



Blue Capital Alternative Income Fund Limited

(in Members' Voluntary Liquidation)

Joint Liquidators' Report to the Annual General Meeting

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1 Background

Pursuant to resolutions passed at a Special General Meeting of the Company held on 25 July 2018, Mark Allitt and Mike Morrison of KPMG Advisory Limited were appointed as Joint Liquidators (“the JLs”) of Blue Capital Alternative Income Fund Limited (“BCAI” or “the Company”).

Upon the appointment of the JLs, all powers of the Board ceased and the JLs became responsible for the affairs of the Company until its dissolution.

In addition, whilst trading of the Company’s shares had been suspended from 25 July 2018, these shares were cancelled on the LSE and BSX on 26 July 2018 following the Liquidation.

Following the appointment of the JLs, the Company held its first annual general meeting in the liquidation on 15 July 2019, second annual general meeting on 28 July 2020 and third annual general meeting on 28 July 2021.

On 25 March 2022, KPMG in Bermuda’s Restructuring team was acquired by Teneo, a global advisory firm. Mark Allitt remained with KPMG in Bermuda and so Charles Thresh replaced him as one of the JLs.

2 Arrangements with Company's service providers

Upon the appointment of the JLs, the JLs terminated most arrangements with the Company’s service providers which were no longer required, being the majority of arrangements.

The JLs have continued to engage Computershare Investor Services (“Computershare”) to provide depositary and registrar services, Blue Capital Management Ltd. (“BCML”) as investment manager, to provide certain reporting and administrative services, and SS&C Fund Services (Bermuda) Limited (“SS&C”) to provide Fund Administration services.



3 Redemption of Master Fund Shares

On August 8, 2018, the JLs served a redemption notice on Blue Water Master Fund Limited (“Blue Water” or “the Master Fund”) in respect of 100% of the Company’s Series B Preference Shares (“the Shares”) in the Master Fund, which are linked to the segregated account known as Blue Capital Global Reinsurance SA-1 (“the Fund”).

As the Company is a feeder fund to the Master Fund, the Liquidation is primarily being achieved by redeeming the Shares in accordance with the terms thereof and distributing the net proceeds to Shareholders.

It was anticipated that majority of the commutations in Blue Water would be settled by 2021, however, in some cases the business continued into the next year of the liquidation. By December 2021, the JLs along with BCML determined that the costs and uncertainty of keeping the liquidation open, to allow this business to fully run-off, would not be in the interests of BCAI's shareholders. As such, a circular was issued to shareholders on 20 December 2021, outlining this position and a complete agreement of the final redemption of the preference shares between BCAI and Blue Water was proposed. No shareholder objected to this proposal and, as such, this final redemption was completed on 18 February 2022.

Further details regarding the redemption of the Shares and subsequent distributions to the Company’s shareholders is detailed in section 4.

4 Distributions to Shareholders

As previously noted, the JLs served a redemption notice on the Master Fund in respect to the Company’s shares in the Master Fund.

In order to minimize costs, a decision was made by the JL’s, in consultation with BCML, to cease the preparation of monthly Net Asset Value (“NAV”) announcements.

In addition, under the statutory roles for conducting MVL’s the JL’s no longer prepare interim financial statements. Instead, quarterly NAV reports and distribution statements are prepared and posted on the Company’s website at <http://ir-bcai.bluecapital.bm>.



As at the date of this report, the JLs have received distributions totaling \$94.5 million from the Master Fund and have authorized distributions to the Company's shareholders amounting to a total of \$95.3 million as follows:

YE 30 June 2019:

- \$7.0 million on 26 October 2018;
- \$3.0 million on 28 January 2019; and
- \$56.0 million on 25 April 2019.

YE 30 June 2020:

- \$13.0 million on 28 October 2019;
- \$5.0 million on 29 January 2020; and
- \$2.0 million on 27 April 2020.

YE 30 June 2021:

- \$1.0 million on 20 July 2020;
- \$1.6 million on 20 October 2020;
- \$3.2 million on 21 January 2021; and
- \$1.3 million on 19 April 2021

YE 30 June 2022:

- \$1.3 million on 27 July 2021; and
- \$931k on 5 May 2022 (final distribution)

The JLs have now distributed all the net proceeds of the redemptions of the Master Fund Shares (after payment of any costs and save for any amount required for reserves in respect of anticipated liabilities) to Shareholders by way of a dividend or other distribution. The final distribution was paid on 5 May 2022. It is anticipated that the liquidation will conclude in the next 9 months, following conclusion of any unclaimed distributions and remittance thereof to the Consolidated Fund.



A substantial portion of the Company's assets have been distributed to Shareholders meaning that the JLs received the majority of the remaining redemption amounts during 2020 and 2021. No further amounts are expected to be received or distributed and the JLs are now progressing the liquidation to closure.

5 Creditors

The JLs considered calling for claims at the end of 2020, however, given the remaining smaller commutations were delayed due to their more complex nature in being able to settle, it was determined that the JLs should wait until we were closer to finalizing the liquidation. The Company has good record keeping and therefore, this statutory requirement to call for creditors to submit their claims was not expected to give rise to any creditor claims.

The JLs called for creditors to submit their claims in the liquidation on 28 February 2022 and no creditors came forward with any such claims.

6 Professional Fees

As previously detailed to shareholders, the remuneration of the JLs is based on the time spent by the JLs and members of their staff in attending to matters arising prior to and during the Liquidation.

At the commencement of the Winding Up the costs of the JLs were estimated to amount to approximately \$55k to \$65k for the initial 12-month period (actually incurred \$39k) from the date of the Liquidation and approximately \$30k to \$40k per annum thereafter (actually incurred an average of \$53k per year), with closure costs for the final year estimated at \$35k (actually incurred to date \$30k and expected to complete \$5k).

In addition, the JLs will also be reimbursed for all reasonable out of pocket expenses and disbursements properly incurred in connection with the Winding Up out of the assets of the Company.

During the period 1 July 2021 to 30 June 2022, the JLs fees amounted to \$53,849.78, of which \$6,820.50 has not yet been paid. The amount of \$70,841.15 has been invoiced and paid in the period, as the JLs fees incurred in the prior year, for the period 10 October 2020 to 30 June 2021, in the amount of \$23,811 was invoiced in this years' period.

The JLs fees for the liquidation are shown in the JLs receipts and payments account at Appendix A.



7 Receipts and Payments

The Company operates a bank account with HSBC Bank Bermuda Limited (“HSBC”).

Due to SS&C Fund Services (Bermuda) Limited acting as the Fund Administrator, all payments are prepared by SS&C and approved by the JLs.

A receipts and payments schedule for the period 1 July 2021 to 30 June 2022 is attached as Appendix A.

8 Annual General Meeting

Notice of the Annual General Meeting (“AGM”) of the Company was sent to creditors and contributories of the Company and published on the Company’s website on 30 September 2022.

The AGM is scheduled to be held virtually on 14 October 2022 at 10:30 a.m. (Bermuda time). Should you wish to attend this meeting, please complete the enclosed proxy form and submit to the contact details below by 5pm on 13 October 2022.

There will be no resolutions proposed at the meeting, however, there will be an update provided by the JLs and an opportunity to ask the JLs any questions in respect to the conduct or proposed closure of the Liquidation.

Should you have any queries, please contact Shrene Shergill on +1 441 518 4428 or by email at shrene.shergill@teneo.com.

Yours faithfully

For and on behalf of Blue Capital Alternative Income Fund Limited (in liquidation)

A handwritten signature in black ink, appearing to be 'Charles Thresh', written over a horizontal line.

Charles Thresh (Sep 30, 2022 12:07 ADT)

Charles Thresh

Joint Liquidator

Appendix A

Receipts and payments

Blue Capital Alternative Income Fund Limited (in liquidation)					
Receipts and payments for the period 25 June 2018 to 30 June 2022					
	Y/E 30-Jun-19	Y/E 30-Jun-20	Y/E 30-Jun-21	Y/E 30-Jun-22	Cumulative 25-Jun- 18 to 30-Jun-22
	Amount	Amount	Amount	Amount	Amount
Balance brought forward		51,046.41	139,612.56	388,754.87	
Cash at Bank as at 25 June 2018	329,822.10	-	-	-	329,822.10
Receipts					
Return of client funds	-	408.35	-	-	408.35
Master Fund Redemption	66,200,000.00	20,200,000.00	7,400,000.00	2,035,939.54	95,835,939.54
Total Receipts	66,200,000.00	20,251,454.76	7,539,612.56	2,424,694.41	95,836,347.89
Payments					
Bank Fee	470.00	240.00	380.12	460.00	1,550.12
Appleby (Bermuda) Limited	22,450.00	-	-	-	22,450.00
Hogan Lovells International	85,328.56	-	-	-	85,328.56
Computershare Investor Services Limited	27,314.63	20,874.98	18,351.59	36,020.29	102,561.49
Richard Davies Investor Relations	879.67	-	-	-	879.67
IPES (UK) Limited	7,941.98	-	-	-	7,941.98
Beecher Carlson	236,142.82	-	-	-	236,142.82
SS&C Fund Services (Bermuda) Limited	45,131.11	15,242.10	17,807.90	19,120.92	97,302.03
Director fees	11,458.33	-	-	-	11,458.33
London Stock Exchange	1,252.40	-	-	-	1,252.40
FCA Compliance	431.48	-	-	-	431.48
Shareholder Distribution	65,999,997.42	19,999,997.79	7,099,997.58	2,231,148.63	95,331,141.42
Joint Liquidators fees	39,977.29	75,487.33	14,320.50	70,841.15	200,626.27
Total Payments	66,478,775.69	20,111,842.20	7,150,857.69	2,357,590.99	96,099,066.57
Closing Cash at Bank as at 30 June 2022	51,046.41	139,612.56	388,754.87	67,103.42	67,103.42

BCAIF - Final AGM Report

Final Audit Report

2022-09-30

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