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## Centurion undertakes its first leveraged longevity swap with Credit Suisse

In a ground breaking transaction, Centurion Fund Managers has undertaken its first ever leveraged longevity swap in the life settlement market with Credit Suisse. The swap is constructed around the purchase of a portfolio of synthetic life policies, each designed to pay out a standard amount on variable dates.

The swap offers a number of key advantages to Centurion over the more traditional form of life settlements currently available in the market including: increased liquidity and reduced volatility.

- *Increased liquidity* - previously, the relatively small size of the market and the limited availability of appropriately yielding assets made this asset class less attractive to institutional investors. The introduction of swaps can help the longevity market appear more attractive for institutional investors given the flexibility a swap product offers as well as increasing the overall liquidity of the market.
- *Reduced volatility* – the universal size of the cash flows under the swap are set in advance for each synthetic life, which can create a smoothing effect on the fund's results.

David Rawson-Mackenzie, Managing Director of Centurion Fund Managers, comments: "The whole question of managing the risks arising from an ageing population is very topical in the capital markets and we believe that longevity swaps have an important role to play in the life settlement markets.

"This is a genuinely revolutionary deal for Centurion, as it offers enhanced benefits to investors. The timing could not have been improved as institutional investors are currently showing great interest in an asset class which has almost no correlation to the equity market."

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## **Note for editors**

### *Centurion Fund Managers*

Centurion Fund Managers offers fund management services for both institutional investors and private clients and currently has over US\$350m of funds under management. To meet its clients' different requirements, Centurion Fund Managers has developed a range of products in the alternative investments sector.

### *Life Settlements*

A traded life policy is a life assurance policy which has been sold to a third party so that the assured can benefit from the value of the policy before he/she dies. These policies are typically sold in the US by individuals whose financial planning priorities have changed and who may consider themselves 'over-insured' or want to realise a cash gain for a product they no longer require.

Because the sum insured is always higher than the purchase price, the investor's capital is guaranteed to the extent of the life assurance company being able to pay the death benefits when due and subject to proper maintenance of the life policy itself. Traded life policies should not be confused with "viaticals" – policies sold by the terminally ill, often to fund medical expenses.