

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 the largest detractor to performance. Secondly, with regard to the Santa Maria further costs impacted the value of the position. However, on a more positive note we are pleased to be able to report that subsequent to the date of this factsheet, the sale of the vessel has now been agreed with an upfront payment received from the purchaser. There are still a number of years until this will be paid for in full but we should at least now see an end to the erosion of value caused by maintenance and litigation costs. Further positive news continued 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 Cloud also continues its monthly repayments and will be fully repaid and exited before the end of the year. 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, 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.

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.

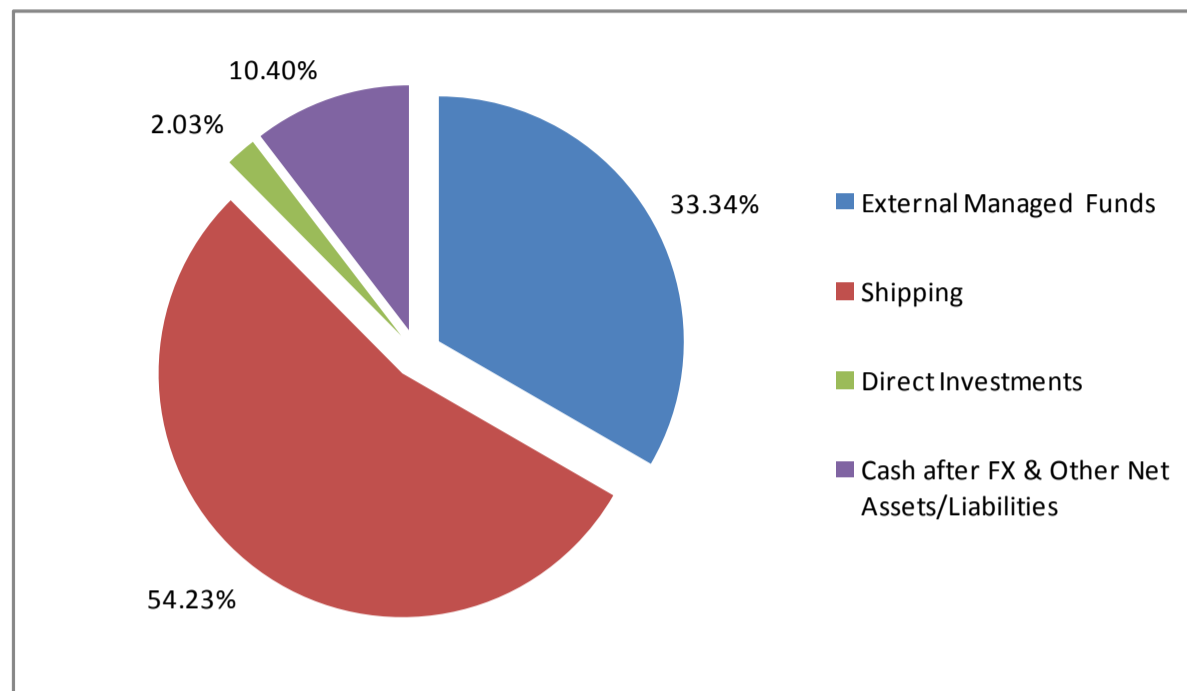
Holdings

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
Shipping Deal 1	USD	6,438,637	(14,817)	5,967,470	(3.65%)	Small ongoing monitoring costs were incurred during the period all of which were more than offset by the scheduled repayment of accrued interest by the borrower. The decline in value has been caused by a decrease in the valuation of the underlying collateral based on an appraisal provided by an independent shipping valuation agent.
Noble Venture Finance II Fund	GBP	1,297,120	(4,124)	1,186,400	(0.85%)	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.
Ark Royal Fund Ltd	USD	1,195,563	-	1,186,400	(0.07%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Bond Capital Partners I Ltd	EUR	1,030,504	-	1,152,595	0.98%	Fund revaluation based on the quarterly report provided by the fund manager.
Santa Maria Linked Funding Note	EUR	631,800	111,399	558,396	(1.48%)	The sale of the vessel was finally agreed in November and an upfront payment was received from the purchaser. The new owner will shortly begin repairs required to make the vessel compliant with regulations which will allow it to trade and will take up to 9 months. Upon completion the borrower will begin making quarterly repayments over the following 3.5 years until the agreed sale price is met. Until this time we will monitor to ensure the purchaser is complying with agreed conditions and maintain a first charge over the vessel which can be utilised should these not be met.
Hedge Fund 1	USD	494,507	-	486,561	(0.06%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
The Cloud Loan Note	EUR	232,346	(98,788)	146,836	0.11%	Loan performing in line with expectations. Monthly principal and interest repayment received during August and September.
Lonscale Deferred Consideration	GBP	-	(102,567)	57,592	1.28%	Deferred Consideration payments received during September in line with the agreed schedule. Further payments have subsequently been received in October and November.
cru Investment Management Loan	GBP	40,432	-	40,221	(0.00%)	Slight decline in value due to a lower estimated return advised by the Liquidator. We are still currently working with him to recoup as much value on this loan as possible.
Other						
Cash	GBP	1,198,920	72,316	1,401,598	1.04%	While the overall cash balance has increased, there has also been an increase in the value of cash due to currency movements.
Other Net Liabilities	GBP	(65,400)	36,581	(150,523)	(0.97%)	
Total		12,494,429		12,033,546		

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	0.3845	0.3705	0.3518	0.3488	0.3438	0.3435	0.3438	0.3527	0.3461	0.3319	0.3370	0.3197
% Change	(4.8%)	(3.6%)	(5.0%)	(0.9%)	(1.4%)	(0.1%)	0.1%	2.6%	(1.9%)	(4.1%)	1.5%	(5.1%)

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) 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).

Disclaimer

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