

Ress Life Investments A/S

Half-Year Report

For the period 1 October 2020 - 31 March 2021

Holbergsgade 14, 2. tv., DK-1057 Copenhagen K

Corporate Announcement no. 17/2021, 27 May 2021

CVR NO. 33 59 31 63

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Statement by the Board of Directors and Management

The Board of Directors and the Management have today discussed and approved the Half-Year Report of Ress Life Investments A/S for the period 1 October 2020 – 31 March 2021. The Half-Year report has not been subject to audit or review.

The Half-Year Report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by EU and Danish disclosure requirements for listed companies.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 March 2021 and of the results of the Company's operations and cash flows for the period 1 October 2020 – 31 March 2021.

Further, in our opinion, the Directors' report includes a fair review of the development in the Company's activities and financial conditions, the result for the period, cash flows and financial position as well as the most significant risks and uncertainties that the Company faces.

Copenhagen, 27 May 2021
Management:

Michael Hovard Ekmann

Board of Directors:

Søren Andersen
Chairman of the Board

Ketil Petersen

Jeppe Buskov

Anne Buchardt

Directors' report

Development in the Company's activities and financial position

The fair value of the investment in life insurance contracts increased from USD 192,449 thousand at 30 September 2020 to USD 205,301 thousand at 31 March 2021. The fair value of the investments is estimated by the Alternative Investment Fund Manager (Resscapital AB in Sweden) based on life expectancy and insurance premium outlooks and other such factors. The change in fair value of these life insurance contracts is specified in note 2.

During the period, the Company issued a net quantity of 15,897 new ordinary shares of EUR 500 nominal value per share and with a total share premium of USD 23,646 thousand from shares issued during the period. The Company holds 0 treasury shares at period end.

The company can conclude that the Covid-19 pandemic has not significantly affected either Ress Life Investments or the AIF manager Resscapital AB, apart from that meetings with investors have taken place digitally and staff have largely been working from home.

Result for the period

During the period, the net asset value of the Company has increased from USD 2,057.60 per share at 30 September 2020 to USD 2,085.76 per share at 31 March 2021. The increase in the net asset value is in accordance with Management's expectations as expressed in the 2019/20 annual report. The Half-Year Report shows a decrease in comprehensive income to USD 2,962 thousand for the period 1 October 2020 – 31 March 2021 compared with USD 3,639 thousand for the period 1 October 2019 – 31 March 2020. The result is impacted by positive fair value adjustments of the investments. Management considers the result of the period to be satisfactory.

Outlook

The assets of the Company have grown considerably during the period. The outlook for further growth is positive and the Alternative Investment Fund Manager has communicated to the Company that it expects the assets to continue increase in value. The net asset value per share of the Company is also expected to gradually increase, as more insurance policies are acquired, insured individuals are getting older and policy pay-outs increase.

Due to the nature of the Company and its investments, it is not possible to estimate the level of expected future profits.

Unusual circumstances

There have been no unusual circumstances that have materially affected the Half-Year Report.

Risks and uncertainties

The Company's risk remains unchanged in respect to the above. Financial risks are specified in note 2.

Events after the balance sheet date

In the period after the balance sheet date the Company has established a new legal entity Direct Life Investments K/S to better access certain segments of the US market.

There are no events after the balance sheet date materially affecting the half year report.

Directors' report (continued)

Development in the portfolio

As of 31 March 2021, the Company owned 357 life insurance policies issued by over 50 different US life insurance companies. The total face value of the policies exceeds USD 947 million. During the first half of the fiscal year 2020-2021, 2 policies with a combined face value of USD 7 million matured.

The actual number of maturities is in line with expected maturities, but the average size of maturing policies has been below average policy size. The AIF Manager believes this is due to the fact that the number of policies held by the Company is still not large enough to minimize volatility in maturities. The portfolio is still growing and therefore the volatility in actual-to-expected ratios is expected to gradually decrease as the number of policies in the portfolio increases.

Performance attribution

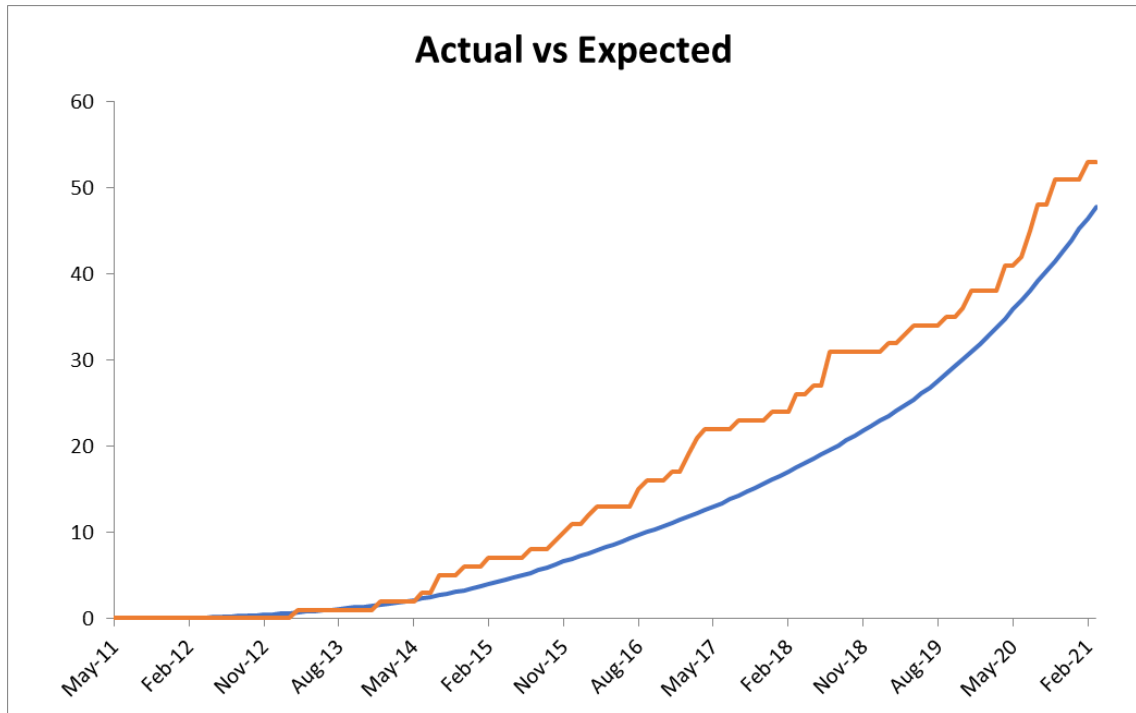
The table below shows the estimated performance attribution for 2020 as well as Q1 2021. The breakdown below is an illustration of monthly contributions and will not match the yearly performance to 100%.

Performance 2021-03-31	2020	2021 Ytd
Realised (Maturities & sold policies)	11.53%	0.20%
Aging effect	2.08%	0.55%
Mtm-adjustment (Change in discount rates)	-1.30%	-0.66%
Life Expectancy Updates	0.00%	0.00%
Premium prepayments	-0.07%	0.00%
Premium optimization	-0.15%	-0.03%
COI increases	-0.21%	-0.14%
Gross portfolio performance	11.89%	-0.08%
Investment factor effect	-1.54%	0.03%
Net portfolio performance	10.35%	-0.05%
Fund Costs	-3.14%	-0.63%
Other	0.00%	-0.00%
Net Fund Performance	7.21%	-0.68%

Directors' report (continued)

Realized maturities – actual to expected

Actual to expected figures were in line with expectations. The below graph shows the actual number of matured lives (red) versus expected (blue).



Financial statements for the period 1 October – 31 March

Income statement and statement of comprehensive income

Note	USD	1 October 2020 – 31 March 2021	1 October 2019 – 31 March 2020
	Staff costs	-43,748	-31,490
2	Other operating costs	-3,483,181	-2,456,912
	Operating loss	-3,526,929	-2,488,402
	Financial income	6,508,286	6,279,050
	Financial expenses	-14,459	-151,723
	Profit before tax	2,966,897	3,638,925
	Tax on profit for the year	0	0
	Profit for the year	2,966,897	3,638,925
	Comprehensive income	2,966,897	3,638,925

There have been no transactions in other comprehensive income.

Earnings per share, USD

Weighted average no. of shares outstanding	112,958	89,618
Earnings per share (Basic and diluted)	26.22	40.60

Financial statements for the period 1 October – 31 March

Statement of financial position

Note	USD	31 March 2021	30 September 2020	31 March 2020
	ASSETS			
	Non-current assets			
	Financial assets			
3	Other investments	205,300,997	192,449,408	159,631,723
		205,300,997	192,449,408	159,631,723
	Total non-current assets	205,300,997	192,449,408	159,631,723
	Current assets			
	Receivables			
	Prepayments	57,590	244,086	14,383
	Other receivables	0	0	29,357
		57,590	244,086	43,740
3	Other investments	16,998,178	0	0
	Cash and cash equivalents	34,083,500	28,428,124	23,786,130
	Total current assets	34,141,090	28,672,210	23,829,870
	TOTAL ASSETS	256,440,264	221,121,618	183,461,593
	EQUITY AND LIABILITIES			
	Equity			
	Contributed capital	72,869,382	76,026,395	56,831,582
	Retained earnings	182,556,656	143,241,700	125,867,805
	Total equity	255,426,038	219,268,095	182,699,387
	Current liabilities			
	Other payables	1,014,226	1,853,523	762,206
	Total liabilities	1,014,226	1,853,523	762,206
	TOTAL EQUITY AND LIABILITIES	256,440,264	221,121,618	183,461,593

1 Accounting policies

4 Transactions with related parties

Financial statements for the period 1 October – 31 March

Statement of changes in equity

USD	Contributed capital	Retained earnings	Total
Equity at 1 October 2019	51,859,292	103,219,982	155,079,274
Comprehensive income for the period	0	3,638,925	3,638,925
Capital increase	4,972,290	12,524,233	17,496,523
Transactions with shareholders	0	6,484,664	6,484,664
Equity at 31 March 2020	56,831,582	125,867,805	182,699,387
Equity at 1 October 2020	63,319,018	155,949,077	219,268,095
Comprehensive income for the period	0	2,966,897	2,966,897
Capital increase	9,550,364	23,645,642	33,196,006
Equity at 31 March 2021	72,869,382	182,561,616	255,430,998

Financial statements for the period 1 October – 31 March

Statement of cash flows

Note	USD	2020/21	2019/20
	Total comprehensive income for the period	2,966,897	3,638,925
	Change in current liabilities	-839,298	-4,400,153
	Change in receivables	186,496	1,256,683
	Unrealised financial income	-6,494,565	-6,118,346
	Unrealised financial expenses	-329	-11,046
	Cash flows from operating activities	-4,180,799	-5,633,938
	Additions of financial assets	-43,496,524	-32,840,527
	Premium payments	-11,373,752	-7,023,266
	Sales and maturities	31,515,075	5,153,214
	Cash flows from investing activities	-23,355,201	-34,710,579
	Capital increase	33,196,006	17,496,523
	Redemption of shareholders, net	0	6,484,664
	Cash flows from financing activities	33,196,006	23,981,187
	Net cash flows from operating, investing and financing activities	5,655,376	-16,363,330
	Cash and cash equivalents at 1 October	28,428,124	40,149,459
	Cash and cash equivalents at 31 March	34,083,500	23,786,129

Financial statements for the period 1 October – 31 March

Notes to the financial statements

1 Accounting policies

The Half-Year report of Ress Life Investments A/S for 2020/21 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by EU and Danish disclosure requirements for listed companies.

The accounting policies used in the preparation of the financial statements are consistent with those presented in the annual report 2019/20, with the following addition.

Listed bonds and shares

Listed bonds and shares are measured at market value on the date of the balance sheet. Listed bonds and shares are classified as level 1 investments according to IFRS 13.

2 Other operating costs

USD	31 March 2021	31 March 2020
Domiciliary, accounting and audit	162,946	61,088
Company and share related costs including insurances	68,939	125,941
Company legal fees	95,561	56,968
Policy legal fees	145,768	222,165
Policy Management and custody	1,170,950	648,367
Depositary fees	104,598	41,264
Management fees	1,734,719	1,301,119
	3,483,181	2,456,912

3 Financial risks and financial instruments

Foreign exchange risks

The shares are denominated in EUR. The functional currency is USD and the underlying assets are USD based. Accordingly, the value of the shares is likely to fluctuate with any fluctuations in the exchange rate between USD and EUR. If the value of EUR depreciates against USD, the EUR price of the shares will appreciate. In addition, there is a currency risk depending on the local functional currency for each shareholder.

Interest rate risks

Due to its investing and financing activities, Ress Life Investments A/S is to a limited extent exposed to interest rate risks related to fluctuations in interest levels in the USA, the Eurozone and Denmark.

The interest rate exposure relating to interest rate changes comprises changes in interest yields on balances with banks.

Financial statements for the period 1 October – 31 March

Notes to the financial statements

3 Financial risks and financial instruments (continued)

Tax risks

For the Company an investment in the life insurance contracts involves a number of complex tax considerations. Changes in tax legislation in any of the countries in which the Company holds life insurance contracts, or changes in tax treaties negotiated by those countries, could adversely affect the returns to its shareholders. Each shareholder is strongly urged to consult its own tax advisers regarding their tax implications of investing and holding life insurance contracts.

Credit and counterparty risks

There is a credit risk in respect of the life settlement investments as recognised under “Other investments”. There is no guarantee that the insurance companies will meet their obligations to make payment on maturity claims. The credit risk is mitigated by limiting the exposure to any single insurance company, and by only buying policies issued by insurers that meet the rating requirements.

The life settlement investments are made with over 50 different life insurance companies, and the face values are distributed on AM Best Ratings as below:

Carrier rating	31 March 2021			31 March 2020		
	Policies	Fair value	% of NAV	Policies	Fair value	% of NAV
A++	22	20,319,001	8.0%	19	16,118,318	8.8%
A+	180	96,593,393	37.8%	186	102,894,554	56.3%
A	117	62,854,598	24.6%	76	33,513,678	18.3%
A-	11	6,060,832	2.4%	8	3,825,380	2.1%
B++	16	14,685,791	5.7%	0	0	0.0%
B+	0	0	0.0%	6	2,863,677	1.6%
B	6	3,263,061	1.3%	0	0	0.0%
B-	0	0	0.0%	1	416,117	0.2%
C++	5	1,514,721	0.6%	0	0	0.0%
Total	357	205,291,397	80.4%	296	159,631,723	87.4%

Concentration risk

The following tables set forth concentration risks, divided into the face value of the life settlement investments in gender, age group, Life Expectancy estimates (“LE”) and spreads of face value of the individual contracts:

Gender:	31 March 2021			31 March 2020		
	Policies	Face value	% Weight	Policies	Face value	% Weight
Female	73	186,632,880	19.7%	59	142,063,381	20.8%
Male	256	622,816,669	65.7%	209	444,313,232	65.0%
Joint	28	138,292,952	14.6%	28	97,633,975	14.3%

Financial statements for the period 1 October – 31 March

Notes to the financial statements

3 Financial risks and financial instruments (continued)

	31 March 2021			31 March 2020		
<i>Age group:</i>						
	Policies	Face value	% Weight	Policies	Face value	% Weight
<65	22	65,246,157	6.9%	14	48,446,157	7.1%
65-69	31	117,671,614	12.4%	25	74,229,604	10.9%
70-74	62	178,131,652	18.8%	57	120,811,822	17.7%
75-79	80	171,235,733	18.1%	68	140,343,613	20.5%
80-84	75	243,704,298	25.7%	67	175,640,107	25.7%
85-89	53	108,739,475	11.5%	41	90,514,286	13.2%
90-94	28	55,238,572	5.8%	19	30,250,000	4.4%
95<	6	7,775,000	0.8%	5	3,775,000	0.6%
<i>Life Expectancy estimate:</i>						
	Policies	Face value	% Weight	Policies	Face value	% Weight
< 2	3	4,350,000	0.5%	2	850,000	0.1%
2-3	29	56,411,367	6.0%	24	32,865,000	4.8%
4-5	40	47,685,677	5.0%	36	56,015,643	8.2%
6-7	74	187,680,308	19.8%	56	117,841,138	17.2%
8-9	41	87,608,532	9.2%	51	115,489,051	16.9%
10-11	54	195,782,173	20.7%	34	72,180,573	10.6%
12-15	49	156,793,422	16.2%	61	211,243,422	30.9%
16-	67	214,431,023	22.6%	32	77,525,761	11.3%
<i>Spreads of face value for the individual contracts:</i>						
	Policies	Face value	% Weight	Policies	Face value	% Weight
100,000-250,000	3	500,000	0.1%	12	2,750,000	0.4%
250,000-500,000	63	27,834,975	2.9%	52	24,084,975	3.5%
500,001-1,000,000	87	79,362,089	8.4%	78	70,862,089	10.4%
1,000,001-2,000,000	75	135,311,955	14.3%	57	100,442,456	14.7%
2,000,001-3,000,000	37	102,238,109	10.8%	28	76,538,109	11.2%
3,000,001-5,000,000	52	235,593,330	25.0%	44	197,593,330	28.9%
5,000,001-10,000,000	33	268,097,126	28.3%	22	171,823,373	25.1%
10,000,001-15,000,000	5	61,524,760	6.5%	3	39,916,256	5.8%
15,000,001-	2	36,280,157	3.8%	0	0	0%

Financial statements for the period 1 October – 31 March

Notes to the financial statements

3 Financial risks and financial instruments (continued)

Fair value measurement

The life insurance contracts are valued using the 'Fair value' concept in connection with certain disclosure requirements and for recognition of financial instruments. Direct investments in life insurance contracts are measured at level 3.

'Fair value' is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. The valuation approach used in relation to the life insurance contracts is based on discounted probability weighted cash flows. The valuation approach incorporates all of the factors that market participants would take into account in pricing a transaction, such as cash flows (premiums and death benefits), discount rates and life expectancies (mortality assumptions).

The probabilities are based on applying the LE to a mortality table in order that the mortality factor (the ultimate factor) applicable to the given insured can be derived from the table itself. The approach to the mortality distribution is based on the use of the VBT 2015 tables (2015 Valuation Basic Table created by the Society of Actuaries from North America).

The LE is one of the most important variables in pricing policies in the life settlement market and the valuation of life settlement contracts is heavily dependent on LE information. Upon purchase of the assets, LE reports are obtained from at least two underwriters. LE reports are medical opinion from specialised medical underwriters, based on the latest medical records or other relevant information. The Alternative Investment Fund Manager is using a conservative approach, selecting the most conservative LE report in most cases.

The fair value of life insurance contracts is sensitive to the choice of discount rates. Discount rates are determined at the level of sub-groups of the life insurance portfolio. The sub-groups are based on the face value of policies and the credit rating of insurance carriers. The discount rates of each sub-group result from the Internal Rate of Return ("IRR") for each policy in the sub-group, at purchase. A parameterisation of the discount rates for each sub-group is based on an exponential moving average taking into account changes in IRRs when new acquisitions are made within the respective sub-group. Under this methodology, the discount rate in each sub-group is recalibrated whenever a policy that falls into the sub-group is acquired.

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, see below:

- Level 1: Value in an active market for similar assets/liabilities
- Level 2: Value based on recognised valuation methods on the basis of observable market information
- Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

The determination of what constitutes 'observable' requires significant judgement by Ress Life Investments A/S ("the Company"). The Management of the Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

Financial statements for the period 1 October – 31 March

Notes to the financial statements

3 Financial risks and financial instruments (continued)

Fair value measurement (continued)

The following method and assumptions were used to estimate the fair values. The Company primarily invests directly in the life insurance policies. The fair value measurement of the investments is estimated on an individual basis based on several factors such as premium payments and the changes in these, updates of life expectancy, changes in discount rates and general “mark-to-market” adjustments.

Other investments are investments that are valued based on NAV statements received from Saffery Champness Fund Services Limited. The fair value is recognised as 20% of the NAV.

The following table analyses within the fair value hierarchy the Company’s financial assets are measured at fair value at 31 March 2021. All fair value measurements disclosed are recurring fair value measurements

USD	<u>31 March 2021</u>	<u>31 March 2020</u>
Level 1	16,998,178	0
Level 2	9,600	0
Level 3	<u>205,291,397</u>	<u>159,631,723</u>
	<u>222,299,175</u>	<u>159,631,723</u>

The carrying amount is equal to fair value for all financial assets and financial liabilities.

There have been no transfers between the levels in the fair value hierarchy this year.

The fair value of receivables, prepayments, cash, payables and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments. The Company's own credit risk has not been taken into account.

For instruments with recurring Level 3 fair value measurements, the carrying value has been specified in below table:

Opening balance (1 October)	192,440,137	118,802,799
Additions	16,499,785	32,840,527
Premium payments	11,373,423	7,023,266
Sales and maturities	-21,516,513	-5,153,214
Fair value adjustment	<u>6,494,565</u>	<u>6,118,346</u>
Closing balance (31 March)	<u>205,291,397</u>	<u>159,631,723</u>

Financial statements for the period 1 October – 31 March

Notes to the financial statements

3 Financial risks and financial instruments (continued)

Sensitivity analysis

The sensitivity of the valuation result to changes in assumptions is illustrated by introducing changes to one specific assumption at a time and comparing the result before and after the change.

A sensitivity analysis is made based on the following scenarios:

- Discount rate sensitivity;
- Mortality sensitivity

No sensitivity analysis is presented in relation to cash flows as cash inflows consist of death benefits fixed at policy inception and cash outflows consist of scheduled premium payments.

Discount rate sensitivity

The discount rate sensitivity analysis has been performed around weighted (by face value) average discount rate across the portfolio.

As at 31 March 2020:

Discount rate	8%	10%	12%	14%
Value of portfolio USD	201,068,682	171,368,357	147,356,934	128,208,247
% of total face amount	29.53%	25.05%	21.54%	18.74%

As at 31 March 2021:

Discount rate	8%	10%	12%	14%
Value of portfolio USD	266,245,451	233,296,362	189,910,654	163,528,749
% of total face amount	28.09%	23.56%	20.04%	17.25%

Mortality sensitivity

A one month extension (or reduction) for all life expectancies in the portfolio corresponds to a negative (respectively positive) impact of USD 3,680,646 or approximately 0.39% of the face value of the portfolio.

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Notes to the financial statements

4 Related parties

Ress Life Investments A/S' related parties include:

Name of related party	Nature of transactions
Resscapital AB	AIF Management fees
Citco Denmark ApS	Domiciliary and administrative management fee
Board of Directors	Board remuneration
Kromann Reumert*	Legal advisory services
Executive Board	Remuneration

**Board member Jeppe Buskov is a partner hereof*

Transactions with related parties comprise:

	2020/21	2019/20
Resscapital AB	3,707,443	2,484,060
Citco Denmark ApS	132,753	42,112
Board of Directors	31,924	31,860
Kromann Reumert*	13,515	38,611
Executive Board	11,824	0