Ltd | USD | 121,119 | - | 155,174 | 0.24% | Monthly fund revaluation based on the NAV provided by the fund's administrator. |
| SPL China Energy (NR1) IC Ltd | USD | 24,961 | - | 25,676 | 0.01% | Monthly fund revaluation based on the NAV provided by the fund's administrator. Liquidation of the fund is now underway with 95%+ of cash distributed to investors during July. |
| SPL Structured Finance (PF4) IC Ltd | GBP | 8,765 | - | 8,765 | - | Monthly fund revaluation based on the traded mid-price shown on the CISX. |
| Arch Private Finance IC Ltd | GBP | 51,186 | (48,489) | - | (0.02%) | Position sold in to the buyback program. |
| SPL Private Finance (PF1) IC Ltd | GBP | 37,403 | (35,511) | - | (0.01%) | Position sold in to the buyback program. |

| Other | | | | | | |
|-----------------------|-----|-------------------|-------------|-------------------|---------|--|
| Cash | GBP | 4,532,362 | (1,026,444) | 3,575,046 | 0.49% | Increase in the value of cash due to currency movements. |
| Buybacks | GBP | - | 1,118,942 | - | (8.00%) | 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 | 96,008 | (27,712) | 445 | (0.48%) | |
| Total | | 13,990,742 | | 13,370,673 | | |

Performance Over Last 12 Months

| | Jun-09 | Jul-09 | Aug-09 | Sep-09 | Oct-09 | Nov-09 | Dec-09 | Jan-10 | Feb-10 | Mar-10 | Apr-10 | May-10 |
|---------------|--------|---------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| NAV per Share | 0.7270 | 0.6468 | 0.6262 | 0.4700 | 0.4552 | 0.4459 | 0.4319 | 0.4300 | 0.4301 | 0.4383 | 0.4453 | 0.4655 |
| % Change | 0.9% | (11.0%) | (3.2%) | (24.9%) | (3.1%) | (2.0%) | (3.1%) | (0.4%) | 0.0% | 1.9% | 1.6% | 4.5% |

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 is 1%.
- 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 GG00B1LG9S42.
- The Sedol for the Fund is B1LG9S4.
- Information relating to the Fund is also available on the SPL Funds website (www.splfunds.com).

Disclaimer

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