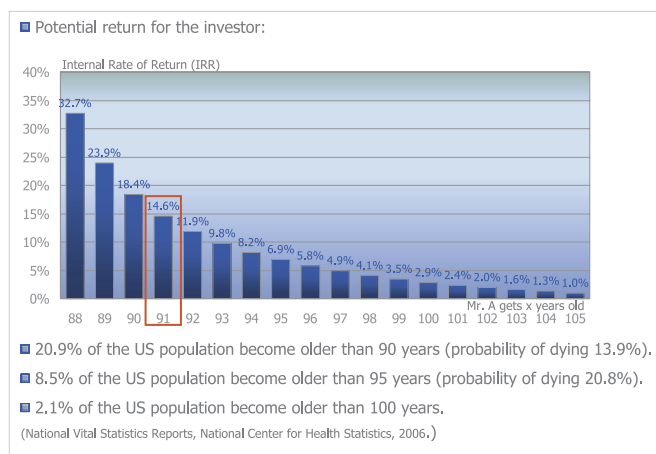


## AA LIFE FUND



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 counter-party 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**

### Contact Information:

AA-Partners

Partner: Beat Hess

Telephone

: +41 44 380 7157

Email

: beat.hess@aa-partners.ch

Website

: www.aa-partners.ch