

# TRANEN CAPITAL



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Irish Stock Exchange Listing: Sedol B61DB84 | ISIN Number: VGG8993Y1007  
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Performance Data as of 6/30/2011



Midsummer greetings from Tranen Capital. For the month of June, the Alternative Investment Fund was up by +2.66%, while the S&P 500 decreased by -1.67%, and the Dow Jones was also down, by -1.10%.

On the global front, market uncertainty is dominated by the escalating Greek financial collapse as EU governments and banks debate the best course of action. Italy and Spain may be on deck as the next two countries lining up for a financial life raft. Stateside, the market is following closely negotiations over raising the US debt ceiling. Despite these uncertainties, or perhaps because of them, Tranen continues to attract new investors through its network of corresponding offices around the world.

We thought a snapshot of the history of the life settlement industry would be of interest to new comers to this growing asset class.

The settlement industry began in the 1980's with the creation of viatical settlements in response to the AIDS epidemic. A viatical settlement is the purchase of a life insurance policy by a third party from an insured who is terminally ill. Originally, "terminally ill" was loosely defined in respect to an insured's life expectancy. Eventually, "terminally ill" was legally defined as a life expectancy of 24 months or less as certified by a physician. The viatical settlement market evolved to include conditions and illnesses beyond AIDS when CNA Insurance Company created a wholly owned viatical settlement subsidiary, Viaticus, Inc., in 1994. When senior management decided to exit the viatical settlement business, Viaticus management was tasked to re-invent the company which led to the creation of what is known today as a life settlement which is the purchase of a life insurance policy, by a third party, from an insured who is not terminally ill. Seeing opportunity, within two years several new entrants joined CNA to form the nucleus of an emerging industry. A 1999 Conning & Company report sized the potential life settlement market at over \$450 billion.

For various reasons, the leading life settlement companies identified in the Conning report exited the business a few years after the release of the report. However, in late 2001 Zurich Financial Services and Gen Re entered the business with the creation of subsidiaries which once again signaled opportunity for other organizations to enter the space. The industry started to get real traction with the entry of marquee name investment and commercial banks in 2004-2005. These banks, in tandem with the growth of premium finance programs, fueled the industry through much of 2008. The combination of the global credit crunch, and, of particular relevance to the settlement industry, the release of the 2008 Valuation Basic Table (VBT), which re-calibrated life expectancy calculations, caused many funding sources to either exit the business or reduce their investment.

It was at this inflection point that Tranen Capital strategically capitalized on the void in the marketplace by entering the business with its Alternative Investment Fund. Tranen's ability to raise and deploy capital at a time when cash and credit were scarce and prices depressed meant it could purchase policies under advantageous conditions. Importantly, the Tranen portfolio was built after the impact of the 2008 VBT was understood and its impact reflected in concomitant adjustments to underwriting, mortality and pricing. Tranen's strategic timing, and investment and intellectual capital, contributed to the industry's rebound and growth over the past 2 years. Tranen is committed to growing operations in 2011, and you will be hearing more about our plans in future newsletters.

## TRANEN CELEBRATES THIRD YEAR ANNIVERSARY

This month, Tranen Capital celebrates its third year anniversary with great pride and a sense of accomplishment. Our achievements could not be realized without the support of our investors, service providers and corresponding offices around the world. The success of Tranen Capital has been, and continues to be, dependent on your belief and confidence in the Fund's strategy, business model and management team. We, and the entire Tranen team, sincerely thank you.

This month, another economic success, the USA, celebrated its anniversary on Independence Day. The US insurance market is the most robust in the world. It is from this rich and growing pool of US life insurance policies that Tranen, through its intellectual and financial capital, has built a life settlement portfolio that historically has yielded to its investors attractive returns that are non-correlated to other asset classes and independent of market forces.

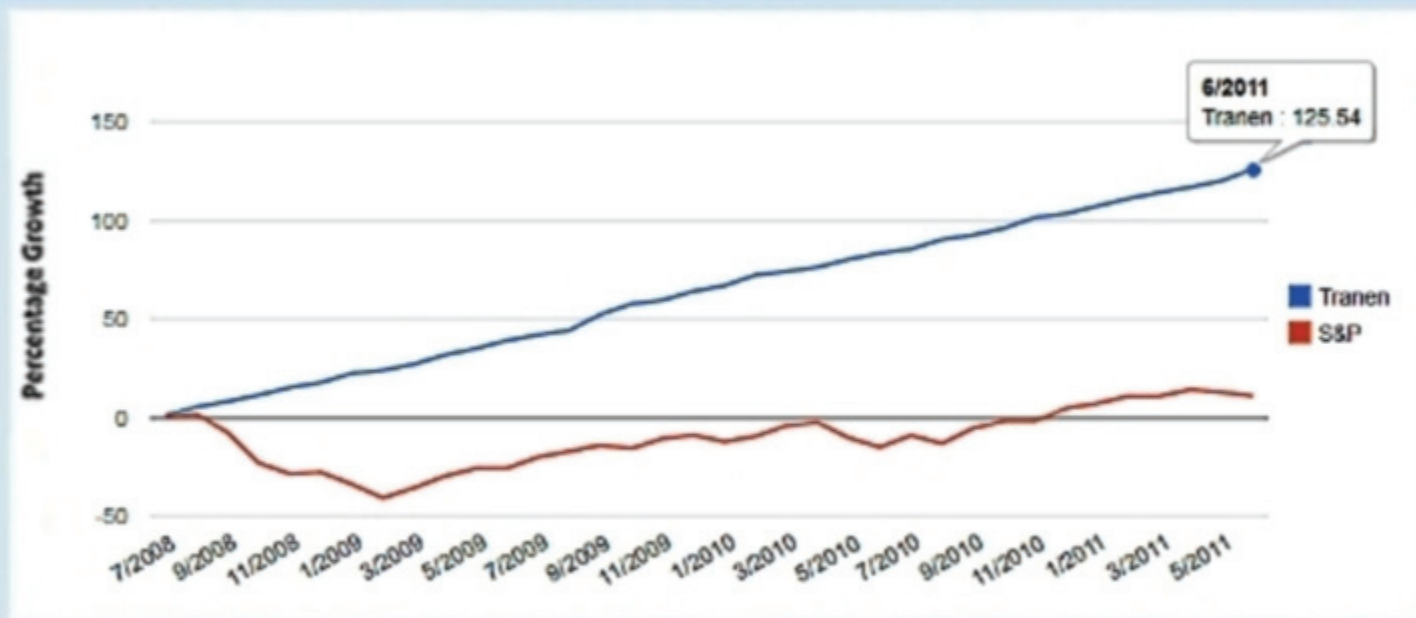
In a testament to its enterprise and perseverance, Tranen entered the market at what many economists believe was the nadir of the global financial collapse, the summer of 2008. Tranen envisioned economic rewards through a business model that managed risk at a time when others saw volatility, uncertainty and pessimism. After three years, Tranen adds a successful track record to its industry and managerial expertise. We are focused on building on that track record over each anniversary year.

Best Regards,

Ken Landgaard

Arthur Bowen

# TRANEN CAPITAL ALTERNATIVE INVESTMENT FUND PERFORMANCE VS. S&P SINCE JULY 2008



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2011	1.9	1.8	1.5	1.2	1.5	2.7							11.1% Compounded
2010	1.8	3.3	1.0	1.3	2.3	1.8	1.1	2.6	1.2	1.8	2.8	1.0	24.1% 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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