

## Kathrein & Co. Life Settlement Portfolio I

Reporting per 31.03.2021

### Framework conditions

Issue:	Kathrein & Co. Life Settlement Portfolio I
Type of issue:	Participation certificate
Issuer:	Kathrein & Co. Life Settlement GmbH
Premium:	up to 5% of the amount subscribed
Denomination:	USD 50,000
Volume of the issue:	USD 26,000,000
ISIN:	AT0000616610
Date of issue:	20 September 2004
Maturity of profit:	28 February 2022 (after extension)
Participation:	In the development of a portfolio of policies acquired for the specific "accounting group" of the issue minus structuring costs and management costs: * 100% until a return of 8.0% p.a. is reached (IRR - calculated on a quarterly basis - before taxes) upon repayment of the capital employed * 80% as from a return of 8.0% p.a. (IRR - calculated on a quarterly basis - before taxes)
Distributions:	Immediately at the end of each quarter after payment of matured policies and withholding of required liquidity reserves
Tax aspects:	Final taxation of investment income for individuals resident in Austria

The framework conditions described above only constitute an abridged version; for detailed information about this type of investment please refer to the detailed Information Memorandum.

### Product concept

- ✘ Contrary to German speaking countries, life insurance in the U.S. is regularly taken out by the insured in the form of whole life insurance. Insurance provides protection for the family or is collateral for a mortgage.
- ✘ U.S. term-life insurance policy holders have the option to either let an active policy expire by suspending premium payments, to sell it back to the insurance company, or to sell it in the secondary market with the help of a broker.
- ✘ Since redemption payments by insurance companies are low, a working secondary market has emerged for those life insurance policies over the last decade. After the sale, the original policy holder remains the named insured in the policy. However, the obligation for payment of insurance premiums and the right to receive the death benefit of the insured individual transfer to the new beneficiary of the policy. The insurance amount becomes payable with the death of the insured.
- ✘ At the time of issue, there is a constant surplus of policies in the U.S. secondary market. The underlying price for the purchase of a policy is the low repurchase price offered by the insurance company. Due to this market set-up and according to the reliable forecasts made at the time of issue, investors could reliably expect good returns relative to the risk involved with this type of investment. In addition this creates an opportunity to invest in an asset class which performs with no correlation to other traditional asset classes (such as fixed income, equities, etc.).
- ✘ For potential investors, purchasing individual policies involves the concentration of risks. Pooled products such as the "Kathrein & Co. Life Settlement Portfolio I" mitigate the actuarial risk through diversification.

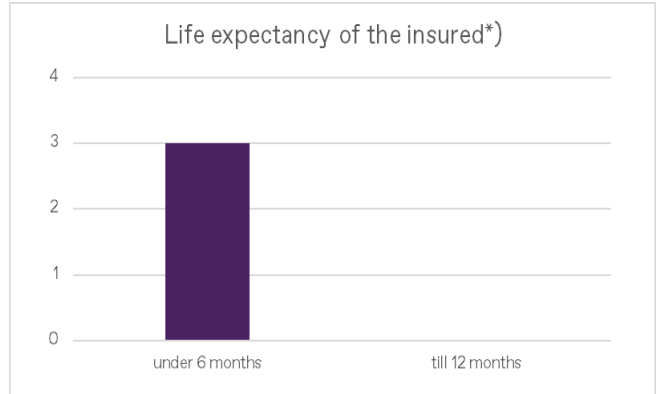
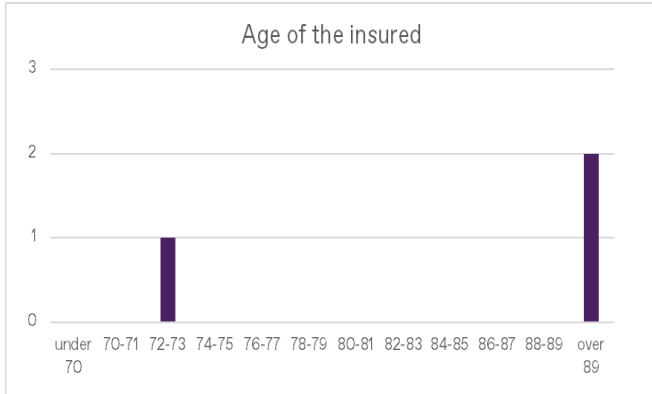
Outstanding nominal value per share by 31.03.2021:

USD 18.564,00

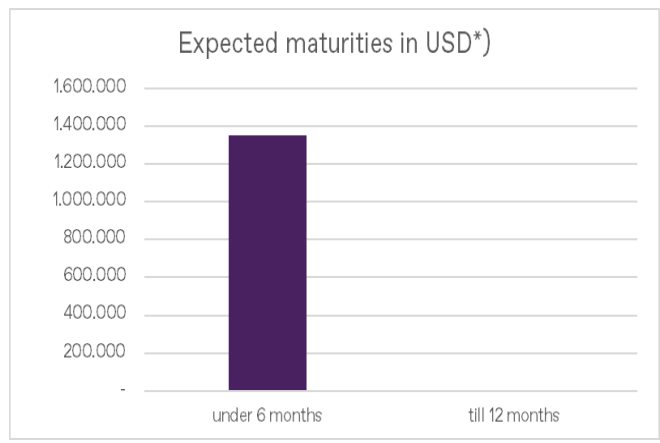
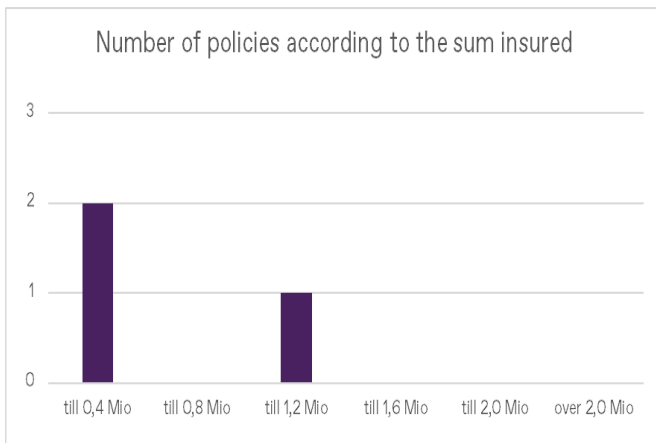
### Status report

- ✘ During the 1st quarter of 2021, no additional portfolio policy matured.
- ✘ The insurance amount of the policy that matured during the 3rd quarter 2020 (USD 500,000), was credited to the trust account at the beginning of January. Payment of the funds of the additional policy that appears to have matured during the same quarter (USD 3,400,000) is still outstanding.
- ✘ Currently, the nominal value of the unpaid participation certificates remains unchanged at USD 18,564 per certificate.
- ✘ As of 31/03/2021, after cancellation of a total of 40 matured policies with an insurance amount of about USD 36.9 million, 3 policies with an insurance amount of USD 1.35 million remain in the portfolio. The average insurance amount per policy in the portfolio is USD 450,000. The average age of the insured as of the current valuation date is about 87.33 years. The average Standard & Poor's rating of the insurance companies is AA.
- ✘ All policies within the portfolio have exceeded the computed date of maturity, which is based on life expectancy assessments by third-party assessors at the time of purchase of the policy.
- ✘ For all policies remaining in the portfolio, the state of the insured is checked regularly. Those checks involve monthly database queries for social security numbers, and in addition semi-annual personal inquiries to the insured or another person named by the insured at the time of purchase of the policy. This approach ensures that the company is informed as timely as possible of the occurrence of an insured event. Please note the restrictions due to the coronavirus pandemic described in the last paragraph.
- ✘ The extraordinary product extension in 2013 followed the apparent fact that the actual performance of the investment fell significantly short of the values originally forecast based on life expectancy assessments by third-party assessors – including respective consequential costs. Since then, this negative performance trend has continued as has been documented in the regular quarterly reports.
- ✘ Since all policies have already exceeded the actuarial duration forecast, which was an unlikely scenario at the time of issue of the participation certificates, additional liquidity needs arise as compared to the originally computed scenarios for the product. Those additional needs are the result of premium obligations to the insurance companies and the current fees for the KLS structure. The longer the insured individual is alive, the longer the accounting group must pay the premiums for an existing policy. In a worst-case scenario, the purchase price and the regular premiums add up to an amount exceeding the insurance amount of the policy. It is virtually impossible to make accurate predictions with regards to the exact time when a policy will mature. At the current valuation date, the outstanding participation certificate volume exceeds the value of the policy portfolio, including the available liquidity. The shortfall amounts to 35.05% as at the last quarter reporting date. Therefore, an investor who holds participation certificates in the Kathrein Life Settlement Portfolio 1 will receive less in return than the originally invested capital. Thus, the risk disclosed in the information memorandum, that longer times to maturity due to higher life expectancy could result in lower or negative returns/or even loss, became reality.
- ✘ The coronavirus pandemic has led to massive restrictions on public life and disruption of government agency work since April 2020 in the US as well. As a result, we have been experiencing long delays in the processing of matured insurance policies but also in querying the status of existing policies. We have become aware that this situation, which we have no control over, continues.

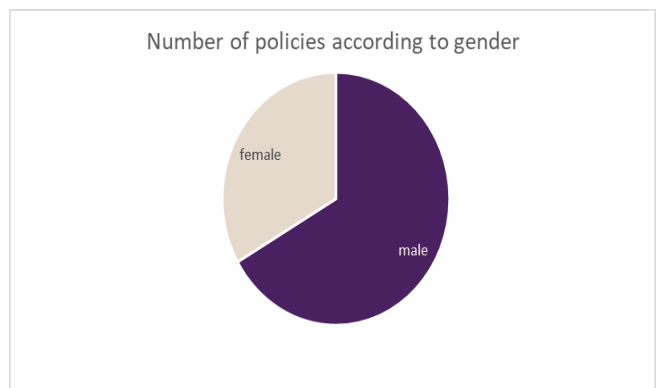
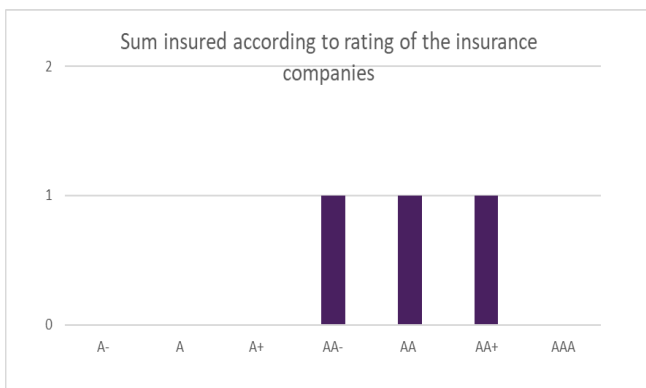
## Kathrein & Co. Life Settlement Portfolio I



\*) in accordance with the life expectancy at the time of issue (life settlement launch date)



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**Risk disclaimer:**

A detailed Information Memorandum for Kathrein & Co. Life Settlement Portfolio I including the terms and conditions of participation certificates and investment guidelines are available to interested investors for inspection at Kathrein Privatbank Aktiengesellschaft. Performance results achieved in the past do not allow conclusions regarding future developments. All information is without liability. No liability can be assumed for accuracy of data despite careful research and recording.

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Source: insurance companies