

Manager Commentary

The Nautical Ventures enforcement is once again the main activity we have to report. Proceeds from the sale of vessel three were received in August, while there is a delay with those from vessel four due to a legal dispute over costs with the cargo interests which is currently being dealt with by the courts in Singapore and we hope will be resolved shortly. The tankers in Nigeria continue to go through the legal process with two vessels now sold and awaiting potential claimants against the proceeds, while the final tanker is somewhat further behind in its timeline as we still wait for an auction date. Moving on, Noble Venture Finance made a distribution of around 31% of NAV in June and we are also hopeful of a larger payment at some point in Q4, although this is still to be confirmed. Assuming this goes ahead, this would be a significant proportion of the value distributed. A further payment was also received from the purchasers of Lonscale. Unfortunately there were no further significant developments in the period or since. Please note that performance shown is for both June and July.

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 21 September 2011 when these factsheets were finalised, the Fund had spent £21.2m 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

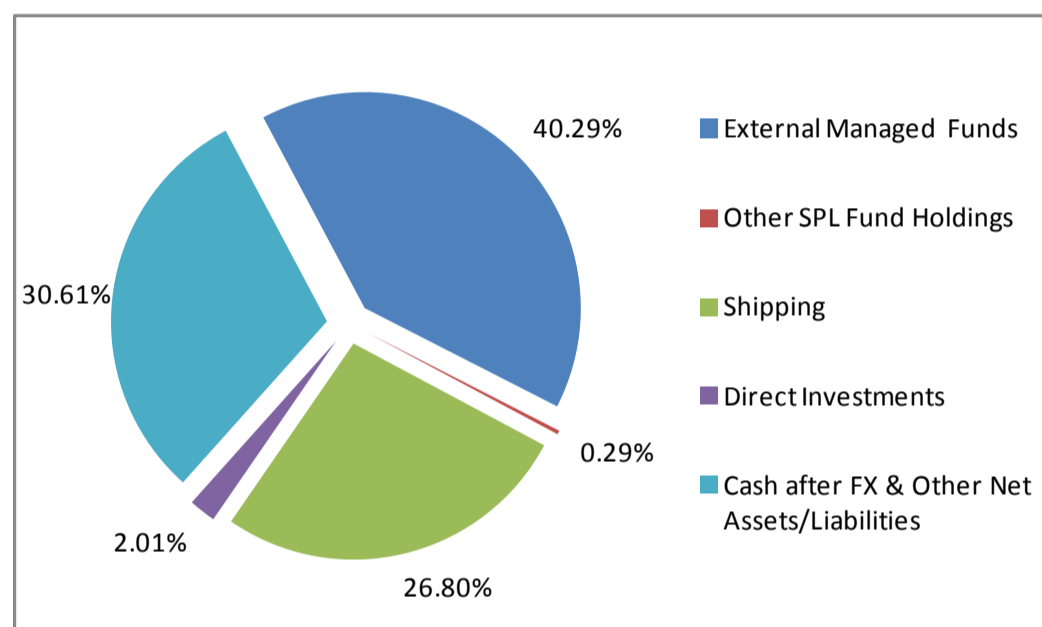
The Investment Manager will manage the Fund's portfolio with a view to realising its assets within the shortest period of time consistent with achieving a reasonable realisation price for such assets and with the intention of disposing of all such assets within 5 years. Realisations will be managed, 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 31 May 11 (in GBP)	Cash Movement	Value as at 31 July 11 (in GBP)	Contribution to Overall Change in Net Assets in the Period	Comments / Additional Information
BMS Specialist Debt Fund Ltd	GBP	7,303,403	-	7,467,072	0.44%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Medley Opportunity Fund	USD	5,366,274	-	5,157,290	(0.56%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Nautical Ventures Loan	USD	5,073,134	(804,558)	4,072,591	(0.53%)	Cash from the third vessel auction was subsequently received in August while a dispute over costs with the cargo interests of vessel four means we are still waiting on a finalised date for the money to be released. Regarding the two sold tankers, the Nigerian courts continue to hold the proceeds while claims are lodged against them and we continue to wait for the courts to do what they deem necessary before releasing the funds. Delays in the legal system mean the auction process for the final tanker is still not yet under way. As a result, this vessel still remains some way behind in terms of the timing for seeing any proceeds.
Ark Royal Fund Ltd	USD	3,875,194	-	2,893,545	(2.63%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. As previously advised, the directors of this fund notified investors that attempts to sell the underlying life insurance portfolio at a level around NAV had not been successful as the last in a line of prospective purchasers had failed to meet a recent deadline. Having unsuccessfully spent the best part of three years trying to achieve a sale and with the ongoing cash burden of financing policy premiums nearing a critical point, the Investment Manager is now soliciting bids from purchasers with proven funding in place. The lack of recovery in the life insurance market means that potential bidders are liable to be opportunistic and it is likely they will offer some way below NAV. In anticipation of accepting one of these offers the fund's administrator has subsequently marked down the NAV by 25%.
Noble Venture Finance II Fund	GBP	3,276,648	(1,007,500)	2,201,648	(0.18%)	Fund revaluation based on the monthly NAV provided by the fund manager. A distribution of around 31% of NAV was received in June.
Bond Capital Partners I Ltd	EUR	1,462,080	-	1,378,049	(0.23%)	Fund revaluation based on the quarterly report provided by the fund manager.
Growth Management Limited	USD	1,169,756	-	1,173,933	0.01%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Santa Maria Loan	EUR	1,168,329	-	1,121,336	(0.13%)	Monthly repayments from the new purchaser have begun and are being received in line with the new agreement.
Hedge Fund 1	USD	860,473	-	864,665	0.01%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Shipping Deal 3	EUR	715,403	-	591,453	(0.33%)	The arbitration process continues.
Pentagon Bernini Fund Ltd	USD	695,547	-	679,903	(0.04%)	Fund revaluation based on the NAV provided by the fund's administrator.
Espirito Santo Investment Holdings Limited - Equity	GBP	462,748	-	462,748	-	
Shipping Deal 2	EUR	380,336	-	380,836	0.00%	The arbitration process continues.
Hedge Fund 2	USD	-	-	78,575	0.21%	As previously advised, lawyers for the Investor Group negotiated a settlement with the Receiver representing one of the other two groups of investors in the fund. \$129k was received in August with a further payout due before the end of 2011 to bring the total to around \$200k. The lawyers continue to press our claims for both an equal share of the remaining assets in the fund and against the principal parties involved with managing the fund. It is not possible to say with any certainty what recovery may come from this action but the estimated range is a further \$0-150k.
Lonscale Deferred Consideration	GBP	-	(81,190)	-	0.22%	Deferred consideration payments received during June.

Financial Partners Loans	USD	-	230	-	(0.00%)	A small legal fee incurred during the period.
Aarkad Plc	USD	-	-	-	-	The latest update from the Liquidator received in July provided no new information of material significance. The Liquidator continues his investigations in to the fund and its principal parties but has reiterated his earlier statement that there is likely to be zero recovery for shareholders.
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 and hopes to have more to report soon.
Stewardship International Fund Ltd	USD	-	-	-	-	The unwind of the fund continues with completion not now expected until 2012, although still with minimal return to investors.
Holdings in Other SPL Funds						
SPL Treasury IC (AT1) Ltd	USD	85,935	-	65,891	(0.05%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Other						
Cash	GBP	5,554,865	1,756,052	7,317,179	0.02%	While the overall cash balance has increased there has also been a slight increase in the value of cash due to currency movements.
Other Net Liabilities	GBP	(152,732)	136,966	(275,711)	(0.70%)	
Total		37,297,393		35,631,003		

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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