

Sandringham Capital Partners Limited

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1st February 2007

Dear Investor,

The Sandringham Fund & Sandringham Long/Short Fund II, each investing in Sandringham Fund SPC Ltd (the "Fund").

We regret to announce that we have recommended to the Directors of the Fund that they suspend calculation of the Net Asset Value of the Fund and redemptions with immediate effect.

While it is extremely disappointing for all concerned that we have had to take this step, we believe it to be in the best interests of all investors, both those which had sought to redeem units/shares on 1st February 2007 as well as those continuing with the Fund.

The reasons for the poor performance of the Fund last year have been well documented in our newsletters. Sadly as a result of this poor performance, the Fund's assets have fallen significantly and there has been a high level of redemptions. These redemptions have come from investors who have been unable to accommodate the extreme volatility within their portfolios, as well as from fund-of-fund investors who have had their own redemption pressures and have been left with no alternative than to withdraw from funds wherever they were able.

The Fund has always been run with a high level of concentration of stocks as well as with a high proportion of smaller capitalisation, less liquid positions and it is this exposure which was largely responsible for last year's poor performance. As the Fund has suffered redemption pressure, this concentration has tended to increase although until now the Fund has never had to sell any assets at distressed levels to meet redemptions; it has always been possible to manage the cash flows effectively and we have been happy to accept slightly higher concentrations of the remaining positions in the Fund as prices languished at levels which we believe represent real value.

This is no longer the case. As a result of the cumulative effect of these redemptions over a number of months, the Fund is currently valued at c JPY 10bn and the largest 3 positions account for a very high proportion of that. The redemption profile for 1st February, March and April is such that in order to meet them, the Fund would need to realise assets at fire sale prices &/or would suffer levels of concentration which we believe most investors would find unacceptable. Furthermore, in the last few days an agreement fell through which had been negotiated to realise sufficient assets at current valuations to meet comfortably the Feb 1st redemptions, leaving little alternative but to suspend redemptions rather than permit them at a seriously impaired NAV which would reflect fire sale prices.

We believe that the suspension will allow us to realise the necessary cash at prices which more closely reflect true valuations. Some of the Fund's holdings require extensive work to be done to seek out and work with the potential buyers who are most likely to pay prices which reflect their real value and this has not been possible while the Fund was being seen as a distressed seller and given the degree of secrecy that was necessary.

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Registered in England and Wales
Company No: 05194214

Over the coming weeks, no Net Asset Value shall be calculated in respect of your units/shares, and no estimated NAVs shall be published. We will focus on realising sufficient assets to meet the redemption requests of all those investors who wish to redeem and to ensure that the Fund is on a sound footing for the benefit of all those investors who wish to remain.

We are very grateful to all those investors who have been so supportive over recent months and we are committed to optimising the value of the Fund over the next few months.

Alistair Seabright &/or Koji Fusa will be contacting all investors over the next few days to discuss these matters in more detail. Please feel free to call Alistair on +44 (0) 20 7958 9611 at any time if you have any further questions.

Yours sincerely

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