

➤ **Tullett Prebon Secondary Share Sale**

- a) **TPAI Process** : The earlier [bulletin](#) from TPAI describing the resumed process and instructions for participation anticipated that the “strike prices” would be announced on 5<sup>th</sup> April with a deadline of 22<sup>nd</sup> April 2016 for confirming your wish to sell your Run-off shares at the offered price.

On 31<sup>st</sup> March 2016, TPAI sent an email to registered participants stating that

*“...Due to the complex nature of this asset class, prospective bidders have requested additional time to complete their due diligence on the run-off share class. We will update those who have registered for the process over the next few weeks with an amended timeline for the strike price announcement...”*

No further information has yet been received. I have written to TPAI asking to personally verify that the contents of the TPAI “Data Room” only contains information already available to shareholders (as claimed by EEA). I have also asked for undertakings that the bidders will not be meeting with (or obtaining additional information from ) EEA or its agents that would be unfair to the sellers.

**If you have any questions then please email [eea-process@tullettprebon.com](mailto:eea-process@tullettprebon.com) (with a copy to me [admin@EEAInvestors.com](mailto:admin@EEAInvestors.com) if possible).**

Once TPAI have issued their strike prices then I will release a bulletin containing my estimate of how much future cash you might receive from EEA if you hold on to your shares, rather than sell them through TPAI, although this might also be adversely affected by future unpredictable changes and actions by EEA.

- b) **Meteor Process** : While addressing questions from members I became aware that Meteor are following a slightly different process. Their procedure required Meteor clients to commit by 19<sup>th</sup> April to sell some or all of their shares at or above a stated price. Meteor will then compare this with the TPAI strike price, when available, and proceed accordingly with no further reference back to the seller. Meteor clients need to clearly understand the subtle differences and implications of this process and check the [Meteor website](#) for updates to take account of the TPAI delays and other changes.

**If you have any questions then please email [info@meteoram.com](mailto:info@meteoram.com) (with a copy to me [admin@EEAInvestors.com](mailto:admin@EEAInvestors.com) if possible).**

- c) **Charles Stanley and Walker Crips** : TPAI said that they had made arrangements for investors without platforms or other intermediaries to sell their shares through an execution only account with either of the above UK stockbrokers. There is no need for prior registration and TPAI will provide the necessary details at the same time that they publish the strike prices (although it's not clear how they will make this information available, in the absence of prior registration – possibly EEA will distribute a notice to all Run-off shareholders).

**d) Private Buyers :** Some private buyers have contacted me to say that they have not been accepted by TPAI but are interested in buying EEA Run-off shares, possibly at a premium to the TPAI strike price. They will let me have their dealing details / instructions in due course and I will include the information in my bulletin once TPAI have published their strike prices. If you might be interested in this facility then please send me an email at [admin@EEAInvestors.com](mailto:admin@EEAInvestors.com) and I will ensure that you receive the information and pass your contact details on to the buyers concerned. Similarly, if you want to be considered as a private buyer then let me know and I'll try to help, if possible.

Note : Private buyers might also be interested or able to purchase Continuing shares as well as Run-off shares. Please let me know if still own Continuing shares and are interested in offering them for sale to a private buyer.

➤ **Continuing Share Redemptions**

**Background :** If you already registered to redeem 100% of your Continuing shares for the December 2015, March or June 2016 Redemption Days then you **don't** have to make any further requests.

If you wish to submit a new (or additional) request for the 30<sup>th</sup> September 2016 Redemption Day then this must be received by EEA in Guernsey by **5:00pm on Friday 24<sup>th</sup> June 2016** (at least 95 days before the 30<sup>th</sup> September Redemption Day). In my opinion, every Continuing shareholder / investor should be requesting 100% redemptions – if you disagree or don't understand this opinion, or would like more information then please phone me or send me an email. Direct EEA shareholders should [Click Here](#) to download the Continuing Shares Redemption Request Form from the EEA website. If you are invested through a platform, nominee, trust or pension plan then you need to contact them to submit the request in time and get confirmation that the request has been acknowledged by Saffery Champness on behalf of EEA.

**December 2014 Redemption Requests :** Continuing shareholders had an option to request redemption of up to 5% of their shares in December 2014 (eventually paid in February 2015). If you submitted a request but didn't receive the redemption payment then you need to urgently investigate why not.

**December 2015 Redemption Requests :** The 23-month Continuing share lock-up period ended on 30<sup>th</sup> November 2015, since when Continuing shareholders have the right to request up to 100% redemption for any quarterly Redemption Day. The first such Redemption Day was 31<sup>st</sup> December 2015 and substantial payments were made during January 2016.

Requests for December 2015 amounted to more than \$105m (846k shares), of which almost \$89m (85% or 719k shares) was redeemed from the total available cash at the time. The unpaid December requests (127k shares) were automatically carried over to March and amounted to \$17.5m at the 31 March 2016 NAVs. Of this, EEA have now **announced** that they will, pay \$8.3m. Contract notes and payments will be sent out to the shareholders concerned during April, as shown in the yellow columns below. If you received Continuing share redemption payments during January then you will shortly

also receive payment for the indicated percentage of your remaining shares at the 31<sup>st</sup> March NAV shown.

December 2015 Requests		Orig Req	Redeemed	c/f to Mar	Redeemed April 2016			c/f to June	
Cell Name	Currency	Shares	Jan 2016	Shares	%	NAV	Amount	Shares	% Orig
USD Fund Class X	USD	89.4k	96%	3.5k	100.0%	\$110.95	\$0.39 m		
USD Fund Dist	USD	10.2k	100%						
USD Fund Acc	USD	14.4k	77%	3.4k	29.1%	\$83.69	\$0.08 m	2.4k	16.6%
Swedish Krona Class X	SEK	83.3k	100%						
Euro Fund Class X	EUR	69.7k	90%	6.9k	94.5%	€ 115.17	\$0.82 m	0.4k	0.5%
Euro Fund Dist	EUR	1.4k	100%						
Euro Fund Acc	EUR	11.8k	45%	6.6k	8.2%	€ 81.63	\$0.05 m	6.0k	50.8%
Sterling Fund Class X	GBP	201.0k	88%	24.3k	72.5%	£101.15	\$2.48 m	6.7k	3.3%
Sterling Fund Dist	GBP	55.2k	78%	11.9k	37.2%	£75.72	\$0.47 m	7.5k	13.6%
Sterling Fund Acc	GBP	235.9k	79%	48.7k	40.7%	£113.70	\$3.14 m	28.9k	12.2%
Meteor SLS Sterling Fund	GBP	37.6k	72%	10.5k	26.5%	£104.55	\$0.40 m	7.7k	20.5%
Meteor SLS Sterling Fund II	GBP	35.9k	68%	11.4k	22.3%	£93.66	\$0.33 m	8.9k	24.7%
Way LS Fund	GBP	0.2k	100%						
<b>Total Continuing Cells</b>		<b>846.0k</b>	<b>84.97%</b>	<b>127.1k</b>	<b>46.21%</b>		<b>\$8.26 m</b>	<b>68.4k</b>	<b>8.1%</b>

The rest (68.4k shares) of the (unpaid) December requests will be automatically carried over to the 30<sup>th</sup> June Redemption Day, with priority over subsequent (new) requests received for March and June.

**March 2016 Redemption Requests** : New requests were received to redeem an estimated 94k additional Continuing shares for the March 2016 Redemption Day, across eleven of the twelve Cells. Because of the priority given to the requests brought forward from December, it was only possible for EEA to meet redemption requests (in part) for three of the Cells and in full for one of the Cells. The remaining 83.7k shares will be automatically carried over to the 30 June Redemption Day, where they will still be lower in priority than the ongoing redemptions carried over from the December requests, but higher in priority than any new requests received for June.

Contract notes and payments will be sent out to the shareholders concerned during April, as shown in the yellow columns below.

March 2016 Requests		Orig Req	Redeemed April 2016			c/f to June	
Cell Name	Currency	Shares	%	NAV	Amount	Shares	% Orig
USD Fund Class X	USD	11.2k	46.0%	\$110.95	\$0.57 m	6.1k	54%
USD Fund Dist	USD	8.6k	18.9%	\$70.32	\$0.11 m	7.0k	81%
USD Fund Acc	USD	0.1k				0.1k	100%
Swedish Krona Class X	SEK	0.0k					
Euro Fund Class X	EUR	12.9k				12.9k	100%
Euro Fund Dist	EUR	8.3k	40.4%	€ 78.77	\$0.29 m	4.9k	60%
Euro Fund Acc	EUR	1.4k				1.4k	100%
Sterling Fund Class X	GBP	18.1k				18.1k	100%
Sterling Fund Dist	GBP	9.1k				9.1k	100%
Sterling Fund Acc	GBP	21.3k				21.3k	100%
Meteor SLS Sterling Fund	GBP	1.0k				1.0k	100%
Meteor SLS Sterling Fund II	GBP	1.7k				1.7k	100%
Way LS Fund	GBP	0.2k	100.0%	£89.47	\$0.02 m		
<b>Total Continuing Cells</b>		<b>94.0k</b>	<b>11.0%</b>		<b>\$1.10 m</b>	<b>83.7k</b>	<b>89%</b>

➤ **Run-off Share Redemptions**

**December 2015** : EEA made redemption payments totalling \$102m during January 2016 based on the Fund position and NAVs at 29 November 2015. I initially estimated that they had underpaid more than \$30m but EEA were able to kindly point out that my assumptions about how they allocated the \$94m of premium reserve cash were incorrect. I have now modified my assumptions and estimates accordingly, and they align more accurately with EEA's (undocumented) methods and agree with their November calculations.

This also means that the originally proposed further review for 31 December 2015 was superfluous, and the next scheduled review is for 30 June 2016, although EEA have the discretion to hold (or not hold) a review at any time.

**March - June 2016** : I also asked EEA to consider an additional redemption in March or April so that cash accrued to date would be paid to the current shareholders, rather than the new owners following the proposed secondary share sale through Tullett Prebon (TPAI). EEA have rejected this request. As at 31 March, the "Available Cash" across all Run-off Cells is \$23m (9% of current NAVs) and this should increase slightly month-by-month depending on the net cash receipts from maturing policies. Investors who sell their shares through TPAI in May or June will forfeit this potential redemption payment and should bear it in mind when deciding whether to accept the TPAI offer.

The Scheme Particulars allow for automatic Run-off redemption payments provided that the amount of Available Cash across all Run-off Cells on any particular Redemption Day exceeds \$20m (or less at the discretion of the Board). The \$23m mentioned above suggests that there should be sufficient Available Cash for a redemption payment in May or June 2016, unless EEA adversely changes their premium reserve assumptions or expenses exceed maturities for the next 2-3 months.

➤ **Premium Reserve**

Since the 2013 restructuring, EEA was obliged to maintain a cash reserve sufficient to cover two-year's worth of premium payments before calculating the "Available Cash" for redemption payments. For the 2015 AGM last August EEA proposed, and heavily promoted, a resolution to give them the flexibility to reduce this reserve to as low as one year, or to increase it to more than two years if they considered it prudent to do so. They have stated that they are currently sticking with the two-year reserve, but for some reason they have now changed the method for calculating it.

Previously, EEA used the two-year premium payments estimated by their projection of likely maturities based on life expectancy (LE) estimates etc, and the figure had fallen from \$150m in 2013 to around \$130m in September 2015, then to an estimated \$60m after the policy sale at that time. Since the policy sale, EEA have adopted a new method of calculation based on a "conservative" assumption that there are no further maturities during the two year reserve period. This has increased the reserve figure to \$94m in September 2015, dropping to \$90m in March 2016, according to EEA.

This has effectively increased the premium reserve to the equivalent of more than three years under the previous method, while reducing the amount of Available Cash for redemptions by more than \$30m in November / December 2015 and March 2016.

Although “legal”, we believe that this new EEA method is unnecessarily pessimistic and is holding back \$30m of cash which could and should have been used to boost redemption payments to investors. Our other concern is that if the reserve is reduced in the future then cash accrued now will have effectively been deferred to the benefit of the new owners from the TPAI secondary share sale, to the detriment of the sellers.

➤ **2015 Policy Sale**

EEA have now published the list of 188 policies sold following last September's [announcement](#).

The “Fair Value” of the 188 policies had risen from \$106m (24% of Face Value) at 31 December 2014 to \$116m (26% of Face Value) at the time of the sale in September 2015. The average age of the 147 insureds was 86.65 years and the weighted average remaining LE was 60.82 months (just over five years). These fair values seem to be higher than would normally be expected for policies of this insured age and LE, but on the other hand the unnamed private buyer was happy to pay \$130m ( a 12% premium ) to buy the policies. This raises questions about the credibility of the Maple Life valuations for the remaining policies in the portfolio – are they also too high or too low (see below) ?

I have now been able to finalise my calculations about the consequences of the policy sale for the various classes of EEA Investor. My conclusion is that the sale has created a \$190m loss of future cash for the 84% of Run-off shares and non-redeeming Continuing shares, equivalent to almost \$47 (38%) per share. The remaining 16% of currently redeeming Continuing shares gained \$0.79 (0.6%) per share from the policy sale. Put another way, the long-term future NAV for the 84% of remaining shares has been reduced from \$634m within 5-10 years to \$382m within 3-5 years.

I do not accept EEA's assertion that the policy sale was carried out under the supposed “flexibility of portfolio management” and believe that it was in fact in breach of the Scheme Particulars and Guernsey Company Law. EEA disagree but had also previously confirmed that under the current Scheme Particulars they ‘aren't allowed to sell policies for the purpose of raising cash to increase or accelerate redemption payments to shareholders (which is what they have effectively done and what the cash raised has actually been used for).

➤ **EEA Litigation Group (EEALIT)**

We have extended the subscription deadlines for those of you who previously registered to receive more information about EEALIT. Please re-Register (and download a revised Q&A Bulletin) at [www.EEALIT.com](http://www.EEALIT.com) or send an email to [registration@EEALIT.com](mailto:registration@EEALIT.com) . If you want to join but have specific questions or concerns then please contact EEALIT at [admin@EEALIT.com](mailto:admin@EEALIT.com)

### ➤ Maple Life Valuations

Prior to December 2014 the “Fair Value” of the EEA portfolio was running at 58 - 62% of Face Value with an average insured age of around 86 years and a weighted average remaining LE of 39 – 42 months (3.3 years).

In December 2014 Maple Life restated the Fair Value at 42% of Face Value with an average LE of 49 months (just over 4 years). We complained to EEA and the auditor that even 42% was too high when compared with published industry statistics on policy sales in the US tertiary markets, and the ongoing failure of EEA policies to mature in line with the Maple Life LE estimates and projections.

Throughout 2015 the Fair Value continued to run “high” at 43 – 44% of Face Values and maturities continued to fall short of the rates expected by the published average LEs.

Since the policy sale in September 2015 the Fair Value of the remaining portfolio has been running at 50 – 51% of Face Value with an average insured age of almost 90 years, and a weighted average remaining LE around 25 – 27 months (just over two years). In my view the current Fair Value should be nearer to 35% of Face Value for these ages and average LEs, suggesting that the current NAVs are still significantly over-stated. This is corroborated by the ongoing failure of policies to mature at the rate implied by the published LEs, even though they are higher Face Value policies remaining since the policy sale.

### ➤ Fund Facts

The following table summarises the performance of the EEA Fund since inception, showing the capital losses incurred by the current investors to March 2016, depending on when they originally invested and in which currency. The table also shows the loss of returns against the 8% pa minimum NAV growth “expected” in the Fund’s prospectus and promotional materials over the years, and claimed by the monthly valuations prior to June 2013.

		USD A/X Cell - \$1000 Invested in June					EUR A/X Cell - €1000 Invested in June					
		2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	
	31-Mar-16 NAV	\$110.95	\$1,004	\$920	\$837	\$744	\$685	€ 1,099	€ 1,000	€ 920	€ 815	€ 754
Current Value		99%	90%	82%	73%	67%	Current / Original	114%	104%	96%	85%	78%
	8% pa	\$1,961	\$1,816	\$1,681	\$1,557	\$1,442	€ 1,924	€ 1,781	€ 1,649	€ 1,527	€ 1,414	
Projected Value		50%	50%	49%	47%	47%	Current / Projected	59%	58%	58%	56%	55%
		GBP C/Acc Cell - £1000 Invested in June					SEK X Cell - 1000 kr Invested in June					
		2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	
	31-Mar-16 NAV	£113.70	£1,029	£943	£857	£762	£702	\$82.76	-	-	-	548 kr
Current Value		98%	90%	82%	73%	67%	Current / Original	-	-	-	-	57%
	8% pa	£1,961	£1,816	£1,681	£1,557	£1,442	-	-	-	-	1,414 kr	
Projected Value		50%	50%	49%	47%	46%	Current / Projected	-	-	-	-	40%

There are lots of other “Fund Facts” and statistics available from our website [here](#)

### ➤ EEA Key Questions Bulletin (9<sup>th</sup> Edition 20 April 2016)

EEA have updated their Key Questions Bulletin.

[Click Here](#) for the EEA Original version and

[Click Here](#) for our annotated version.

➤ **2016 Fund Performance**

The latest Maturity Schedule published by EEA was dated 29<sup>th</sup> March 2016, with the last maturity noted as 9<sup>th</sup> March 2016. The historic averages shown below are based on the larger (pre-sale) portfolio results from January 2009 to December 2015. The 2015 policy sale will eventually cause a reduction in these longer term averages.

EEA has not published any maturity projections for the portfolio since the 2015 policy sale and have stated that they are under no obligation or duty to provide forecasts or forward looking guidance about the performance of the portfolio or Fund.

Description	Policies	Lives	Gross NDB
<i>Historic Average Jan</i>	7.5	6.7	\$7.0m
<i>Feb</i>	8.0	5.0	\$7.2m
<i>Mar</i>	7.2	6.2	\$15.7m
<i>April</i>	5.9	5.1	\$11.1m
<b>Total Jan - Apr</b>	<b>28.6</b>	<b>23.0</b>	<b>\$41.0m</b>
2016 Actual Jan	4	3	\$ 11.3m
Feb	4	1	\$12.1m
Mar	3	3	\$6.9m
April	TBD	TBD	TBD
<b>Totals 2016 to Date</b>	<b>11</b>	<b>7</b>	<b>\$30.3m</b>

<b>Cash b/f from 31<sup>st</sup> Dec 2015</b>	<b>\$196.6m</b>
Estimated Premium Payments & Expenses	\$(10.0)m
Continuing share redemptions (Jan)	\$(88.6)m
Gross Income (NDB) from Maturities	\$30.3m
Adjustments and Other Items	\$1.4m
<b>Balance at 31 March 2016</b>	<b>\$129.7m</b>

Note that I'm still not an expert or an auditor or a lawyer or a (regulated) financial advisor and I don't provide financial or legal advice – just information and personal opinions. I often disagree with EEA (and they disagree with me) and EEA state that investors should only rely on information provided by themselves or a regulated professional advisor – if you have one.

Don't hesitate to contact me if you have any questions or need further information or clarification on any EEA related matter.

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