

No Flatlines for Ress Life

Stockholm (HedgeNordic) – **Ress Life Investments** has just reached \$200 million under management for the first time, successfully building a well-diversified portfolio of life insurance policies that pays off enough to achieve its return objective of 7-8 percent per annum time and time again. “We buy life insurance policies and they pay out randomly during the whole year,” says Cristina Lugaro of Resscapital. The portfolio, however, is large and well-diversified to cover for the annual return objective.

After returning shy of one percent in the first five months of 2020, Ress Life Investments gained 1.3 percent in June and an additional 4.2 percent in July to bring the year-to-date performance to 6.3 percent. “The Ress Life Investments fund is performing as expected,” Lugaro tells HedgeNordic. “We can have flat performance for a few months until a policy pays out and performance goes up,” she explains. The strong performance in July, the fund’s second-best month on record, was mainly attributable to large policies paying out.

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Cristina Lugaro

Living owners of life insurance policies sometimes sell their policies on the secondary market for a lump sum of money to relieve themselves of the obligation to keep up with premium payments. Life settlement investors such as Ress Life Investments pay that lump sum and maintain the policy premiums to collect the contract’s payoff when the original policy owner dies. Because longevity – the main risk factor in a life insurance portfolio – is uncorrelated to traditional asset classes, Resscapital’s strategy of investing in the secondary life insurance market has exhibited minimal correlation to other asset classes and financial markets in general.

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Although few policies paid out in the first half of the year, “the beginning of 2020 had been rather normal and has demonstrated the uncorrelated nature of our strategy,” Cristina Lugaro, Institutional Sales at Resscapital, tells HedgeNordic. “Given that the Ress Life Investments fund is sufficiently large and has reached a good level of diversification, we expect that payouts will cover for our

annual return of 7-8 percent in USD,” she comments on the fund’s return objective, which is on track to be reached for a third consecutive year. “We expect to deliver our return target during the remainder of the year,” says Lugaro. “Given that there are still five months left to year-end, it is also possible that we exceed our target return as more policies pay out.”

AuM Milestone and Growth Plans

After passing \$100 million under management in late 2018, seven and a half years from its launch, Ress Life Investments has doubled its assets under management in approximately two years. “We are very pleased about the fund reaching the \$200 million-milestone and excited about the increasing interest from investors in the asset class,” Lugaro comments. “We believe that our long-term commitment to this market and know-how have been essential to our success.”

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Despite the increase in assets under management, Ress Life Investments has plenty of capacity for new investors. “We currently have plenty of capacity and believe we can grow the assets to \$500 million while maintaining the same investment strategy,” says Lugaro.

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The fund’s strong performance and subsequent increase in assets under management enable the team to spend on developing and growing its business. “We expect to grow organically and increase our resources along the way,” Lugaro tells HedgeNordic. “As we grow, we plan to add people to the investment team, support functions and marketing and sales so that we can serve our growing client base and continuously improve our investment process.” Resscapital is also considering the launch of a closed-end fund for larger institutional investors.