

➤ **Maturities**

Only three policy maturities (3 lives) have been reported since 6th November 2016 (Two in February for \$11m NDB and one (so far) in March for \$1.4m NDB).

Description	Policies	Lives	Gross NDB
<i>Historic Average</i> Jan	8.4	6.8	\$10.7m
(5yrs 2012 – 2016) Feb	8.0	4.0	\$8.6m
March	5.6	5.0	\$13.8m
Total Jan – Mar	22.0	15.8	\$33.1m
2017 Actual Jan	0	0	\$0.0m
Feb	2	2	\$11.0m
Mar	1	1	\$1.4m
Total Jan – 13th Mar	3	3	\$12.4m

➤ **Available Cash and Redemption Payments**

The Fund spends \$3m - \$4m per month on premium payments, management charges and other expenses. If the cash (NDB) from Maturities exceeds this amount then the gross cash balance goes up, if not then it goes down. The Directors then deduct an amount of “premium reserve” from the gross cash each month to determine the amount of “Available Cash” for redemption purposes, and can choose to make redemption payments accordingly, subject to the applicable rules (which are different for Continuing and Run-off Cells).

The table (right) is a summary of the cash performance so far this year based on the EEA Monthly Fact Sheets. The March figures will be published by EEA later in April but it doesn't look as though there will be enough Available Cash in either the Continuing or Run-off cells to underwrite any redemption payments during April.

	31-Jan	28-Feb	31 Mar (Est)
Cash b/f	101m	90.1m	96.5m
Maturities (NDB)	0.0m	10.0m	2.4m
Prem Payments + Exp	(3.7)m	(3.6)m	(3.5)m
Cont Redemptions	(6.8)m	0.0m	0m
Runoff Redemptions	0.0m	0.0m	0m
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Gross Cash c/f	90.1m	96.5m	95.4m
Premium Reserve	(83.6)m	(83.1)m	(83.3)m
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Available Cash	6.54m	13.39m	12.1m
Continuing Cells	0.45m	2.24m	1.7m
Runoff Cells	6.11m	11.18m	10.4m

➤ **2017 Projections**

In December 2015 Maple Life / EEA projected **\$76.7m** of maturities for 2017 with a weighted average life expectancy (LE) of **25.18** months. In December 2016 Maple Life / EEA projected **\$67.2m** of maturities for 2017 with a weighted average life expectancy (LE) of **32.28** months – a reduction of **\$9.5m** and an increase in weighted average LE of **7.1** months over the year.

The outlook for 2017 is summarised in the table (right), but will change based on the actual maturity performance and premium payments /forecasts during the year.

It appears that redemptions for Continuing shareholders during 2017 will only be a further \$10m (covering 56% of currently outstanding

Cash b/f	100.6m
Maturities (NDB)	67.2m
Premium Payments	(34.0)m
Charges & Expenses	(10.0)m

Gross Cash c/f	123.8m
Ave Premium Reserve	(80)m

Available Cash	38.8m
Continuing Cells	* 16.7m
Runoff Cells	22.2m
* less 6.8m already paid in Jan	

redemption requests at Feb 2017 NAV – sufficient to settle the balance of outstanding requests from the Dec 2015, Mar 2016 and July 2016 redemption days, plus half the outstanding requests from the Oct 2016 redemption day). Actual redemption percentages will vary by Cell.

There will be NO redemptions of Jan 2017 or April 2017 (or later) Continuing Cell requests during 2017).

There should also be a total \$22m for Run-off shareholders (covering 12% of outstanding Run-off shares at the Feb 2017 NAV) but probably not until much later in the year.

➤ Future Projections

The following tables summarise the Maple Life / EEA projections at December 2015 and December 2016 respectively [2016 actual was \$112m against the projected \$103m. A further \$4m of NDB was written off during 2016 for lapsed or abandoned policies].

Year	Maturity projections (\$ million)		Year	Projected NDB Payments (\$ million)	
2016	102.7	17.86%	2017	67.2	14%
2017	76.7	13.34%	2018	72.7	16%
2018	66.4	11.55%	2019	72.8	16%
2019	56.8	9.88%	2020	56.1	12%
2020	49.2	8.56%	2021	44.0	9%
2021+	223.2	38.82%	2022+	154.4	33%
	575	100.00%		467.2	100%

Projection at 31 Dec 2015

Projection at 31 Dec 2016

Following is a summary of future cash available for redemptions over the 5-10 remaining years of the portfolio.

At 31 March 2017 (subject to confirmation)		
Remaining Policies	137	104 Lives
Outstanding Face Value (NDB)	\$451m	.
Estimated Future Premiums	\$(92)m	20% of Face

Estimated Gross Future Cash	\$359m	\$138.29 per share(average)
Estimated Future Expenses	\$(50)m	5 x \$10m pa
Estimated Writeoffs (incl Tail)	\$(68)m	15% of Face

Estimated Net Future Cash	\$242m	\$93.00 per share(average)
Original Capital	\$552m	From EEA Dec 2015 Accounts
	3.316m	Total Shares at Dec 2015
	2.599m	Current Shares at Mar 2017
Remaining Capital	\$433m	\$166.47 per share(average)
Portfolio Fair Value	\$209m	46% of Face
Cash on Hand	\$97m	incl \$84.3m Premium Reserve

Current NAV	\$306m	\$117.69 per share(average)

For comparison the current Fund NAV represents an average \$118 per share. The difference is because the Fund NAV (\$306m) is the discounted value of the Gross Future Cash (\$359m). It includes current cash (\$97m) but excludes any provision for the future expenses or writeoffs (\$118m).

Note that the gross future cash (\$359m) represents 83% of the remaining share capital (\$433m) and that the Net Future Cash (\$242m) represents 56% of the remaining share capital. The current NAV (\$306m) represents 71% of the remaining share capital.

As EEA redeems more shares at NAV going forward, it will leave the remaining (reduced number of) shares to dis-proportionately carry the ongoing burden of the future cash expenses and write-offs. This will further reduce the returns for Run-off and non-redeeming Continuing shareholders. This is in addition to the \$190m of losses caused to these same shareholders by the 2015 Policy Sale, which reduced the Future Net Cash without reducing the current NAV per share for the redeeming Continuing shareholders.

➤ **Liquidation**

In my last Update, I said that during 2017 there might be a “crossover” point beyond which it would be more profitable (for investors) to sell off the remaining policies rather than hold them all to maturity. This is a complex evaluation, but my preliminary findings are :

- i) If all policies were sold NOW for the current Fair Value then the crossover would occur in December 2018. Prior to that investors would lose up to \$30m (8%) of redemption cash. A sale of all policies after Dec 2018 would increase the total redemption cash for investors by up to \$65m (15%) between 2019 and 2022, depending on the timing and assumptions used.
- ii) If all policies were sold NOW for (Fair Value + 10%) then the crossover would occur in December 2017. Prior to that investors would lose up to \$10m (3%) of redemption cash. A sale of all policies after Dec 2017 would increase the total redemption cash for investors by up to \$85m (20%) between 2018 and 2022, depending on the timing and assumptions used.
[Note : The 187 longer-term policies sold in September 2015 fetched (Fair Value + 12%). It could be argued that the current remaining policies might be more attractive / profitable for potential buyers].
- iii) If all policies were sold NOW for (Fair Value + 15%) then the crossover has already occurred. A sale would increase the total redemption cash for investors by up to \$97m (24%) between 2017 and 2022, depending on the timing and assumptions used
- iv) Any decision on the timing of a sale should take into account the various valuation, longevity, market and currency risks of holding on and the dis-proportionate impact of future expenses on the diminishing groups of remaining investors, as mentioned above.

➤ Premiums

The annual premium payments were 2% of average NDB (2006/2007) rising to 5.5% (2013). The table below shows that since 2013 the rate has risen further to 7.7% for 2016, and is forecast to be 7.8% (2017) and 9.5% (2018).

12 mths ending	12 mths Premiums Paid	Monthly Premium Rate	12 mths Prem / Ave NDB %	"Original" 2yr Reserve	"Modified" 2-yr Reserve
Sep-13	\$73.4m	\$6.1m	5.42%	\$147m	
Dec-13	\$73.0m	\$6.1m	5.47%	\$146m	
Mar-14	\$73.3m	\$6.1m	5.60%	\$145m	
Jun-14	\$72.7m	\$6.0m	5.79%	\$144m	
Sep-14	\$71.9m	\$5.8m	5.84%	\$140m	\$140m
Dec-14	\$69.9m	\$5.7m	5.82%	\$138m	\$138m
Mar-15	\$68.1m	\$5.6m	5.76%	\$136m	\$136m
Jun-15	\$67.3m	\$5.5m	5.89%	\$135m	\$135m
Dec-15	\$58.2m	\$4.8m	6.76%	\$68m	\$94.0m
Mar-16	\$51.6m	\$4.3m	6.17%	\$65m	\$90.3m
Jun-16	\$45.6m	\$3.8m	5.53%	\$62m	\$90.5m
Sep-16	\$39.8m	\$3.3m	7.20%	\$59m	\$87.1m
Dec-16	\$40.8m	\$3.4m	7.68%	\$56m	\$84.3m
Dec-17	\$34.1m	\$2.8m	7.75%	\$68m	\$81.8m
Dec-18	\$34.3m	\$2.9m	9.53%	\$70m	\$92.5m

denotes Estimated Values
 denotes Maple Life Forecast

These increases are due to the ageing of the insureds and the "Cost of Insurance" (COI) Increases now occurring across the US Insurance industry. Future premium commitments will be further increased by the lengthening LE estimates mentioned above (7 months in the past twelve months).

➤ Premium Reserve

Since the 2013 re-structuring and until September 2015, the Premium Reserve was fixed at two years, calculated on the basis of the expected / forecast premium payments due over the period (therefore \$68m in the case of the 2017 and 2018 Maple Life forecasts).

Since the time of the Policy Sale in September 2015, EEA adopted a more flexible Premium Reserve threshold (with a one-year minimum and no maximum) but still refer to it as a "two-year" reserve. They have, however, changed the method of calculation to a "very conservative basis" of zero maturities over the next two years, and are currently using a value around \$84m.

The table above indicates the differences between the two calculation methods, showing that EEA are holding back around \$20-25m of cash which could otherwise have been used to increase redemption payments to investors during 2016, and will apparently continue to do so.

➤ Continuing Share Redemptions

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 – Too Late. The deadline for receipt of redemption requests was 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.eeafmq.gg/eea-life-settlements-fund . Earlier dates (or different forms) will apply if you are invested through a platform, pension or other nominee.

➤ **EEA Litigation Group (EEALIT)**

Many of you have asked for an update and “what’s happening”. My answer is in two parts :

- a) I am (still) the Coordinator of the EEALIT Group, which comprises 180 investors who registered an interest in potential litigation at the beginning of 2016. I am still exploring potential avenues for obtaining compensation or redress for the (hundreds of) millions of dollars that EEA investors have lost through negligence, misrepresentation or abuse of position by EEA and the various associated parties involved. Nothing specific to report at the moment, but I haven’t given up yet.
- b) Almost 100 of you subscribed (at my instigation) to the proposed actions by EEA Litigation Management Ltd (ELM) and Enyo Law LLP. Unfortunately they “expelled” me in July / August 2016 because of fundamental disagreements about how to proceed beyond the promised Preliminary Assessment stage. Enyo issued an update in December 2016 to the subscribing members, but I no longer have access to any information that would allow me to voice an opinion on what they’re doing, and their prospects (if any) for success. The Enyo update stated that “... We expect to be in a position to provide a substantive update by the end of quarter one of next year [2017] ...” – which is now due. If you wish to contact Enyo and ELM you can use the email address ELM@EEALIT.com

➤ **Compensation Claims**

I would like to update my records for those investors who have pursued claims through their Advisors, Regulators, the Courts or other compensation schemes (in the UK or elsewhere). Please let me know if this applies to you, unless you know for certain that I’m already aware of the situation and latest position.

➤ **Axiom and LM Investors**

Please let me know if you have (or had) these investments and whether or not you are already in touch with appropriate investor or claims groups.

David Trinkwon

Director, Medley Systems Ltd
Coordinator – EEA Investors' Group

Tel : +44 (0) 7802 538315
Skype : david.trinkwon

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