

Manager Commentary

Since the date of this factsheet, all FX hedging has been removed at the fund level. These trades were executed in early February when exchange rates were at 1.58 for USD/GBP and 0.89 for GBP/EUR. The rise in the value of USD relative to GBP since this date, has benefited investors with USD assets increasing in value as a result. Meanwhile the EUR initially declined in value, but at the time of writing has now recovered to the early February level. Estimated FX exposure reports continue to be published on the CISX shortly after month-end to allow investors to hedge if they wish to do so. The borrower in Shipping Deal 1 has drawn down additional cash, both during January and subsequently, in order to fund vessel conversions and modifications approved under the terms of the restructure. The loan remains marked to the value of the underlying collateral, which has not changed month on month. This means, any such draw downs will have a negative impact on fund NAV until the collateral is revalued, or the loan is judged to be performing. During January, this negative impact was offset by the gain on the currency exposure of this loan, leading to a modest overall increase in the value of this position. The majority of the required vessel repairs and modifications have been completed and subsequent to this factsheet date, 6 of the 7 vessels are now employed. We will be applying for the suspension of trading to be lifted on 31 March. After the lifting of suspension, shareholders will be able to deal through any stockbroker. The fund will be in a position to begin to use its share buyback powers and purchase up to 14.99% of its shares for cancellation. Shares will be bought at a discount to the prevailing NAV, so shareholders should take independent advice before deciding whether to sell in to the buyback program. We will be exploring other methods of returning shareholder capital in due course. To assist investors we will be producing further factsheets for February and March, then bimonthly thereafter.

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

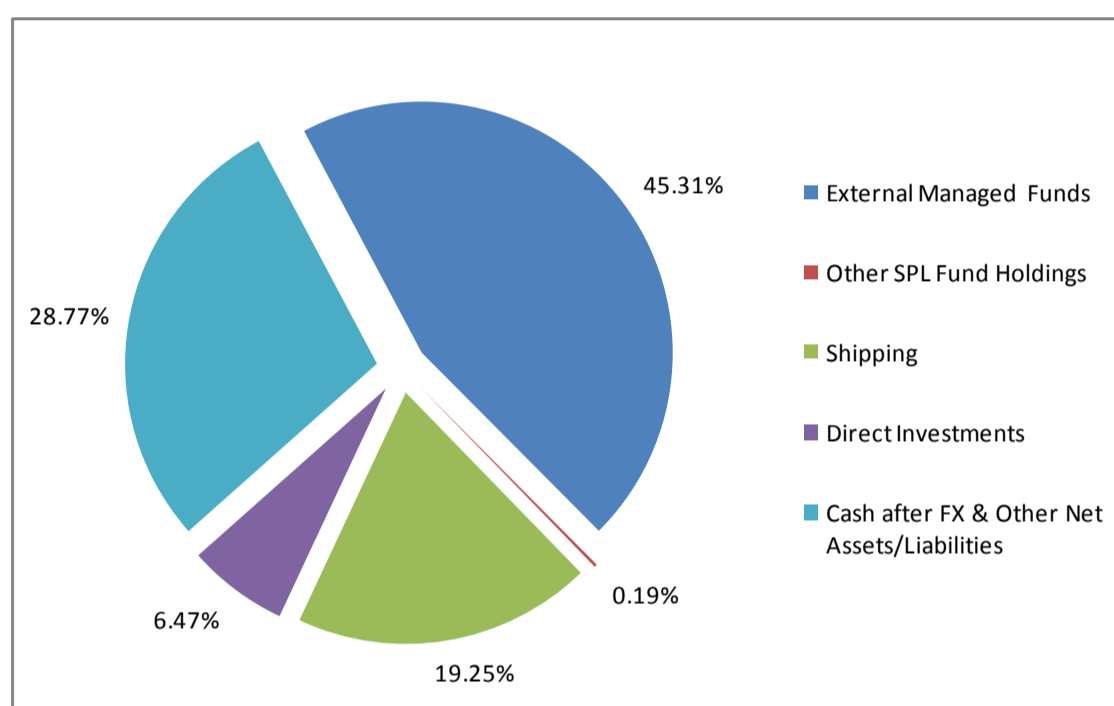
Investment	Currency of Investment	Value as at 31 Dec 09 (in GBP)	Cash Movement	Value as at 29 Jan 10 (in GBP)	Contribution to Overall Monthly NAV Movement	Comments / Additional Information
Shipping Deal 1	USD	11,254,518	55,085	11,385,018	0.10%	Since the last factsheet, further additional cash has been drawn down by the borrower under the terms of the restructured deal. The small increase in value is due to currency movements.
BMS Specialist Debt Fund Ltd	GBP	8,521,054	-	8,597,153	0.10%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Medley Opportunity Fund	USD	6,291,025	-	6,402,112	0.15%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Ark Royal Fund Ltd	USD	4,201,137	-	4,242,092	0.06%	Monthly fund revaluation based on the NAV provided by the fund's administrator.
Noble Venture Finance II Fund	GBP	3,822,455	-	3,773,692	(0.07%)	Monthly fund revaluation based on the NAV provided by the Investment Manager. We continue to discuss the future of this fund with the underlying manager and hope to use our 68% holding, held across the SPL fund range, to force change. However, the nature of the underlying assets will mean that realisation is still likely to take some time.
Noble Group Holdings Limited Loan	GBP	2,569,315	(69,315)	2,521,849	0.03%	Loan continuing to accrue and perform. Loan fully repaid early during February increasing cash.
Hedge Fund 1	USD	2,192,280	-	2,227,393	0.05%	Monthly fund revaluation based on the NAV provided by the fund's administrator. A cash distribution for 25% of NAV has since been received during March.
Securis I Fund	USD	1,972,335	(1,994,943)	-	0.03%	Holding redeemed and redemption proceeds received increasing cash.
Caritas Royalties Fund (Bermuda) Ltd	USD	1,611,074	-	1,654,486	0.06%	Monthly fund revaluation based on the NAV provided by the fund's administrator. Redemption submitted for the next available dealing date in June, with proceeds due in September.
Santa Maria Linked Funding Note	EUR	1,660,975	106,462	1,624,030	(0.19%)	Further costs incurred during the enforcement process. We are currently working to generate further interest in the vessel in time for the auction on 7th April.
Aarkad Plc	USD	1,577,638	-	1,595,797	0.02%	Increase in value due to currency movements.
Growth Management Limited	USD	1,410,130	-	1,427,409	0.02%	Monthly fund revaluation based on the NAV provided by the fund's administrator. Small cash distribution has since been received during February.
Bond Capital Partners I Ltd	EUR	1,378,288	-	1,347,630	(0.04%)	Fall in value due to currency movements.
Pentagon Bernini Fund Ltd	USD	1,137,400	(66,757)	1,082,997	0.02%	Monthly fund revaluation based on the NAV provided by the fund's administrator. Cash distribution received during January.
Tranquil Insurance Company Loan	GBP	1,022,082	(11,194)	1,008,192	(0.00%)	Loan performing in line with expectations. Interest payment received during January.
Execution Noble - Equity	GBP	656,250	-	656,250	-	During January, Noble merged with Execution Holdings Ltd and shares were received in the new merged entity.
Hedge Fund 2	USD	609,398	-	616,412	0.01%	
Shipping Deal 3	EUR	598,671	-	585,355	(0.02%)	Fall in value due to currency movements.
The Cloud Loan Note	EUR	581,534	(49,362)	523,308	(0.01%)	Loan performing in line with expectations. Monthly principal and interest repayment received during January.
Shipping Deal 2	EUR	422,764	-	413,361	(0.01%)	
Arche Fund Ltd	USD	-	-	-	-	
BMS Finance Ltd - Warrant	GBP	-	-	-	-	
Financial Partners Loans	USD	-	-	-	-	
Lonscale Mezzanine Funding Note	GBP	-	-	-	-	Transaction to sell Lonscale is still being finalised. Any value received will only be recognised as and when it reaches the investing funds.
Stewardship International Fund Ltd	USD	-	-	-	-	The wind-up of this fund is expected to be completed during Q2 2010.
Holdings in Other SPL Funds						
SPL Treasury IC (AT1) Ltd 7% Funding Note	USD	117,366	-	138,462	0.03%	Monthly revaluation provided by the issuing fund's administrator.
SPL Treasury IC (AT1) Ltd	GBP	-	-	-	-	

Other						
Cash	GBP	22,184,136	1,708,288	23,903,740	0.02%	Increase in the value of cash due to currency movements.
FX Hedge Value	GBP	(1,733,920)	143,639	(2,734,161)	(1.55%)	FX Rates moved against the Fund before the hedges were closed out.
Other Net Assets/Liabilities	GBP	(302,091)	178,097	(236,675)	(0.15%)	
Total		73,755,814		72,755,902	(1.36%)	

Performance (since January 2009)

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
NAV per Share (£ Class)	1.2607	1.2353	0.9331	0.8931	0.8966	0.8983	0.8399	0.8277	0.7366	0.7188	0.7081	0.6959	0.6925
% Change	0.1%	(2.0%)	(24.5%)	(4.3%)	0.4%	0.2%	(6.5%)	(1.5%)	(11.0%)	(2.4%)	(1.5%)	(1.7%)	(0.5%)
NAV per Share (€ Class)	1.0724	1.0580	0.7771	0.7677	0.7660	0.7660	0.7191	0.7165	0.6427	0.6271	0.6201	0.5920	0.5808
% Change	0.2%	(1.3%)	(26.6%)	(1.2%)	(0.2%)	-	(6.1%)	(0.4%)	(10.3%)	(2.4%)	(1.1%)	(4.5%)	(1.9%)

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) 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 Performance Fee for the Fund is 10% of performance above the Cumulative Hurdle Rate of three month LIBOR for the currency of the share class + 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 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.

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