

TRANEN CAPITAL



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The Life Settlement market was active this month as it continues to return from the doldrums of the economic crisis. In a related development, the Fund will also be in Hong Kong for the first ever Insurance Linked Securities Conference. We discuss these matters below. For the month of September, the Fund was up 1.19% while the S&P increased by 8.92% and the DJ Industrial average surged 7.7%, its largest monthly point gain since October 2002, climbing more than 10% during the third quarter. These gains came as modestly improving economic data helped ease fears over a double-dip recession. Widespread expectations that the Federal Reserve is prepared to provide additional stimulus measures have also propped up the stock market.

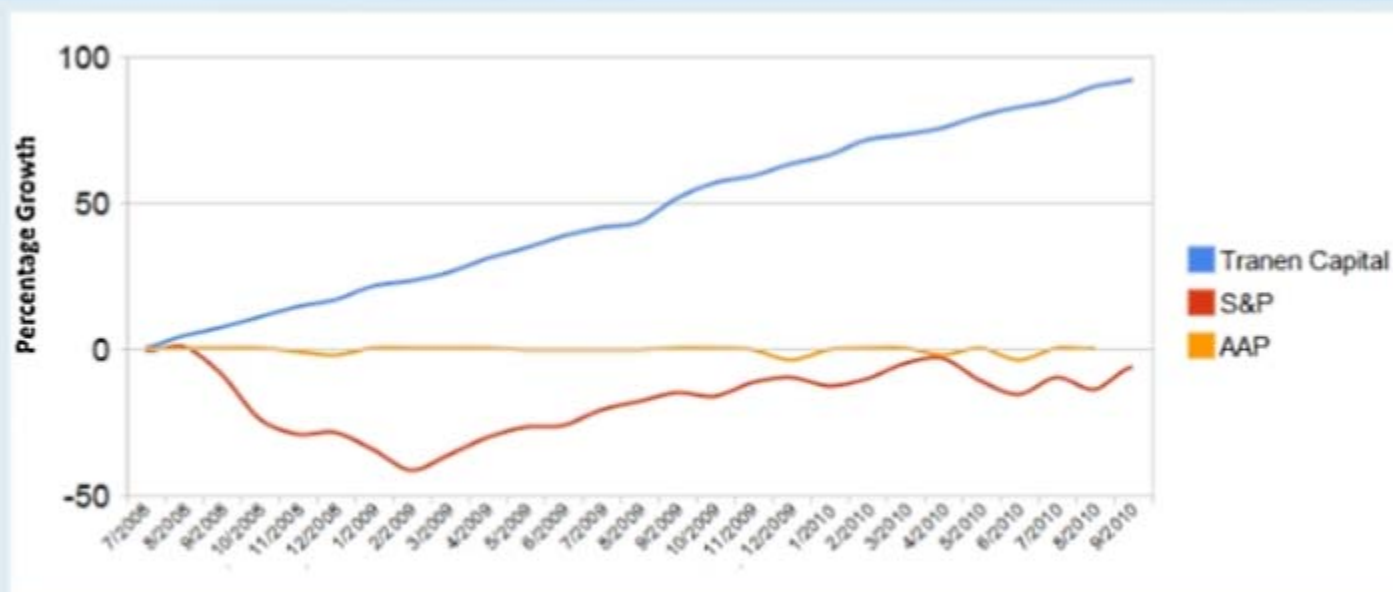
The growth in the life settlements market has really picked up since the economic crisis hit in 2008-2009. LISA, the Life Insurance Settlement Association, has added 15 new members to the roster so far this year. This is one of the largest sign-ups in the last several years. Additionally, the Fund has noticed a large increase in buying and selling portfolios of policies. This is very interesting development in the eyes of the Fund managers as, prior to the economic crisis, there were mostly one off purchases of policies and policy analysis was done one by one.

Since the crisis however, there has been a surge of policies being bought and sold, mostly with the procurement of quality portfolios. Funds always had what the industry calls 'ramp risk,' the risk of trying to fill an order in a short period while also doing all of the required analysis necessary to make sure the policies are of quality. We just saw last month 3 relatively new funds purchase large portfolios in the market from quality sellers. The securitization of pools of policies, a concept floated several times in recent years, may also revive: The New York Times reports today, October 1, that almost every securitization market (other than that for residential mortgage securitization) has reopened. All of this is great news for the Fund as we will look to move a substantial amount of inventory in the next 30-90 days.

The Fund will be in Hong Kong on October 13-15, for the inaugural Insurance Linked Securities and Life Settlements Conference. The Fund will be presenting on a variety of topics including talking about how one of the biggest beneficiaries of the market are Seniors (those over age 65), who can realize perhaps 8 times more on a sale of their policies in the market than they would receive on the surrender of the policy to the insurance company. This issue is generally not discussed very much. The Fund will be bringing both Vishaal Bhuyan, the author of 'Life Markets,' published by Wiley Finance, and Steven Arenson, the former president of marketing for CNA Insurance, who was one of the founders of the life settlements market back in 1994.

After that trip, the Fund will be going to Japan to speak individually with a number of pension funds. This will be a good opportunity for the Fund management to learn in depth about the current longevity issues that the Japanese pension funds are facing due to the fact that the population is aging, with many elderly persons retiring but with a much smaller work force contributing to the support of those retired persons. The Fund currently has a couple of Japanese pension fund investors in the Fund, and the massive demographic changes there will eventually manifest themselves in the US and Europe. The Fund is also interested in finding out what the Japanese government's plans are to address the demographic shifts in Japan. It is always useful to see how public policy is being conducted there as a template for possible programs that the US and Europe could use to deal with issues related to their aging populations.

TRANEN FUND PERFORMANCE VS. AAP & S&P SINCE JULY 2008



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2010	1.7	3.3	1.0	1.3	2.2	1.8	1.1	2.6	1.2	-	-	-	17.1% Compounded
2009	4.0	1.3	2.5	3.7	2.5	3.0	2.1	1.6	5.6	3.5	1.2	2.8	39.5% Compounded
2008	-	-	-	-	-	-	0.7	4.2	2.6	3.0	3.4	2.2	17.4% Compounded

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