

1) Redemptions Payments – Run-off Shares

EEA announced on 2 August 2016 that it will be distributing approximately **\$18.3m** to Run-Off Shareholders (an average 7.9% of the June NAV for all Run-off cells). EEA will redeem the appropriate portion of each holder's Run-Off Shares and intends to make payments to your designated bank account or nominee / platform by the end of August 2016, subject to receipt of all requested original paperwork.

Run-off Cell	ISIN Code	Curr	NAV per Share			30-Jun-16	Redemption
			31-Mar-16	29-Apr-16	31-May-16		
USD X	GG00BMNR0G75	USD	\$110.04	\$105.64	\$104.12	\$103.16	8.98%
USD Fund Dist	GG00BMNR0N43	USD	\$69.81	\$67.04	\$66.11	\$65.52	9.02%
USD Fund Acc	GG00BMNR0S97	USD	\$82.96	\$79.68	\$78.57	\$77.87	9.19%
USD Fund Class I	GG00BMNR0H82	USD	\$88.82	\$85.32	\$84.15	\$83.40	8.63%
Swedish Krona Class X	GGO0BMNR0L29	SEK	82.76 kr	78.61 kr	80.06 kr	80.17 kr	8.29%
Euro X	GG00BMNR0J07	EUR	€ 113.87	€ 108.74	€ 109.88	€ 109.01	8.76%
Euro Fund Dist	GG00BMNR0P66	EUR	€ 77.70	€ 74.21	€ 75.01	€ 74.44	8.89%
Euro Fund Acc	GG00BMNR0R80	EUR	€ 80.31	€ 76.71	€ 77.53	€ 76.94	9.18%
Euro Y	GGO0BMNR0F68	EUR	€ 75.35	€ 71.94	€ 72.66	€ 72.06	8.95%
GBP X	GG00BMNR0K12	GBP	£100.98	£95.47	£94.73	£100.96	7.68%
GBP Dist	GG00BMNR0M36	GBP	£75.69	£71.58	£71.04	£75.73	7.69%
GBP Acc	GG00BMNR0Q73	GBP	£113.65	£107.48	£106.67	£113.71	7.70%
Meteor SLS	GG00BMNR0T05	GBP	£104.58	£98.90	£98.16	£104.63	7.76%
Meteor SLS Fund II	GG00BMNR0V27	GBP	£93.67	£88.57	£87.90	£93.69	7.75%
Way LS Fund	GGO0BMNR0W34	GBP	£91.10	£86.14	£85.46	£91.04	7.99%

The next review of the Available Cash position for the Run-Off Cells is scheduled for 31 December 2016, with an update expected to be given towards the end of January 2017. The Available Cash position of each Run-Off Cell will now be published in the monthly Fact Sheets available at www.eeafmg.gq.

2) Redemptions Payments – Continuing Shares

There will be **NO** Continuing Share redemption payments for the 30th June Redemption Day because not enough cash has been generated from policy maturities since the last payment was made in April for the March 2016 Redemption Day. Outstanding requests from December (\$9m) and March (\$10m), plus the new requests for June (\$12m) will be automatically carried forward in priority order to the 3rd October Redemption Day, and might be further postponed depending on the Available Cash at that time. The following table summarises the outstanding requests to be carried forward based on the June 2016 NAVs and FX rates. The positions in October 2016 will be based on the NAVs and FX rates at that time.

Continuing Cell	ISIN Code	Request Value (USD) at 30 June 2016				
		Dec b/f	Mar b/f	Jun Req	Tot c/f	% of NAV
USD Fund Class X	GBOOBOMT9309	\$0k	\$636k	\$1,269k	\$1,905k	12.4%
USD Fund Dist	GGO0B2NW9S76	\$0k	\$461k	\$83k	\$543k	44.9%
USD Fund Acc	GG00B4TH5937	\$187k	\$6k	\$270k	\$464k	34.9%
Swedish Krona Class X	GG00B5ZV4552	\$0k	\$0k	\$0k	\$0k	0.0%
Euro Fund Class X	GBOOBOMT9184	\$47k	\$1,587k	\$1,414k	\$3,048k	22.1%
Euro Fund Dist	GGO0B1J ROT74	\$0k	\$414k	\$9k	\$423k	67.8%
Euro Fund Acc	GGO0B5L4FL18	\$525k	\$127k	\$38k	\$689k	85.7%
Sterling Fund Class X	GGO0B2NBJC85	\$897k	\$2,523k	\$2,333k	\$5,753k	13.8%
Sterling Fund Dist	GBOOBOMT2Q49	\$764k	\$927k	\$626k	\$2,317k	29.6%
Sterling Fund Acc	GGO0B1P8D518	\$4,397k	\$3,296k	\$5,059k	\$12,753k	25.3%
Meteor SLS Sterling Fund	GGO0B2PQD184	\$1,085k	\$146k	\$280k	\$1,511k	22.8%
Meteor SLS Sterling Fund II	GGO0B3DHPP87	\$1,119k	\$210k	\$239k	\$1,569k	28.6%
Way LS Fund	GGO0B3KNO211	\$0k	\$0k	\$0k	\$0k	0.0%
		\$9,022k	\$10,333k	\$11,620k	\$30,975k	21.1%

4)
3) **Redemption Requests : Continuing Shares - Change of Dates**

Continuing Shares have been redeemable on the last working day of each calendar quarter (March, June, September, December), subject to at least 95 days' written notice of any redemption request. EEA has now 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 (i.e. April, July, October, January). 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 cut-off date for requests for the 3 October Redemption Day (30th June 2016) has already passed. The timings for the next two Redemption Days are as follows:

- Redemption Day 3 January 2017 — deadline for receipt of redemption requests 5.00pm (Guernsey time), **30 September 2016**
- Redemption Day 3 April 2017 — deadline for receipt of redemption requests 5.00pm (Guernsey time), **29 December 2016**.

Note that redemption requests for shares held via intermediaries / nominees / platforms must be made via the intermediary concerned, and in advance of these dates. A Redemption Request Form for Direct EEA Continuing shareholders is available at <http://www.eeafmg.gg/wp-content/uploads/Redemption-Request-Form.pdf>

4) **Secondary Share Sale**

Southey Capital are still buying EEA Run-off shares at up to 35% of the June NAV per share (depending on Cell – and also assuming that the buyer receives the benefit of the proposed 8% August Redemption payment). They are also buying Continuing shares at up to 55% of the June NAV (depending on Cell and redemption request status).
Contact rs@southeycapital.com Tel : +44 203 745 7940

Tullett Prebon Alternative Investments (TPAI) – are believed to still be willing to buy Run-off shares at around 33% of the April NAV per share, but have not responded to my request for an update. People who sold shares through TPAI in May have been complaining about not receiving their documentation or money yet and are being told that it is being caused by delays within EEA. For more information or quotes, ask your intermediary to contact TPAI by email to eea-process@tullettprebon.com . If you are a Direct (retail) EEA shareholder then you will need to engage an intermediary such as Nick Green at Charles Stanley (Norwich). You will need to open an execution only account with Charles Stanley and fees might be payable.

Contact Nick.Green@charles-stanley.co.uk Tel : +44 1473 297700

Ravenscroft (Guernsey) – are no longer offering to buy EEA shares.

5) FSCS Claims

If you have received an interim or final settlement from the UK Financial Services Compensation Scheme (FSCS) and wish to sell your remaining shares through Southey or TPAI then please contact me for information on whether / how to update your claim and how to ensure that you are not penalised for selling your shares at a discount. Similarly if you have settled a claim with an IFA and have agreed to reimburse them from any proceeds for the remaining shares (but **not** if you have already transferred the shares to them or their insurer).

6) US Persons

"US Persons" are not allowed to buy or hold EEA shares, and some members who have moved to the US after buying their EEA shares are now receiving letters from EEA saying that they must transfer the shares to a non-US person or entity immediately. If this affects you then please contact me for further information.

7) 2015 EEA Annual Report and Financial Statements (See Appendix)**8) Profitability**

The 45 policies (37 lives) that matured during 2015 generated \$100m in Net Death Benefits against accrued costs (purchases plus premiums since purchase) of \$75m - a gross profit of \$25m (25%) ignoring taxation debits and credits. The total maturities since inception in 2006 to December 2015 amount to 550 policies with a total NDB of \$848m and accrued costs of \$559m for a gross profit of **\$290m** (34%) over the ten years (again excluding taxation items).

Meanwhile The Fund has spent **\$220m** on expenses over the period (\$197m to entities connected with the Directors) plus **\$286m** of net redemption payments. The Fund has also spent a further **\$580m** on purchase and premium costs for the 376 policies that haven't (yet) matured or were terminated without cover. **\$211m** of this \$580m was spent on the 187 policies that were sold for **\$130m** in September 2015. The Fund has never been "profitable" and was relying on the cash from investors to keep the ball rolling prior to the Fund's suspension in November 2011.

The Fund has never earned enough cash from investments to fund the 8-12% NAV growth paid out to redeeming shareholders prior to November 2011 and was probably never capable of doing so. The losses have ended up in the devaluation and reduction in capital for the shareholders trapped in the Fund since the suspension in 2011, not to mention the loss of expected medium to long term capital growth of at least 8% per annum

9) 2015 Policy Sale

I previously projected that the sale of 187 policies in September 2015 had created a \$190m future cash loss for the Run-off and non-redeeming Continuing shareholders. EEA claimed that the sale at \$130m was \$13m (11%) above the Fair /value of the policies at the time and that no loss had therefore been incurred. I continue to disagree.

Now we learn that the historic cost of the 187 policies (purchase prices plus premiums paid to September 2015) was \$211m – a cash loss of \$81m minus tax relief of approx

\$28m on past year and future gains). If the policies had been held to maturity the net profitability (based on the valuations at the time) would have been \$437m - \$211m - \$110m = \$116m (27%), a low (but viable) net return.

10) 2016 EEA Fund Performance

According to the latest published Maturity Schedule (dated 27th June 2016) there has only been one policy maturity so far (\$500k) since 29th April 2016. In his [2Q16 Portfolio Update](#) the Fund Manager has said that in addition to the maturities, two policies have been lapsed (combined NDB = \$1.9m) and one more policy (NDB \$1.5m) expired because of the age of the underlying insured. Maple Life have estimated that the premium payments for 2H16 will be \$17.8m and for 2017 will be \$34.8m

Description	Policies	Lives	Gross NDB
<i>Historic Average</i>			
Jan	7.5	6.7	\$7.0m
Feb	8.0	5.0	\$7.2m
Mar	7.2	6.2	\$15.7m
April	5.9	5.1	\$11.1m
May	6.7	5.3	\$9.6m
June	6.4	4.6	\$10.8m
July	4.7	3.7	\$9.4m
Total Jan - July	45.0	35.6	\$68.2m
2016 Actual			
Jan	4	3	\$11.3m
Feb	4	1	\$12.1m
Mar	3	3	\$6.9m
April	8	3	\$3.6m
May	0	0	0
June	1	1	\$0.5m
July	0	0	0
Totals to 31st July	20	11	\$34.5m

Cash b/f from 31st Dec 2015	\$196.6m
Estimated Premium Payments & Expenses	\$(25.0)m
Continuing share redemptions (Jan)	\$(88.6)m
Continuing share redemptions (Mar)	\$(9.4)m
Gross Income (NDB) from Maturities	\$34.5m
Adjustments and Other Items	\$1.0m
Cash Balance at 30 June 2016	\$109.13m
Estimated Cash Balance at 31 July 2016	\$105m

DISCLAIMER : 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.

David Trinkwon

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Coordinator – EEA Investors' Group

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APPENDIX

2015 EEA ANNUAL REPORT AND FINANCIAL STATEMENTS

EEA have published the [2015 Annual Report and Financial Statements](#).

Page 1 : Directors – Alison Simpson resigned on 16th November 2015 but IAG didn't resign as Administrator until 31 January 2016.

Page 2 : Investment Advisors Report (ViaSource) –

"...The purchasing criteria [were] designed to provide a pool of policies...that [were] accurately underwritten for life expectancy [at the time of purchase]"

"...The 550 policies (\$831m) that have matured since inception did so at 79% of their projected life expectancy. This excludes the policies that have so far not matured ... and is the reason for the [current] maturity experience of the Fund..."

Much water has passed under the EEA bridge since inception, some of it very muddy and murky, but 5-10 years later it seems that ViaSource is still pretending that everything was fine. The problems are all the fault of insureds who aren't dying as expected by "the experts" – not the fault of the "experts" who failed to properly monitor the performance of the portfolio prior to 2015 and take appropriate corrective actions (as confirmed by the resigning auditor in 2013). The experts have still been found wanting during 2015 (and 2016 to date) but are no longer benefitting quite so much from the flawed projections and valuations.

Page 4 : Directors' Report –

"...The Fund has sufficient cash to meet premium and other obligations for the foreseeable future ... and continues to adopt the "going concern" basis in preparing the consolidated financial statements..."

Note : This is based on the fact that Continuing shares are treated as "liabilities" controlled by redemption gatings and that Run-off shares are treated as "Equity" – not redeemable at the request of the shareholders. There might be consequences from these distinctions that weren't declared in the Restructuring documents or Scheme Particulars, especially with respect to any potential winding up of the Company.

The three "independent" Directors (Colton, Burnett, Jeffreys) now form an Audit Committee for which they are understood to receive an additional £30,000 each per year. The Committee meets at least twice a year and its main duties include monitoring the integrity of the annual audited financial statements of the Company, reviewing significant financial reporting issues and the judgements which they contain.

The Committee also reviews whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor, and reviews the clarity of disclosures in the Company's financial reports and the context in which statements are made.

The Committee considers the auditor's independence, including the extent of any provision of non-audit services, and their remuneration. The Committee also reviews the performance of the Manager, the Administrator, and the Company's other service providers to review the effectiveness of their internal controls and risk management systems. Such reviews include discussions with the external auditor without the Manager or service providers present.

Pages 5-7 : Auditor's Report (Grant Thornton) – No qualifications or modifications reported. I had previously sent the Auditor [a letter](#) describing our concerns but there is no indication that these have been addressed or taken into account. Auditor's Fees for 2015 amounted to \$200k (\$216k for 2014).

Page 41 : Estimated Maturity Profile – The estimated maturity profile of the fair value of the remaining policies at December 2015 differs significantly from the Maturity Value profile in the March 2016 Portfolio Statistics for December 2015. Some further explanation or rationalisation is required.

Year	2015 Annual Report (Fair Value)		Mar 2016 Portfolio Stats (Maturity Value - NDB)	
1Q16	\$17.6m	6.1%	\$81.9m	14.8%
2-4Q16	\$64.5m	22.2%		
2017	\$80.7m	27.8%	\$76.7m	13.8%
2018	\$110.4m	38.1%	\$66.4m	12.0%
2019			\$56.8m	10.2%
2020			\$49.2m	8.9%
2020+	\$16.8m	5.8%	\$223.2m	40.3%
Total	\$289.9m	100%	\$554.2m	100%

Page 43 : Commitments – Future premium commitments at December 2015 are estimated to be **\$133m**. This compares with **\$282m** at December 2014 minus \$58m paid during 2015 minus \$110m estimated outstanding for the 187 policies sold in September 2015 = **\$114m** suggesting an **increase** in estimated future premiums of $(133-114) = \mathbf{\$19m}$ during 2015 due to the extended LE estimates. The Report notes that many insurers are increasing (or proposing to increase) future premium rates significantly. I first raised this matter with EEA by letter in July 2015.

Pages 44 – 52 : Schedules of Remaining, Matured and Sold Policies – I'll cross-check these against my own records and reconcile any anomalies that I find.