Managing Partners Limited

MPL SAYS NERVOUS INVESTORS SHOULD LOOK TO TLP FUNDS WITH FIVE-YEAR TRACK RECORDS

24 May 2011 – Investors with concerns about traded life policy (TLP) funds as an asset class should look at those with a minimum five-year track record, Jeremy Leach, managing Director of boutique fund manager Managing Partners Limited (MPL), told delegates at the International Life Settlement Conference in The Royal Horseguards Hotel, London today.

Five years or more is sufficient for a fund to demonstrate that it can deliver the steady, incremental returns uncorrelated to the financial markets and which are possible from the asset class. Performance of TLP funds over the last five years is particularly telling because this period includes one of the deepest financial crises in history, Mr Leach said.

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.

Jeremy Leach commented: "Traded life policies can have an incredibly stabilising effect on portfolios when they are handled correctly. But they can also be a very risky asset in the wrong hands. If investors want to be reassured then they should invest with fund managers who have proven their ability to use TLPs over a substantial period, which ideally would be five years."

Professor Merlin Stone of Oxford Brookes University Business School and author of the Merlin Stone Report 2010: The market for traded life policies, commented: "I highlighted in my report a number of risks associated with TLP funds. Managing such funds is certainly not a job for amateurs and a manager's ability to demonstrate a long enough track

M aima Alternative Investment Management Association A

Managing Partners Limited
Correspondence Address:
Drayton House, Drayton lane, Chichester, West Sussex, PO2O 2EW
Registered Office Address:
Cayman Financial Centre, P.O. Box 2510, Grand Cayman KY1-1104, Cayman Islands

Tel: +44 1243 785600 Fax: +44 1243 832298
info@managing-partners.com www.managing-partners.com

record over a variety of market conditions should certainly be an important consideration for investors."

In his presentation to the conference, entitled Portfolio Construction techniques: Considerations on the Most Effective Strategies for Sourcing Managing and Blending a Portfolio of Longevity Risks, 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).

For more information please contact:

Phil Anderson/ Stephen Sheppard/ Paul Griffin
Citigate Dewe Rogerson
+44 (0)20 7638 9571

-Ends-

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.