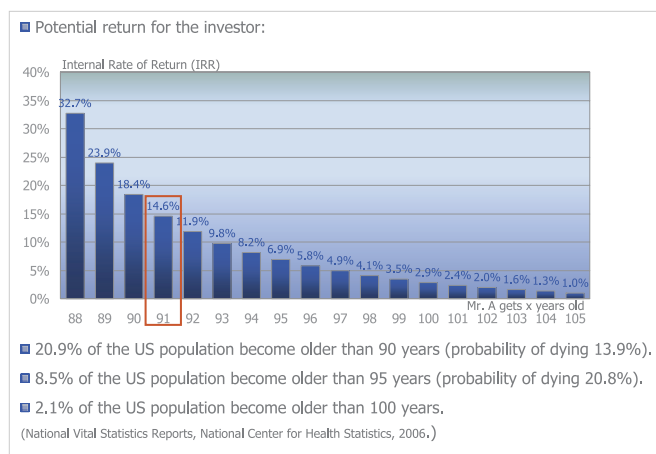


AA LIFE FUND



Policy buyer: example
 Source: AA-Partners Ltd.

LIFE SETTLEMENTS

Focus:

Fund of funds that invests in US life settlements

Strengths:

- Structure facilitates broad based diversification of life settlements, spreads counterparty risk, and is an indirect investment in life insurance policies
- Active management of a portfolio of life settlement funds
- Access to policy pools, "sweet spots" (parts of the broad market with above avg. returns)
- Network

Weaknesses:

- The valuation of life settlements based on life expectancy estimates
- Better suited to investors with a medium term outlook

Opportunities

- Currently only a negligible percent of the potential pool of life settlements in the US are surrendered/ traded on the secondary market
- As awareness spreads, the market has potential to expand, provided there are no legal/regulatory changes

Threats:

- Legal and regulatory changes
- Insurance companies choose to defend their turf more aggressively - compete head-on
- Breakthrough in medical technology that revolutionaries longevity

Risk Management

□ Low □ Low / Moderate □ Moderate □ Moderate to High □ High

- Main risk at portfolio level: precision in estimating life expectancy
- Ability to access life settlements: □ □ □ □ □
- Ability to evaluate risk/return potential of investing in a single policy based on life expectancy estimates available: □ □ □ □ □
- Assumed accuracy of life expectancy: □ □ □ □ □
- Leverage: max. 30% (to be used for bridge financing)
- Liquidity
 - At fund of fund level (under normal conditions): □ □ □ □ □
- Individual policy level (under normal conditions): □ □ □ □ □
- Legal/regulatory risk: □ □ □ □ □
- Insurance company related default risk (under normal market conditions): □ □ □ □ □
- Currency risk: if investing in base currency -USD, none
- Key man risk: □ □ □ □ □

Performance Parameters

□ Low □ Low / Moderate □ Moderate □ Moderate to High □ High

- No. of positions in the portfolio: 7 (expected to rise to 12 in first year)
 - Diversification achieved by:
 - Life expectancy (years): 6-7 years
 - Providers: 7
 - Ability to identify managers: □ □ □ □ □
 - Due diligence skills: □ □ □ □ □
 - Portfolio construction, monitoring and management skills: □ □ □ □ □
 - Excepted annual correlation:
 - Stock index: virtually none
 - Bond index: virtually none
 - Commodity index: virtually none
- Estimated portfolio performance for July '07: 0.84%

Outlook

- Barriers to entry: network, sector expertise
- Threat posed by competition: presently, pose no threat to performance
- Scope for investing in life insurance policies: upside
- Scope for a fund like AA Life Fund: upside
- Ability to deliver returns over the next :
 - 12 month: realistic
- 3-5 years: sustainable
- Funds performance could be challenged if the cost of premiums payable outstripped the cost of policy claim amount - ie: considerably extended life expectancy for majority of the policies held in the portfolio
- If the reverse occurred – the fund would likely tend to show a relative out-performance

Investment

- Fund to be officially launched on Sept.1st
- Targeted AuM: USD 500mn
- Targeted annual net returns: 8-10% in base currency
- Targeted at: pensions, endowments, institutional, HNWI investors
- Recommended investment period to optimise returns: min. 5 years
- Base currency: USD, other currencies available in EUR, CHF
- Geographic restrictions: apply
- Complexity for an investor: moderate
- Transparency: negotiable

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