

Manager Commentary

The most significant activity on the Fund in the period and since, has been the ongoing enforcement process resulting from the default of the Nautical Ventures loan. Two of the vessels have now been successfully auctioned with the proceeds due to the Fund in early May and two further vessels are scheduled for auction in April. The remaining three vessels are being processed by the Nigerian court system and we are hopeful of having auction dates some time in June. In the interim, we continue to work on alternative options that may expediate some form of settlement prior to auction. Unfortunately, falling shipping rates, the poor quality of the vessels and their deteriorating state of mechanical repair plus the costs of the enforcement have weighed heavily on performance and have been the largest detractor during the period. The other main cause of the decline in NAV was the c.3% rise in the value of GBP versus USD, a movement which detrimentally impacted the value of all USD assets. On a more positive note, since the date of this factsheet, Medley Opportunity Fund has made a distribution of around 7% of its NAV. This is the third quarterly payment in a row and the largest to date, as market conditions improve allowing the manager to exit some underlying positions. Also in terms of cash generation, Espirito Santo Investment Holdings Limited paid three quarters of cash proceeds due as a result of the merger, the buyers of Lonscale continued to make repayments and a small distribution was received from Growth Management Limited. Please note that performance shown is for both December and January.

Share Buybacks

A significant landmark in the process of providing liquidity to investors was reached on 31 March 2010 with the lifting of the suspension of trading. As at 14 March 2011 when these factsheets were finalised, the fund had spent £34.2m in buying back shares since the suspension was lifted. 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

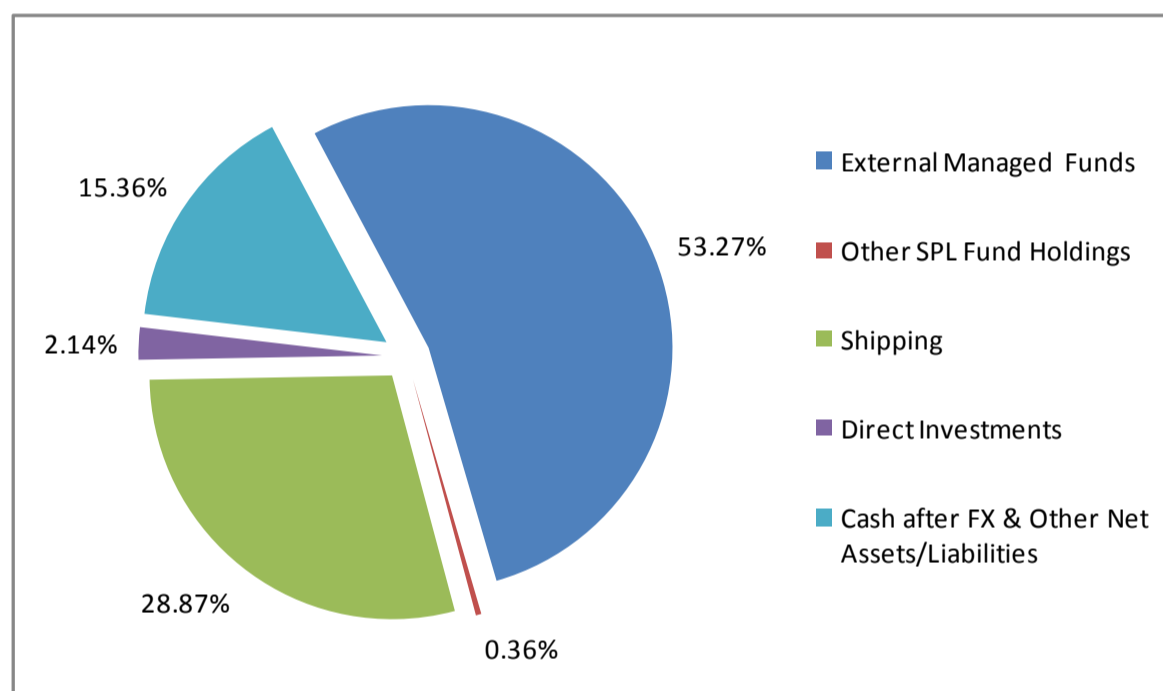
The Investment Manager will manage the Fund's portfolio with a view to realising its assets within the shortest period of time consistent with achieving a reasonable realisation price for such assets and with the intention of disposing of all such assets within 5 years. Realisations will be managed, as far as possible, with a view to ensuring regular and consistent distributions of proceeds to Shareholders. This objective is as per the EGM resolution dated 28 January 2010.

Holdings

Investment	Currency of Investment	Value as at 30 Nov 10 (in GBP)	Cash Movement	Value as at 31 Jan 11 (in GBP)	Contribution to Overall Change in Net Assets in the Period	Comments / Additional Information
BMS Specialist Debt Fund Ltd	GBP	8,626,476	-	7,741,906	(2.50%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A repayment schedule has now been agreed with periodic payments due through until December 2014.
Nautical Ventures Loan	USD	8,601,963	822,035	7,375,739	(5.80%)	Since the November factsheet, two bulkers have been successfully auctioned with the proceeds due to the Fund by early May. Two further bulkers have auction dates set for April, while our advisors anticipate the three tankers will be auctioned some time in June. However, the situation with the tankers is dependant on the Nigerian court system and we await further developments. In the interim, the legal and other costs associated with the enforcement have continued to accrue, further impairing shareholder value in the period covered by this factsheet.
Medley Opportunity Fund	USD	6,337,402	-	5,919,942	(1.18%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A distribution of around 7% of NAV has since been received in February.
Ark Royal Fund Ltd	USD	4,186,945	-	4,054,677	(0.37%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Noble Venture Finance II Fund	GBP	2,988,245	(6,925)	3,055,143	0.21%	Fund revaluation based on the monthly NAV provided by the fund manager.
Bond Capital Partners I Ltd	EUR	1,329,792	-	1,360,260	0.09%	Fund revaluation based on the monthly NAV provided by the fund manager.
Growth Management Limited	USD	1,276,632	(48,980)	1,208,286	(0.05%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. A small distribution received in December.
Hedge Fund 1	USD	1,071,412	-	1,021,867	(0.14%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Santa Maria Linked Funding Note	EUR	1,034,312	52,941	928,040	(0.45%)	The purchaser continues the work necessary to bring the vessel up to standard in order to begin trading during the spring. Our technical advisor continues to provide regular updates on the progress being made. We await completion of the repair works, at which time the borrower will begin making quarterly repayments over the following 3.5 years until the agreed sale price is met.
Pentagon Bernini Fund Ltd	USD	818,224	-	777,691	(0.11%)	Further reserve taken based on the latest update report from the investment manager.
Shipping Deal 3	EUR	723,595	-	741,684	0.05%	The slow process of arbitration continues without major reportable developments. We will advise investors as soon as we have something significant to report.
Espirito Santo Investment Holdings Limited - Equity	GBP	1,083,008	(472,682)	610,325	(0.00%)	Three quarters of cash proceeds due from the merger received during the period.
Shipping Deal 2	EUR	390,324	-	400,082	0.03%	The slow process of arbitration continues without major reportable developments. We will advise investors as soon as we have something significant to report.
Lonscale Deferred Consideration	GBP	71,425	(77,733)	89,179	0.27%	Deferred consideration payments received during December and January with further payments subsequently received in February. The purchaser has recently requested a rescheduling of the remaining payments because the business can not support the cash flow burden. A lower monthly repayment schedule has now been agreed with an extended maturity date of February 2013 (previously February 2012). While this is not ideal, we are conscious of ensuring the ongoing viability of the business to allow the full deferred consideration to be paid.
Hedge Fund 2	USD	74,750	-	29,845	(0.13%)	We have joined a large investor group seeking to better enforce our rights as shareholders to a larger proportion of the underlying assets within the fund. The groups legal representatives believe there is both a strong case for more equitable treatment of shareholders and evidence of wrongdoing by the investment manager. We have therefore, rejected the settlement offer received and await further developments.
Financial Partners Loans	USD	2,882	(3,610)	-	0.00%	We are still in non-receipt of the full scheduled proceeds from the sale of the Dubai devolved business and two property projects. We have therefore taken a number of actions to try to force some form of resolution and will advise of the outcome in due course.

Aarkad Plc	USD	-	-	-	-	The Liquidator continues to investigate the background to the portfolio with a view to building cases against the principal parties involved with the fund where evidence of wrongdoing is found.
Arche Fund Ltd	USD	-	-	-	-	The investment manager for Arche continues to try to negotiate a settlement with the leverage provider which would allow at least some return to investors. It is still unclear if this will be successful so the NAV continues to be marked in line with expected return.
Stewardship International Fund Ltd	USD	-	-	-	-	The unwind of the fund continues with expected completion during 2011, although with minimal return to investors.
Holdings in Other SPL Funds						
SPL Treasury IC (AT1) Ltd	USD	149,903	-	108,378	(0.12%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
SPL Structured Finance (PF4) IC Ltd	GBP	11,414	-	10,197	(0.00%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Other						
Cash	GBP	6,103,855	(566,534)	5,572,725	0.10%	While the overall cash balance has decreased there has been an increase in the value of cash due to currency movements.
Other Net Liabilities	GBP	(923,440)	301,488	(546,702)	0.21%	Liabilities decreased mainly due to a reduction in the accrued performance fee.
Total		43,959,119		40,459,264		

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 1%.
- The Revised Performance Fee for the Fund is now calculated as follows:
 - where the Cash Proceeds are equal to or less than Base Cost - no Performance Fee is payable;
 - where the Cash Proceeds received by the Company are greater than Base Cost but less than the Base Cost plus 3% - the Performance Fee shall be 1.5% of cash received on the realisation of the relevant investment;
 - where the Cash Proceeds received are equal to or greater than Base Cost plus 3% but less than Base Cost plus 7% - the Performance Fee shall be 2% of cash received on the realisation of the relevant investment; and
 - where the Cash Proceeds received are equal to or greater than Base Cost plus 7% - the Performance Fee shall be 3% of cash received on the realisation of the relevant investment.
- The "Base Cost" of an investment in calculating the Revised Performance Fee is the audited carrying value of that investment as included in the Company's financial statements as at 31 March 2010, plus the carrying value of any debtors related to that investment included in the Company's 31 March 2010 financial statements, plus any amounts that have been added to the cost of that investment (per the Company's accounts) since 31 March 2010.
- The ISIN for the GBP Share Class is GG00B1LG1H76 and for the EUR Share Class is GG00B1M8X105.
- The Sedol for the GBP Share Class is B1LG1H7 and for the EUR Share Class is B1M8X10.
- Information relating to the Fund is also available on the SPL Funds website (www.splfunds.com).

Disclaimer

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