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Life Settlement Market Update – Q3 2013

Appetite for longevity-linked assets continues unabated. According to The Deal's Life Settlements Report, market activity in September included McKinsey & Co.'s winning bid for the \$135 million Quality Investments BV portfolio.

Limited Life Assets Ltd., the U.K. entity of McKinsey & Co., ultimately beat out hedge fund Silver Point Capital LP for the portfolio. Providers including Life Equity LLC and Institutional Life Services LLC also placed backup bids for policies in the portfolio, which was comprised of 25 policies with face amounts between \$400,000 and \$10 million.

The McKinsey purchase capped an active Q3 where many institutions, including Berkshire Hathaway and Apollo Global Management LLC, committed and re-committed to the asset class.

Trading volume promises to uptick even further in Q4 with the emergence of a new electronic marketplace for life policies. The Deal reports that Bridge Exchange, a New York-based platform for tertiary policies, opened its first auction on August 30.

Similar to most securities transactions, trades on Bridge Exchange will settle T+3 after a reserve price has been met or exceeded. Auctions will last from two to four weeks, with anonymous participants sharing transaction fees equally. Although the platform will initially support individual policy transactions, the exchange may expand in the future to facilitate portfolio and block trades.

Participation in Bridge Exchange is limited to institutional investors. Membership is open to QIBs, entities owning \$500 million or more in face amount, and providers who have transacted at least \$500 million in face amount.