

## Kathrein & Co. Life Settlement Portfolio II

Reporting per 31.03.2021

### Framework conditions

Issue:	Kathrein & Co. Life Settlement Portfolio II
Type of issue:	Participation certificate
Issuer:	Kathrein & Co. Life Settlement GmbH
Premium:	up to 5% of the amount subscribed
Minimum subscription value:	USD 10,000
Denomination:	USD 1,000
ISIN:	AT0000605316
Date of issue:	15 June 2005
Maturity of profit:	till June 30, 2024 (after extension)
Distribution of profit/return:	100% to participation certificate holders of accounting group II until an IRR of 9.00% p.a. is reached (IRR - calculated on a quarterly basis - before personal taxes of the holders of participation certificates). As soon as an IRR of 9.00% has been reached (IRR - calculated on a quarterly basis - before personal taxes of the holders of participation certificates), 80% to the holders of participation certificates; 20% in favour of the issuer (not included in its accounting groups for participation certificates) as performance commission.
Tax aspects:	Final taxation of investment income for individuals resident in Austria at 25% investment income tax.

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. 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.
- ✘ With the Kathrein & Co. Life Settlement Portfolio II, investors acquire the right to the returns from a pool of insurance policies. The maturity benefit of an insurance policy is set by the insurance amount from the very beginning. The seller of the policy remains the named insured. After he/she is deceased, the insurance amount is paid to the buyer of the policy (Kathrein & Co. Life Settlement Portfolio II).
- ✘ 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. However, pooled products such as the "Kathrein & Co. Life Settlement Portfolio II" mitigate the actuarial risk through diversification.

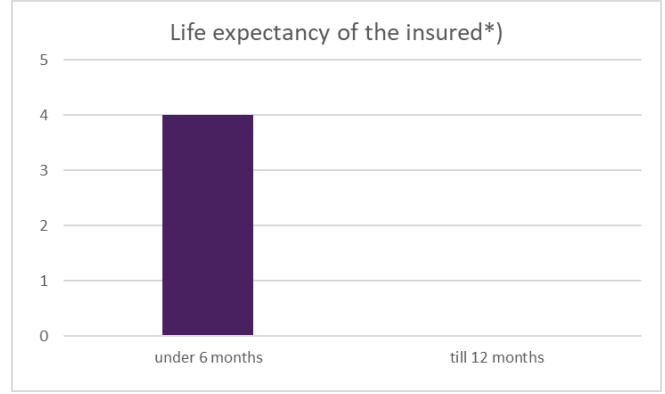
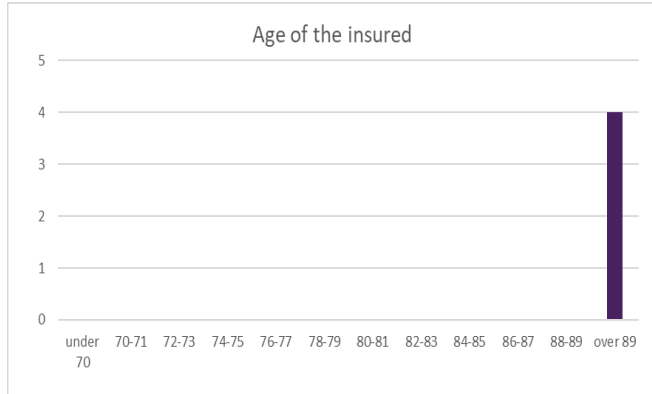
Outstanding nominal value per share by 31.03.2021:

USD 566,-

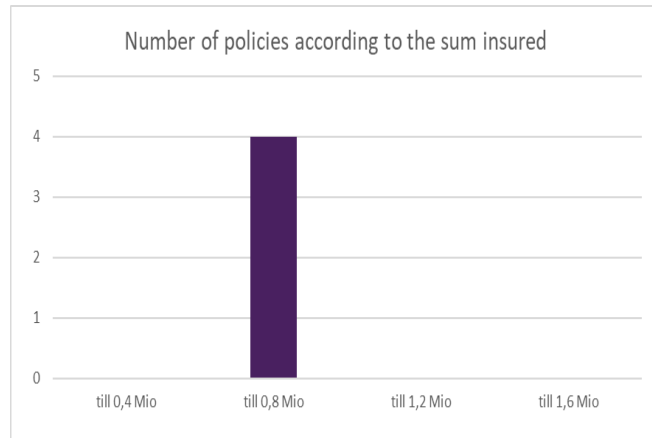
### Status report

- ✘ During the 1st quarter of 2021, a policy within the portfolio with an insurance amount of USD 1,000,000 matured. The sum has not been distributed to the fund yet.
- ✘ On 31/03/2021, after all past redemptions, the nominal value of the unpaid participation certificate remains at USD 566.00 per participation certificate.
- ✘ As of 31/03/2021, after cancellation of a total of 30 matured policies with an insurance amount of about USD 19.4 million, 4 policies with an insurance amount of about USD 2.34 million remain in the portfolio. The average insurance amount per policy in the portfolio is about USD 595,801. The average age of the insured as of the current valuation date is about 97.50 years. The average Standard & Poor's rating of the insurance companies is AA.
- ✘ All 4 policies in the portfolio with an insurance amount of about USD 2.34 million have reached or exceeded the date of maturity computed at the time of issue, which is based on life expectancy assessments.
- ✘ 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 2016 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 41.54% as at the last quarter reporting date, after recording of the maturities and refunding of premiums. Therefore, an investor who holds participation certificates in the Kathrein Life Settlement Portfolio 2 will receive less in return than the originally invested capital. Thus, the risk disclosed in the KMG prospectus, that longer times to maturity due to higher life expectancy could result in lower or negative returns/or even loss, has become 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.

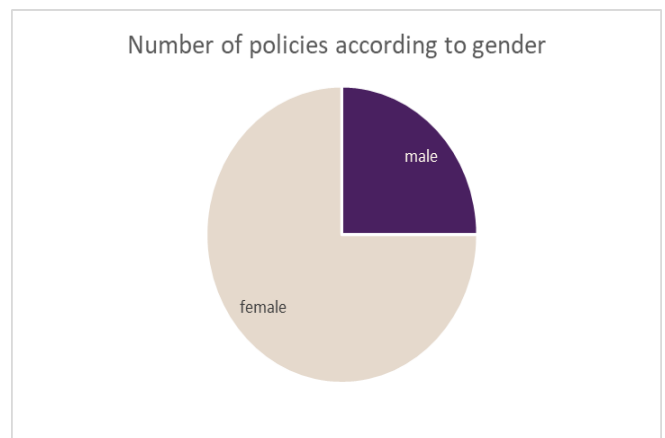
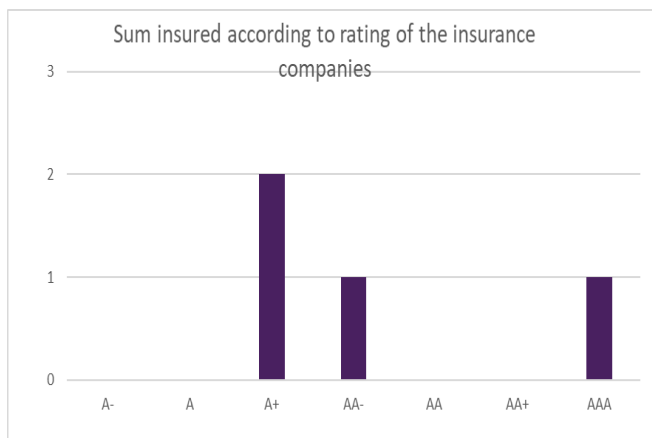
## Kathrein & Co. Life Settlement Portfolio II



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



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**Risk disclaimer:**

A detailed Prospektus for Kathrein & Co. Life Settlement Portfolio II 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