Managing Partners Limited

RESEARCH REVEALS LOW CORRELATION BETWEEN TLPS AND OTHER ASSET CLASSES AS UNCERTAINTY GRIPS MARKETS AGAIN

14 July 2011 – As equity and bond markets are beset by fears of another financial crisis, new research by Managing Partners Limited, the boutique fund manager, reveals the extent to which traded life policies (TLPs) are uncorrelated with other major asset classes, particularly in bear markets.

MPL's Traded Policies Fund, which invests in TLPs, was negatively correlated to both equities and bonds over the last five years whenever the latter suffered substantial downturns, according to the research. For example, the Fund was correlated by -35% to equities over the five years to 1 May 2011 and by -45% to bonds over the year to that date.

The research demonstrates that when managed in a prudent and cautious manner, TLP funds can be used to deliver steady and incremental returns irrespective of what is happening to other asset classes.

TLPs, also known as life settlements, are US-issued whole of life policies sold before their maturity date to allow the original owners to enjoy some of the benefits during their own lifetimes. They offer investors the security of knowing exactly what amount will be paid out upon maturity, but not when. Therefore fund managers need to carry out prudent actuarial analysis and sufficient diversification.

Using the Traded Policies Fund's USD Institutional share class as a proxy for TLPs and the S&P 500 as a proxy for equities, the research shows that the share class has a negative correlation of -0.35 over the five years to 1 May 2011, where '1' represents a 100% positive correlation and '-1' represents 100% negative correlation (See Fig 1). This period covers the credit crunch bear market when equity markets were extremely volatile.

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Over the last one and three years, the correlation is 0.89 and 0.68 respectively, showing that when equity markets delivered positive performance the correlation was stronger.

The USD Institutional Share class was also compared with the JPMorgan Global Aggregate Bond Index. Over three and five years the TPF's USD Institutional share class had a 0.76 and 0.93 positive correlation respectively, yet over the last year - when bonds have struggled - the correlation is negative at -0.45.

The GBP Growth share class, which is suitable for UK retail investors, was also compared with the FTSE 100 and JPMorgan Global Aggregate Bond Index but only over the three years to 1 May as the share class was launched in March 2007.

Jeremy Leach, Managing Director of MPL, commented: "This data shows categorically that funds that invest in TLPs can be used to deliver steady, incremental returns of between 8-10% per annum when they are managed in a prudent manner with the right actuarial analysis. The ability of TLPs to perform in any market condition when they are handled correctly can have an incredibly stabilising effect on portfolios."

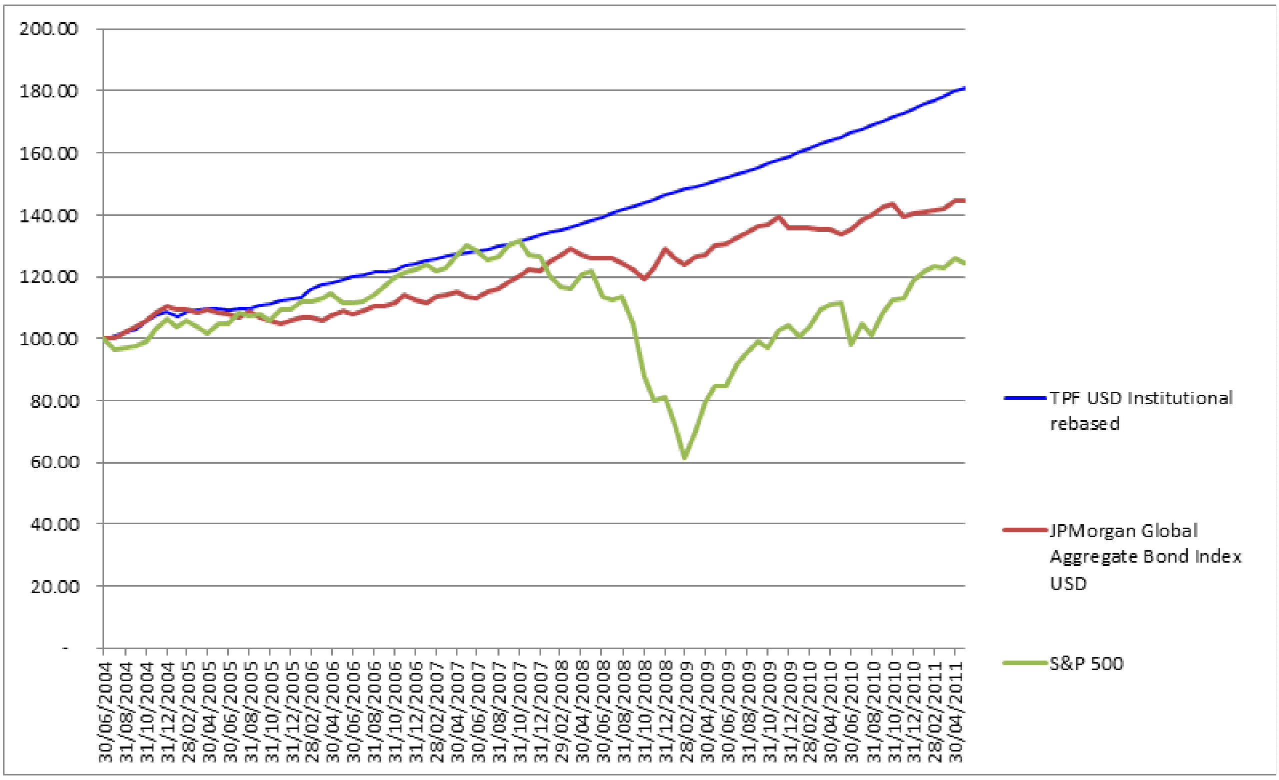
Fig 1: Correlation of the Traded Policies Fund (USD Institutional Share Class) versus equities and bonds

Time period (years) to 1 May 2011	S&P 500	JPMorgan Global Aggregate Bond Index
One	0.89	-0.45
Three	0.68	0.76
Five	-0.35	0.93

Fig 2: Correlation of the Traded Policies Fund (GBP Growth Share Class) versus equities and bonds

Time period (years) to 1 May 2011	FTSE 100	JPMorgan Global Aggregate Bond Index
One	0.89	-0.45
Three	0.67	0.76

Fig 3: Performance of USD Institutional share class versus S&P 500 and JPM Global Aggregate Bond Index



In a recent presentation in London at the International Life Settlement Conference, Mr Leach said investors worried about the ability of a TLP fund manager to perform should only look at funds with a minimum five year track record. He said performance of TLP funds over the last five years is particularly telling because this period includes one of the deepest financial crises in history.

In his presentation to the conference Mr Leach also listed other potential pitfalls that investors should look out for in TLP funds, including:

- Currency hedging: TLPs are a relatively illiquid asset class and therefore sufficient cash reserves are needed and the right derivatives used, otherwise performance and liquidity can be hit hard

- Policy selection: Life expectancies on the policies in a fund should be neither too long nor short: veering too far from an average life expectancy of five to seven years magnifies the risks. It is also important to buy policies on lives assured that represent average Americans, upon whom life expectancy tables are based
- Diversification: although insurance books can be sold on as an asset if an insurance company goes into liquidation, it is still advisable for fund managers to diversify the range of companies issuing policies to reduce counterparty risk with greater focus on smaller policies to broaden the population sample
- Product structure: Open-ended funds are preferable to closed-ended vehicles, which will be forced to sell unmatured policies at significant discounts to their maturity values as their term draws to a close
- Liquidity: Sufficient cash reserves must be maintained in order to meet the fund’s cash flow requirements (including those created by currency hedging techniques employed) and to pay the premiums on policies until they mature

MPL’s ‘Traded Policies Fund’ was an outstanding performer during the financial crisis. The Institutional US dollar share class in the Fund, which celebrates its seventh anniversary June, has delivered an annualised 8.96% since its launch on 30 June 2004 to 1 May 2011, or a total return of 77.75% net of all charges. The GBP Growth share class in the fund, which is available to retail investors in the UK, has returned 44.38% net of all charges from its launch on 15 March 2007 to 1 May 2011, equivalent to an annualised return of 9.41%.

The Traded Policies Fund offers institutional and retail share classes denominated in US dollar, Sterling, Euro, Yen, and Swedish krona.

The minimum direct investment in the fund is £35,000 but the fund can also be accessed via insurance bonds or SIPPs for £2,500.

For further information on Managing Partners Limited range of funds, call 0203 397 0525 or visit (www.managing-partners.com).

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Notes to Editors

MPL is a multi-disciplined investment company that specializes in managing alternative asset classes for institutions and sophisticated investors. It is a market leader in managing funds that invest in traded policies, an asset class that is renowned for its low-risk, inherent guarantees and balanced growth characteristics.

The board of MPL has more than 70 years' collective experience in asset management. MPL is recognized by the Cayman Islands Monetary Authority as an asset manager, where it manages a number of collective investment schemes and regulated mutual funds with total assets in the region of US$200 million.