

## Manager Commentary

The most notable activity in the period covered by this factsheet was the buybacks undertaken by the Fund, which saw 1.7% 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 first deferred consideration payment from the sale of Lonscale. The Fund also continues to receive the full monthly repayments on the Cloud loan as this nears maturity at the end of the year. Three of the smaller positions in other SPL funds were sold in to the buyback program 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 23 July 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.

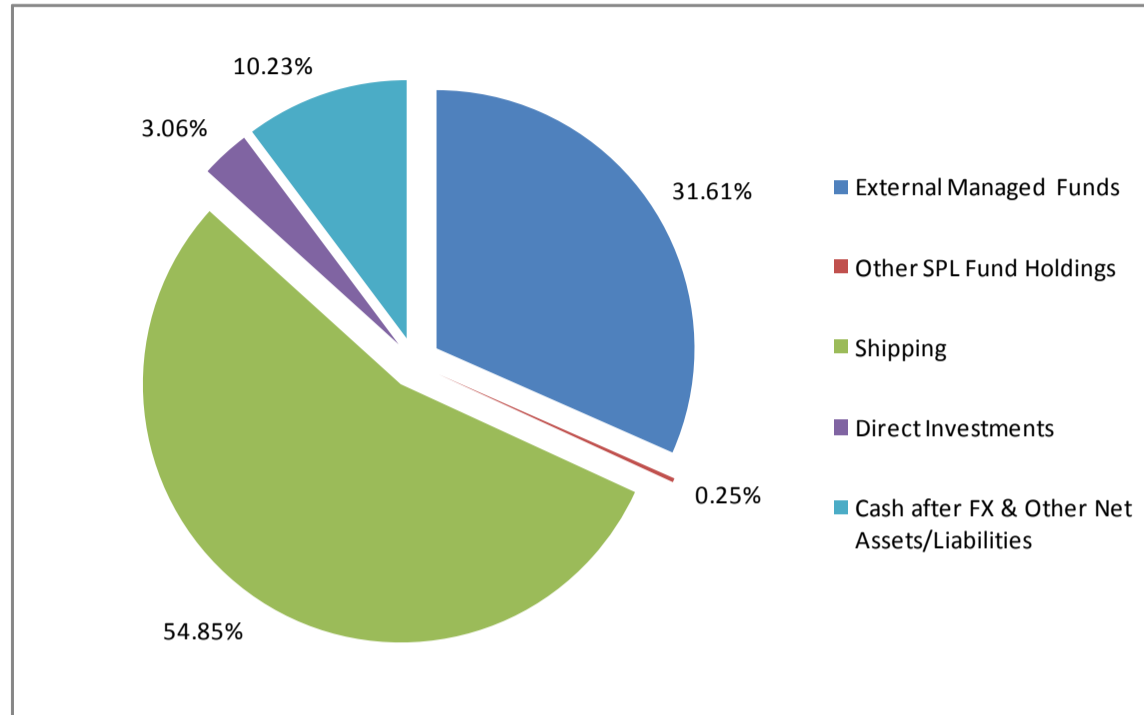
## Holdings

Investment	Currency of Investment	Value as at 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	6,160,779	365,486	6,856,519	2.42%	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.
Noble Venture Finance II Fund	GBP	1,393,760	-	1,335,360	(0.43%)	Fund revaluation based on the monthly statement provided by the fund manager. As previously reported, in recent months the fund manager has taken a number of actions which we believe to be in the best interests of investors. These include the reduction of both leverage and the associated fees, along with a review of costs. Progress continues to be made and we are still in ongoing discussions with the manager.
Ark Royal Fund Ltd	USD	1,267,226	-	1,301,796	0.25%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Bond Capital Partners I Ltd	EUR	999,388	-	952,962	(0.34%)	Change in value due to currency movements.
Hedge Fund 1	USD	783,774	(81,069)	734,222	0.23%	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	688,012	68,500	645,435	(0.81%)	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.
The Cloud Loan Note	EUR	443,910	(96,682)	331,727	(0.11%)	Loan performing in line with expectations. Monthly principal and interest repayment received during April and May. Change in value due to currency movements.
cru Investment Management Loan	GBP	87,354	-	87,354	-	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.
Lonscale Deferred Consideration	GBP	-	(55,015)	-	0.40%	Deferred Consideration due over the next 18 months. Value will only be recognised as and when the scheduled payments are received.
<b>Holdings in Other SPL Funds</b>						
SPL China Energy (NR1) IC Ltd	USD	33,568	-	34,529	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.
Arch Private Finance IC Ltd	GBP	68,834	(65,207)	-	(0.03%)	Position sold in to the buyback program.
SPL Private Finance (PF1) IC Ltd	GBP	50,299	(47,755)	-	(0.02%)	Position sold in to the buyback program.
SPL Finance Opportunitites (PF3) IC Ltd	GBP	30,395	(30,377)	-	(0.00%)	Position sold in to the buyback program.
<b>Other</b>						
Cash	GBP	1,680,071	(339,861)	1,397,112	0.42%	Increase in the value of cash due to currency movements.
Buybacks	GBP	-	231,816	-	(1.70%)	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	(49,598)	50,163	3,026	0.02%	
<b>Total</b>		<b>13,637,772</b>		<b>13,680,042</b>		

### 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	0.7315	0.6242	0.6029	0.4037	0.3845	0.3705	0.3518	0.3488	0.3438	0.3435	0.3438	0.3527
% Change	(0.2%)	(14.7%)	(3.4%)	(33.0%)	(4.8%)	(3.6%)	(5.0%)	(0.9%)	(1.4%)	(0.1%)	0.1%	2.6%

### 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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