

EEA Life Settlements Fund PCC Limited

Some of your questions answered about the EEA Life Settlements Fund PCC Limited

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(Changes since 16th December version indicated in blue – some with bars in the RH margin)

(Changes since 10th November version indicated in violet – some with bars in the RH margin)

(changes since 9th October version indicated in brown – some with bars in the RH margin.)

EEA Originals (CLICK to view / download) :

- This Version :** 5. [22nd January 2016](#)
- Previous Versions :** 4. [16th December 2015](#)
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Annotations by David Trinkwon

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Medley Systems Ltd

Coordinator - EEA Investors' Group

Web : www.EEAInvestors.com

Email : Admin@EEAInvestors.com

Tel : +44 (0)7802 538315

This document is meant to help you but not to replace the primary sources of information, including in particular the Information Memorandum and Supplements. You are urged to read those documents and to consult your professional adviser before making any decision in respect of the Fund.

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Introduction

This document is designed to answer some of your questions and help you understand the latest news relating to the Fund. The guide should be read in conjunction with the Fund's Information Memorandum, Supplements and Articles of Incorporation. You should speak to your professional adviser before taking any action.

Copies of the Information Memorandum, Supplements and Articles of Incorporation, together with the Fund's monthly Fact Sheets, quarterly Portfolio Statistics (which indicates the latest update on performance and maturity projections), Maturity Schedules and other Fund updates are available online at www.eefmg.gg.

Shareholder Questions and Answers

Would you provide further information regarding the sale of policies by the Fund last year?

The Manager announced on 4 September 2015 that the Fund had entered into a binding conditional agreement to sell 188 policies to an unconnected third party buyer (**the "Sale"**). The Sale price for this portfolio represents a premium to the value (as calculated by the Fund's independent valuation agent, Maple Life Analytics, LLC, ("Maple Life")) at which those policies were held by the Fund at the time of the binding conditional agreement being signed.

Note that the valuation of the policies takes into account the premium payment costs associated with servicing that portfolio of policies (in which each policy had an estimated LE of at least 4 years and, in many cases, longer) and does not assume that the policies mature at LE but are based on Maple Life's historic mortality experience.

Upon completion of the transaction, the Fund will have sold all policies where the remaining life expectancy ("LE") at the time that the policies were offered for sale exceeded four years. The Sale should also significantly reduce the risk of policies held by the Fund expiring without value or otherwise realising a loss to the Fund at maturity.

The Sale has substantially completed and the vast majority of the proceeds of the Sale, being approximately \$128m of the expected Sale proceeds of approximately \$130m have been received into Fund's accounts.

The issuing insurance companies are involved in the transfer of ownership, and it is the completion of their own procedures that is the key factor in the completion of the final phases of this Sale process.

DT Comment : As pointed out in our letters to EEA dated [14th September](#), [25th September](#) and [9th December](#) 2015, this does not disclose that the policy sale will reduce future net cash payments to holders of 84% of the Fund's shares by an estimated **\$170m**, and is apparently prejudicial to the interests of that majority of shareholders (based on the data published to date by EEA, the Fund Manager, ViaSource and Maple Life). EEA have so far not responded to these letters.

Does the Fund have the right to sell policies?

Yes, the Fund's investment policy, which is set out in the Information Memorandum and Supplements, provides the Fund and the Manager with the flexibility to sell policies to third parties before maturity as part of portfolio management.

DT Comment : We strongly disagree that the Policy Sale forms part of (appropriate) "Portfolio Management". The purpose of "Portfolio Management" is to optimize the value of the assets for investors within the stated investment objectives and policy of the Fund which is to hold all policies to maturity over a 5-10 year period as stated at the time of the October 2013 Fund Restructuring and subsequently. We have since repeated this view to the Company (e.g. in our letters to EEA dated [28th February 2015](#) and [26th May 2015](#)). In its response dated [18th March 2015](#), EEA said that any sale of policies to raise cash simply to meet redemption requests from investors would require a new restructuring and shareholder vote. In our view, this is what the Board has now done – in contravention of the Scheme Particulars and prejudicial to the financial interest of the majority of investors.

Will the Fund sell further policies?

There is currently no intention for the Fund to sell further policies from its portfolio, although the Fund and the Manager have the discretion to do so if they believe it is in the Fund's best interests.

DT Comment : We would prefer to see the Board acting in the best interest of (all) the Fund's investors, not in the best interests of "The Fund" which is not so clearly defined. In this context, the "best interests" of the Continuing shareholders who wish to redeem as soon as possible is different (based on NAV per share) than the "best interests" of the other Continuing and Run-off shareholders (which is based on the future net cash available for redemptions or reinvestment over the remaining life of the portfolio)

Can I redeem my Shares?

In respect of the Run-Off Cells:

Run-Off Shares cannot be redeemed [at a shareholder's election](#). Surplus cash (if any) generated within each Run-Off Cell from the policies that mature or are sold (after prudent provision has been made to cover anticipated premiums and other necessary costs) will be distributed among shareholders in that Run-Off Cell, until proceeds **from the final policy held in respect of that Run-Off Cell** have been returned to Run-Off Shareholders. Run-Off Shareholders will continue to receive periodic distributions as and when cash levels permit. Please refer to the Fund's Information Memorandum and Supplements, which contain full details of this process.

DT Comment : Policies are not held in respect of specific Cells. Policies are held in a common asset pool and only the cash from maturities (or sales) is allocated to the various Cells in proportion to their NAVs. This is behind the current problem where the 188 policies have been sold at a premium to NAV (which satisfies the objectives of redeeming Continuing shareholders) but at less than net future cash value (which is against the interests of the Run-off and remaining Continuing shareholders).

For further information on distributions to Run-Off Shareholders, see page 7 below. **[now Pages 7-8]**

For further information on the ~~recently announced~~ share sale process for Run-Off Shares, see pages 8 below. **[now Page 9-10]**

In respect of the Continuing Cells:

Continuing Shares are redeemable on the last working day of each calendar quarter, subject to at least 95 days' written notice of any redemption request. The first Redemption Day following the expiry of the lock-up period was 31 December 2015, and an update regarding that Redemption Day was issued on 20 January 2016 (see below). Further details of the redemption process, and the Board's powers to restrict redemptions, are set out in the Fund's Information Memorandum, Supplements and Articles of Incorporation. A Redemption Request Form is available at www.eeafmg.gg/eea-life-settlements-fund/. If you have any further questions about the redemption process, please contact the Fund's administrator, International Administration Group (Guernsey) Limited (the "Administrator") by emailing them at shareholderservices@iag.co.gg.

Can you please provide an update to Continuing Shareholders in respect of the 31 December Redemption Day ?

Due to a number of recent policy maturities, Available Cash as at 31 December 2015 was higher than anticipated in the Fund's earlier 15 December 2015 announcement and the Fund will in fact make payments totalling approximately \$88 million across all Continuing Cells. As a result, the valid redemption requests received in respect of the 31 December 2015 Redemption Day (the 31 December Redemption Requests) for each Continuing Cell are being dealt with as follows:

Continuing Cell	Proportion of shares for which valid requests for redemption on 31 Dec 2015 were received	Proportion of redemption requests redeemed on 31 Dec Redemption Day	Estimated Effective Redemption Value per share held at 30 Dec	Est. No of shares to be redeemed on 31 Dec Redemption Day	Est Value of shares to be redeemed on 31 Dec Redemption Day
USD Fund Class X	36.85%	96.07%	\$38.56	85,887	\$9.36 m
USD Fund Dist	33.62%	100.00%	\$23.20	10,159	\$0.70 m
USD Fund Acc	49.60%	76.65%	\$31.20	11,031	\$0.91 m
Swedish Krona Fund Class X	40.36%	100.00%	34.76 kr	83,277	\$0.82 m
Euro Fund Class X	38.22%	90.06%	€ 40.76	62,756	\$7.85 m
Euro Fund Dist	11.64%	100.00%	€ 9.36	1,426	\$0.12 m
Euro Fund Acc	78.39%	44.67%	€ 29.37	5,289	\$0.47 m
Sterling Fund Class X	40.13%	87.93%	£34.10	176,757	\$25.71 m
Sterling Fund Dist	44.16%	78.40%	£25.02	43,279	\$4.71 m
Sterling Fund Acc	43.79%	79.35%	£37.70	187,174	\$30.57 m
Meteor SLS Sterling Fund	48.59%	72.16%	£34.95	27,135	\$4.07 m
Meteor SLS Sterling Fund II	50.66%	68.23%	£30.90	24,525	\$3.30 m
WAY Life Settlements Fund	3.56%	100.00%	£3.09	185	\$0.02 m
Totals (Current View)	41.55%	35.31%		719k	\$88.6m
Previous (15 Dec) view	41.55%	32.15%		655k	\$78.6m

DT Comment : EEA refers to “a number of recent policy maturities” but to date they have only published data about a single December maturity (on 17th December 2015 - three policies on one life) for a maturity value of \$12.4m. The net cash increase of around \$9.4m would accrue across all 28 Cells rather than just the Continuing Cells.

I am unable to reconcile the \$88m figure with other data published by EEA. Based on EEA’s statement (below) that the two-year premium reserve is currently \$94m and that the 31st December Fund cash balance was \$197m then I estimate the Available Cash across all Continuing Cells at 31 December 2015 to be \$66m (not \$88m).

Please note that, as was anticipated in the 15 December 2015 announcement, the aggregate Redemption Values of the 31 December Redemption Requests has exceeded the level of Available Cash held as at 31 December 2015 for 9 of the 13 Continuing Cells. As a result, the Fund's board of directors has exercised its power to restrict redemptions of Shares in those 9 relevant Continuing Cells to the amount of Available Cash attributable to such Continuing Cells.

Restricting redemptions to the amount of Available Cash attributable to the Continuing Cells will have the effect of postponing the redemption of a proportion of each Continuing Shareholder's Shares in those Continuing Cells until the next Redemption Day (i.e. until the March 2016 Redemption Day), subject to further postponement if, on such next following Redemption Day, a Cell's outstanding redemption requests have an aggregate Redemption Value which exceeds the Available Cash held by the Cell as at such Redemption Day. Any such deferred redemptions will, in accordance with the terms of the Fund's Articles of Incorporation, have priority over requests submitted for the March 2016 Redemption Day or any subsequent Redemption Day.

An update in relation to the March 2016 Redemption Day is anticipated in April 2016.

How is Available Cash calculated?

"Available Cash" means cash for a Cell held directly by a Cell after deduction for any accrued fees and expenses but, for the avoidance of doubt, excludes cash required to pay the premia on Current Underlying Investments from time to time attributable to the Cell for a one year period (or such longer period as the Board may determine from time to time) which will be retained by the relevant Cell or one or more subsidiaries of the Fund. In calculating the level of Available Cash for each Cell at 31 December 2015, the directors exercised their discretion to exclude an amount consisting of cash and receivables to pay the premia on Current Underlying Investments for two years, calculated as being \$94m in aggregate on the conservative assumption that no maturities occur during this period.

DT Comment : Previously EEA calculated the two year premium reserve on the basis of the expected maturities going forwards, and I had estimated this as being \$130m prior to the Policy Sale, and \$60m after the Policy Sale, resulting in “Available Cash” of \$131m for Run-off Cells at 30th November (against \$102m paid out) and \$88m for Continuing Cells at 31st Dec (against \$88m paid out).

The \$94m figure now stated by EEA, based on a “conservative assumption” of zero further maturities over the next two years results in “Available Cash” of \$112m for Run-off Cells at 30th November (against \$102m paid out) and \$66m for Continuing Cells at 31st Dec (against \$88m paid out).

Will any redemption charges be applied to the Continuing Cells?

The Fund has the ability to apply various redemption charges or dilution levies on redemption from various Cells in certain circumstances. However, to date the only redemption charge to be levied is in relation to the USD Fund Class X Cell, Euro Fund Class X Cell, Sterling Fund Class X Cell and Swedish Krona Fund Class X Cell (together the X Cells). In the Supplement for each X Cell it states that, to the extent that the Manager has previously charged such Cell a distribution fee of up to 5 per cent. of the amount subscribed, such distribution fee will be charged to the Net Asset Value at a rate of 1 per cent. each year (or 1/12 per cent. each month) up to a period of five years from the date of subscription or up to the date of redemption of the relevant Shares. The redemption charge on a Share will be equal to that portion (if any) of the distribution fee which has not yet been charged to the Net Asset Value and in no circumstances will be more than 5 per cent. of the original subscribed amount.

This means that in respect of the 31 December 2015 Redemption Day no redemption charge has been levied on a redemption of Shares in an X Cell which were subscribed for on or before 4 January 2011. In respect of the March 2016 Redemption Day no redemption charge will be levied on a redemption of Shares in an X Cell which were subscribed for on or before 1 April 2011.

Since the last subscription for Shares in the Fund was in October 2011, in all cases the majority of any distribution fee will already have been charged to the Net Asset Value of the relevant X Cell, meaning the redemption charge attributable to a Shareholder's redemption, if any, will be less than 1%.

DT Comment : In our letter to EEA dated **25th September** 2015, we asked whether EEA will apply a redemption or anti-dilution charge against the 16% redeeming Continuing shares in respect to the estimated \$170m of losses incurred by the other 84% of non-redeeming Continuing and Run-off shares by the Policy Sale. EEA claim that the Policies were sold as an "appropriate" act of "portfolio management" and therefore an anti-dilution levy doesn't apply. We disagree with this position.

As a Run-off Shareholder, how long will it be before I receive the final proceeds from the maturity or sale of the final policy ?

Since this will depend largely on the timing of policy maturities, it is impossible to say with certainty how long it will be before Run-Off Shareholders receive the final proceeds from the maturity or sale of the final policy **held by the relevant Run-Off Cells.**

DT Comment : Policies are not held in respect of specific Cells

Although there is no guarantee that actual maturities will happen as projected, the Manager does publish maturity projections in the quarterly Portfolio Statistics, which are available at www.eeafmg.gg.

~~We recognise that these estimates of future maturities will need to be revised following the completion of the recently announced sale of policies (see page 3), particularly as the sale was weighted towards policies with longer LE estimates.~~

We will provide an update in due course — we hope to be in a position to do so as part of the 31 December 2015 Portfolio Statistics, published towards the end of January 2016.

DT Comment : The Maturity projections contained in the [Sept 2015 Portfolio Statistics](#) are based on the Maple Life “historical” projections and the actual Maturities during 2015 are running far below these projected levels. We also pointed out in our letter to EEA dated [14th September](#) 2015 that the Maple Life projections (supposedly based on “historical” maturity performance) did not match our own analysis of historical maturity performance based on published EEA and ViaSource data.

When will another distribution be made to Run-Off Shareholders?

The Fund recently announced that it was distributing in aggregate approximately \$102.2 million to those persons registered as holders of Run-Off Shares as at 1 December 2015. This amount was higher than was envisaged in the Manager's announcement of 4 September 2015 due to a number of additional policy maturities.

In order to effect the distribution, a relevant portion of each holder's Run-Off Shares was redeemed on 4 December 2015 using the 30 November 2015 valuations. ~~The distribution amount will be paid in cash as soon as practicable following the publication of the 30 November 2015 valuations and no later than 8 January 2016.~~ The amount which was effectively distributed on a per Run-Off Share basis was as follows:

~~A further review of the cash position of each Run-Off Cell is scheduled for 31 December 2015, with an update expected to be given towards the end of January 2016.~~

Run-Off Cell (Re-ordered to match Table above and Fact Sheets)	Effective Distribution per Run-Off Share	Proportion of Nov 2015 Valuation to be Redeemed	Number of Shares to be Redeemed	Value of shares to be Redeemed
USD X	\$31.54	29.45%	77.3k	\$8.3m
USD Fund Dist	\$19.91	29.37%	11.4k	\$0.8m
USD Fund Acc	\$25.95	32.22%	5.7k	\$0.5m
USD Fund Class I	\$26.89	31.27%	41.2k	\$3.5m
Swedish Krona Class X	33.39 kr	38.05%	93.7k	\$0.9m
Euro X	€ 33.82	28.11%	32.6k	\$4.1m
Euro Fund Dist	€ 23.02	28.12%	6.3k	\$0.5m
Euro Fund Acc	€ 23.12	27.32%	1.0k	\$0.1m
Euro Y	€ 22.18	27.95%	3.9k	\$0.3m
GBP X	£27.49	29.27%	139k	\$19.7m
GBP Dist	£20.66	29.41%	61.3k	\$6.5m
GBP Acc	£31.04	29.43%	285k	\$45.3m
Meteor SLS	£29.81	30.74%	46.5k	\$6.8m
Meteor SLS Fund II	£25.65	29.50%	23.8k	\$3.1m
Way LS Fund	£23.93	28.29%	10.2k	\$1.3m
TOTALS		29.53%	839k	\$102m

The exact amount distributed to any particular Run-Off Shareholder, and the number of Run-Off Shares redeemed, was confirmed on a contract note to be mailed to each Run-Off Shareholder.

The next review of the Available Cash position of each Run-Off Cell is scheduled for 30 June 2016, with an update expected to be given towards the end of July 2016.

DT Comment : We are very concerned about the anomalies mentioned previously about the amount of premium reserve and hence Available Cash at 30th November 2015 and its implications for the Run-off share redemption payments. There is also the matter that basing the Run-off redemptions on November has distorted the proportion of December cash accrued to Continuing shareholders versus Run-off shareholders, together with the decision to cancel the proposed December review of Run-off redemptions (above).

Can I switch my shareholding from one Cell to another Cell?

Switches between Cells are not possible.

Can I transfer my Shares?

It is possible to transfer shares in the Fund in certain circumstances. You will need to contact the Administrator by emailing them [at shareholderservices@iag.co.gg](mailto:shareholderservices@iag.co.gg) or calling them on +44 (0)1481 740900 to discuss what is required if you wish to transfer your Shares.

DT Comment : It's actually the other way round. Subject to certain (exceptional) restrictions, any Shareholder may transfer in writing all or any of his / her Shares in any form, which the Directors may accept at their discretion. There are certain formalities involved, especially where the shares are held through a platform, nominee, trustee or pension plan (for example) but we have been able to help many investors so far to successfully transfer their shares, e.g. to avoid or minimize ongoing platform charges and fees. **Special considerations are needed when transferring Continuing shares for which a redemption request has been lodged with EEA by the transferring shareholder.**

Can you please provide an update regarding the sales process for Run-Off Shares?

On 7 August 2015, the Fund informed Run-Off Shareholders of a proposed share sale process (the "Secondary Sales Process") to be run on an arm's length basis by an independent firm, Tullett Prebon ("TPAI"), who would match certain of its clients who have indicated to TPAI that they wish to purchase Run-Off Shares with Run-Off Shareholders who indicate to TPAI that they wish to sell some or all of their Run-Off Shares. That letter invited Run-Off Shareholders to contact TPAI in order to register their interest in participating in the Secondary Sales Process.

DT Comment : In our letters to EEA and TPAI dated **31st August 2015** and **29th September 2015** and EEA's response dated **25th September 2015** it was confirmed that it is not EEA's position to decide whether or not Continuing shareholders can participate in the proposed secondary share sale.

This is a decision for TPAI and their potential buyers, plus the potential sellers. EEA have confirmed that anyone who sells their shares privately (to anyone) can have them transferred on the Register of the Company. We don't know yet whether TPAI will change the terms of their proposed sale once it resumes following the proposed Policy Sale.

In light of the Fund's announcement of 4 September 2015 TPAI have confirmed that they would be adjusting the timetable for the Secondary Sales Process, and that no Run-Off Shares would be sold as part of the Secondary Sales Process until after the intended distribution to Run-Off Shareholders has been made. Further details will be provided to Run-Off Shareholders in due course, once received from TPAI.

Run-Off Shareholders should note that none of the Fund, the Fund's manager, EEA Fund Management Limited (the Fund's Marketing agent) or any of their respective directors, employees, officers, affiliates and agents (each an "EEA Party") are responsible for, and/or is in any way endorsing, the Secondary Sales Process and the only involvement of any EEA Party is in relation to assisting in the creation and maintenance of the data room (including to decide upon who may access the data room) and registering successful transfers of Run-Off Shares (which will only be made in accordance with the terms and conditions referred to in the Fund's Information Memorandum and Supplements). Run-Off Shareholders should contact their independent financial adviser if in any doubt as to what action to take in relation to the Secondary Sales Process and TPAI (by emailing them at eea-process@tullettprebon.com) if they have any questions regarding the process.

Does the Fund intend to purchase policies for the Continuing Cells?

Available Cash attributable to Continuing Cells that is not used to fund redemption requests and/or other expenses will be reinvested into a New Fund or Other Instruments (as defined in the Information Memorandum and Supplements) to provide exposure to policies with similar characteristics to those currently held by the Fund. No amounts have yet been reinvested and Available Cash attributable to a Continuing Cell will not be reinvested into a New Fund or Other Instruments whilst there are redemption requests outstanding for that relevant Cell.

~~Why did the Manager recommend a change to the Fund's definition of Available Cash?~~

~~The definition of Available Cash was changed so as to refer to setting aside sufficient cash to make one year's premium payments (or such longer period that the Board may determine) rather than two years' premium payments.~~

~~This change, recently passed by Shareholders at the 2014 AGM, permits but does not oblige the directors to decide that Available Cash should be calculated by reference to one rather than two years' premium payments.~~

~~In recommending this amendment, the Manager wished to minimise the capital in the Fund that is not "at work". The Manager believes that this change will enable cash to be made available more quickly when appropriate, either for distribution to Run-Off Shareholders or for reinvestment to provide exposure to additional policies for Continuing Shareholders, whilst providing a mechanism for maintaining a prudent cash reserve.~~

~~Before submitting this proposal for the AGM, Maple Life was instructed to analyse the potential capital requirements and the risk of potential capital shortfalls. From this analysis, the Manager concluded that a one year buffer should be expected to be sufficient in all but the most extreme scenarios in which reduced maturities occur for a prolonged period.~~

DT Comment : As mentioned above, EEA have now adopted an even more conservative definition for the Premium Reserve which assumes zero maturities over the (two year) premium reserve period, effectively increasing the current reserve from two years to three or more years under the previous assumptions.

What performance is expected?

As you will appreciate, it is not possible to project future returns with any certainty,
although the Board will of course be monitoring the maturity experience of the portfolio and

will continue to provide updates to shareholders on Fund performance and maturity projections in the quarterly Portfolio Statistics.

DT Comment : Although projections cannot be made with “certainty” EEA’s valuation experts and actuaries can and should publish their projections with supporting assumptions and scenarios, as indeed any other asset based fund does to the best of its ability.

How are policy maturities performing in comparison with earlier projections?

~~As at 31 December 2013, the Fund held 517 policies with a net death benefit of \$1,272m. The Portfolio Statistics estimated then that, based on the assumption that maturities happened at LE, policies with a total net death benefit of \$419m would mature by the end of 2015 and, based on the assumption that maturities are accrued policy by policy proportionately over a period equal to two times the current LE associated with the policy in question, that policies with a total net death benefit of \$443m would mature by the end of 2015. Since then, to the end of November 2015, there have been maturities with a net death benefit of **\$219m**. The average value of these maturities (**\$1.58m**) is below the average net death benefit of the Fund's portfolio of policies as at 31 December 2013 (\$2.46m).~~

Following the Fund's appointment of Maple Life, we are now publishing Maple Life's updated maturity projections each quarter in the Portfolio Statistics, calculated on the basis of the current LE estimates and used by Maple Life in the calculation of the NAV of the Fund's portfolio of life insurance policies. The quarterly Portfolio Statistics document now also contains Maple Life's post sale maturity projections as at August 2015, which are based on an assumed continuation of historic Fund mortality experience.

DT Comment : As we pointed out in our letter to EEA dated [14th September](#) 2015, the Maple Life “historical” projections don’t align with our own analysis of the historical performance of the Fund. EEA’s ability to estimate and monitor actual versus expected maturity performance has never been good (less than 40% accurate prior to 2013, less than 60% accurate since 2013, less than 40% again so far in 2015).

What is being done to keep costs under control?

The Manager and the Board have been working hard to reduce the Fund's costs. In May 2015, the Manager confirmed that it would pay the future [administration](#) fees of the Administrator, thus reducing the fees paid by the Fund. [The Manager has also negotiated a reduction in the fees of the Investment Adviser, which has agreed to reduce its NAV-based fee so that it no longer receives a fee based on the NAV attributable to the Fund's cash assets.](#) Both the Manager and the Investment Adviser have also agreed to waive their entitlement to any future performance fee.

The Board and the Manager will continue to monitor the Fund's costs.

DT Comment : This is a puzzling comment. Prior to the suspension and restructuring the Investment Advisor (ViaSource) was paid (among other things) 1% of the purchase price of any new policies acquired. The [Restructuring Circular](#) issued on 18th September 2013 replaced this with a provision that the Investment Advisor would receive

“...an annual advisory fee of 0.1 per cent of the Net Asset Value of each [Continuing Cell](#) attributable to [Current Underlying Investments](#), accrued and payable on a monthly basis in arrears...”

However, the Offering Memorandum which came into effect on [1st January 2014](#) changed this to :

“...The Investment Adviser charges EEA Inc an annual advisory fee of 0.1 per cent. of the Net Asset Value of each [Cell](#) attributable to [Current Underlying Investments](#), accrued and payable on a monthly basis in arrears.

This is still the wording in the current ([May 2015](#)) Information Memorandum.

The term “Current Underlying Investments” would appear to [exclude](#) the cash component of the Cell NAVs so if EEA is now suggesting that this has changed, it would appear that they have been wrongly calculating the fee so far and should therefore reclaim the overpayments since restructuring.

The Fund paid a total of \$13.7m in valuation based charges to its “connected companies” in 2014, plus another \$1.7m of non-valuation based charges to the “connected companies” and a further \$2.1m elsewhere. We have asked the Board several times to eliminate the valuation based charges but they always refuse.

Total expenses in 2014 were \$18m (up by \$2m from 2013) and 2015 seems to be running at about \$17m so far.

Some policies expired without value in 2014 and 2015. Could this happen again?

Five policies, with a total death benefit of around US\$8.7m, have expired since the start of 2014 due to the underlying insureds reaching the age at which their policy automatically terminates. The value of these policies had been written down over several years thus reducing the impact on the Fund's NAV.

DT Comment : Although the impact on the NAV has been minimized, this is primarily of interest to the minority of redeeming Continuing shareholders. It does not protect the future net cash available to the remaining (majority of) Continuing and Run-off shareholders.

Since then, as explained above, a binding conditional agreement has been signed in respect of all policies where the remaining LE (at the time that the policies were offered for sale) exceeded four years. The Sale should significantly reduce the risk of policies held by the Fund expiring without value or otherwise realising a loss to the Fund at maturity.

DT Comment : No, instead they have crystallized an estimated **\$170m** loss now in terms of future net cash available to the majority of shareholders.

In ~~September 2015~~ **January 2016**, the Investment Adviser estimated that none of the policies would expire should they mature within their LE estimate and around 3% of the remaining net death benefit was represented by policies that would expire should they not mature within two-times their LE estimate.

DT Comment : In **October 2014** we estimated that the future losses due to termination of cover would be \$132m (10% of the Dec 2013 NDB). In November 2014 EEA estimated \$19m (2.3% of NAV) and they are now saying 3% of NDB at Sept 2015, which is \$18m.

What is the situation regarding the currency hedge?

There is no obligation to reinstate the currency hedge, but the Manager will consider doing so if commercially reasonable terms can be found.

It is worth mentioning that a currency hedge requires cash to be set aside to settle positions, and a counterparty would also expect collateral (more cash) to be posted. These requirements would reduce the amounts of cash available for distribution (in relation to Run-Off **and Continuing** Shares) and reinvestment (in relation to Continuing Shares).

What are your views on the adverse publicity about the Fund?

We are obviously concerned when we read inappropriate or ill-informed comments in the press, particularly from persons who are neither regulated financial advisers nor experts in the area of life settlements.

Many Shareholders may not be aware of these but they are seen by some, and in particular they are noticed by relevant third parties, such as those considering buying policies from the Fund. We recognise that such comments cause unnecessary alarm and anxiety to some of our Shareholders. Such behaviour is also regrettable as it risks, amongst other things, having an adverse effect on the sale prices of policies and/or the Secondary Sales Process, and can therefore be detrimental to the interests of both the Fund and Shareholders more generally.

DT Comment : Investors will make up their own minds about the relative usefulness and credibility of the information provided (or not) by EEA and regulated (or unregulated) financial advisors and platforms over the years. The EEA Investors' Group DOES include Life Settlements (and other) experts (who have been more accurate than EEA's experts over the past year or two). Our information does not appear to have affected the ability of EEA to sell half the policies in the portfolio at a "premium to NAV" – although we believe that the NAV itself is flawed, and that EEA have now lost an estimated **\$170m** of future cash that was due to the majority of shareholders. The secondary share sale is still in the future, but expert buyers are more savvy than even we are and will analyse the EEA data to come to their own conclusions when determining a "distressed" offer price for EEA shares.

The Manager provides a substantial amount of information regarding the Fund and will continue to encourage constructive dialogue with **Shareholders and their advisers**. Shareholders are strongly encouraged to make their own investment decisions based solely on information provided by the Fund and/or any advice provided by their independent financial advisers.

DT Comment : Not just shareholders, but all investors. EEA does not provide useful or credible information about the future prospects for the Fund or useful projections for cashflow and run-off profiles, in spite of numerous requests from Financial Advisors, investors and the EEA Investors' Group since the suspension. Many investors no longer have a Financial Advisor and many more never receive (useful) information from their platforms, nominees or advisors.

The EEA Investors' Group will continue to provide information to its members and the media where applicable and campaign for better outcomes for the long suffering EEA investors. We do not provide financial advice and always make clear whether information is from EEA or ourselves. Investors (and their advisors – where applicable) have to make up their own minds what weight to give to the information and opinions that they receive from various sources.

How can I keep up to date with the Fund?

The Manager provides Shareholders and their advisers with information regarding the Fund at www.eeafmg.gg and will continue to do so. This includes monthly Fact Sheets, quarterly Portfolio Statistics (which includes the **latest update on performance and maturity projections**), Maturity Schedules and other Fund updates.

DT Comment : Also see www.EEAInvestors.com We ARE investors and shareholders (EEA Directors ARE NOT, with one minor exception). Most Financial Advisors are also not EEA Investors (but some are). EEA does NOT publish updated maturity projections. Since June 2015 they have published projections based (allegedly) on historical performance rather than an actuarial or "expert" forward view. They have stopped publishing LE statistics for the remaining portfolio. EEA claim to now have a lot more analysis and information about the portfolio and future maturity scenarios from Maple Life, but refuse to share it with the investors who own the Fund and have paid for all the policies and fees so far – and continue to pay while their own investment continues to decline.