

**Manager Commentary**

Developments on the Fund were fairly muted during August and September which unfortunately saw two investments noticeably decline in value. The marking-to-market of the underlying collateral in Shipping Deal 1 in line with valuations provided by an independent shipping agent was one detractor to performance. Secondly, the holding in SPL Private Finance (PF2) suffered for a number of reasons, more details of which can be found on that fund's own factsheet. However, there was some positive news in the form of the Lonscale purchasers once again making their scheduled repayment during the period followed by two further subsequent installments since. Every payment received on this deal is a fillip to performance as we continue to ascribe no value to any remaining cash owed until it is actually received. The Scipion African Opportunities Fund made regular repayments during the period and this has subsequently continued, making a full exit likely in Q1 2011, and the Medley Opportunity Fund also made a repayment in September which has been followed by another in November. Please note that performance shown is for both August and September.

**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 November 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 31 Jul 10 (in GBP)	Cash Movement	Value as at 30 Sep 10 (in GBP)	Contribution to Overall Change in Net Assets in the Period	Comments / Additional Information
Medley Opportunity Fund	USD	5,486,234	(109,536)	5,369,939	(0.02%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A small distribution was received in September and a further distribution has since been received in November.
BMS Specialist Debt Fund Ltd	GBP	4,659,112	-	4,660,627	0.00%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Ark Royal Fund Ltd	USD	4,578,320	-	4,538,400	(0.09%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Shipping Deal 1	USD	3,285,110	(5,859)	3,044,711	(0.54%)	Small ongoing monitoring costs were incurred during the period some of which were offset by the scheduled repayment of accrued interest by the borrower. The decline in value has been caused by a decline in the valuation of the underlying collateral provided by an independent shipping valuation agent.
Pentagon Bernini Fund Ltd	USD	1,910,369	-	1,890,483	(0.05%)	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	1,597,079	(5,077)	1,460,755	(0.30%)	Fund revaluation based on the monthly statement provided by the underlying 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	1,315,842	(445,406)	868,175	(0.01%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. \$700k of redemption proceeds received during the period, with a further \$464k received since the end of September. Remainder expected by the end of Q1 2011.
Hedge Fund 1	USD	849,463	-	835,814	(0.03%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Shipping Deal 2	EUR	388,954	-	405,972	0.04%	There has been no real movement on this asset since the last factsheet. The arbitration process continues and we hope to have more to report soon.
Lonscale Deferred Consideration	GBP	-	(60,491)	35,021	0.22%	Deferred Consideration payments received during September in line with the agreed schedule. Further payments have subsequently been received in October and November.
Aarkad Plc	USD	431,535	-	-	(1.00%)	The Liquidator reported in September that based on the anticipated realisations from the underlying portfolio there would be no recovery for investors. The value of this holding has therefore been written down in line with this. However, this estimate does not take in to account any realisations from proceedings that may be brought by the Liquidator against third parties. That said, any possible return via this route is both unknown in terms of quantum and timescale.
Financial Partners Loans	USD	-	-	-	-	
Arche Fund Ltd	USD	-	-	-	-	The Investment Manager is currently trying to negotiate a settlement with the leverage provider which would allow at least some return to investors. It is unclear if this will be successful so the NAV continues to be marked in line with expected return.
Bush Road Mezzanine Finance	GBP	-	-	-	-	
Cautley Ave Mezzanine Finance	GBP	-	-	-	-	

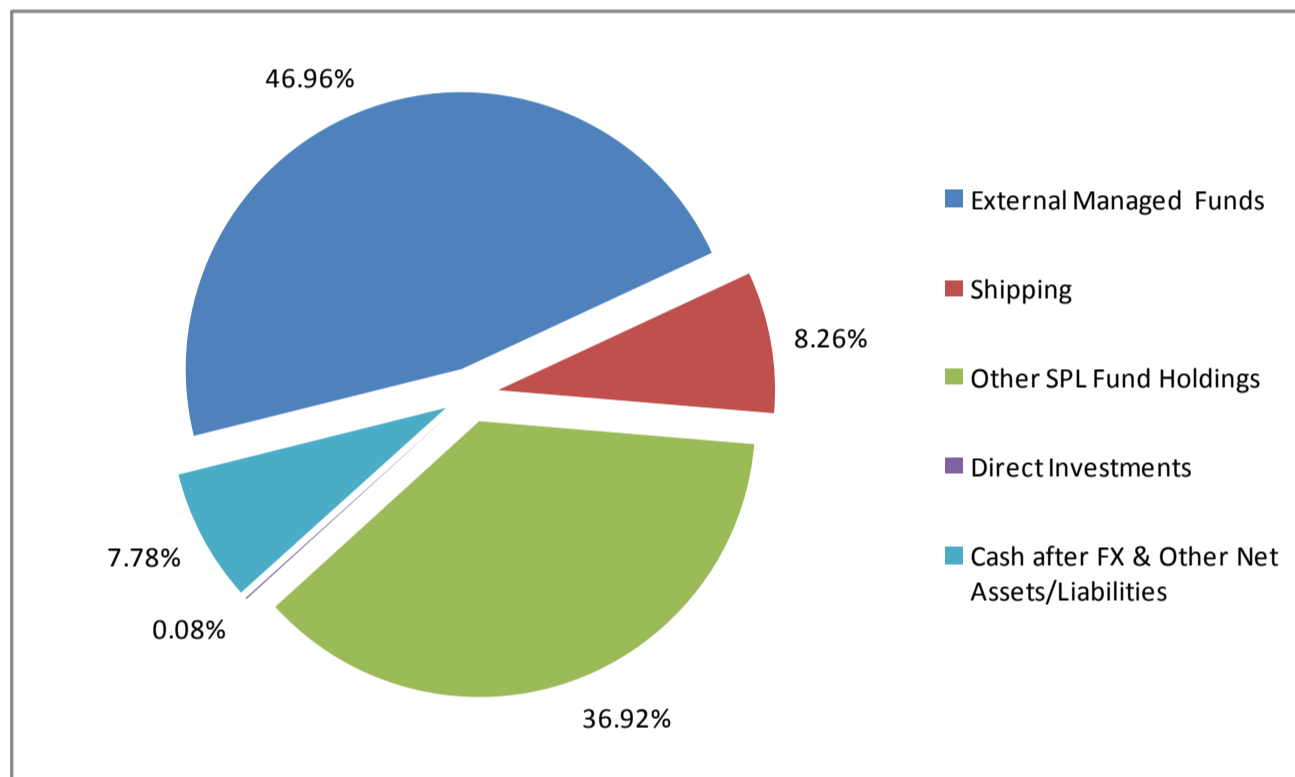
### Holdings in Other SPL Funds

SPL Private Finance (PF2) IC Ltd	GBP	15,982,419	-	15,424,458	(1.29%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
SPL Structured Finance (PF4) IC Ltd	GBP	8,390	-	8,082	(0.00%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
<b>Other</b>						
Cash	GBP	2,876,823	540,648	3,415,166	(0.01%)	While the overall cash balance has increased, there has been a decrease in the value of cash due to currency movements.
Other Net Liabilities	GBP	(125,559)	85,721	(162,548)	(0.28%)	
<b>Total</b>		<b>43,244,091</b>		<b>41,795,055</b>		

### Performance Over Last 12 Months

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
NAV per Share	0.5807	0.5696	0.5539	0.5555	0.5674	0.5525	0.5346	0.5290	0.5669	0.5493	0.5468	0.5309
% Change	(4.6%)	(1.9%)	(2.8%)	0.3%	2.1%	(2.6%)	(3.2%)	(1.0%)	7.2%	(3.1%)	(0.5%)	(2.9%)

### 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](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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