

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

➤ **Sale of Policies**

On September 4th EEA announced the proposed sale of half the remaining policies in the Fund for a cash value of \$130m. We asked for some further information but EEA has declined to provide any.

Our preliminary assessment concludes that while the proposed sale will provide a welcome boost to short-term redemption payments later this year, it will lose shareholders more than \$150m (15-20%) of future cash in years to come and we have sent [this letter](#) to EEA holding them liable for this future loss. Assuming that the policy sale goes ahead, we will investigate the feasibility of litigation to recover these losses on behalf of investors.

➤ **Run-off Shares**

EEA have confirmed that the proposed Tullett Prebon Alternative Investments (TPAI) share sale has been delayed, but haven't yet announced a new date. [Click Here](#) for a copy of our updated Bulletin on the proposed sale. This includes an Appendix with contact information for three IFAs who have offered to "adopt" any stranded investors so that they can register with TPAI. Under the current timetable, you should have registered your interest with TPAI (via your platform if applicable) before 18th September 2015, but there will now be a later deadline (to be announced).

EEA have confirmed that any Continuing shareholder / investor who can find a private buyer will be able to sell / transfer their shares, and we will ask TPAI (and their buyers) to consider extending their sale offer to include Continuing shareholders. EEA have also confirmed that the buyers of any Run-off shares under the TPAI initiative will not have any "conversion rights" or special prerogatives in relation to acquiring Continuing shares. They will be able to separately purchase additional Continuing shares in due course on the same basis as any other investor.

The UK Financial Services Compensation Scheme (FSCS) has now confirmed to several members that any decision to sell or not sell their shares in the TPAI sale will not affect the adjudication or settlement of their claim. Any compensation will be calculated on the basis of the actual losses incurred once they have been crystallised, whether by sale or by holding to future conclusion of the Run-off process. Investors who are negotiating (or have negotiated) a claim settlement with their IFA (with or without UK Financial Ombudsman Service help) might need to take the proposed share sale into account as part of their settlement negotiations and agreements.

EEA expects that the "Available Cash" for release to Run-off shareholders during November 2015 will be \$85-90m. This represents a 25% payment based on current (August) valuations (15-20% of original investment for typical shareholders). The payments will be paid to Run-off shareholders before any sale or transfer of the shares under the proposed TPAI sale.

➤ **Continuing Shares**

The deadline for requesting redemptions for the 2015 redemption day has now passed. EEA expects that the policy sale mentioned above will significantly boost the cash available to meet redemption requests for December 2015 from around \$8m (3% of current NAV) to \$60-65m (25% of current NAV) to be paid during February 2016. Actual payments will depend on how many share redemptions have been requested within each Continuing Cell, and whether EEA will impose a lower limit per Cell (e.g. 10% as allowed in the Scheme Particulars) so as to release cash for re-investment in the New Irish Fund or elsewhere.

Any change by TPAI to include Continuing shares as part of their secondary share sale might also affect the position and prospects of Continuing shareholders who have requested redemptions for December.

Continuing shareholders who did not request redemptions for December must now wait for the March 2016 (or subsequent) redemption days, and will be behind the December requestors in the queue for payments going forward, subject to the cash available and NAVs on the future date(s). We will provide further information and updates in due course.

➤ **2015 EEA Performance (January - August)**

One more policy has been reported as maturing in August for \$288k. No maturities have yet been reported for September.

| Description | Policies | Lives | Gross NDB | |
|--------------------------------------|-------------|-------------|-----------------|---|
| <i>Historic Average Jan-Mar</i> | 22.7 | 17.8 | \$30.00m | |
| <i>April-June</i> | 20.5 | 15.8 | \$30.80m | |
| <i>July</i> | 5.2 | 4.0 | \$10.20m | |
| <i>August</i> | 6.3 | 5.3 | \$14.80m | |
| <i>Total Jan - Aug</i> | 54.7 | 42.9 | \$85.80m | |
| 2015 Actual Jan - Mar | 13 | 11 | \$ 11.33m | EEA F'cast=\$80m. Maple Life F'cast=\$46m |
| April - June | 9 | 9 | \$16.15m | Maple Life F'cast = \$33.3m |
| July | 2 | 2 | \$4.26m | Maple Life F'cast July- Dec 2015 = \$68m |
| August | 6 | 5 | \$25.39m | |
| <i>Sub-total Jan – August</i> | 30 | 27 | \$57.14m | Maple Life F'cast Jan- Dec 2015 = \$147m |
| <i>Late Posts from 2014</i> | 4 | 2 | \$7.75m | |
| <i>Termination of Cover</i> | 1 | 1 | \$(0.50m) | |
| Totals 2015 to Date | 35 | 30 | \$64.39m | |

| | | |
|--|------------------|----------------------------------|
| Cash b/f from 31st Dec 2014 | \$134.07m | |
| Premium Payments, Expenses & Other | \$(58.73)m | |
| Continuing share redemptions (Feb) | \$(4.09)m | |
| Gross Income (NDB) from Maturities | \$63.89m | |
| Adjustments and Other Items (Feb) | \$6.50m | |
| Estimated Cash Balance at 31st August 2015 | \$141.64m | Previously Estimated at £140.45m |

The NAV of a typical USD Cell has **grown** by **\$8.45** over the 8½ years since inception (**0.84%** per annum). The NAV of a typical GBP Cells has **lost** **£4.87** since inception (**-0.66%** per annum)

➤ **Financial Summaries**

We have updated our [WP5 - Financial Summaries](#) to include the information from the EEA [2014 Annual Report and Financial Statements](#).

- Shareholder Funds** - There has been \$1,513m of inward investment and \$734m of redemptions over the 8 ½ year period, leaving a net investment of \$793m. All the redemptions have effectively been capital (only) with negligible (\$516k) return of growth. In addition there have been \$22.6m of distributions in the relevant cells.
- Life Policies (at December 2014)**
 - 926 policies have been purchased on 729 insured lives with a total face value (NDB) of \$1866m. Total purchase costs and premiums to Dec 2014 was \$1079m.
 - 9 policies have been disposed of or terminated cover with no maturity benefit, for a total loss of \$9m in face value (NDB)
 - 500 policies (408 lives) have matured to December 2014 for a total face value of \$732m

417 policies (327 lives) remained at December 2014 with a total remaining face value of \$1125m

3. **Maturities** - The total net income from maturities since inception to December 2014 was \$264m
4. **Expenses - Total** expenses over the 8 ½ years amounted to \$208m (equivalent to 79% of net maturities value), of which \$71m were valuation based Management and Administration charges and \$71m were valuation based Performance Fees to EEA and ViaSource.
“Other Expenses” (non-valuation based) amounted to \$49m over the period. \$28m of this \$49m was paid through the Directors or their associated companies.
5. **Assets** - At Dec 2014 the Net assets attributable to shareholders was \$617m, of which \$122m is cash, \$24m is other net receivables and \$471m is the Fair Value of the remaining 417 policies.

In theory, \$843m is the total available to repay shareholders during the runoff, but EEA will also have to deduct 5-10 years (or more) of expenses and charges (say \$100m) and write-off a residual amount of “tail” policies (say \$50m of Fair Value). This reduces the future amount available to shareholders to almost. \$700m.

The outstanding share capital at Dec 2014 was \$790m.

A potential “return” of 8% pa would have added another \$471m to shareholder value at Dec 2014 and a further \$625m to Dec 2020.

- **Click on Link ---> [Guardian SIPP in talks with taxman over investor buyout of frozen funds](#)**

– Not directly related to EEA but might have future implications / benefits. We’ll keep monitoring.

Kind Regards
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