

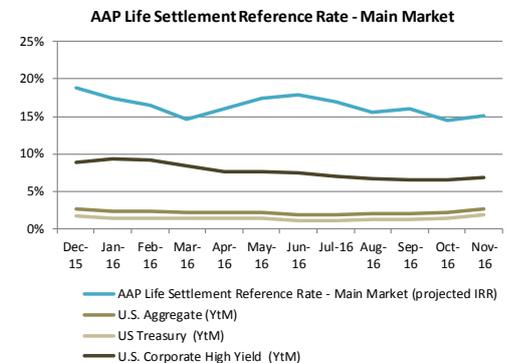
## A Farewell to 2016

December is the time to look back and see what happened over the year.

In 2016 the life settlement market posted strong trading numbers in the secondary market as well as in the tertiary market. The sometimes fierce competition turned out to be advantageous for sellers in the secondary and tertiary market alike, and was proof how valuable the proprietary networks of the life settlement providers are for investors to get attractive offerings. We have seen plenty of fantastic deals in our data collection, but access turned out to be key in

2016. And while IRRs in the market slightly declined life settlements still offer a significant pick-up versus investments of similar credit quality. The 'AAP Life Settlement Reference Rate—Main Market' has risen from 14.5% in October to 15.1% in November.

And to close the last market update for the year we say a great 'Thank You' to the providers which send regularly their closed transactions for this report, compare the list below. And we appreciate if all readers consider them for their investments in 2017.



## Chart of the month – IRRs over time

Last month's article showed how the AAP Life Settlement Reference Rate slightly declined over the last couple of years. While the reference rate is a good indicator of the trading level of the market in general, it just shows a part of the whole picture. To provide a comprehensive view, we therefore expanded the analysis and highlight the whole distribution of IRRs in the secondary market over the last five years.

The chart on the right shows the projected IRR distribution of Universal Life and Whole Life policies on an annual basis. Joint policies and viaticals were excluded as well as outliers under 2% and over 50%.

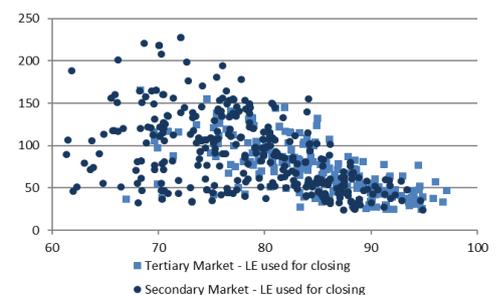
Overall the chart shows how trades with high IRRs got fewer over time

and more and more policies were traded at lower IRRs. The market share of policies traded with projected IRRs between 20% - 25% for example declined from 33% in 2012 to 17% in 2016. On the other hand more than 2/3 of the policies in 2016 were traded with IRRs below 20%. These results are fully inline with the findings from the AAP Life Settlement Reference Rate.

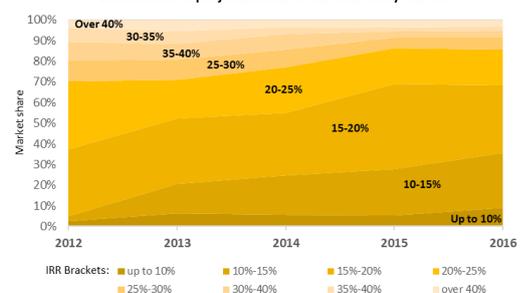
The reason for the change in the market IRR landscape are many fold as increased demand, more conservative medical underwriting and increase in small face policies to name just a few.

However, for investors that don't mind taking risk, 1/3 of the secondary market offered projected IRR above 20% p.a. If that's not good news for 2017...

Life Expectancy Estimates Used for Closing vs. Age of Insured  
Secondary and Tertiary Market - December 2015 to November 2016



Distribution of projected IRRs in the Secondary Market



## Data Sampling and Data Provider

The information in this report is collected by AAP on a multi provider basis. The transparent life settlement providers are (in alphabetical order):

- Abacus Settlements
- Emergent Capital, Inc.
- FairMarket Life Settlements
- Habersham Funding LLC
- Institutional Life Services
- Life Equity
- The Lifeline Program
- Life Settlement Solutions
- LifeTrust, LLC
- Q Capital Strategies
- RiverRock Partners, LLC
- Settlement Group, Inc.

## Life Settlement Market Activity

Mth to Mth

Secondary Market	Proj. Ret.	Volume
Main Market (Age 75-86)	➔	⬆️
Tail Market (Age < 75)	⬇️	⬆️
Tail Market (Age > 86)	⬆️	⬆️
Tertiary Market		
Tertiary Market All	➔	⬇️
Total Market		
Sec. and Tert. Market	⬇️	⬇️

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