

# 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.eefmg.gg](http://www.eefmg.gg).

## Shareholder Questions and Answers

### 1. 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, by way of compulsory redemption of a portion of each holder's Run-Off Shares or otherwise, 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, by way of compulsory redemption of a portion of each holder's Run-Off Shares or otherwise, 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 section 6 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 Fund's board of directors (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 July 2017 – deadline for receipt of redemption requests 17.00 hours (Guernsey time), 30 March 2017.

Redemption Day 2 October 2017 – deadline for receipt of redemption requests 17.00 hours (Guernsey time), 29 June 2017.

Redemption Day 2 January 2018 – deadline for receipt of redemption requests 17.00 hours (Guernsey time), 29 September 2017.

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).

### 2. Please provide an update to Continuing Shareholders in respect of the 3 April Redemption Day?

The Fund redeemed approximately \$18.7 million of shares across all Continuing Cells in respect of the 3 April 2017 Redemption Day.

The aggregate Redemption Values of redemption requests exceeded the level of Available Cash held as at 31 March 2017 for 10 of the 13 Continuing Cells. As a result, the Fund's board of directors (the Board) exercised its power to restrict redemptions of Shares in each of those 10 relevant Continuing Cells to the amount of Available Cash attributable to each such Continuing Cell. In calculating the level of Available Cash, cash required to pay future premiums on Current Underlying Investments attributable to a Cell for a specified period is excluded. The Board has determined that the appropriate period to adopt for such calculation should, until further notice, be one year rather than two years meaning that \$40.4m in aggregate has been excluded across all Cells when determining the levels of Available Cash.

In consequence, the redemption of a proportion of each Continuing Shareholder's Shares in those 10 Continuing Cells was postponed until the next Redemption Day (i.e. until the 3 July 2017 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.

As a result, the redemption requests for each Continuing Cell were dealt with as follows:

Continuing Cell	Proportion of redemption requests deferred from the relevant Redemption Day set out below which were redeemed on 3 April 2017					
	31 Dec 15	31 Mar 16	01 Jul 16	03 Oct 16	03 Jan 17	03 Apr 17
Euro Fund Acc Cell	26.47%	0.00%	0.00%	0.00%	0.00%	0.00%
Euro Fund Class X Cell	n/a	n/a	100.00%	53.19%	0.00%	0.00%
Euro Fund Dist Cell	n/a	25.92%	0.00%	0.00%	0.00%	0.00%
Meteor Senior Life Settlements	100.00%	100.00%	100.00%	100.00%	35.80%	0.00%
Meteor Senior Life Settlements II	100.00%	100.00%	100.00%	9.45%	0.00%	0.00%
Sterling Fund Acc Cell	n/a	n/a	100.00%	100.00%	100.00%	26.44%
Sterling Fund Dist Cell	n/a	100.00%	90.38%	0.00%	0.00%	0.00%
Sterling Fund X Cell	n/a	n/a	n/a	100.00%	100.00%	100.00%
Swedish Krona Fund Class X Cell	n/a	n/a	n/a	n/a	n/a	n/a
USD Fund Acc Cell	n/a	n/a	67.86%	0.00%	0.00%	0.00%
USD Fund Class X Cell	n/a	n/a	n/a	100.00%	100.00%	69.87%
USD Fund Dist Cell	n/a	58.37%	0.00%	0.00%	0.00%	0.00%
WAY Life Settlements Fund Cell	n/a	n/a	n/a	n/a	n/a	n/a

Where a redemption has been made, the actual number of a relevant holder's Continuing Shares that have been redeemed and the redemption proceeds that are payable will be confirmed on a contract note to be mailed to the relevant Continuing Shareholder in due course. Payment of redemption proceeds will be made as soon as practicable, subject to receipt of any requested original paperwork.

Following the 3 April 2017 redemptions, 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 relevant Redemption Day set out below					
	31 Dec 15	31 Mar 16	01 Jul 16	03 Oct 16	03 Jan 17	03 Apr 17
Euro Fund Acc Cell	50.88%	21.83%	6.45%	4.77%	0.00%	0.00%
Euro Fund Class X Cell	n/a	n/a	n/a	8.95%	7.41%	16.48%
Euro Fund Dist Cell	n/a	52.32%	1.94%	3.01%	13.43%	5.35%
Meteor Senior Life Settlements	n/a	n/a	n/a	n/a	6.14%	4.30%
Meteor Senior Life Settlements II	n/a	n/a	n/a	4.22%	3.08%	2.46%
Sterling Fund Acc Cell	n/a	n/a	n/a	n/a	n/a	3.02%
Sterling Fund Dist Cell	n/a	n/a	1.03%	1.24%	4.33%	8.34%
Sterling Fund X Cell	n/a	n/a	n/a	n/a	n/a	n/a
Swedish Krona Fund Class X Cell	n/a	n/a	n/a	n/a	n/a	n/a
USD Fund Acc Cell	n/a	n/a	8.73%	16.33%	0.00%	4.77%
USD Fund Class X Cell	n/a	n/a	n/a	n/a	n/a	2.25%
USD Fund Dist Cell	n/a	13.14%	9.46%	15.41%	0.82%	13.21%
WAY Life Settlements Fund Cell	n/a	n/a	n/a	n/a	n/a	n/a

An update in relation to the July 2017 Redemption Day is anticipated towards the end of July 2017.

### 3. 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 specified period 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 28 April 2017, the directors exercised their discretion to exclude an amount consisting of cash and receivables to pay the premia on Current Underlying Investments for one year which means that, in aggregate, \$40.3m in aggregate was excluded across all Cells when determining the level of Available Cash.

### 4. 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% 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% 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.

Since the last subscription for Shares in the Fund was in October 2011, in all cases the full distribution fee will already have been charged to the Net Asset Value of the relevant X Cell,

meaning that no redemption charge will be attributable to a Shareholder's future redemptions.

**5. 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?**

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).

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

The Fund distributed in aggregate approximately \$35.8 million (equating to approximately 19.7% of the 31 March 2017 NAV per Share of Run-Off Cells) to those persons registered as holders of Run-Off Shares as at 10 April 2016, by way of compulsory redemption of a portion of each holder's Run-Off Shares.

The Fund's board will keep the cash position under review and make a further distribution as cash levels permit.

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

No, switches between Cells are not possible.

**8. 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.

**9. 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 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 whilst there are redemption requests outstanding for that relevant Cell.

#### **10. 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. The Fund exercised its right to sell policies in September 2015 when it sold 187 policies (see [www.eeafmg.gg](http://www.eeafmg.gg) for the schedule identifying these policies) for approximately \$130m and again in April 2017 when it sold three policies (policy numbers 15884, 14475 and 16426) for \$663,500.

#### **11. 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.

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

The quarterly Portfolio Statistics document contains Maple Life's maturity projections as at 31 December 2016, which are based on an assumed continuation of historic Fund mortality experience. The Manager's quarterly commentary provides details of reported maturities in comparison with those projections.

#### **13. 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 has also benefited 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 agreed in September 2016 to cease production of the Fund's unaudited interim report. The Fund is not obliged to produce an interim report and it now considers that the cost of its production outweighs any benefit to Shareholders. The Manager continues to provide substantial information relating to the Fund as explained in section 17 below.

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

#### **14. 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.



The Investment Adviser has estimated, as at 31 March 2017, that around 1.35% 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 4.22% of the remaining net death benefit was represented by policies that would expire should they not mature within two-times their LE estimate.

**15. 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).

**16. 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 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, the sale of policies in 2015 and the ongoing drive to reduce fees. The Manager is regularly reviewing the policies held by the Fund and considering opportunities to enhance returns.

**17. 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), the Q&A document, Maturity Schedules and other Fund updates.