Spearpoint (Sterling) Fixed Income Fund

PRICE: GBP 1.0132 / FORECAST INCOME YIELD: 3.00% (as at 28 April 2011)

28 April 2011

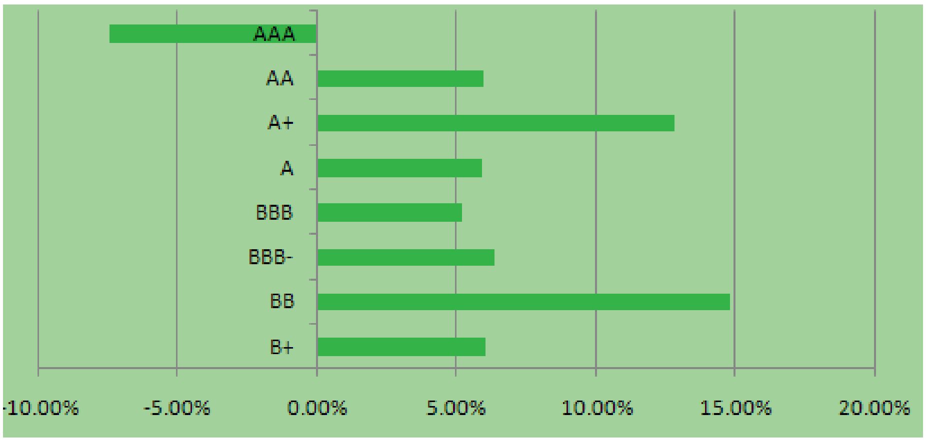
Fund Objectives

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%.

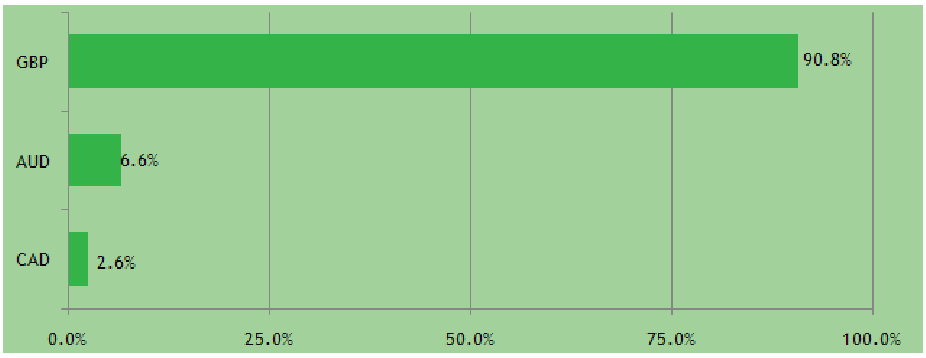
Exposure

Sector	Exposure	Net Exposure	Duration
UK Government Bonds	36.7	-7.5%	-0.21
GBP Corporate Bonds	57.2%	57.2%	2.90
UK Short Term Interest Rate	0.0%	-9.3%	0.00
Cash	6.1%	0.0%	0.00
TOTAL	**100.0%**	**40.4%**	**2.69**

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 Fund Status: Yes

Sedol: B40J0B5

ISIN: IE00B40J0B52

Bloomberg Ticker Code: SPAFIAU ID

Spearpoint (Sterling) Fixed Income Fund

PRICE: GBP 1.0132 / FORECAST INCOME YIELD: 3.00% (as at 28 April 2011) 28 April 2011

Commentary

Global government bonds rallied strongly in April as uncertainty over the future path of global growth and risk aversion returned to asset markets. The Fund was flat on the month as our defensive stance on UK government bonds and hawkish view for interest rates offset strong gains in corporate holdings.

In the UK, core Consumer Price Inflation (CPI) for March came in at 3.2% year on year, slightly lower than the previous months reading of 3.4%. Bank of England (BoE) minutes also showed that the majority of members believe that the current inflationary pressures will be transitory as there is still plenty of spare capacity in the economy. As a result of this together with concerns over global growth, the Gilt market rallied strongly and interest rate expectations were significantly reduced, economists pared back their forecasts by 0.5% and pushed out expectations for the timing of interest rate rises to Q4 at the earliest. Pipeline inflationary pressures remain extremely high. In our view consumers will again be hit by rising inflation in the coming months, there is little sign of inflation falling and the BoE will be forced to increase their forecasts for inflation at their next inflation report. The market's belief that inflation is not a problem is misplaced, whilst growth expectations and spare capacity claims are also misguided. Trade data for the UK has now been very buoyant in recent months, with the deficit narrowing by almost £3.0bn since December. If the strong outturn for goods trade seen so far were to be maintained in March, it would imply a net trade contribution to Q1 GDP growth of close to 1.5%, suggesting that overall trade (goods and services) will provide a positive surprise. With inflation remaining high and spare capacity (which is admittedly a very difficult measure to calculate) questionably not as high as it was, the BoE needs to be careful to not get too far behind the curve on interest rates.

We continue to believe that the experiences of 1994 provide us with a clear warning and an insight into what can happen when monetary policy shifts abruptly from being accommodative to restrictive. In early 1994 the FED surprised the market with a rate hike in response to a post recession pickup in economic activity and in anticipation of a rise in inflation – a similar environment to now. In 1994 US Treasuries fell 15%, in price terms, in 6 months. The key difference of course is that monetary policy is significantly looser now, which could amplify any bond moves.

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 confident that the Fund will continue to provide superior returns to cash over the next few years.

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