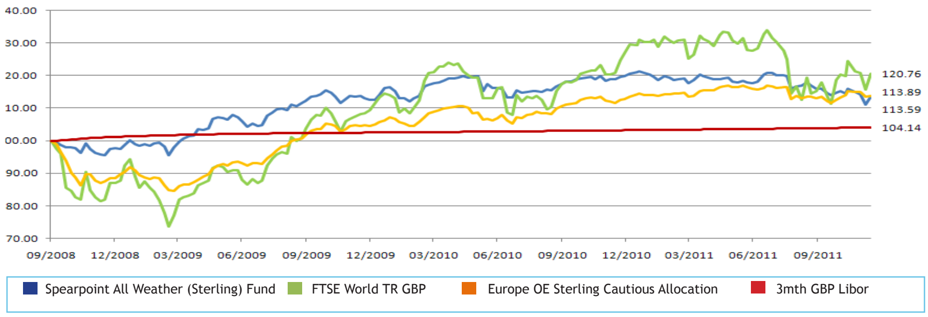
# Spearpoint All Weather (Sterling) Fund

**PRICE: GBP 0.9559 (as at 30 November 2011)** **30 November 2011**

## Fund Objectives

The Fund aims to deliver consistent and attractive returns to investors, considerably in excess of the returns from cash after all fees and expenses. Over rolling three year periods, the Fund also aims to generate returns that are competitive with the returns from other major asset classes such as equities and bonds.

## Performance of the Fund since inception to 30 November 2011*^




**Source:** Morningstar/Spearpoint

## Fund Facts

**Base Currency:** GBP

**Dealing Frequency:** Daily (t+3 Settlement)

**Lead Manager:** Kevin Boscher

**Return Objective:** LIBOR cash + 4% to 6% over rolling 3 year cycles

**Fund Structure:** Dublin UCITS IV, SPL Investment Funds PLC is an open ended umbrella investment company with segregated liability between sub funds, registration number 454277

**Custodian:** BNY Mellon Trust Company (Ireland) Limited

**Administrator:** Capita Financial Administrators (Ireland) Limited

**Auditors:** Deloitte

**Reporting Fund Status:** Yes

## Performance of the Fund since inception to 30 November 2011*^

| | Return | Annualised Return | Annualised Volatility | Sharpe Ratio* | Maximum Drawdown** |
|---|---|---|---|---|---|
| Spearpoint All Weather Sterling | 13.6% | 4.0% | 7.7% | 0.22 | -8.3% |
| Europe OE Sterling Cautious Allocation | 13.9% | 4.1% | 7.4% | 0.25 | -15.3% |
| FTSE World TR GBP | 20.8% | 6.0% | 20.5% | 0.18 | -26.3% |

*Risk free rate 2.31% yield on 10yr Government Bond **Based on weekly data

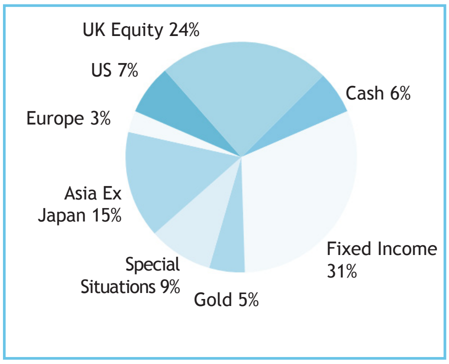
## *^Performance Note

The performance data up to 23/11/2010 reflects the performance of the Spearpoint All Weather Fund, which was a cell of Spearpoint Investment Funds PCC Ltd (a protected cell investment company registered with limited liability in Guernsey, registration number 49131) and was managed with comparable parameters, guidelines and investment process by the same principals as this Fund. The Fund switched from a Guernsey scheme to an Irish listed sub-fund on 24/11/2010, as detailed above in the Fund Facts. From this date the liquidity of the Fund and expenses of the Fund vary from those to which the prior performance relates. Past performance should not be used as a guide to future performance.

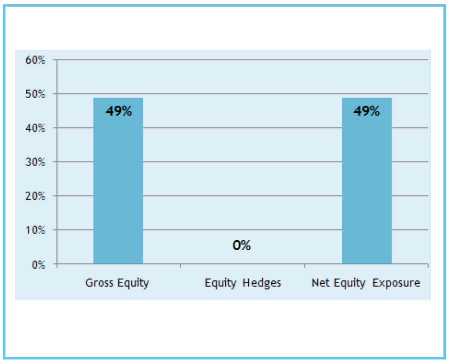
## Historical Monthly Returns*^

| % | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2011 | -1.95 | 0.28 | 1.17 | -1.18 | -0.36 | 1.65 | -0.22 | -1.85 | -2.98 | 1.42 | -2.09 | - | -6.05 |
| 2010 | -0.82 | 0.72 | 4.05 | 1.17 | -2.08 | -3.49 | 1.46 | 0.60 | 2.21 | 1.23 | -0.69 | 1.18 | 6.11 |
| 2009 | 0.20 | -0.68 | 3.24 | 2.33 | 2.73 | -1.13 | 3.15 | 2.16 | 2.34 | -0.13 | -0.05 | 0.41 | 15.40 |
| 2008 | | | | | | | | | -1.20 | -2.57 | -0.31 | 2.90 | -1.26 |

## Asset Allocation




## Net Equity Exposure




## Tactical Holdings

- M&G Optimal Income
- GlaxoSmithKline
- BG Group
- Polar Tech Fund
- Vodafone
- Atlantis China
- Gold Bullion
- UK Treasury 3 3/4% 2020
- UK Treasury 3 3/4% 2021
- Ishares MSCI Far East Ex-Japan
- Ishares S&P 500

# Spearpoint All Weather (Sterling) Fund

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30 November 2011

### Review

November was a tough month for equities and risk assets as the crisis in Europe appeared to escalate out of control. Global equities sold off aggressively, the US Dollar rallied strongly (even against Asian and other emerging market currencies), commodities fell heavily and corporate credit spreads rose (prices fell). There were very few hiding places as even government bonds declined, with the exception of US Treasuries and UK Gilts. Although the Fund was reasonably conservatively positioned, it fell 2.1%. However, it again showed its defensive characteristics in relative terms against such a volatile and challenging market background.

### Outlook

The good news is that equities rallied hard towards the end of the month on the back of two major new developments. Firstly, China unexpectedly cut the Reserve Requirement for banks by 0.5% as a sign of monetary easing. The markets immediately rallied on the news. Then, the US Federal Reserve (Fed) and five other major central banks cut the cost of providing emergency Dollar funding for European banks and made additional liquidity available as part of a globally co-ordinated central bank response to Europe's debt and banking crisis.

Both of these actions are very welcome, especially after such a difficult few months. In China's case, it's probably a reflection of their concern over Europe and the likely negative impact on China and the region, as well as their own economic weakness. The move by central banks was almost certainly a response to signs of a serious liquidity squeeze that has driven the cost of funding for European banks to the highest level since the aftermath of Lehman Brothers' collapse in 2008. There had been rumours for several days that a major European bank was having funding difficulties.

At last, we are seeing some of the global policy reaction that markets were crying out for. Will Europe do its bit? This is the big question that will dictate the outlook for financial markets over the next few months. The European Central Bank (ECB) meets on 8 December and, at the very least, we expect them to cut interest rates further. European policy makers then meet on the 9 December and it is no exaggeration to say that this meeting could decide the future of the Euro itself. Either, they convince the markets that they have a credible plan to deal with the debt and banking crisis, whilst addressing the lack of competitiveness and growth issues in the weaker countries; or, we are likely to witness the start of the breakup of the Euro zone in its current form and a series of sovereign debt defaults.

In our view, comments from policy makers in the past few days suggest that they finally understand how serious and precarious their position is and they seem more willing to compromise and find a way forward. Whilst they are unlikely to be in a position to announce a definitive solution, they need to produce a road map which shows how they intend to move towards closer fiscal union, which would then make it easier for the ECB to step up and use an expanded balance sheet (i.e. more Quantitative Easing or QE) to underwrite and support both the weaker sovereign credits and banks. This would address the liquidity issues and buy some time, whilst individual countries and the ECB attempt to tackle the longer-term solvency and growth concerns. Germany will need to relax its staunch resistance to both the ECB monetizing the debt and the issue of a common liability bond, but it may be willing to do this given greater fiscal control and the removal of the "Moral Hazard" issue, i.e. not being willing to simply bail out the profligate countries without something in return. Also, Germany itself is very likely in recession and would suffer directly from any further escalation of the crisis.

In the meantime, the aforementioned moves last week by China and the Fed were necessary because of the serious problems that exist in both the banking and the sovereign debt markets and because of the impending recession/depression in Europe. Thus, it's not the total solution and would likely not be enough to overcome a disorderly break-up of the Euro. However, it is good news (especially for China, Asia and commodities) and probably an indication that a global QE and liquidity response lies ahead. It should hopefully keep the rally going for a while longer, but the 9 December European summit is the key event.

These are a crucial few weeks for the global economy and financial markets. It is certainly too early to turn more optimistic and substantially increase risk for the reasons discussed above. However, if the good news continues and Europe is able to play its part, then there is a lot of cash on the sidelines waiting to buy equities and other risk assets, which have already discounted much of the bad news and which are offering attractive opportunities on a medium term view.

We are also ready to aggressively reduce risk further and protect the Fund should it look like Europe will fail to take the necessary action this week. Eventually, if the Euro were to fall apart, then all central banks would need to step in aggressively and supply substantial liquidity through QE and other measures. In addition, a further negative market reaction might force the Germans to change their views should the summit fail to deliver. As we have been stressing for some time, equities and quality corporate bonds are offering good value and with the prospect of further policy easing to come, we should be able to deliver returns considerably ahead of those on cash over the next year or so. This is especially true if Europe can get its act together. In the meantime, however, we need to remain flexible and patient through this very tricky period, especially until we have more clarity on Europe.

| | Sedol | ISIN | Bloomberg Ticker Code | Annual Fee | Performance Fee | Minimum Initial Investment | Minimum Additional Investment | Month End NAV |
|---|---|---|---|---|---|---|---|---|
| Sterling Institutional Non Reporting Shares | B57TGD9 | IE00B57TGD98 | SPASNRI ID | 1.0% | 20% of out performance of 3M Sterling Libor +2% | £10,000 | £5,000 | £0.9559 |
| Sterling Retail Non Reporting Shares | B5N2P02 | IE00B5N2P027 | SPASNRR ID | 1.5% | 15% of out performance of 3M Sterling Libor +3% | £10,000 | £5,000 | £0.9514 |
| Sterling Institutional Reporting Shares | B3TFL14 | IE00B3TFL149 | SPAWSRI ID | 1.0% | 20% of out performance of 3M Sterling Libor +2% | £10,000 | £5,000 | £0.9423 |
| Sterling Retail Reporting Shares | B3RK939 | IE00B3RK9391 | SPAWSRR ID | 1.5% | 15% of out performance of 3M Sterling Libor +3% | £10,000 | £5,000 | £0.9382 |


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