

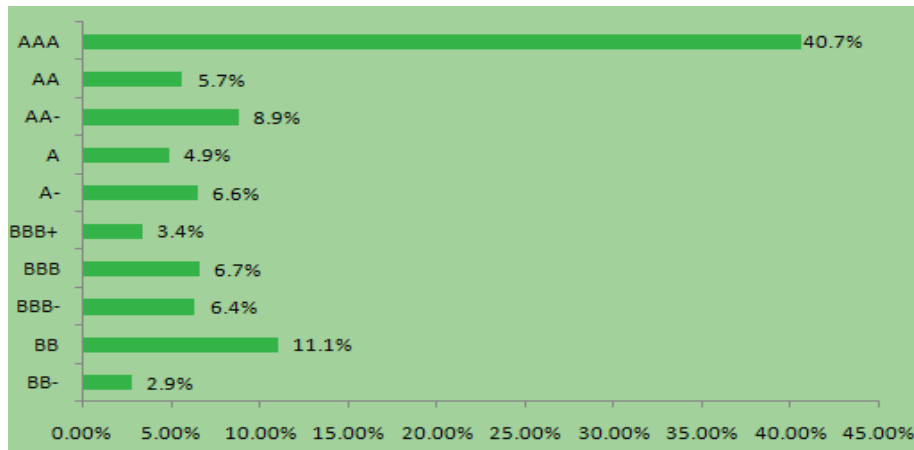
Fund Objectives

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%.

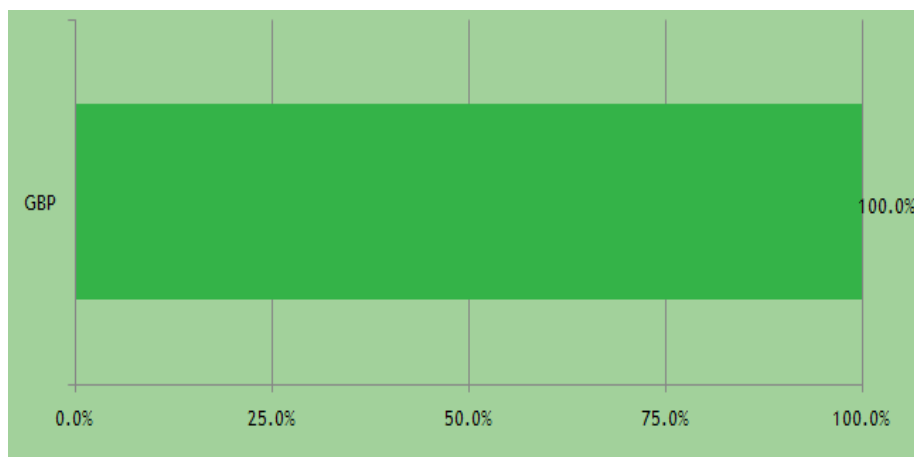
Exposure

Sector	Exposure	Net Exposure	Duration
UK Government Bonds	29.5%	29.5%	1.76
UK Government Index Linked	7.2%	7.2%	0.36
GBP Corporate Bonds	60.6%	60.6%	2.37
Cash	2.7%	2.7%	0.00
TOTAL	100.0%	100.0%	4.49

Net Exposure By Rating - S&P 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: Spearpoint Limited

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

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

Auditors: Deloitte



Commentary

After the extreme volatility of the previous months, December proved relatively calm and benign with the core government bond markets continuing to find support from a number of sources. The Eurozone debt crisis again dominated the headlines, as was the case for most of the year. A series of decisions and announcements by global policy makers provided some respite for Europe's troubled debt markets. Investors will not be sorry to see the back of 2011, which has proved to be an extremely difficult and tumultuous period for both the global economy and financial markets. The Fund rose a pleasing 1.7% (total return) during the month. The Fund went ex-dividend on 30th December and will be paying out a dividend of 1.4p on 17th January 2012.

As we head into 2012, investors and policy makers continue to face a number of serious and challenging economic and market problems. The crisis in Europe, excessive levels of public debt, large deficits, fiscal austerity, global imbalances, deleveraging and political transitions in many key countries have all increased the level of uncertainty and investor angst.

The key question for investment markets moving forward is whether the underlying conditions will improve or deteriorate at the margin. A lot of bad news has arguably been priced in to the current market levels and pessimism prevails. Confused investors are currently facing a frustrating dilemma. On the one hand, a break-up of the Euro would have catastrophic consequences for the global economy and financial assets. On the other hand, European policy makers do appear to be stumbling towards a solution, the US economy has regained momentum and China has started to ease policy and looks to be headed for a soft landing. In the meantime, companies are largely in sound financial shape and are finding effective ways to grow profits, despite the difficult macro background. Overall equities and corporate bonds are cheap on most valuation grounds.

The Eurozone crisis will continue to be the key focus for investors in the early part of next year. Ultimately, the Eurozone needs a huge transfer of wealth from the stronger creditor nations to the heavily indebted ones in order to alleviate the debt burdens. Any chance of a remedy would also require a sustained period of strong economic growth and for the banking sector to be recapitalised.

For any fiscal austerity plan to be effective, therefore, a balance must be found between the longer term debt and deficit reduction requirement and the shorter term need to restore economic growth. Alternatively, the needed funding could come from external sources, such as the International Monetary Fund (IMF), China or the printing presses of the European Central Bank (ECB). Given the Germans' apparent extreme reluctance to make the necessary fiscal transfers, together with the fact that an international bailout of sufficient size and scale is not practicable, then the printing of money (i.e. Quantitative Easing) by the ECB is almost certainly left as the only viable option.

In fairness, the central bank has already done much to alleviate the crisis in Europe; it has cut interest rates twice, participated in coordinated action to provide US Dollar funding, reduced banks' reserve requirements, made cheap and long-term financing available to banks and purchased more than €200 billion in sovereign bonds. Crucially though, the ECB has thus far stopped short of a policy that could end the crisis almost in its tracks; a blanket guarantee for banks and sovereigns. In the end it is our view that the ECB will have to step up to the plate and embrace the concept of massive Quantitative Easing (QE or printing money), despite the fears that Germany and others hold that this will lead to unacceptable levels of inflation. Essentially we argue that Europe has only two ways out of this economic nightmare; either it has to inflate its way out of the debt or suffer a prolonged period of deflation and depression. Ultimately, the latter will prove to be too politically and socially unacceptable.

Sovereign bonds are arguably extremely overvalued and yields for most developed markets are too low given the fact that many governments are struggling with large debt loads and high budgetary deficits. European sovereign debt remains the most vulnerable, and even traditional safe havens, such as the German Bund, are at risk if the ECB do not act soon. However, outside of Europe, most markets are being supported in the near term by a number of factors, including low global growth, deleveraging, artificial suppression of interest rates, unresolved financial crises and a sharp rise in private sector savings. A significant rise in yields for these markets will only likely occur when inflation begins to rise, private sector activity picks up significantly, central banks begin to normalise monetary policy or governments fail to address the long-term fiscal issues. This could be some time away and, in the meantime, most government debt will likely stay range bound. US Treasuries and UK Gilts, in particular, are likely to retain their safe haven status.

We remain bullish on corporate bonds, and believe that both investment grade and high yield bonds represent good value at the current pricing levels, especially relative to cash. Prices have fallen over recent months (in line with the underlying equity) and many of these bonds are priced for a recession, which is unlikely to occur in our view, except in Europe. Non-financial companies remain, for the most part, in very good shape with strong balance sheets, healthy cash flow, solid earnings growth, low or reduced debt levels and limited re-financing risk. Select financial holdings are also offering attractive yields but care is required given the many challenges that banks, in particular, are working through. Returns in corporate bond markets will likely be driven by a combination of capital appreciation and income and with interest rates set to stay extremely low for a very long time, they offer an attractive prospect.

We are still in a world of competitive currency devaluation. This is evidenced by the fact that the countries with the strongest currencies are falling back into deflation, i.e. Japan and Switzerland. With interest rates close to zero, one of the few weapons left to fight deflation and ease monetary conditions is via a cheaper currency. This is why managing currency exposure at present is so difficult; it is a question of picking the "least ugly". With that in mind, we expect the Euro to continue to weaken against both the US Dollar and Sterling next year. The Euro weakness could occur in two ways; either the currency collapses if the Euro falls apart or it gradually depreciates as the ECB monetize the debts. Given the relative strength of the US economy compared to Europe and Japan, we believe that the recent Dollar strength is likely to continue for now, at least until investors start to focus on the election later in the year.

There has been nothing easy or satisfactory about 2011. Next year is unlikely to be any less challenging, although we are hopeful that the broad macro environment will gradually improve over time on the back of renewed inflationary efforts. Our current strategy of holding a balanced portfolio of Gilts (both conventional and Index-linked) and quality corporate bonds should enable us to significantly outperform cash over the next year or so. As always, we are ready to change strategy quickly should events require us to do so.

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