

➤ **Maturities**

No further maturities have been reported (yet) since 6th November 2016 and there are no immediate prospects for any further redemption payments. EEA haven't yet published the December 2016 Portfolio Statistics or Quarterly Commentary which would normally contain Maple Life's latest projections / forecasts for 2017 and beyond. My own analysis (see below) suggests that 2017 will see the "point of no return" where it would become more profitable (for investors) to liquidate the remaining portfolio rather than hold the policies to maturity (unlike the 2015 Policy Sale which would have been more profitable for investors to hold the policies to maturity rather than to sell them for \$130m to Leadenhall Capital).

➤ **Remaining Portfolio and Future Cash Amounts**

As reported in my previous update, there are currently 140 policies remaining on 107 lives with a total NDB (face value) of \$474m projected to mature over 5 – 10 years, with an average insured age of almost 91 years and a weighted average remaining life expectancy of 33.2 months (2.8 years) – **an increase of 8 months over the last year.**

Further analysis estimates that the non-discounted cash available for redemption payments over the 5-10 years will be **\$472m**, but after deducting expenses, a factor for "tail writeoff" and an allowance for lapsed or abandoned policies ¹ the net future cash available is estimated to be **\$343m**. This will fall if the future LE estimates and maturity performance continue to deteriorate, and/or future premiums escalate as a result of the ageing insureds or general "Cost of Insurance (COI)" increases now affecting the industry.

At December 2016 the "Fair Value" of the 140 remaining policies (plus accrued cash) was **\$310m** and this should increase by **\$25-30m** during 2017 as a result of paying further premiums. At some point during 2017 therefore the net sale value of the portfolio would exceed the likely future net cash value. A sale would also minimise the future risk of adverse currency movements of the GBP, EUR and/or SEK against the USD (or vice versa)

I would like to hear from all investors / members who would like me to finalise this analysis and make appropriate comments and representations to the EEA Board on your behalf with respect to confirming or modifying these estimates and liquidating the remaining portfolio at the appropriate fair value (or more) at a relevant time during 2017.

¹ The EEA Q&A Bulletin dated 25th January 2017 (Item 14) says that "...The Investment Adviser has estimated, as at 30 December 2016, that around 0.46% [**\$2.1m**] of the remaining net death benefit was represented by policies that would expire should they not mature within their LE estimate and that an additional 4.62% [**\$22m**] of the remaining net death benefit was represented by policies that would expire should they not mature within two-times their LE estimate."

➤ **Fund Facts**

I have updated my "Fund Facts" document to December 2016. [Click Here](#) to download a copy or visit the website www.EEAInvestors.com. Two conclusions stand out :

- i) The EEA Fund has never been "profitable". The **\$238m** of net income from maturities and other investments has mostly gone to pay **\$231m** of performance fees, management charges and other expenses (\$206m to companies connected with the Directors). The **\$1,026m** of redemption payments and dividends to investors has therefore been entirely paid for out of the **\$1,515m** of investor subscriptions, boosted by the fall in value of Sterling and the Euro v/v the dollar over the past year or so.

There has never been any true "return on capital" to investors, in spite of the "growth" figures published by EEA. All redemption payments and dividends have effectively come from "recycled" investor subscriptions. The "gains" paid out before December 2011 have been offset by the losses incurred (and to be incurred) by the remaining investors.

- ii) The September 2015 Policy Sale not only lost us an estimated \$320m of future cash in exchange for \$130m of immediate cash, but we had already spent \$211m on the policies concerned (purchase plus premium costs to Sept 2015) – an \$80m loss (less a 35% tax credit). If the policies had been held to maturity, we would not only have gained the "missing" \$190m, but the policies would have been \$100m in profit overall.

Investor Subscriptions 2006-2011		\$1,515m
Redemptions to December 2011	(\$720m)	
Dividends to December 2011	(\$23m)	
Redemptions 2012 - 2016	(\$283m)	
	----->	(\$1,026m)
Gross Income from Maturities / Investments 2006-2016		\$1,091m
Accrued Costs of Matured Investments 2006-2016		(\$854m)
Performance Fees (Valuation Based)	(\$71m)	
Mgmt & Admin Fees (Valuation Based)	(\$75m)	
Other "Connected" Fees	(\$30m)	
Other Expenses	(\$25m)	
	----->	(\$201m)
Other Purchase & Premium Costs (Remaining Policies)		(\$317m)
Adjustments & Misc		(\$108m)

Cash at Dec 2016		\$101m
Continuing Share Redemptions Jan 2017		(\$6.5m)
Future Maturities (NDB)		\$481m
Estimated Future Premiums	(\$97m)	
Estimated Lapsed / Abandoned Policies	(\$15m)	
Estimated 15% Tail Writeoff	(\$71m)	
Estimated Future Expenses (5 - 10 years)	(\$50m)	
	----->	(\$233m)

Estimated Net Future Cash		\$343m

➤ **Continuing Shares – Reinvestment**

EEA have updated the Offering Memorandum on 1st February 2017. They have deleted all references to the New (Irish) Fund and now just state that cash in each Continuing Cell that is not required to meet outstanding redemption requests can / will be reinvested in “Other Instruments ...which invest in a diversified portfolio of life insurance policies issued primarily in the United States.” These policies will not be purchased by the current (Guernsey) Fund, but by the fund (or funds) behind the “Other Instruments”.

At present the SEK and WAY Continuing Cells have NO redemption requests outstanding and a number of other Cells will become “clear” over the next six months, assuming “sufficient” policy maturities. Once Cell cash has been reinvested in “Other Instruments” then it could take several years and/or considerable redemption charges / anti-dilution levies to get it out again, and any returns would also depend on the performance and expenses of the “Other Instruments”.

EEA has always declined to actively publicise the redemption process for Continuing shareholders. In my personal opinion ALL Continuing shareholders should have requested 100% redemptions at the earliest opportunity, and should continue to do so.

If you have already requested redemptions then the request will be automatically carried forward until your request is 100% fulfilled. If you haven't yet requested redemption of some or all of your Continuing shares, please note the following deadlines.

Redemption Day 3 July 2017 – deadline for receipt of redemption requests 5.00pm (Guernsey time), 30 March 2017.

Redemption Day 2 October 2017 – deadline for receipt of redemption requests 5.00pm (Guernsey time), 29 June 2017.

A **Redemption Request Form** for direct EEA shareholders is available at www.eeafmg.gg/eea-life-settlements-fund. Earlier dates (or different forms) will apply if you are invested through a platform, pension or other nominee.

➤ **US PERSONS**

If you are a “US Person” then you are not allowed to own EEA shares, either directly, indirectly or beneficially². EEA have recently been in touch with shareholders who they believe to be US Persons and arranged a full Compulsory Redemption of their shares at current NAVs. If you are a direct EEA shareholder and you are a US Person who has not heard from EEA then you have a duty to contact EEA and to request a full (immediate) redemption of your remaining EEA shares. If you are a beneficial owner of EEA shares indirectly (e.g. through a nominee or platform) then you should contact the nominee or platform and ask them to request a full immediate redemption from EEA. Note that it is illegal to transfer the shares to a non-US person or entity if you are a US Person and retain a beneficial interest in the EEA shares or proceeds in any way.

² See Article 31 and the Information Memorandum - <http://www.eeafmg.gg/eea-life-settlements-fund/>

➤ **Non US PERSONS (i.e. Everyone Else)**

If you are NOT a US Person then EEA has an obligation to identify you as such in order to comply with US law and regulations, given that the "income" for the Fund originates from US investments. They are required to obtain from you a completed US W8-BEN form or equivalent satisfactory documentation, otherwise they must charge a US withholding tax on any payments to you, or must Compulsorily Redeem your shares, as described above. Within this context, Saffery Champness has just sent [a letter](#) to direct EEA shareholders asking them to complete a (new) W8-BEN form plus provide certified or original ID information and proof of residence etc. by **7th March 2017**. Please note the following :

- a) A completed W8-BEN form is valid for up three years (unless the relevant information changes). If you have sent EEA a completed W8-BEN within the last 2-3 years and the information is still correct then check with eeacrs@saffery.gg whether they need you to send another one.
- b) Each W8-BEN form is for an INDIVIDUAL. If you have a joint shareholding then, in my opinion, you need a separate W8-BEN form for each beneficial owner. [Click Here](#) to download a completed example and blank W8-BEN form. Check with eeacrs@saffery.gg whether they need one form per beneficial owner on joint holdings.
- c) Saffery are requesting a certified copy of your photo-ID (e.g, passport or driving licence etc). Some of you (especially overseas) find this to be an expensive and inconvenient process. If you have already provided this information to EEA (e.g. in conjunction with your shareholder account registration or share redemption / banking procedures) then check with eeacrs@saffery.gg whether they need you to obtain and send another one and whether they will reimburse your costs.
- d) Saffery are also requesting an original or certified copy of proof of residence (e.g. a recent bank statement or council tax statement). If you have already provided this information to EEA (e.g. in conjunction with your shareholder account registration or share redemption procedures) then check with eeacrs@saffery.gg whether they need you to send another one and whether they will reimburse your costs.

DISCLAIMER : I do my best to provide sound information and personal opinions, but 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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