

[Click Here](#) for a pdf version that might be easier for you to read.

[Click Here](#) for our Alternative Fund Fact sheet

➤ Continuing Shares Redemption

We have now released our [Bulletin](#) on the pro's and con's of redeeming your Continuing shares for the initial redemption day of 31st December 2015. Our Bulletin includes the relevant forms. Requests have to be in Guernsey by **Friday 25th September 2015** and are irrevocable. This Bulletin is intended for EEA Continuing shareholders who are deciding whether to redeem some or all of their shares after the end of the 23-month lock-up period at the end of 2015.

In our view, it is **impossible** to make a **rational** decision whether (or when) to request redemption of Continuing shares based on any economic or other investment criteria. There are too many variables, too many unknowns and a lack of credible information about the future cash predictions and NAVs for the remaining Fund.

In our view, the first priority for Continuing shareholders is to ensure that no cash is reinvested in the New Irish Fund (or elsewhere) but remains within the Continuing Cells.

The second priority is to persuade EEA to allow Continuing shareholders to re-elect their option to stay in Continuing or change to Run-off shares before the end of the lock-up period. For the reasons given in the Bulletin, we suggest that all Continuing shareholders / investors should request 100% redemptions for the first Redemption Day.

➤ Cash Balance and Expenses

In our last update, we showed a graph of maturities versus cash and expenses which suggested that the cash balance of the Fund **might** reach \$150m by Dec 2015 and \$200m by Dec 2016 (it is currently at \$126m at the end of June). The Continuing Shares Redemption Bulletin mentioned above includes the following table, which shows the indicative cash Available for all redemptions by those dates, based on the hypothetical cash balances and whether a one-year or two-year premium reserve is in effect.

Cell	Table 3 : Indicative Future Available Cash Status			
	Available Cash Dec 2015		Available Cash Dec 2016	
	Note 1a	Note 2a	Note 1b	Note 2b
USD Fund Class X Cell	\$0.79 m	\$3.87 m	\$2.33 m	\$2.43 m
USD Fund Dist Cell	\$0.06 m	\$0.31 m	\$0.19 m	\$0.19 m
USD Fund Acc Cell	\$0.08 m	\$0.40 m	\$0.24 m	\$0.25 m
Swedish Krona Class X Cell	\$0.10 m	\$0.46 m	\$0.28 m	\$0.29 m
Euro Fund Class X Cell	\$0.67 m	\$3.26 m	\$1.96 m	\$2.04 m
Euro Fund Dist Cell	\$0.03 m	\$0.15 m	\$0.09 m	\$0.10 m
Euro Fund Acc Cell	\$0.04 m	\$0.20 m	\$0.12 m	\$0.12 m
Sterling Fund Class X Cell	\$2.13 m	\$10.41 m	\$6.27 m	\$6.52 m
Sterling Fund Dist Cell	\$0.39 m	\$1.93 m	\$1.16 m	\$1.21 m
Sterling Fund Acc Cell	\$2.58 m	\$12.59 m	\$7.59 m	\$7.89 m
Meteor SLS Sterling Fund	\$0.35 m	\$1.69 m	\$1.02 m	\$1.06 m
Meteor SLS Sterling Fund II	\$0.28 m	\$1.36 m	\$0.82 m	\$0.85 m
Way LS Fund Cell	\$0.02 m	\$0.10 m	\$0.06 m	\$0.06 m
Continuing Cells - Total	\$7.52 m	\$36.73 m	\$22.12 m	\$23.01 m
Run-Off Cells - Total	\$9.48 m	\$46.27 m	\$27.88 m	\$28.99 m
Total Fund	\$17 m	\$83 m	\$50 m	\$52 m
% of Current NAV (\$603 m)	2.82%	13.76%	8.29%	8.62%
% of Current NDB (\$1,097 m)	1.55%	7.57%	4.56%	4.74%
<i>Projected Gross Cash (To Dec 2015) = \$150 m</i>				
<i>Projected Gross Cash (To Dec 2016) = \$200 m</i>				
<i>Note 1a : After Deducting Two-Year Premium Reserve (Dec 2015) of \$133 m</i>				
<i>Note 2a : After Deducting One-Year Premium Reserve (Dec 2015) of \$67 m</i>				
<i>Note 1b : After Deducting Two-Year Premium Reserve (Dec 2016) of \$130 m</i>				
<i>Note 2b : After Deducting One-Year Premium Reserve (Dec 2016) of \$65 m</i>				

➤ [2015 Performance and 2Q2015 Fund Commentary](#)

EEA have just released their Fund Commentary for April – June 2015. We are still waiting for the associated Portfolio Statistics. [Click Here](#) to see our annotated version.

The major issue is the ever worsening Actual versus Expected maturity performance.

At the 2014 AGM last November the Directors promised to review and explain / correct the deficiencies, but so far the Maple Life predictions seem to be even worse than the previous ViaSource ones. There have only been TWO policy maturities reported so far in July, for a total NDB of \$4.26m. The current rate of expenses and premium payments is around \$8m per month (\$84m per year).

Maple Life have apparently predicted \$148m maturities for the full year 2015, but within a range of \$87 - \$215m. Our own prediction for 2015 (based on performance to December 2013) is \$130m. The total so far to the end of July is \$32m against expenses plus premium payments to date of around \$56m.

EEA also state that there is \$5.7m of cash available to Continuing Cells, over and above the \$56m included in the \$126m cash at the end of June. We still can't spot where this "extra" cash has come from and would have expected it to be part of the \$126m.

➤ [2015 Annual General Meeting – Resolution 3 \(Premium Reserve\)](#)

In our last update we asked members to vote AGAINST Resolution 3 – the reduction of the premium reserve from two years to one year. We explained how the attraction of a short-term \$70m boost to redemption cash might lead to greater cash losses (\$2 lost for every \$1 gained) in future if it became necessary to sell policies at a market discount in order to cover expenses and premium payments.

We have been criticised by Ian Coley, an IFA and steering committee member of Peter Lihou's Class Action Group, who has recommended voting FOR the Resolution based on his opinion that the current cash balances are adequate to support such a change, and he trusts the Board to exercise their discretion to impose a higher reserve if necessary in the future.

Ian is entitled to his personal or professional opinion, but we still disagree, although we fully understand the attraction of the short term boost to available redemption cash. However, we have a far greater concern.

Every Life Settlement Fund failure has ended in a downward spiral of discounted policy sales to cover premium payments and expenses. The EEA Fund appears to be almost on the brink of entering this downward spiral unless the Directors can properly explain the long-standing poor maturity performance and take rapid corrective action on the portfolio.

Once a Fund enters the downward spiral then there is no return and liquidation is inevitable (ask the investors in the MPL and Quality Funds). We therefore still recommend voting AGAINST Resolution 3.

... And we don't trust the Board (or the Manager) to do the "right" things ... They have form, and the wrong incentives.

➤ [Guernsey Financial Services Commission](#)

Some of you have sent emails to GFSC explaining your circumstances and concerns – but not nearly enough of you. Don't leave me and the core group to do all the work – your support and encouragement is very important, especially since we will be pressing GFSC to take more assertive and visible action against EEA and its associated Companies before the Fund disappears into its downward spiral and loses us even more cash.

The comment that I liked most (Thank you John - you know who you are) was

“...I find it surprising that the work of the Investors' Group has been able to model and track the value of the fund more accurately than EEA Directors and their advisors. If this continues does it not seem obvious that the EEA Directors need to be obliged to use the Investors' Group's methodology to value the fund and thus inform decisions?..”

Kind Regards

David Trinkwon

Director, Medley Systems Ltd

Coordinator – EEA Investors' Group

Tel : +44 (0) 7802 538 315

Skype : david.trinkwon

Email : EEAInvestors@gmail.com

Web : www.EEAInvestors.com

Small Print.

Please note that I do not provide financial advice or recommendations and am not registered or licensed to do so.

I provide information, personal opinions, views and suggestions that you can adopt, adapt or ignore as you think best.

I am happy to discuss your specific ideas circumstances by phone or email at any time.

