



Life Settlements – the Sources of NAV performance

Version 1.0

Key words: life settlement, performance, return, valuation, cash-on-cash, appreciation, trading, due diligence, performance presentation standard, actual to expected ratio, A/E ratio

TABLE OF CONTENTS

Executive Summary	3
Where is the NAV performance coming from?	4
The use of a single discount factor for the valuation	5
Yield curve of life settlements	7
Lowering of used discount factors for the valuation	8
Aging of life expectancies	10
Impacts from change of life expectancies	11
Gains and losses from trading	11
Effect of mortalities	12
Summary	12
Disclaimer	13

Executive Summary

Abstract The development of the net asset value ('NAV') of life settlement portfolios may be unsuitable as basis for investment decisions.

Each life settlement is different. It differs in various aspects as the face amount, the life expectancy of the insured or various shortcomings and deficiencies. Market data indicates that investors apply different risk premiums to each of the factors. Thus, it is of utmost importance that for each policy the proper discount factor is applied for the valuation.

Newly bought policies are especially vulnerable to mispricing as asset manager have to determine if the new asset was acquired above, at or below market prices. Too low valuation discount factors can lead to an inflation of the value of life settlements and consequently to an upward sloped NAV curve. But in such cases the upward sloped NAV curve does not reflect a 'real' performance since it bases on the inflation of the value of life settlements.

A particularity of the life settlement markets is the inverse yield curve. Not considering properly the inverse yield curve leads to an inflation of the value of life settlements over time ('aging') which, falsely, supports the NAV curve.

Motivation for this White Paper

We recognized in our discussions with investors that there is **no clear understanding where the performance of life settlement investments is coming from**. This fact can be attributed, at least partly, to the fact that life settlement asset managers don't adhere to performance presentation standards that would allow to understand where the performance is coming from. Furthermore, the general lack of knowhow about the performance of life settlement investments leads to the effect that investors don't ask the right questions when assessing an asset manager ('due diligence').

We discussed in a first White Paper that the performance from life settlement investments is ultimately coming from the collected death benefits exceeding the cost (premium payments, fees), i.e. the investment needs to be profitable ('cash-on-cash performance'). The NAV performance of a life settlement investment, however, is different to the cash-on-cash performance which is why we edited this second White Paper.

The main purpose of this White Paper is to **increase transparency as to where the NAV performance of life settlements is coming from**. Furthermore, it adds to the groundwork for the due diligence of life settlement asset managers.

WHERE IS THE NAV PERFORMANCE COMING FROM?

Generally The return of life settlements stems ultimately from income exceeding expenses, i.e. an investment needs to be profitable ('cash-on-cash performance'; compare 'Life Settlements – Where does the performance come from'¹). The net asset value ('NAV') performance, however, is different to the cash-on-cash performance, as various appreciations and depreciations of the portfolio are included in the NAV as well as the changing cash account.

The NAV curve of a fund serves various purposes. One of the most important is that of a marketing tool. It's difficult to underestimate the importance of a performance chart since the attraction of new capital is often driven to a significant extent by the shape of the achieved NAV curve, and therefore also eventual management and performance fees for the asset managers. On the other hand, the NAV curve is used by prospective investors when deciding about an allocation.

Many life settlement funds show, at least for some time, a smooth, upward sloped NAV curve, compare Figure 1, that is extensively used as marketing tool to attract new capital. Furthermore, the NAV curves give the impression of a low-risk investment, at least for some time.

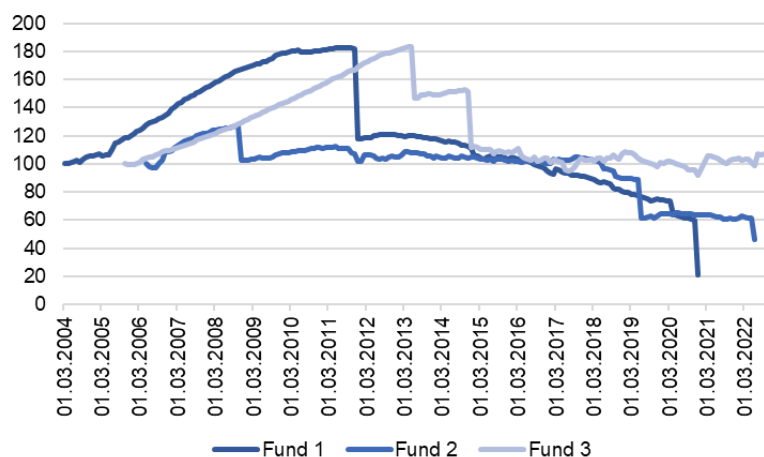


Figure 1 – NAV curve of life settlement funds: all three examples are open-end life settlement funds. They invested just in life settlements. The NAV curves therefore reflect the value of the life settlement portfolios including the cash portion on the balance sheet. Funds 1 and 2 were liquidated, Fund 3 is still running.

The appealing NAV curve of the funds in Figure 1 after launch is followed by steep depreciations and sideward movements, interrupted sometimes by further sudden depreciations. Furthermore, it is noteworthy that the liquidation value of Fund 1 and Fund 2 was substantially lower than the last valuation by the fund management preceding the liquidation.

The NAV curves raise questions as to where the shown NAV performance is coming from and about the reliability of a life settlement NAV for investment decisions.

¹ Compare www.aa-partners.ch in the section 'Events & Literature'

THE USE OF A SINGLE DISCOUNT FACTOR FOR THE VALUATION²

How can a fund achieve an upward sloped NAV curve?

Life settlement asset managers need to determine the discount factors ('IRR') that are used for the valuation of the life settlements in a portfolio. To achieve a valuation in line with market prices the used discount factors need to be in line with the prevailing discount factor of a particular life settlement in the life settlement tertiary market.

Life settlements are a non-standardized asset, i.e. every life settlement is different and comes with specific features, risks, deficiencies, and issues. It is therefore common sense that each life settlement transaction comes with a different discount factor, compare Figure 2. The discount factors vary widely. They account for the peculiarities that are connected to a particular policy.

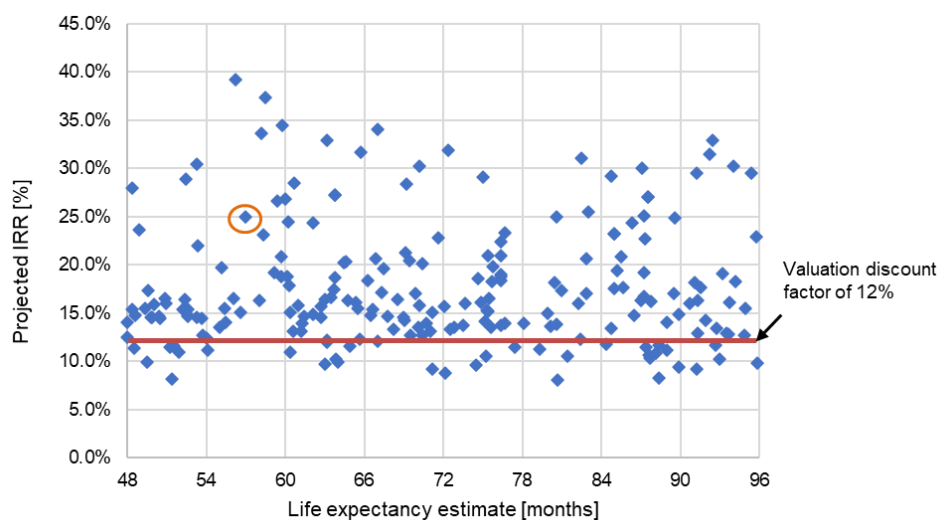


Figure 2 Snapshot of projected IRR of recently closed life settlement transactions: the IRRs of closed transactions are widely distributed³. The distribution reflects the unique features and peculiarities of individual life settlements. For instance, the transaction in the red circle (aged life expectancy of 57 months at the transaction date, projected IRR of 25%) refers to a policy with life expectancies from 2012 and no actual medical information available, so the shortcomings of the asset led to the high projected IRR.

The vast distribution of projected IRR illustrates that discount factors per single life settlement need to be used to achieve a valuation in line with market prices. Many funds, however, do use just one discount factor⁴ for the valuation of all life settlements, compare for instance the 12% line in Figure 2. The use of a single discount factor leads to appreciations of newly acquired inventory with IRR

² The use of for instance two, three or four discount factors for distinct parts of a life settlement portfolio does not address the basic issues that come with not using fitting discount factors per single policy.

³ The projected IRR have been always double digit in the life settlement markets on average. But an investment in life settlements can become a partial or total loss irrespective of the high projected IRR, compare 'Life Settlements – where does the performance come from', www.aa-partners.ch.

⁴ It would be a precondition for the use of a single discount factor in the valuation of a non-standardised asset that the discount factors of closed transactions are relatively narrow and consistent. However, the IRR of life settlement transactions don't meet this basic requirement. Actually, the contrary is true, compare the IRR distribution in the chart. The IRRs differ widely, which makes sense on the background of the various impairments, legal risks and shortcomings of this asset. Furthermore, there are other non-standardized asset classes as real estate or private equity. It is generally accepted that each real estate or private equity transaction comes with a distinct discount factor which accounts for the peculiarities of a particular asset being transferred. And consequently, it is general practise, and it makes sense, to use different discount factors for different properties and different private equity holdings for valuation purposes.

greater than the discount factor that is used for the valuation and consequently to an upward sloped NAV curve. The upward sloped NAV curve can be used as marketing tool to attract new investors⁵, which allows to acquire new inventory which can be appreciated, and so forth.

The importance of this source of NAV performance is high. The upward sloped NAV curve, that results from applying a single discount factor to newly acquired inventory, can give the impression of a, seemingly, low risk investment with high return⁶. But the NAV performance is not 'real', the gains are not realized. The life settlements can't be sold for the value on the books since the applied discount factor for the valuation does not reflect the peculiarities and the features of the policies.

Furthermore, the appealing shape of the NAV curve, that results from the use of a single valuation discount factor and respective appreciations, can 'mask' the true performance. A life settlement portfolio needs to be profitable, the collected proceeds from life insurance policies need to exceed the expenses (i.e. premium payments, fees; 'cash-on-cash performance'). A portfolio, that uses a single valuation discount factor, may show a great NAV performance but may have never been profitable. And the investors may therefore not ask for the relevant information (i.e. actual to expected ratio, cash-on-cash performance) since the NAV curve looks compelling⁷.

Last but not least, the use of a single valuation discount factor can lead to various false incentives⁸:

- The greatest risk of investments in life settlements is that the used life expectancies⁹ are too short on average. However, the use of a single discount factor for the valuation incentivizes the use of the shortest available life expectancies, even though they may be too short. The shorter the used life expectancies the higher is the projected IRR of a transaction on average. Accordingly, the use of short life expectancies offers higher appreciation potential. And the true performance can be hidden via the upward sloped NAV curve.
- The use of a single discount factor for the valuation incentivizes the purchase of policies with deficiencies (f.i. policies with non-actual life expectancies or missing actual medical information, incomplete documentation and so forth). Such policies trade at higher IRR if compared to similar policies without deficiencies. A single valuation discount factor does not account properly for such shortcomings. The on average high IRR of such policies offers high appreciation potential.
- The use of a single discount factor incentivizes the purchase of policies with potential legal issues as f.i. premium financed policies. Premium financed policies trade on average for higher IRR than similar policies without premium finance issues. Thus, such paper offers

⁵ This holds for open-end as well as for closed-end funds during the rump-up phase. The NAV performance of funds using non-fitting discount factors changes when no additional inventory can be acquired due to a lack of new subscription or depleted cash accounts. The NAV development is then determined by other factors as f.i. the contribution of 'aging' of the portfolio, the cash-on-cash performance etc.

⁶ The shape of the NAV curve is sometimes taken as a proof of the uncorrelated character of life settlement. The argument is false given the source of the NAV performance.

⁷ It should be a matter of fact for life settlement asset managers to include the cash-on-cash performance, the actual to expected ratio and so forth in every information to existing or potential investors ('performance presentation standards').

⁸ The outcomes fall ultimately back on the investors since the policies can't be sold into the market for the price on the books which will lead to depreciations respective losses for the remaining investors.

⁹ The life expectancies are determined based on the health and medical information of the insured person by specialized companies ('medical underwriter'). There is no standardized process for the estimation of life expectancies, every medical underwriter has a different approach. The life expectancies prepared by the various medical underwriters with respect to the same life settlement can, therefore, vary even though they all rely on the same medical information.

higher appreciation potential than similar policies without premium finance status since a single valuation discount factor does not account properly for this fact.

- The use of a single valuation discount factor can offer incentives to source policies in a way which allows to get paper at high IRR, f.i. via incentives for sourcing channels or counterparties, via the suppression of lawful auctions, via a right of first refusal and so forth.
- The appreciations, although not realized, are performance relevant and lead to an increase in NAV. The asset manager will earn management and incentive fees on the appreciated assets.

Life settlements are a non-standardized asset, similar as real estate or private equity. Each life settlement represents a unique combination of features, risks and impairments, which as a matter of course lead to widely dispersed IRR.

The use of a single discount factor for the valuation of life settlements, instead of discount factors per each policy in line with the non-standardized character, is a blueprint to generate great NAV performance via appreciations of newly acquired inventory. The upward sloped NAV curve can be achieved irrespective of the true performance of the portfolio, and it is a great marketing tool that allows to attract additional capital. But the NAV curve is not 'real' since it bases on the inflation of the value of newly purchased policies. Thus, such a NAV curve is misleading and unsuitable as basis for investment decisions.

YIELD CURVE OF LIFE SETTLEMENTS

Does the duration matter?

The yield curve characterizes the interest rate of an asset at various maturities. Typically yields increase with duration¹⁰. For the valuation of an asset, the yield of a fitting duration is used to come up with a valuation in line with the markets.

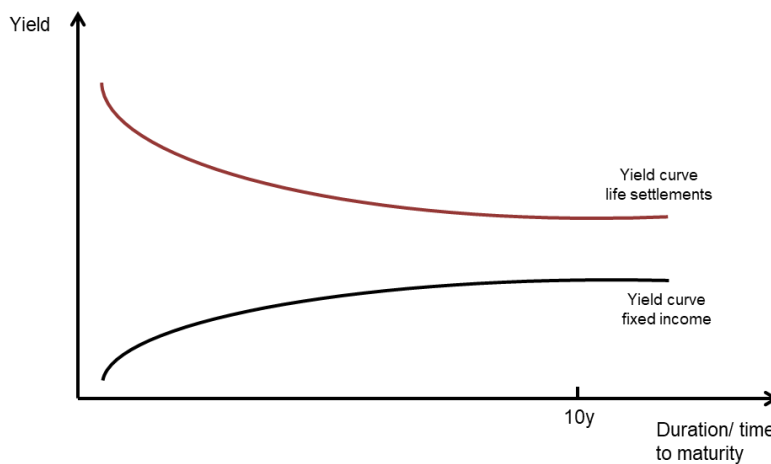


Figure 3 – yield curve of fixed income and of life settlements

¹⁰ A yield curve of fixed income investments can be inverse; however, an inverse yield curve can be considered an anomaly.

Life settlement asset managers have to determine the discount factors that are used for the valuation of the books. The duration of life settlements is given by the used life expectancies, so as with other assets the duration needs to be properly considered in the used valuation discount factors.

The yield curve of life settlements up to life expectancies of about 12 years is inverse. The IRRs decrease on average with longer life expectancies to a low point around a duration of 12 years, and slightly increase for durations that are longer than about 12 years¹¹. Consequently, this needs to be appropriately considered in the used discount factors for the valuation.

The life expectancies of life settlements become shorter over time ('aging' of life expectancies). Not properly applying the yield curve of life settlements leads to inflated valuations of life settlements over time since the life expectancies are shortening. The excess appreciations support the NAV performance of a fund. The NAV curve of a life settlement fund is therefore unsuitable for investment decisions if the yield curve is not properly mirrored in the used valuation discount factors.

LOWERING OF USED DISCOUNT FACTORS FOR THE VALUATION

The effects of lowering the valuation discount factor – the example of GWG Life

The lowering of the used discount factor for the valuation leads to the appreciation of the assets, and vice versa. This general rule holds also for life settlements.

An example of a life settlement asset manager, that lowered the discount factors used for the valuation of the book, is GWG Life. GWG Life was originally a life settlement provider that started to also manage the asset. GWG Life was SEC registered and listed on NASDAQ Capital Markets under the symbol "GWGH".

GWG Life raised capital mainly via the issue of I Bonds and L Bonds ('Bonds') with a typical annual interest rate of about 7%. The raised capital was invested in life settlements, which was the company's principal asset, the portfolio reached about USD 2.05 Bio face amount as per end of December 2018. The raised capital was also used for paying interest on the outstanding Bonds and the repayment of Bonds which reached maturity, operating cost, fees etc. The amount of outstanding Bonds reached about USD 1.6 Bio¹². Furthermore, GWG Life entered into credit facilities where parts or all life settlements served as the collateral.

GWG Life defaulted on the payment of interest and the repayment of outstanding Bonds at or around January 16, 2022, and the company went into liquidation. The life settlement portfolio was sold for USD 10 Mio at or around October 3rd, 2023, and the buyer also assuming the outstanding credit facilities of about USD 600 Mio, for which the life settlements served as the collateral¹³. Thus, just USD 10 Mio are left for the holders of the Bonds from the sale of the life settlement portfolio¹⁴.

The reason, why GWG Life was able to grow a business to outstanding Bonds of USD 1.6 Bio albeit there was, apparently, not enough substance on the right side of the balance sheet to repay the Bonds, is the valuation of the life settlement portfolio.

¹¹ The yield curve of life settlements therefore has the shape of a 'skewed smile'. The lowest average IRR in the market can shift left or right from the 12 years, depending on market conditions.

¹² The Deal November 3, 2023

¹³ The Deal – GWG Portfolio sold to Apex; October 4, 2023.

¹⁴ The final outcome for GWG Life's Bond holders is not clear yet, but it is expected that the recovery rate will be low. Compare for instance August Iorio cited in The Deal, November 2 2023: Finra awards payment to GWG L Bond investors; "...as investors begin to realize that they are going to recover next to nothing from GWG's liquidation".

- GWG Life used valuation discount factors that were lower than the prevailing IRRs in the life settlement secondary market, compare Figure 4. Thus, the value of the life settlement portfolio was inflated which gave the impression, that the notional of the issued Bonds was covered by assets.
- GWG Life used a single discount factor for the valuation of the book that allowed to appreciate newly acquired inventory¹⁵. The appreciations 'lengthened' the balance sheet which gave room for the issue of additional Bonds, which in turn allowed to acquire additional inventory, that was appreciated, and so forth.
- Furthermore, GWG Life lowered the used discount factor for the valuation of the life settlement portfolio from about 13.41% as per December 31, 2011, to about 8.25% as per December 31, 2018. The lowering of the used discount factor over time led to a substantial increase of the value of the life settlement portfolio (lengthening of the active side of the balance sheet, increase of NAV), thereby giving the, false, impression that the Bonds on the passive side were covered by assets and allowing the issue of additional Bonds.

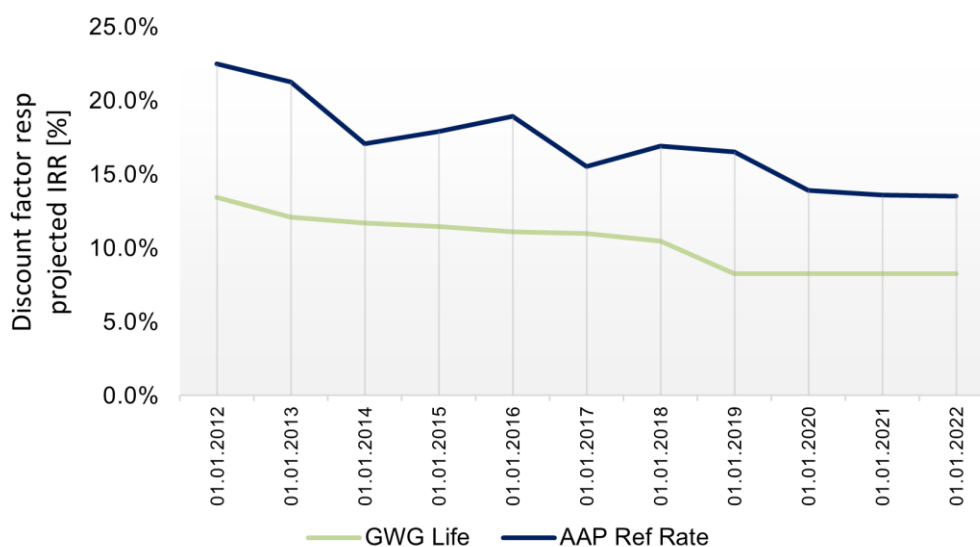


Figure 4 – Discount factor used by GWG Life for the valuation of the life settlement portfolio over time and the AAP Life Settlement Reference Rate – Main Market¹⁶

¹⁵ Compare the first section about the use of a single discount factor, p. 5.

¹⁶ The AAP Life Settlement Reference Rate – Main Market ('Ref Rate') is calculated by AA-Partners using secondary market transactions where the insured person is between 75 and 86 years. The Ref Rate is not suitable in any respect for the valuation of life settlements out of various reasons. It is nevertheless included in Fig. 4 as reference since GWG Life refers, falsely, to the secondary market for the valuation of its life settlement portfolio whereas the attainable prices respective IRR of the tertiary market are decisive for the valuation. Furthermore, it is of great importance that the medical underwriting (estimation of life expectancies) became substantially longer starting around 2013/14. Thus, the decrease of the Ref Rate can be attributed, at least partly, to longer life expectancies for the same asset, and just partly to an increasing value of the underlying assets.

The valuation of the life settlement portfolio is at the core of the GWG Life case¹⁷. The inflation of the value of life settlements kept the wheel turning. GWG Life had gone into default long ago, or had not even taken off, if the life settlement portfolio had been valued properly. The used valuation discount factors inflated the value of the life settlement portfolio substantially, thereby giving, falsely, the impression of a solid investment.

AGING OF LIFE EXPECTANCIES

How large is the contribution of 'aging' to the NAV performance?

Life settlements are sold to investors using a life expectancy. The life expectancy of an unmatured policy is shortened over time ('aging') which leads to an appreciation of a policy. This reflects that the probability of a death benefit payout increases over time, which leads to an increase of the value. The more time that passes, the closer comes the time when the death benefit is potentially paid out (if a policy is still in force).

Time	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12
Price/ valuation in USD	421'000	520'000	623'000	719'000	815'000	912'000	1'010'000	1'108'000	1'200'000	1'291'000	1'369'000	1'417'000	1'446'000
Appreciation in USD		99'000	103'000	96'000	96'000	97'000	98'000	98'000	92'000	91'000	78'000	48'000	29'000
Appreciation in % of price		23.5%	19.8%	15.4%	13.4%	11.9%	10.7%	9.7%	8.3%	7.6%	6.0%	3.5%	2.0%
Premium payments in USD		68'000	72'000	76'000	80'000	86'000	92'000	100'000	108'000	118'000	130'000	144'000	160'000
Appr. minus premiums in USD		31'000	31'000	20'000	16'000	11'000	6'000	-2'000	-16'000	-27'000	-52'000	-96'000	-131'000
Net appreciation in % of Price		7.4%	6.0%	3.2%	2.2%	1.3%	0.7%	-0.2%	-1.4%	-2.3%	-4.0%	-7.0%	-9.2%
Net in USD	421'000	452'000	483'000	503'000	519'000	530'000	536'000	534'000	518'000	491'000	439'000	343'000	212'000
NAV	100%	107.4%	114.7%	119.5%	123.3%	125.9%	127.3%	126.8%	123.0%	116.6%	104.3%	81.5%	50.4%
Change of NAV in % YtY		7.4%	6.9%	4.1%	3.2%	2.1%	1.1%	-0.4%	-3.0%	-5.2%	-10.6%	-21.9%	-38.2%

Table 1 – NAV relevant contribution from the aging of a life settlement¹⁸: the example refers to a USD 2 Mio policy of a 80 year old male, non-smoker. The discount rate for the price/ valuation in line 1 is kept constant at 12%.

The NAV relevant contribution from the asset-inherent appreciation changes over time and is, overall, modest if the necessary premium payments are also considered, compare Table 1.

- Asset-inherent appreciation, compare the lines 'Appreciation in USD' and 'Appreciation in % of price': the asset-inherent appreciation is considerable in the first years with +23.5%, +19.8% etc. It declines over time as the appreciation potential is increasingly exhausted.
- Premium payments, compare the line 'Premium payments in USD': the premium payments, that are necessary to keep the policy in force, are USD 68'000 in the first year and are increasing thereafter ('cost-of-insurance' premium stream).
- Net contribution from aging, compare line 'Change of NAV in % YtY': the NAV relevant contribution of aging net of premiums changes over time. It is +7.4% in the first year followed by +6.9%, but it is -38.2% in year 12. The net contribution from the aging of life settlements is therefore relatively modest over the first few years, but it becomes negative when the necessary premium payments exceed the appreciations.

¹⁷ Other factors contributed as well as for instance the accuracy of the used life expectancies, compare for instance 'L Bonds Were Always Impaired' by Craig McCann and Regina Meng, or the business combination with Beneficient. However, the valuation of the life settlement portfolio allowed to 'mask' the real situation. Thus, the valuation is at the core of the GWG Life case.

¹⁸ The contribution from aging depends on the algorithm. The algorithm, that was used for the example, is very similar to that of commercially available software (e.g. MAPS, ClariNet).

A life settlement portfolio consists usually of policies that contribute differently to the NAV curve via aging. Some policies may provide appreciations whereas others may contribute negatively. The net contribution from aging to the NAV performance depends therefore on the composition of the portfolio.

Overall, the contribution from aging for a NAV curve is unspectacular. The contribution is about in the range of 3-7% p.a. (gross of management fees etc.) if large parts of a portfolio contribute positively to the NAV. The contribution can become flat or even negative if more policies contribute negatively to the NAV performance.

The aging of a life settlement portfolio alone does not produce a high NAV performance under proper consideration of the necessary premium payments.

IMPACTS FROM CHANGE OF LIFE EXPECTANCIES

How do changing life expectancies impact the NAV performance?

The life expectancies of life settlements can change over time. A decline of an insured person's health leads to an appreciation of a respective life settlement in a portfolio since the respective life expectancy shortens, and vice versa.

The impact on the NAV curve of life settlement funds from changes of used life expectancies can be severe if the used life expectancies turn out to be significantly too short on average¹⁹ and new life expectancies are ordered for a whole portfolio that turn out to be significantly longer than the previously used.

In the context of considering the NAV curve of a life settlement fund for investment decisions it is therefore important to carefully look at the actual to expected ratio ('A/E ratio'), also in conjunction with the cash-on-cash performance ('performance presentation standards').

GAINS AND LOSSES FROM TRADING

Gains and losses from trading

In almost every asset class, asset managers can pursue trading strategies. The measure for such funds is the turnover ratio. The turnover ratio refers to finalized trades, i.e. the percentage of assets that has been replaced on the balance sheet over a given time period. The purchase of inventory onto the balance sheet does not qualify as 'trading'.

Trading can lead to gains or losses, being the difference between purchase price and sell price of the traded assets. It is only realized gains or losses on the finalized trades that should be treated as gains or losses for the calculation of the NAV. Realized gains lead to an increase in NAV, and vice versa.

Life settlement funds pursuing a trading strategy should report in a transparent way about the turnover ratio, i.e. the percentage of assets that have been replaced on the balance sheet, and the realized gains and losses. Such a reporting allows to properly consider whether a NAV curve of a trading fund can be suitable for investment decisions.

¹⁹ The accuracy of life expectancies is measured using the actual to expected ratio ('A/E ratio'). A A/E ratio of 100% means that the mortality in a portfolio is in line with the expectations.

EFFECT OF MORTALITIES

What is the impact of mortalities on the NAV performance?

A maturity of a policy leads to the payout of the death benefit. It is a swap on the active side of a fund - a policy 'disappears' as a holding of the portfolio, instead the cash account is increased by the death benefit (if the whole death benefit is paid out).

The value of a life settlement on the books of a fund can't exceed the face amount. Thus, a mortality leads to a small 'jump' of the NAV curve, all other equal. The higher the difference between the book value of a policy and the death benefit, the higher is the impact on the NAV curve. The cash flows from maturities are included in the cash-on-cash performance of funds.

A life settlement portfolio needs to be profitable, i.e. the collected death benefits need to exceed the cost (i.e. premium payments, fees etc.; 'cash-on-cash performance'). The maturities are therefore included in the cash-on-cash performance, which are the most important information to look at when deciding about an investment, as well as in the NAV performance of a fund.

SUMMARY

Summing up and conclusions

The NAV performance of a life settlement investment is not always suitable as a basis for investment decisions. Appreciations and depreciations occur as with every asset. However, the valuation of life settlements can be 'skewed' in various ways, thus the development of the NAV of a life settlement investment is not always reliable.

The most important source of performance under a buy-and-hold view is the cash-on-cash performance. An investment in life settlements needs to be profitable, i.e. the income exceeding the expenses. Just a positive balance from inflows and outflows allows a repayment of the initial investment and, ultimately, a positive performance. Thus, the cash-on-cash performance is the most important information from an investor's view, and not the NAV performance.

It should be a matter of fact for an asset manager to provide the information to existing and prospective investors that give a true and fair picture of the investments and that allow an educated assessment ('due diligence'). Thus, the cash-on-cash performance and the actual to expected ratio should be provided for all running and finalized portfolios ('performance presentation standards') on top of other information as asset breakdowns, the range of valuation IRR used, performance attributions, performance scenarios and so forth.

Disclaimer

This report has been prepared by and the opinions expressed are those of AA-Partners Ltd. as of the date of writing.

This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. It is published solely for information and illustration purposes and may not be relied on in any way. It does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the assets, securities, markets or developments referred to in the report. AA-Partners Ltd. does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and the report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other market participants as a result of using different assumptions and criteria. AA-Partners Ltd. is under no obligation to update or keep current the information contained herein.

The value and the price of a life settlement can deviate from each other given the character of the assets, the structure of the market, based on market conditions, depending on the behavior of market participants and competitors, external circumstances and so forth. Therefore AA-Partners Ltd. is not able to give any assurance that the price of an asset will be close to the value of the asset, and AA-Partners Ltd. has no liability whatsoever if the value and the price of an asset deviates from each other.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Any reference to past performance is not necessarily a guide to the future. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. Neither AA-Partners Ltd. nor any of its directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. AA-Partners Ltd. does not provide any legal or tax advice.

Issuers of the securities referred herein, or AA-Partners Ltd. may have acted upon the information and analysis contained in this publication before being made available to recipients. AA-Partners Ltd. may, to the extent permitted by law, participate or invest in other financial transactions with issuers of the securities referred herein, perform services or solicit business from such issuers, and/or have a position or effect transactions in the securities or options thereof.

The disclosures contained in research reports produced by AA-Partners Ltd. shall be governed by and construed in accordance with Swiss law. AA-Partners Ltd. prohibits the redistribution of this material in whole or in part without the written permission of AA-Partners Ltd. to any other person or company or legal entity, and AA-Partners Ltd. accepts no liability whatsoever for the actions of third parties in this respect.