

# EEA Life Settlements Fund PCC Limited

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

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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.eeafmg.gg](http://www.eeafmg.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.

### **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.

### **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.

## **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.

For further information on distributions to Run-Off Shareholders, see page 7 below.

For further information on the share sale process for Run-Off Shares, see page 8 below.

### 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.eefmg.gg/eea-life-settlements-fund/](http://www.eefmg.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](mailto: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 in issue for which valid requests for redemption on 31 December 2015 were received	Proportion of redemption requests redeemed on 31 December Redemption Day
USD Fund Class X Cell	36.85%	96.07%
USD Fund Dist Cell	33.62%	100.00%
USD Fund Acc Cell	49.60%	76.65%
Swedish Krona Fund Class X Cell	40.36%	100.00%
Euro Fund Class X Cell	38.22%	90.06%
Euro Fund Dist Cell	11.64%	100.00%
Euro Fund Acc Cell	78.39%	44.67%
Sterling Fund Class X Cell	40.13%	87.93%
Sterling Fund Dist Cell	44.16%	78.40%
Sterling Fund Acc Cell	43.79%	79.35%
Meteor Senior Life Settlements Sterling Fund	48.59%	72.16%
Meteor Senior Life Settlements Sterling Fund II	50.66%	68.23%
WAY Life Settlements Fund Cell	3.56%	100.00%

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.

### **Will any redemption charges be applied to the Continuing Cells?**

The Fund has the ability to apply various redemptions 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%.

### **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. 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](http://www.eeafmg.gg).

### **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 amount which was effectively distributed on a per Run-Off Share basis was as follows:

Run-Off Cell	Effective distribution per Run-Off Share
USD Fund Class X Run-Off	\$31.54
Euro Fund Class X Run-Off	€33.82
Sterling Fund Class X Run-Off	£27.49
Sterling Fund Dist Run-Off	£20.66
USD Fund Dist Run-Off	\$19.91
Euro Fund Dist Run-Off	€23.02
Sterling Fund Acc Run-Off	£31.04
Meteor Senior Life Settlements Sterling Fund Run-Off	£29.81
USD Fund Class I Run-Off	\$26.89
Meteor Senior Life Settlements Sterling Fund II Run-Off	£25.65
WAY Life Settlements Fund Run-Off	£23.93
Euro Fund Acc Run-Off	€23.12
USD Fund Acc Run-Off	\$25.95
Swedish Krona Fund Class X Run-Off	SEK 33.39
Euro Fund Class Y Run-Off	€22.18

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

### **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.

### **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.

In light of the Fund’s announcement of 4 September 2015, TPAI 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 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](mailto: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 a Continuing Cell 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.

### **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.

### **How are policy maturities performing in comparison with earlier projections?**

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 31 August 2015, which are based on an assumed continuation of historic Fund mortality experience.



### **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.

### **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.

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.

In 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.

### **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 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.

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.

**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](http://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.