

➤ **Maturities**

Three policy maturities (2 lives, \$11m NDB) have been reported for May and none (so far) for June 2017.

Description	Policies	Lives	NDB
Historic Average (5yrs 2012 – 2016)			
Jan-Mar	22.0	15.8	\$33.1m
April	5.2	3.6	\$8.0m
May	6.6	4.6	\$11.4m
June (so far)	5.4	4.4	\$10.2m
Total Jan – June (so far)	39.2	28.4	\$62.7m
2017 Actual			
Jan-Mar *	3	3	\$3.0m
April	1	1	\$2.3m
May	3	2	\$11.0m
June (so far)	0	0	0
Total Jan – June (so far)	7	6	\$16.3m

* One Maturity (\$10m) reported for February 2017 has been corrected by EEA to October 2016 bringing the 2016 total maturities to \$122m against an original Maple Life (ML) estimate of \$103m with a projected range of \$60m - \$160m.

The current ML estimate for 2017 is \$67m, with a projected range of \$29m - \$110m

A total of 586 policies (474 lives) have matured since inception and up to December 2016, with a gross income of \$1,103m and accrued costs (purchases plus premiums) of \$865m giving a net income of **\$238m**. This has funded \$174m of valuation based fees and charges plus \$55m of other expenses (half to parties connected with the Fund's Directors) – a total of **\$228m**.

The \$23m of Dividends and \$81m of net redemptions prior to suspension in December 2011, plus the \$274m of redemption payments since 2014 have therefore come almost totally from the subscription cash paid by the “trapped” investors and the sale of policies (at a loss), rather than from the maturing of policies.

If we had earned the “expected” 8% pa to December 2016 this would have amounted to a further \$647m and an additional \$636m to December 2020. Instead, the “trapped” investors have so far lost up to 43% of their capital, or up to 60% of their “expected” returns, depending on when they invested and in which currency, as summarised below.

31-May-17 NAV \$100.57	USD A/X Cell - \$1000 Invested in June					31-May-17 NAV € 104.95	EUR A/X Cell - €1000 Invested in June				
	2007	2008	2009	2010	2011		2007	2008	2009	2010	2011
	\$910	\$834	\$758	\$674	\$621		€ 1,013	€ 922	€ 848	€ 752	€ 695
	1%	10%	18%	27%	33%	Loss (Gain)	14%	4%	4%	15%	22%
8% pa	\$2,146	\$1,986	\$1,839	\$1,703	\$1,577		€ 1,924	€ 1,781	€ 1,649	€ 1,527	€ 1,414
Projection	54%	55%	55%	57%	57%	Projected Loss	41%	42%	42%	44%	45%

31-May-17 NAV £114.67	GBP C/Acc Cell - £1000 Invested in June					31-May-17 NAV 80.18 kr	SEK X Cell - 1000 kr Invested in June				
	2007	2008	2009	2010	2011		2007	2008	2009	2010	2011
	£1,038	£951	£865	£769	£708		-	-	-	-	531 kr
	2%	10%	18%	27%	33%	Loss (Gain)	-	-	-	-	43%
8% pa	£2,146	£1,986	£1,839	£1,703	£1,577		-	-	-	-	1,414 kr
Projection	54%	55%	56%	57%	58%	Projected Loss	-	-	-	-	60%

➤ Policy Sales

A further three policies (total NDB \$1.9m) were sold during April 2017 for \$663.5k, an \$825k premium to the Dec 2016 Fair Value of (negative) \$161k. We won't know the accrued (purchase + premium) costs and profitability until the 2017 Annual Report and Financial Statements are published this time next year. The "Fair Value" supposedly represents the expected sale value of the policy at the time, and depends on the estimated Life Expectancy (LE), premium forecasts and other discount / valuation factors.

Policy	NDB	Proceeds	Fair Value at				
			Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
16426	\$1,500k	\$519k	(\$126k)	\$643k	\$986k	\$1,124k	\$616k
14475	\$218k	\$25k	(\$6k)	\$93k	\$19k	\$54k	\$101k
15884	\$200k	\$120k	(\$29k)	\$64k	\$43k	\$89k	\$72k
Totals	\$1,918k	\$664k	(\$161k)	\$800k	\$1,048k	\$1,267k	\$789k
Accrued Costs		TBD					
Net Profit (Loss)		TBD		Estimated			

For comparison, the following table summarises the position for the previous policy sales in 2016 and 2015 respectively.

Policy	NDB	Proceeds	Fair Value at				
			Dec-16	Dec-15	Dec-14	Dec-13	Dec-12
14340	\$1,600k	\$300k	n/a	(\$298k)	\$75k	\$16k	\$610k
Accrued Costs		(\$1,675k)		<i>Sold October 2016</i>			
Net Profit (Loss)		(\$1,375k)					
Various (187)	\$427m	\$130m	n/a	\$116m	\$122m	\$193m	\$202m
Accrued Costs		(\$211m)		<i>Fair Value When</i>			
Net Profit (Loss)		(\$81m)		<i>Sold in September 2015</i>			

➤ Redemption Payments – 2017

EEA paid \$6.8m to Continuing shareholders in respect of the 3rd January Redemption Day plus a further \$18.7m in respect of the 3rd April Redemption Day. They also paid \$35.8m to Run-off shareholders in respect of the April 10th Redemption Day, making total redemption payments of \$61m so far this year, or which \$42m arose from EEA's decision to reduce the two-year premium reserve to one-year, as summarised in the following table :

		Monthly Cash Flow based on EEA Fact Sheets *					
		31-Jan	28-Feb	31-Mar	28-Apr	31-May	Jun (Est)
2017	Cash b/f	101m	90.1m	96.5m	96.5m	40.3m	42.6m
	Maturities (NDB)	0.00m	11.00m	1.62m	2.34m	11.00m	0.00m
	Prem Payments + Exp	(3.7)m	(3.6)m	(3.5)m	(3.5)m	(3.5)m	(3.5)m
	Miscellaneous	0.0m	(1.0)m	1.8m	(0.5)m	(5.2)m	
	Cont Redemptions	(6.8)m	0.0m	0.0m	(18.7)m	0.0m	0m
	Runoff Redemptions	0.0m	0.0m	0.0m	(35.8)m	0.0m	0m
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	Gross Cash c/f	90.10m	96.53m	96.48m	40.30m	42.57m	39.07m
	Premium Reserve	(83.6)m	(83.1)m	(40.9)m	(39.5)m	(40.6)m	(41)m
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Available Cash	6.56m	13.45m	55.53m	0.75m	2.0m	(1.9)m	
Continuing Cells	0.45m	2.24m	19.72m	0.79m	1.41m	0.0m	
Runoff Cells	6.11m	11.18m	35.83m	0.00m	0.62m	0.0m	

* \$10m of Feb 2017 Maturities were actually carried back to October 2016

As noted above Maple Life have estimated total maturities for 2017 to be **\$67m** in which case the total redemption payments for 2017 would amount to an estimated **\$86m** (an additional \$24.5m over the \$61m paid so far - \$9.3m for Continuing Cells and \$15.2m for Run-off Cells) – See “Medium” column in the table below..

	Maple Life Projections				YTD Jun
	Low	Medium	High	BreakEven	
Cash b/f	\$100.6m	\$100.6m	\$100.6m	\$100.6m	\$42.6m
Maturities (NDB)	\$28.7m	\$67.2m	\$119.0m	\$41.1m	\$16.0m
Premium Payments	(\$31m)	(\$34m)	(\$36m)	(\$32m)	(\$26m)
Charges & Expenses	(\$10m)	(\$10m)	(\$10m)	(\$10m)	
	-----	-----	-----	-----	-----
Gross Cash c/f	\$88.0m	\$123.8m	\$173.8m	\$99.5m	\$32.3m
y/e Premium Reserve	(\$39m)	(\$38m)	(\$37m)	(\$39m)	(\$41m)
	-----	-----	-----	-----	-----
Available Cash	\$49.0m	\$85.8m	\$136.8m	\$61.0m	(\$9m)
Already Paid (Jan - Jun)	(\$61m)	(\$61m)	(\$61m)	(\$61m)	(\$61m)
To Come-Continuing Cells	\$0.0m	\$9.3m	\$28.7m	\$0.0m	\$0.0m
To Come-Runoff Cells	\$0.0m	\$15.2m	\$46.8m	\$0.0m	\$0.0m

However, Maple Life have also estimated that 2017 maturities might range between \$28.7m (LOW column above) and \$119m (HIGH column above).

At the LOW end of the range, total cash available for redemptions during 2017 would be an estimated **\$50m** (\$11m LESS than has already been paid out so far, leaving an \$11m shortfall against the premium, reserve)

At the HIGH end of the range, total cash available for redemptions would be an estimated **\$135.8m** (an additional \$75.4m over the \$61m paid so far - \$28.3m for Continuing Cells and \$48.2m for Run-off Cells).

The Fund needs at least \$41m of maturities during the year to break even on the \$61m of redemption payments already made (meaning no further Redemption payments this year). Maturities in the first half of 2017 are only \$16m so far, nowhere near the break-even figure. In this context it is hard to see why EEA considered it “prudent” to halve the premium reserve at this point in time.

➤ **Redemption Requests – Continuing Shares**

If you haven't yet requested redemption of some or all of your **Continuing** shares, please note the following deadlines. If you have already requested redemptions then the request will be automatically carried forward quarter-by-quarter until your request is 100% fulfilled, subject to the Available Cash on each quarterly Redemption Day

Redemption Day 2 October 2017 – Too Late – the deadline for receipt of redemption requests was 29 June 2017.

Redemption Day 2 January 2018 – deadline for receipt of redemption requests 5.00pm (Guernsey time), 29 September 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.

➤ **Previous Auditor – Ernst and Young**

During 2014 and 2015 we wrote to Ernst and Young (Guernsey) complaining about their 2008 – 2011 Audits of the EEA Life Settlements Fund. Apart from some acknowledgements we have never received a response to the matters raised. I have now submitted a formal complaint to their professional Regulator, the Institute of Chartered Accountants for England and Wales (ICAEW) asking them to investigate the substance of our complaints and EY's failures to respond.

I have sent a copy of our submission to members who I thought might be interested. If you haven't received a copy and would like one then please let me know.

➤ **Fund Manager – Additional Director**

On 19th May 2017, EEA announced that an additional Director (William Simpson) has been appointed to the Fund Manager EEA Fund Management (Guernsey) Ltd. (EEAFMG). William joined Ogier as Managing Partner of its Guernsey office in 2002, where he also headed up Ogier's fund practice. William left Ogier in 2016 in order to offer an independent consultancy service.

The Directors of the Manager are therefore now :

Mark Clubb Martyn Roussel Vincent Piscaer William Simpson

Ogier have been the Guernsey lawyers for EEA, EEAFMG and the previous Administrator (IAG) since the EEA Fund's inception in 2005.

➤ **2016 EEA Annual Report and Financial Statements**

Appendix A is a brief commentary on the 2016 EEA Annual Report and Financial Statements

Working Paper WP5 (Financial Summaries) has been updated to include the 2016 data.

<http://www.eeainvestors.com/wp-content/uploads/WP5-EEA-Financial-Summaries.pdf>

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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.

APPENDIX A

COMMENTS ON EEA 2016 ANNUAL REPORT AND FINANCIAL STATEMENTS

The Report is available on the EEA website (52 pages for the Consolidated Version)

<http://www.eeafmg.gg/wp-content/uploads/Annual-Report-Consolidated-December-2016.pdf>

or 144 pages for the Cellular Version

<http://www.eeafmg.gg/wp-content/uploads/Annual-Report-December-2016.pdf>

1. Directors and Directors Report

1.1 The Directors of the EEA Life Settlements Fund are :

Mark Colton (Chairman), Steven Burnett, Chris Daly, David Jeffreys, Simon Shaw

Simon Shaw is the principal shareholder of Melquart Limited (formerly EEA Holdings Limited), the ultimate parent company of EEA Fund Management (Guernsey) Limited ("the Manager") and EEA Fund Management Limited (London) (the "Marketing Agent"). He is also the Chairman of the Marketing Agent. Chris Daly is Managing Director of ViaSource Funding Group LLC, the Investment Adviser.

We have previously asked for the resignation of Chris Daly, Simon Shaw and Mark Colton because of their involvements in the (alleged) original mis-management and misrepresentation of the Fund prior to 2013 and abuse of position through poorly managed conflicts of interest. Steven Burnett and David Jeffreys were appointed as Independent Directors in April 2014 and formed the Audit Committee later that year. Mark Colton joined the Audit Committee during 2015, although this would not be "normal" under UK Governance practice.

1.2 Going concern

The Report says that the Fund has sufficient available cash to meet premium and other obligations for the foreseeable future, and the redemption gate provisions (in relation to the Continuing Cells) and the fact that shares in the Run-Off Cells are not redeemable at the election of Run-Off Shareholders are considered sufficient to ensure the Fund's continued ability to do so. The Fund therefore continues to adopt the going concern basis in preparing the consolidated financial statements. We are concerned that the poor Maturity performance to June 2017 and the reduction of the Premium Reserve in March 2017 appears to undermines this position and needs to be watched very carefully for the rest of 2017.

2. Investment Advisors' Report

2.1 Actual versus Expected Maturities

There is still no published measure of "Actual versus Expected" performance that would be normal in any Life Settlements or Insurance based Fund. ViaSource continue to state that

"The policies that matured did so at 80% of their projected life expectancy".

This is meaningless on several grounds, and had been misinterpreted by Financial Advisors and Investors to indicate that the Maturities are occurring "faster" (i.e. "better") than expected – which is demonstrably untrue.

2.2 Lapsed Policies

Eight policies, with a combined NDB of \$12.1 million have been allowed to lapse due to the policies reaching their expiration date. Nine of the remaining policies with a combined net death benefit of \$7.1 million will reach their expiration date before their currently expected maturity date.

2.3 Life Expectancy

At December 2016, the weighted average LE for the remaining 139 policies was 33.3 months (now 34.8 months at 31 May 2017). However, ViaSource state that (as of December 2016)

“The majority 69% (31% of policy count) of the active fund are comprised of policies with death benefits of \$5.0 million or greater. These policies had an average life expectancy of 115.7 months [9.6 yrs] (based on the most recently obtained life expectancy reports) from purchase.”

Given that Chris Daly and Peter Winders used to tell investors in 2008-2011 that ViaSource only purchased policies with an estimated LE of 2-4 years (and this formed the basis of the Fund's NAVs until mid-2013) we can confirm the root cause of the Fund's problems – not that people didn't die “on time” but that the Fund (and Investment Advisor) failed to update the LE estimates and valuation factors (as stated by Ernst and Young before their resignation as Auditor in 2013) and to take appropriate actions to manage the portfolio accordingly.

3. Auditor's Report

3.1 Investment Valuation

“In forming our opinion, we have considered the adequacy of the disclosures ... concerning the uncertainty relating to the carrying value of the investments in life insurance policies As explained in Note 1, the investments are carried at fair value, determined using methodologies which involve judgements and estimates by the Directors. These investments are not quoted in an active market and the value at which they will be realised is uncertain... “

However, in Note 1 the Directors state that they

“...consider that there is sufficient market data available to use market based discount rates in the valuation process. The Board has appointed Maple Life Analytics LLC, as an Independent Valuation Agent, to the Fund to value the Group's investments in life policies on this basis.”

We have previously told the Auditor and the Fund that there IS market-based data available (e.g. through AA Partners in Zurich) on which to estimate secondary and tertiary market “fair” values for policies with comparable characteristics. Our analysis of the 190 policies actually sold during 2015 and 2016 (above) show that there is almost NO co-relation between the historical “fair valuations” and the sale prices eventually achieved.

3.2 Auditor Accountability

We have previously written to Grant Thornton with our concerns for each of the Audits for 2012, 2013, 2014, 2015 and 2016. We have also raised appropriate questions at the 2013 and 2014 Annual General Meetings. Grant Thornton and EEA have always explained that the Auditor is only accountable to "The Company" as a whole, and can't answer questions from individual shareholders / investors. Grant Thornton have therefore included this statement in every Report since 2015 :

" Who we are reporting to

This report is made solely to the Group's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed."

In effect, investors / shareholders are unable to act as "a group of members as a body" – only the Directors can speak or act for "The Company" as a whole. This severely weakens the position of investors / shareholders to hold the Directors to account for the operation of their Company.

4. Income Statement, Assets and Financial Position

Income Statement	2016	2015
Income from Bank and Other	\$0.69m	\$0.34m
Net Losses on Investments	(\$2.34m)	(\$9.90m)
Expenses	(\$7.72m)	(\$12.69m)
Taxation	(\$6.13m)	\$6.8m
Currency Translation Reserve	(\$5.22m)	(\$4.10m)
Total Profit / (Loss)	(\$20.73m)	(\$19.57m)

Net Assets	2016	2015
Net Assets at Beginning of Year	\$406.64m	\$617.40m
Share Issues and Redemptions	(\$69.10m)	(\$191.19m)
Losses	(\$20.73m)	(\$19.57m)
Net Assets at End of Year	\$316.81m	\$406.64m

5. Cash Flows

Cash Flow	2016	2015
Cash & Equivalents at Beginning of Year	\$175.84m	\$122.09m
Operations and Expenses	(\$7.19m)	(\$9.92m)
Payment of Premiums	(\$40.94m)	(\$58.15m)
Proceeds from Policy Maturities	\$122.1m	\$102.0m
Proceeds From Policy Sales	\$2.8m	\$128.1m
Share Issues / Redemptions (Nett)	(\$156.10m)	(\$104.12m)
Currency / Translation Differences	(\$5.22m)	(\$4.10m)
Cash & Equivalents at End of Year	\$91.3m	\$175.8m

6. Premiums

At December 2015 the future premium commitments were estimated to be \$133m. Premium payments during 2016 were \$41m and the estimated future commitments at December 2016 is \$141m. This represents a 37% increase compared with the 2015 estimate. This is the same pattern as in previous years which we have raised with EEA and the Auditor. This has significant implications for the future cash projections and the level of the premium reserve, which has just been cut from two years to one year.

7. Expenses

Expenses	2016	2015
Management Fee (Valuation Based)	\$5,562k	\$8,889k
Investment Advisor	\$463k	\$1,025k
Other	\$464k	\$1,169k
Custodian	\$524k	\$602k
Auditor	\$133k	\$201k
Legal Fees	\$186k	\$224k
Professional Fees	\$198k	\$271k
Directors' Remuneration	\$188k	\$307k
Total	\$7,718k	\$12,688k

8. Taxation

There is no taxation liability in Guernsey or the UK.

EEA Life Settlements Inc (the wholly owned US subsidiary) is subject to US taxation at 35% on the profits arising in that company.

Taxation	2016	2015
Net Loss Before Distributions & Taxation	(\$9,376k)	(\$22,248k)
US Taxation at 35%	(\$3,281k)	(\$7,787k)
Withholding Tax on Interest	\$58k	\$323k
Adjustment in Tax Refund	\$6,076k	(\$1,022k)
Adjustments for Non-Taxable Items	\$3,281k	\$1,711k
Total	\$6,134k	(\$6,775k)

9. Status of Run-off Shares

All Annual Reports since 2013 have included the following statement :

“ Participating shares

A financial instrument that provides for redemption on a specific date or at the option of the holder meets the definition of a financial liability if the issuer has an obligation to transfer financial assets to the holder of the share. Accordingly the participating shares of the continuing Cells have been classified as financial liabilities in accordance with IAS 32. The participating shares of the run-off Cells may only be redeemed at the absolute discretion of the Directors and are accordingly classified as equity.”

We had asked for clarification of this at the 2013 AGM in November 2014 and didn't get an answer. Our concern is that Run-off shareholders are potentially at more risk than Continuing shareholders, and this was not made clear in the 2013 Restructuring documents or subsequent Information Memoranda.

[END OF APPENDIX A]