Spearpoint

Spearpoint (Sterling) Fixed Income Fund

PRICE: GBP 1.0088 / FORECAST INCOME YIELD: 3.00% (as at 28 February 2011) **28 February 2011**

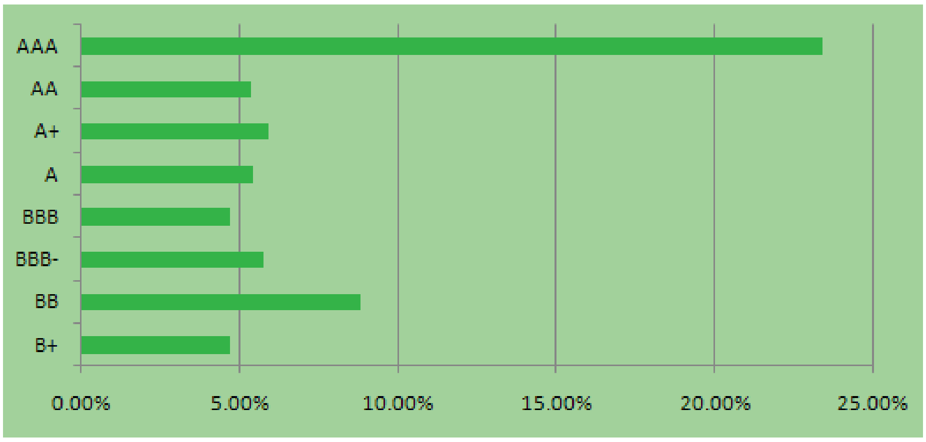
Fund Objectives

The investment objective of the Spearpoint (Sterling) Fixed Income Fund is to seek to maximise total return, consistent with the preservation of capital and prudent investment management, from investment into fixed income instruments which are predominantly Sterling denominated. The target, although not guaranteed, is 3 month Sterling LIBOR + 2%.

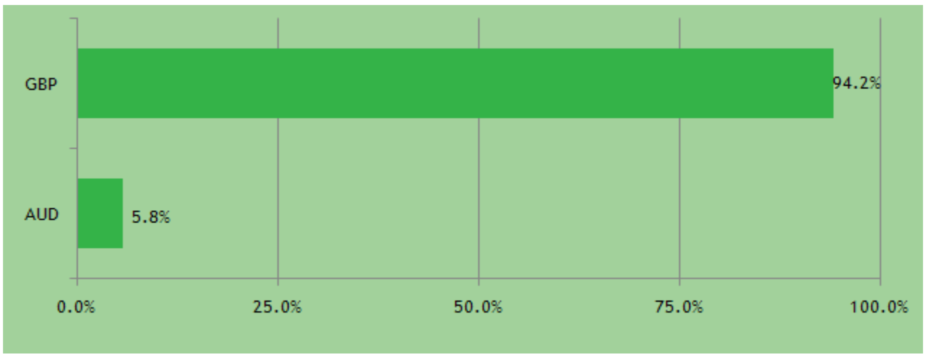
Exposure

Sector	Exposure	Net Exposure	Duration
UK Government Bonds	51.1%	19.0%	0.92
GBP Corporate Bonds	45.0%	44.9%	2.39
UK Short Term Interest Rate	0.0%	-1.3%	0.00
Cash	3.9%	0.0%	0.00
TOTAL	**100.0%**	**62.6%**	**3.31**

Net Exposure By Rating



Currency Allocation



Fund Facts

Base Currency: GBP

Launch Date: 04 Nov 2010 at GBP 1.00

Minimum Investment: GBP10,000

Target Total Return: GBP 3 month LIBOR + 2%

Management Fee: 0.65% + Performance Fee

Dealing Frequency: Daily (t+3 settlement)

Lead Manager: Mark Despres

Income: Semi-annually

Payment Dates: Jan, Jul

ISA/PEP/SIPP Eligible: Yes

Reporting Status: Awaiting Approval

Sedol: B40J0B5

ISIN: IE00B40J0B52

Bloomberg Ticker Code: SPAFIAU ID

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Commentary

The Fund enjoyed an excellent month, increasing in value by 0.85% total return net of all fees and expenses, which compares favourably to government and corporate bonds which also increased in value by 0.71% and 1.19% respectively[1].

Data out of the UK and US in February showed a solid improvement across a wide range of economic metrics and industries.

Surveys of services and manufacturing companies increased further in February with all measures now showing expansion. Retail sales, consumer confidence and consumer spending all moved higher. The unemployment rate in the US fell sharply from 9.4% last month to 9.0% in February and is now a full percentage point off its high of last year; other measures of employment confirm that the trend is improving and that the unemployment rate is set to fall further in the months ahead. Even the housing market in the US, which was one of the key triggers of the financial crisis that unfolded in late 2008, is starting to show signs of improvement, with measures from housing starts to new home sales all expanding.

The global recovery appears to be in intact, with much of the negative focus from previous months, centered on the eurozone in particular, subsiding. Companies are strongly placed with capital reserves at all time highs and economic figures around the world surprising to the upside. With an improving corporate and economic environment, levels of inflation and expectations for the future path of inflation have increased further. With the tensions in MENA leading to higher levels of oil and gas prices, inflation pressures are unlikely to abate.

It's only a matter of time before central bankers in the UK and US, as they are around the world, start to acknowledge that growth is broad based and improving and inflation is picking up. Any change in central bank rhetoric to a slightly more hawkish tone will add further impetus to the recent fall in government bond prices and the corresponding rise in yields.

We believe that improving economics will continue to be the key driver behind government bond prices in the months ahead. We are however conscious of the possible risks of contagion within the MENA region, particularly if unrest spreads into Saudi Arabia and Iran.

Based on our concern for government bonds, all exposure to this sector has been hedged using financial derivatives. Capital allocations and exposure continues to be focused on short dated quality corporate bonds trading at or below par. We are bullish for the prospects of certain sectors in the corporate bond market and believe that the recent price action provides good opportunities in quality short dated corporate bonds. We are confident that the Fund will provide superior returns to cash over the next few years.

[1] Corporate Bond Index: IBOXX GBP All Corporate Bond Total Return Index; Government Bond Index: FTSE UK Gilt All Stocks Total Return Index.

Contact Details

Spearpoint Limited

PO Box 621
Yorkshire House
Le Truchot
St Peter Port
Guernsey GY1 4PH
Telephone +44 (0)1481 815555
Facsimile +44 (0)1481 815501

PO Box 389
Liberation House
Castle Street
St Helier
Jersey JE4 9ZW
Telephone +44 (0)1534 715555
Facsimile +44 (0)1534 715501

Email sharperthinking@spearpoint.com
Website www.spearpoint.com

Administrator

Transfer Agency Department
Capita Financial Administrators
(Ireland) Limited
First Floor
Montague House
Adelaide Road
Dublin 2
Telephone + 353 1 4005300
Facsimile + 353 14005350