



ALTERNATIVE OUTLOOK

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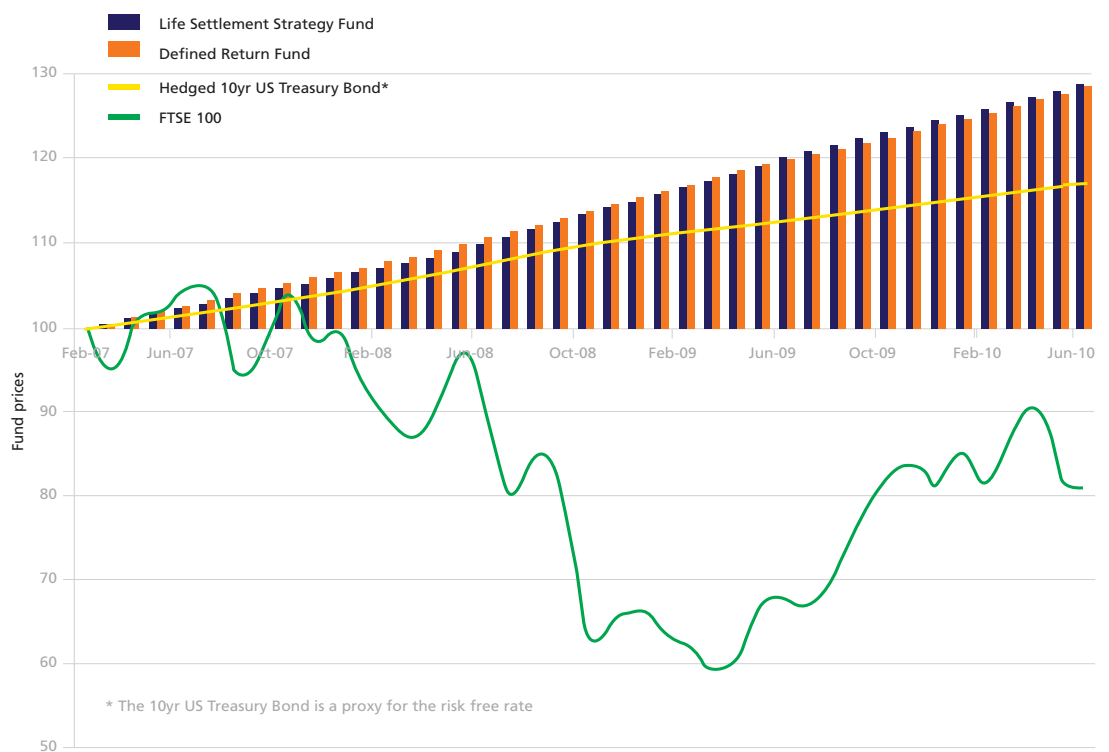
FUNDS

Centurion SICAV SIF SCA
- Centurion Longevity Fund

Stable and reliable returns for life settlements

Life settlement funds as an alternative investment product continue to provide low volatility and growth for investors concerned about the continuing uncertainty in the financial markets.

At Centurion our funds continue both to deliver sustainable and long term returns as well as outperforming major market indices.



NEWS

Mercer report on life settlements

The latest report by Mercer Consulting – “Insurance Linked Strategies: Life Settlements”, provides an overview of life settlements including an introduction to the asset class, a brief analysis of the main risks and a summary of the main reasons for investing in life settlements.

The report concludes with the observation that the life settlements asset class has the potential to offer an attractive return stream uncorrelated to capital markets but is potentially worth consideration only by investors who have an appreciation of its risks and complexity. A copy of the report can be downloaded from www.centurionfundmanagers.com.

Centurion was founded in 1995 and has over \$400m in longevity funds under management. We specialise in alternative investments including life settlements and longevity derivatives and also offer a range of bond, equity and liquidity funds.

www.centurionfundmanagers.com

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2nd Annual ILMA Investors Summit

The second summit organised by the Institutional Life Market Association in London focused on the theme of "Continued emergence of longevity as an alternative asset class" and was attended by over 100 delegates including Deutsche Bank, JP Morgan, Credit Suisse and Commerzbank. David Rawson-Mackenzie, Director of Centurion Fund Managers joined the panel on "Lessons Learned: Active Investor Experience" where he discussed a range of subjects including his experience in managing longevity funds and the public's perception of longevity as an asset class.



Life Settlements & Longevity Investment Summit

David Rawson-Mackenzie is chairing a panel on "Fund Manager Perspectives on Managing Downside Risk in Life Settlements" at the 4th summit being organised by IQPC in New York in September. Topics on the agenda include:

- Longevity risk including setting realistic expectations on IRR and projected yields, risk mitigation strategies at the asset level, selecting the right LE provider and accurate valuation for portfolio pricing
- Cash flow risk including ensuring adequate reserve funds and using synthetic longevity products to manage cash flow risks

Getting more out of life

Introducing life settlements into an investment portfolio can increase performance without increasing the risk profile. The key issues are what is the optimum asset allocation to meet client's investment objectives and what effect is this going to have on the portfolio's performance and risk profile.

The sample investment portfolio below has been modelled to demonstrate how life settlements can be incorporated into a broad asset allocation mix to obtain different results depending on the investor's risk profile and investment objectives.

The asset allocation model contains the asset classes that typically would be held within a balanced portfolio with a relative risk rating attached to each as follows: Level 1.0: Cash & Gilts; Level 2.0: Life/Longevity; Level 3.0: Corporate Bonds; Level 4.0: Property and Level 5.0: Equities. The individual risk ratings are then weighted depending on the asset allocation to provide an overall risk rating for the portfolio.

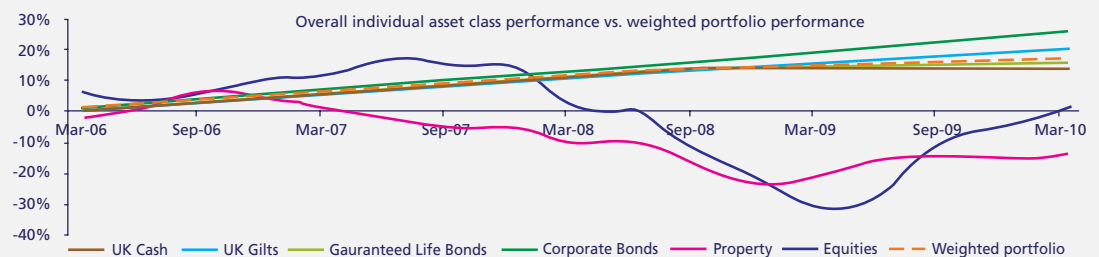
The asset mix is based on different assumptions depending on the risk profile of the investor with more cautious investors holding a larger proportion of low volatility assets than a more opportunistic investor for example.

Cautious Portfolio

Our cautious investor is either approaching retirement age or has already retired and is looking primarily to protect his capital or at the very least to minimise any risk to his capital with a view to generating income either immediately or in the near future. The investment portfolio is therefore heavily weighted towards low volatility with a smaller element put into corporate bonds to mitigate the effects of inflation.

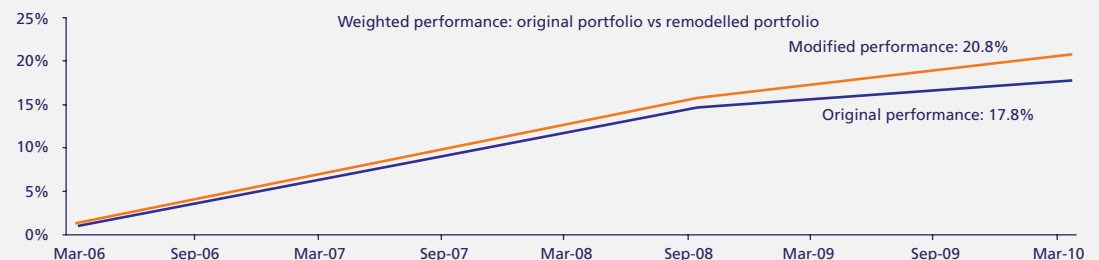
Modelled portfolio asset allocation (Cautious)							
	Cash/deposits (Base rate less 0.5%)	Gilts (UK gilt index)	Guaranteed Life Bonds (Average price of UK life bonds)	Corporate Bonds (Moody's corporate bond index)	Property (FTSE real estate index)	Equities (FTSE 100)	Life Settlements (Average price of Centurion longevity funds)
Existing	35%	30%	25%	10%			
Remodelled	35%	30%	15%	10%			10%

The performance chart below shows how the actual performance of the existing portfolio on a weighted basis can mitigate the effects of a downturn in an individual asset class performance.



Source: Centurion Fund Managers Ltd 2010

By definition, the asset mix of a cautious investor will not provide a significant opportunity to reduce the risk profile so in order to introduce life settlements into the asset allocation, the exposure to guaranteed life bonds has been reduced, as these have a similar risk profile, to create a life settlements holding of 10%. The result is that whilst the conservative risk profile of the portfolio has remained unaltered, the performance has been improved by over 3% when back tested over the past four years.



Source: Centurion Fund Managers Ltd 2010

Dispelling some common myths about life settlements

Are life settlements a liquid investment?

No they are not. Life policies cannot be traded in the same way that stocks and shares can – sometimes it can take up to six months to trade a policy in the market. Liquidity therefore has to be carefully managed to ensure that there is sufficient cash to continue paying policy premiums until the sale can be completed and also to meet any shortfall should the sale price be lower than expected due to market conditions.

What is the difference between a life settlement and a traded endowment policy (TEP)?

There are a number of similarities in that both are types of insurance policies that are traded on the secondary market and both have minimal correlation to the traditional financial markets. However, there are a number of key differences.

Life Settlements or Traded Life Policies (TLPs)	Traded Endowment Policies (TEPs)
Originate in the US.	Originate in the UK.
Involve whole of life insurance policies.	Involve either traditional with-profits or unit-linked policies.
Greater number of insurers: there are over 1,600 in the state of New York alone.	Smaller number of insurers: approximately 200 insurers involved in the UK.
Life settlement market is currently valued at \$16bn and is predicted to grow over the next two years to \$21 billion.	TEP market is currently valued at £750m and is shrinking as the product is no longer being sold in the primary sector and in-force policies are approaching maturity.
Performance of life settlements is driven by the longevity estimate of the insured and the insurer's ability to pay the death benefit, which makes it non-market correlated.	Performance of TEPs is driven by the addition of bonuses to the policy in the future which in turn is dependent on the performance of gilts, bonds, property, shares etc. during that period. This makes it market correlated.

For most fund managers, life settlements are uncharted territory so quantifying the strength of a third party manager is not easy. Experience, knowledge and specialisation in longevity plus a proven and sustainable track record are all important.

Deep dive Due diligence: What to look for when selecting a fund manager

One of the key questions to ask is, what is the fund manager's experience? Life settlements are a new and evolving asset class, and so there are fewer managers with more than eight to ten years' experience; thus it is important that the fund management team has the prerequisite knowledge and expertise and is able to substantiate a successful and long track record.

Another important area to look at is whether there is a reliable set of processes in place for the ongoing management of the fund including risk management. Any due diligence process should examine the key activities of the fund manager, which can include:

Policy selection & acquisition

- What is the fund's policy buying criteria and how are the policies sourced?
- Does the fund buy premium financed policies and/or Stranger-Originated Life Insurance (STOLI) policies?

Life expectancy underwriting

- How does the fund ensure accurate underwriting to mitigate the risk of extended longevity?
- How often are the life expectancies of the underlying policies updated?

Liquidity management

- How are the fund's liquidity levels maintained to meet its liabilities, e.g. ongoing premium payments and redemption requests?
- Does the fund have a target liquidity reserve?

Fund valuation

- Are the policies valued on a regular basis to ensure that they are in line with current market estimates?
- Does the fund maintain a reserve built from early maturing policies to help offset extended longevity?

Counterparty risk monitoring

- What is the credit rating of the underlying insurance carriers?
- How are the policies diversified across different issuers to help mitigate credit risk?

Policy tracking

- How are the policies tracked to ensure that documentation is kept up to date and maturities identified?
- If independent tracking agents are used to perform this task, how are they managed?

Longevity is a dynamic asset class, so a proven ability to innovate is also key; a fund manager who continually develops and improves his products can demonstrate that he is a true industry specialist with an in depth knowledge of the asset class.

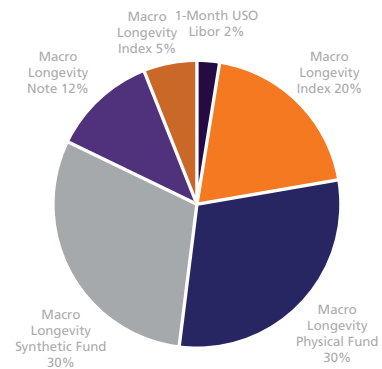


Fund profile: Centurion SICAV SIF SCA – Centurion Longevity Fund

Fund facts

Fund launch date	16th June 2009
CSSF approval date	20th November 2009
Domicile	Luxembourg
Currencies	EUR, GBP, USD
Minimum investment	€125,000 or currency equivalent
Dealing	Monthly on 16th
Fund manager	Centurion Fund Managers Limited
Custodian bank	Eurobank EFG Private Bank Luxembourg S.A.
Auditors	BDO

Target asset allocation



What is the investment strategy?

The Centurion Longevity Fund is an open ended fund of funds that invests in a cross section of macro and micro longevity products with different risk profiles. The fund aims to deliver uncorrelated net annual returns of around 6-9% with minimal volatility by employing a diverse mix of assets. These include macro or micro longevity indices and notes and micro longevity funds, which invest in both physical and synthetic life settlements. The fund was given regulatory approval by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg on 20th November 2009.

The fund's unique combination of investing in both macro and micro longevity helps investors to benefit from maximum diversification, greater liquidity and lower volatility and risk than other funds within the longevity asset class.

How has it performed?

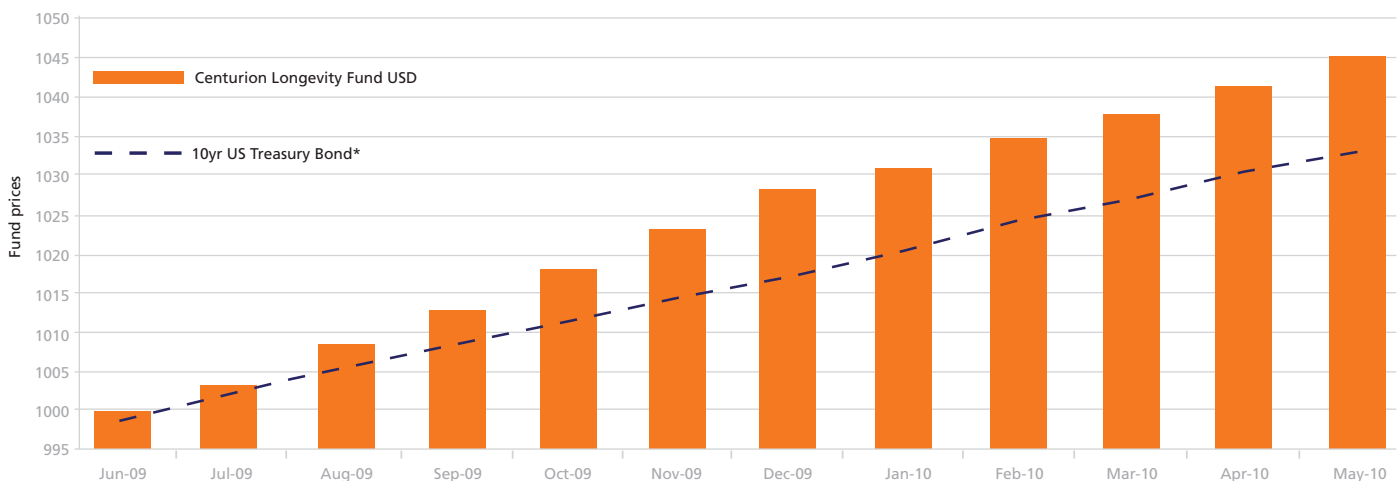
The fund has a track record of 11 consecutive months of positive performance and an annualised return of 5% since inception.

Who might the fund be suitable for?

The fund has been structured as a Luxembourg SICAV to give it pan-European appeal to both individual and institutional investors seeking inflation-beating returns and capital preservation.

Examples of typical investors into the fund include high net worth individuals approaching retirement who want to avoid volatility in the equity markets and pension trustees seeking to diversify their portfolios and offset some of their macro longevity risk. In addition, macro combined with micro longevity provides wealth managers with a useful tool for financial planning; with the bond-like macro element providing a low risk, steady return, which is balanced by the higher returns of micro longevity.

Further facts and analysis on Centurion Longevity Fund can be found in the monthly performance sheet at www.centurionfundmanagers.com.



* The 10yr US Treasury Bond is a proxy for the risk free rate

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