

## **EEA investors may be able to sell run-off shares in the future, fund's board says**

By Donna Horowitz Updated 03:13 PM, Jul-14-2015 ET

Investors who hold run-off shares in EEA Life Settlements Fund PCC Ltd. may be able to sell their investment in the future, the fund's board said in its recently released annual financial report for 2014.

"It is intended, that in the future there will be an opportunity where new investors are sourced who are willing to purchase shares from run-off investors at a discount to net asset value. New investors will then have an option to acquire shares in a cell of the continuation fund," the June 25 report to investors said.

A restructuring of the fund was approved by shareholders in October 2013, and was subsequently endorsed by the Guernsey Financial Services Commission, which regulates the fund.

Redemptions from the fund were halted in November 2011 after a U.K. Financial Services Authority official called life settlements a "toxic" asset. The suspension was lifted in January 2014.

The EEA Investors' Group, one of two groups formed to look out for investors' interests, said in its June 30 analysis of the financial report that it hoped that the fund's board would ensure that the discounted prices offered to investors to sell their shares will be determined more fairly than they were in an abandoned share sale last year.

The fund backed off its proposed sale of run-off shares last July after the investors' group complained that time was too short for shareholders to make a decision and due to regulatory concerns. The board's chairman Mark Colton said, in a letter to shareholders then, that it had heard from a minority of shareholders questioning the proposal and that complaints had been made to Guernsey regulators.

The investors' group said it will closely watch any future sale offer.

"This is also why we need to carefully review any actions that the Board or the Manager take to further reduce the NAVs [net asset values]," the group said. "The Directors previously stated that they would not/could not take any further actions to offer a buy-out for existing investors because of EU/UK AIMFD [Alternative Investment Fund Managers Directive] rules which came into effect during 2014."

The financial report said that the fund currently holds 413 life insurance policies with total death benefits of \$1.12 billion as of December.

Since 2005 when the fund was launched, 504 of the policies with \$732.8 million in face value have matured. The policies matured at 77% of their expected life expectancy, the report added.

"What the 77% means is that the portfolio has still not reached its true average LE position, 4-9 years after the individual policies were purchased," the investors' group analysis said. "The original LE estimates were 20-30 months (until June 2013) and were then increased to 47 months from June 2013."

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