



EEA Life Settlements – 29 November 2010

Many of you will hold the EEA Life Settlements fund within your portfolio.

As detailed in our briefing from 8 September, this is a monthly dealing fund which is listed in Guernsey. It is not regulated by the FSA and so different risks apply to the EEA fund than to most of the funds we hold.

We have concluded that the risks of holding this investment now outweigh the potential benefits and we have placed a sale instruction for all clients who have invested in the fund. This will go through at the next dealing point, which is 1 December 2010. The funds should be available approximately 3 weeks later.

We think the risks associated with this fund have increased for two reasons.

Firstly, the fund has grown comparatively large relative to the size of the life settlements market. We think this could lead to reduced liquidity if we want to sell at a later date.

Secondly, the FSA have been carrying out a review into unregulated investments. We believe that many advisers may not have understood the risks when they invested and they may now decide to sell. This may also lead to liquidity problems down the line.

The fund is designed to produce 8% to 10% per annum on a consistent basis, with very low volatility. To date, it has always achieved its aims and continues to do so. We don't believe there is anything fundamentally wrong with the fund, but to compensate for the increased risks we would want a much greater potential return. We no longer believe this level of return is worth it.

Most of you who hold this fund only hold an amount equivalent to around 2% of your portfolio. Therefore, even though the risks to the fund have increased, the risk to your portfolio remains minimal.

There is always risk in investing. Sometimes, it is a trade off between liquidity and volatility. If we want a low volatility fund, uncorrelated to equities, fixed interest and property, we understand we may have to accept reduced liquidity. We knew this when we invested, accepting this risk for the benefits the fund provided.

Pleasingly, EEA have assured that in previous months they have had no problems handling much larger redemptions than we will be making.

We believe this fund may continue to do well but our focus is always achieving returns at the lowest possible risk. As the risks have increased without a corresponding increase in the potential returns, we feel the best course of action is to take the profits we've made to date and invest somewhere else.

The funds will be switched to cash in the first instance. This gives us the opportunity to take advantage of whichever asset class appears best value once the funds are available.