

## Manager Commentary

The Nautical Ventures enforcement has continued to move forward with proceeds from a second vessel received in June while those due from vessels three and four now expected to arrive in July and August respectively. The court process with regard to two of the Nigeria based tankers continues to advance with auctions having been successfully completed. The courts are now waiting for potential claimants to lodge their claims against the auction proceeds before finally releasing the remaining funds, although the number and complexity of any claims will heavily influence how long this procedure takes. The third Nigerian based tanker is somewhat behind in the court process with a further hearing date set for September before an auction can hopefully be conducted. Moving away from Nautical Ventures, the BMS Specialist Debt Fund made its first scheduled distribution in April while a small payment was also received from Pentagon Bernini. The purchasers of Lonscale continued to make payments which were received in May and again in June, closely followed by Noble Venture Finance subsequently making a large distribution also received in June. The accumulated cash received from the various underlying investments allowed the Fund to carry out further buybacks in the period bringing the total amount returned to investors by the Fund to £21.2m. Please note that performance shown is for both April and May.

## 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 19 May 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](http://www.cisx.com).

## Fund Objective

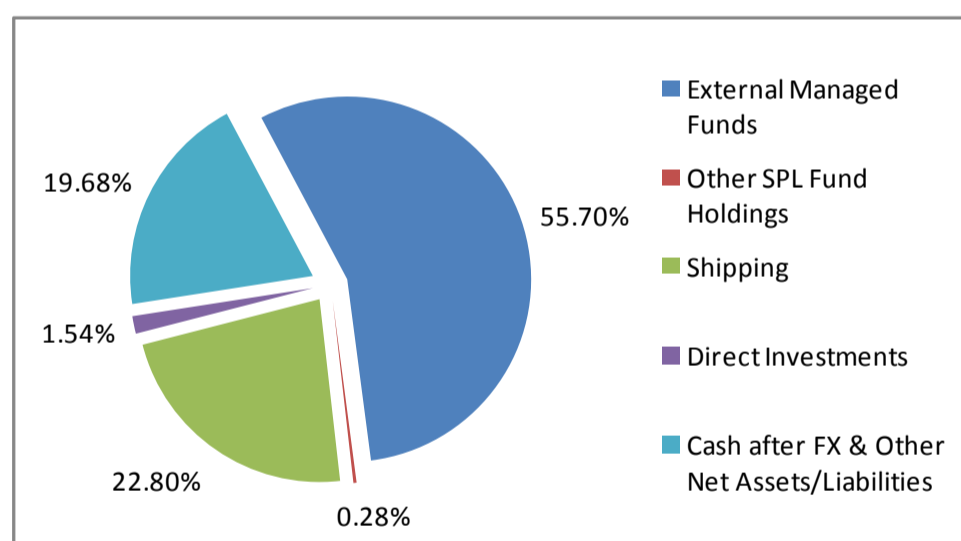
The Investment Manager will manage the Fund's portfolio with a view to realising its assets within the shortest period of time consistent with achieving a reasonable realisation price for such assets and with the intention of disposing of all such assets within 5 years. Realisations will be managed,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

## Holdings

Investment	Currency of Investment	Value as at 31 Mar 11 (in GBP)	Cash Movement	Value as at 31 May 11 (in GBP)	Contribution to Overall Change in Net Assets in the Period	Comments / Additional Information
BMS Specialist Debt Fund Ltd	GBP	7,561,781	(296,612)	7,303,403	0.10%	Monthly fund revaluation based on the NAV provided by the fund's administrator. The first scheduled repayment was received in April.
Medley Opportunity Fund	USD	5,544,066	-	5,366,274	(0.47%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Nautical Ventures Loan	USD	6,648,203	(912,414)	5,073,134	(1.73%)	Cash from the first auction was received in May with proceeds from a further vessel having subsequently been received in early June. Delays with the respective court processes has meant the proceeds for vessels three and four are now expected at the end of July and the end of August respectively. With two of the three remaining tankers held in Nigeria having been successfully auctioned, we are now waiting for potential claimants to lodge their claims against the proceeds. In a best case scenario where no claimants come forward, it is possible the proceeds could be released to us some time in August. However, in the event our fears are realised and spurious claims are lodged against the proceeds, it is unclear how long it will take to fight such claims through the legal channels. After two hearings in recent weeks in relation to the final tanker, a further hearing date has been set for September with a judgement due within two weeks of this date. The vessel can then be auctioned followed by the previously highlighted process for potential claims against these proceeds. Unfortunately, the enforcement process continues to accrue costs and these have been the cause of the decline in value of this asset during the period.
Ark Royal Fund Ltd	USD	3,983,715	-	3,875,194	(0.28%)	Monthly fund revaluation based on the NAV provided by the fund's administrator. Subsequent to the date of this factsheet, 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 early indications are 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%. This will be reflected in the next published SPL Fund NAV.
Noble Venture Finance II Fund	GBP	2,950,766	(4,021)	3,276,648	0.86%	Fund revaluation based on the monthly NAV provided by the fund manager. A distribution of around 32% of NAV was subsequently received in June.
Bond Capital Partners I Ltd	EUR	1,475,511	-	1,462,080	(0.04%)	Change in value due to currency movements.
Growth Management Limited	USD	1,208,682	-	1,169,756	(0.10%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Hedge Fund 1	USD	886,230	-	860,473	(0.07%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Shipping Deal 3	EUR	721,975	-	715,403	(0.02%)	The arbitration process continues.
Pentagon Bernini Fund Ltd	USD	760,381	(45,417)	695,547	(0.05%)	Fund revaluation based on the NAV provided by the fund's administrator. A small distribution was received in April.
Santa Maria Loan	EUR	808,304	(79,108)	668,418	(0.16%)	Subsequent to the date of this factsheet, we have been involved in negotiations to move the vessel and loan to a new purchaser with improved terms for the SPL Funds. The new terms see a 68% increase in the total amount due each quarter which serves to bring forward the final maturity date of the loan by 10 months to October 2014. There are also improved corporate and personal guarantees which would strengthen our position in the event of default should it arise. Regular repayments are due to begin in July.
Espirito Santo Investment Holdings Limited - Equity	GBP	462,748	4,561	462,748	(0.01%)	A small fee incurred during the period as part of the earlier merger.
Shipping Deal 2	EUR	383,830	-	380,336	(0.01%)	The arbitration process continues.
Lonscale Deferred Consideration	GBP	-	(64,779)	-	0.17%	Deferred consideration payments received during May with a further payment subsequently received in June.

Financial Partners Loans	USD	-	(579)	-	0.00%	We still await a revised proposal from the potential purchaser of the Dubai business.
Hedge Fund 2	USD	-	-	-	-	Subsequent to the date of this factsheet, lawyers for the Investor Group have negotiated a settlement with the Receiver representing one of the other two groups of investors in the fund. Assuming this settlement goes ahead approximately \$200k will be due to this SPL Fund before the end of 2011. Negotiations continue with the Receiver representing the remaining investor group and may yet prove successful. In the event they do not, the lawyers will 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.
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. It is still unclear if this will be successful so the NAV continues to be marked in line with expected return.
Stewardship International Fund	USD	-	-	-	-	The unwind of the fund continues with completion not now expected until 2012, although still with minimal return to investors.
<b>Holdings in Other SPL Funds</b>						
SPL Treasury IC (AT1) Ltd	USD	92,730	-	85,935	(0.02%)	Monthly fund revaluation based on the NAV provided by the fund's administrator.
SPL Structured Finance (PF4) IC Ltd	GBP	9,657	(8,482)	-	(0.00%)	This holding was sold in to the buyback program in April.
<b>Other</b>						
Cash	GBP	5,472,003	597,905	6,054,776	(0.04%)	While the overall cash balance has increased there has been a slight decrease in the value of cash due to currency movements.
Buybacks	GBP	-	669,699	-	(1.75%)	Cash distributed to investors reduced the overall NAV of the Fund but contributed to an increase in the NAV per share due to the discount at which these shares were purchased.
Other Net Liabilities	GBP	(777,026)	139,247	(152,732)	1.27%	Liabilities decreased mainly due to a reduction in the accrued performance fee.
<b>Total</b>		<b>38,193,556</b>		<b>37,297,393</b>		

#### 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 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](http://www.splfunds.com)).

#### Disclaimer

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