
KINGSLAND CAPITAL

February 29, 2008

Dear Investors:

As we head into the end of the first quarter of 2008, I must report that the market is in much the same position as it was at the beginning of the quarter—we are clearly experiencing a liquidity-driven crunch across the credit markets that is touching multiple sectors—the leveraged loan and high yield bond markets that we operate in, as well as the mortgage, municipal, and equity markets, to name a few. While this will ultimately lead us to investment opportunities not seen in recent years, we caution that the markets are still quite volatile, and may have room to move lower over the near term.

The loan market performed a bit better over the month of February, with pricing levels up slightly off of their lows (the S+P LCD index started the month at 88.98, hit a low of 86.28 during the first week of the month and ended the month just shy of 90). The new issue market is still virtually non-existent, a phenomenon we expect to persist. The bond market remains weak, as some market participants cycle out of bonds and into bank debt, taking advantage of the superior relative value available in the bank debt market. We have seen an abatement in the forced selling of market value sensitive structures, at least for the time being. These factors together have contributed to an overall uptick of about 2 points in the loan market. Not much, I know, but every penny counts!

Back to the bond market for a moment: we expect bonds to weaken further due to both the relative value trade noted above, as well as our expectation that the fundamental picture will continue to deteriorate (read: increased defaults). We believe that the bond market has not fully priced in a rising default environment while the loan market, based on our expectations for recovery values, has, and may even be oversold on that basis.

We continue to focus on quality optimization of our portfolios, although as noted in my previous letters, we started this process approximately 9 months ago and consider ourselves to be a bit ahead of the game, thankfully. We will continue to monitor existing positions diligently, challenging our assumptions to protect against any potential future problems. We are pleased with the performance of the funds to date, notwithstanding mark-to-market concerns.

We have seen a reduction in LIBOR volatility over the quarter, however we do expect the Federal Reserve to cut rates further on the 18th of this month. Some forecasts indicate a cut of as much as 75 basis points. We thus expect that LIBOR rates will also decline, which may have the temporary effect of reducing overall distribution levels until the loans in the portfolio adjust accordingly.

Overall, we are looking at market conditions that have not changed much from last quarter. We believe that the early defensive positioning of the portfolios combined with our continued diligence with respect to monitoring remaining positions will help us to insure against an outlook of weakening fundamentals and potentially increasing default rates (on a market, not a Kingsland portfolio, basis).

Kingsland Capital Management, LLC
1325 Avenue of the Americas
27th Floor
New York, NY 10019

PHONE (212) 763-8356
FAX (212) 763-8373

With respect to new business, we are looking at fund structures that are best suited to take advantage of current market conditions. We hope to begin talking with many of you about these structures over the coming months.

Visit our website to find updated fund summaries on each of the portfolios (these summaries are updated monthly). If you need a secure password, please contact Vincent Siino, Kingsland's Director of Portfolio Administration (siino@kingslandcap.com or 212-763-8362). Vince can also address specific data requests on any of the portfolios.

As always, please feel free to contact me directly with questions or other inquiries you might have (delucca@kingslandcap.com or 212-763-8352).

Yours very truly,

A handwritten signature in cursive script that reads "Joyce C DeLucca".

Joyce C. DeLucca
Managing Principal
Kingsland Capital Management, LLC