

# EEA Life Settlements Fund PCC Limited

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

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

## Shareholder Questions and Answers

### **1. 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 represented 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 \$130m) have been received into Fund's accounts.

A schedule of the policies sold (the "Schedule") is available at [www.eeafmg.gg](http://www.eeafmg.gg). One policy has not yet been transferred, which is highlighted in the Schedule. One policy matured for the benefit of the Fund before being transferred.

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

### **2. 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.

### **3. 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.

### **4. 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 question 9 below.

For further information on the share sale process for Run-Off Shares, see question 12 below.

#### In respect of the Continuing Cells:

The relevant Supplements provide that 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. However, the Board has exercised its discretion to change the timing of future Redemption Days from the last working day of each calendar quarter to the first working day after each calendar quarter. The Valuation Point for the purposes of redemptions will continue to be 23.59 hours (Guernsey time) on the last business day of each calendar quarter. The timings for the next three Redemption Days are therefore as follows:

Redemption Day 3 October 2016 – deadline for receipt of redemption requests 5.00pm (Guernsey time), 30 June 2016

Redemption Day 3 January 2017 – deadline for receipt of redemption requests 5.00pm (Guernsey time), 30 September 2016

Redemption Day 3 April 2017 – deadline for receipt of redemption requests 5.00pm (Guernsey time), 29 December 2016.

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/](http://www.eeafmg.gg/eea-life-settlements-fund/). If you have any further questions about the redemption process, please contact the Fund's administrator, Saffery Champness Fund Services Limited (the "Administrator") by emailing them at [eea@saffery.gg](mailto:eea@saffery.gg).

**5. Can you please provide an update to Continuing Shareholders in respect of the 30 June Redemption Day?**

The Fund made payments totalling approximately \$87 million across all Continuing Cells in respect of the 31 December 2015 Redemption Day and a further \$9.4 million in respect of the 31 March 2016 Redemption Day.

During the quarter to 30 June 2016, the level of maturities was below the overall premium costs. As a result, there has not been a further build up of Available Cash after the redemption payments made in respect of the 31 March 2016 Redemption Day and the aggregate Redemption Values of redemption requests has therefore exceeded the level of Available Cash held as at 30 June 2016 for 11 of the 13 Continuing Cells. As a result, the Fund's board of directors (the Board) has exercised its power to restrict redemptions of Shares in each of those 11 relevant Continuing Cells to the amount of Available Cash attributable to each such Continuing Cell. In calculating the level of Available Cash, cash and receivables to pay future premiums on Current Underlying Investments for a specified period are excluded. The Board has determined that the appropriate period for such future premiums is two years, which on the conservative assumption that no maturities occur during this period means that \$94.5m in aggregate has been excluded across all Cells when determining the levels of Available Cash.

In consequence, there have been no redemptions of shares in any of those 11 Continuing Cells and outstanding redemption requests in those 11 Continuing Cells have been postponed until the next Redemption Day (i.e. until the 3 October 2016 Redemption Day), subject to further postponement if, on that 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 generally have priority over subsequent redemption requests, in accordance with the terms of the Fund's Articles of Incorporation.

The outstanding redemption requests for each Continuing Cell are as follows:

Continuing Cell	Proportion of shares in issue, the redemption of which has been deferred from the 31 December 2015 Redemption Day	Proportion of shares in issue, the redemption of which has been deferred from the 31 March 2016 Redemption Day	Proportion of shares in issue for which valid redemption requests for the 30 June 2016 Redemption Day have been received and deferred
USD Fund Class X Cell	n/a	4.12%	8.22%
USD Fund Dist Cell	n/a	37.80%	6.78%
USD Fund Acc Cell	14.00%	0.47%	20.19%
Swedish Krona Fund Class X Cell	n/a	n/a	n/a
Euro Fund Class X Cell	0.34%	11.41%	10.17%
Euro Fund Dist Cell	n/a	65.82%	1.39%

Euro Fund Acc Cell	64.83%	15.63%	4.64%
Sterling Fund Class X Cell	2.13%	5.99%	5.54%
Sterling Fund Dist Cell	9.67%	11.74%	7.93%
Sterling Fund Acc Cell	8.63%	6.47%	9.93%
Meteor Senior Life Settlements Sterling Fund	16.21%	2.18%	4.19%
Meteor Senior Life Settlements Sterling Fund II	20.21%	3.80%	4.31%
WAY Life Settlements Fund Cell	n/a	n/a	n/a

An update in relation to the October 2016 Redemption Day is anticipated towards the end of October 2016.

#### **6. How is Available Cash calculated?**

“Available Cash” means cash held 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 30 June 2016, 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 which, on the conservative assumption that no maturities occur during this period, means that \$94.5m in aggregate was excluded across all Cells when determining the level of Available Cash.

#### **7. 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.

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 0.1%.

**8. 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).

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

The Fund announced on 25 August 2016 that a relevant portion of each holder's Run-Off Shares were compulsorily redeemed on 5 August 2016 in order to effect distributions of Available Cash.

The Fund will be distributing in aggregate \$15,486,062.24 to Run-Off Shareholders (equating to approximately 6.7% of the 29 July 2016 NAV per Share of Run-Off Cells).

The redemption proceeds are expected to be paid by the end of August 2016 to those persons registered as holders of Run-Off Shares on 5 August 2016, subject to receipt of all requested original paperwork. The amount which will effectively be distributed on a per Run-Off Share basis is as follows:

Run-Off Cell	Effective distribution per Run-Off Share
Euro Fund Acc Run-Off Cell	€ 6.20
Euro Fund Class X Run-Off Cell	€ 8.33
Euro Fund Class Y Run-Off Cell	€ 5.64
Euro Fund Dist Run-Off Cell	€ 5.78
Meteor Senior Life Sett GBP Run-Off Cell	£6.85
Meteor Senior Life Sett GBP Run-Off Fund II	£6.12
Sterling Fund Acc Run-Off Cell	£7.37
Sterling Fund Class X Run-Off Cell	£6.53
Sterling Fund Dist Run-Off Cell	£4.89
Swedish Krona Fund Class X Run-Off Cell	SEK 5.66
USD Fund Acc Run-Off Cell	\$6.26
USD Fund Class I Run-Off Cell	\$6.23
USD Fund Class X Run-Off Cell	\$8.07
USD Fund Dist Run-Off Cell	\$5.15
WAY Life Settlements Fund Run-Off Cell	£6.14

The exact amount that will be distributed to any particular Run-Off Shareholder, and the number of Run-Off Shares redeemed, will be confirmed on a contract note to be issued to each Run-Off Shareholder by 26 August 2016.

## **10. Can I switch my shareholding from one Cell to another Cell?**

No, switches between Cells are not possible.

## **11. 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 [eea@saffery.gg](mailto:eea@saffery.gg) or calling them on +44 (0)1481 721374 to discuss what is required if you wish to transfer your Shares.

## **12. 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 referred to in the 4 September 2015 announcement has been made.

TPAI relaunched the Secondary Sales Process, and the Fund sent an update issued by TPAI to Run-Off Shareholders, on 15 February 2016. TPAI invited Run-Off Shareholders to contact them if they wished to register their interest in participating in this relaunched Secondary Sales Process. The clearing price was confirmed by TPAI on 27 June 2016 to those Shareholders who accepted the strike price before the 24 June 2016 deadline. TPAI also announced further demand for Shares and that Shareholders with any shares which they would like to sell may wish to contact TPAI via email at [eea-process@tullettprebon.com](mailto:eea-process@tullettprebon.com).

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.

Please note that in addition to the Secondary Sales Process described above, the Fund has recently been made aware that another firm, Southey Capital, has indicated that it is offering a brokerage service in respect of both Run-Off Shares and Continuing Shares in the Fund. They can be contacted via [info@southeycapital.com](mailto:info@southeycapital.com) for further information.

No EEA Party is responsible for, involved in, and/or is in any way endorsing, any service offered by Southey Capital or any other third party that may offer similar brokerage services.

The Board makes no representation regarding the level of demand which may exist via any such brokerage service, or the prices which may be offered. Shareholders who are considering selling their Shares via either the Secondary Sales Process, Southey Capital or any other brokerage service do so at their own risk, and should seek regulated independent advice if in any doubt as to what action they should take.

Any share transfer which forms part of a sale further to either the Secondary Sales Process or that of Southey Capital or any other third party will be subject to the relevant buyer(s) and seller(s) completing the appropriate Fund documentation relating to such sale, as well as the Board being satisfied that any such transfer would also be in accordance with the obligations of the Fund, the Manager and any other relevant EEA Party, and not be in breach of any restrictions, under applicable laws, rules and/or regulations.

**13. Since the bid prices offered via TPAI and Southey Capital are lower than the current NAV, does that mean the NAV is too high?**

The Board notes that the bid prices offered by TPAI and Southey Capital are at a significant discount to the Fund's published NAV. This was anticipated at the outset of the process, in a letter sent to all Run-Off Shareholders on 7 August 2015. The letter explained that *"Run-Off Shareholders should note that potential bidders may consider any sales pursuant to the proposed sale process to be distressed sales. Bidders taking such a view may offer at a very significant discount to the net asset value of the Run-Off Shares at the time of sale"*. That observation would appear to have been borne out. However, the fact that bidders have indeed offered at a significant discount, as forewarned by the Board, does not mean that the Fund's NAV, which is calculated independently by Maple Life as the Fund's independent valuation agent, is too high. The Board stands by the published NAV, and the calculation methodology used. The fact that the sale of the portfolio of 188 policies announced on 4 September 2015 happened at a price representing a premium to the value calculated by Maple Life for those policies at the time of the sale agreement being signed supports the Board's views on this matter.

**14. Does the Fund intend to purchase policies for the Continuing Cells?**

The Information Memorandum and Supplements state that 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.

#### **15. 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.

#### **16. 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.

#### **17. 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 Fund will also benefit from a reduction in charges for registrar services following the recent appointment of Saffery Champness Fund Services Limited ("Saffery") as administrator and registrar in place of International Administration Group (Guernsey) Limited ("IAG"), which became effective on 1 February 2016.

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

#### **18. Why has the Fund's administrator changed?**

As announced on 1 February 2016 and explained in the updated Information Memorandum dated 1 February 2016, available at [www.eeafmg.gg](http://www.eeafmg.gg), the Manager has delegated certain of its duties to Saffery, as administrator and secretary, including administration of the Fund, valuation of each Cell, and the redemption of shares in the Fund. The Custodian has also delegated its duties as registrar in respect of the Fund to Saffery. IAG will therefore no longer perform any of these duties.

The appointment of Saffery in place of IAG follows a review carried out by the Manager. The Manager concluded that Saffery could offer an improved service on more attractive terms.

#### **19. Some policies have expired without value. Could this happen again?**

Six policies, with a total death benefit of around US\$10.2m, 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.

In August 2016, the Investment Adviser estimated that around 0.7% of the remaining net death benefit was represented by policies that would expire should they not mature within their LE estimate and that an additional 3.6% of the remaining net death benefit was represented by policies that would expire should they not mature within two-times their LE estimate.

## **20. 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).

## **21. 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.

It should be noted that, for the avoidance of doubt, the Fund and Manager strongly dispute any suggestion that the Fund is not being handled properly or in investors' interests. This document already details much of the work undertaken by both the Manager and the Fund's board, including in relation to the restructuring of the Fund which became effective on 1 January 2014, last year's sale of policies, the ongoing drive to reduce fees and helping to facilitate the Secondary Sales Process being independently run by TPAI. The Manager is regularly reviewing the policies held by the Fund and considering opportunities to enhance returns.

## **22. 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.