



# Blue Capital Alternative Income Fund Limited (In Members' Voluntary Liquidation)

## Joint Liquidators' Report

14 July 2021



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## **1 Background**

### **1.1 Appointment**

Pursuant to resolutions passed at the SGM, Mark Allitt and Mike Morrison of KPMG Advisory Limited were appointed as Joint Liquidators ("the JLs") of the Company on 25 July 2018.

Upon the appointment of the JLs, all powers of the Board ceased and the JLs became responsible for the affairs of the Company during the course of the MVL.

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 and second annual general meeting on 28 July 2020.

## **2 Arrangements with Company's service providers**

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

In order to minimize the costs of the liquidation, the JLs have continued to engage Computershare Investor Services ("Computershare") to provide depositary and registrar services, Blue Capital Management Ltd. ("BCML") as investment manager and SS&C Fund Services (Bermuda) Limited ("SS&C") to provide Fund Administration services.

As previously noted, should the Investment Manager or Administrator cease providing the certain reporting and administrative services in the Liquidation, the JLs' costs may increase accordingly.

## **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.



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Further details regarding the redemption of the Shares and subsequent distributions to 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 \$93.7 million from the Master Fund and have authorized distributions to the Company's shareholders amounting to a total of \$93.1 million as follows:

Year 1:

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

Year 2:

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

Year 3:

- \$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

The JLs expect to continue distributing 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 on a quarterly basis by way of a dividend or other distribution. It is anticipated that the liquidation will conclude in the next 12 months, depending on the level of commutations remaining to be settled.



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A substantial portion of the Company's assets have been distributed to Shareholders meaning that the JLs have received the majority of the remaining redemption amounts during 2020 and 2021. Further amounts are expected to be received over the next 12 months. The timing and quantum is not certain, however, will be at a reduced level in comparison to what we have received over the past two years.

Please note that as the liquidation continues to wind down and the majority of assets are distributed, the JLs may delay future distributions until a material amount is available for distribution to avoid the cost and administrative burden of distributing small amounts.

## **5 Creditors**

The JLs are yet to call for creditors to submit their claims in the liquidation and plan to make a call for claims by the end of 2021. The JLs considered calling for claims at the end of 2020, however, given the remaining smaller commutations have been delayed due to their more complex nature in being able to settle, it was determined that the JLs should wait until we are closer to finalizing the liquidation. The Company has good record keeping and therefore, this statutory requirement to call for creditors to submit their claims is not expected to give rise to any creditor 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 from the date of the Liquidation and approximately \$30k to \$40k per annum thereafter.

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.

On 13 November 2020, the JLs raised an invoice for our professional fees and disbursements for the period 6 May 2020 to 9 October 2020 in the amount of \$14,320.50. This invoice was approved and paid on 15 December 2020.

The JLs fees for the period 10 October 2020 to 30 June 2021 total \$23,811, plus disbursements, however, is yet to be invoiced. The JLs fees for the initial 12-month period is in line with the estimate at the commencement of the winding up.



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## **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 2020 to 30 June 2021 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 14 July 2021.

The AGM is scheduled to be held at Waterloo House, 100 Pitts Bay Road, Pembroke HM 08, Bermuda on 28 July 2021 at 10:30 a.m. (Bermuda time).

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 next steps of the Liquidation.

Should you have any queries, please contact Shrene Shergill on +1 441 294 0743 or by email at [shreneshergill@kpmg.bm](mailto:shreneshergill@kpmg.bm).

Yours faithfully

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

Mark Allitt  
*Joint Liquidator*



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## A Receipts and payments

Receipts and payments for the period 25 June 2018 to 30 June 2021				
	Y/E 30-Jun-19	Y/E 30-Jun-20	Y/E 30-Jun-21	Cumulative 25-Jun- 18 to 30-Jun-21
	Amount	Amount	Amount	Amount
<b>Balance brought forward</b>		<b>76,181.37</b>	<b>164,747.52</b>	
Cash at Bank as at 25 June 2018	354,957.06	-	-	354,957.06
<b>Receipts</b>				
Return of client funds	-	408.35	-	408.35
Master Fund Redemption	66,200,000.00	20,200,000.00	7,400,000.00	93,800,000.00
<b>Total Receipts</b>	<b>66,200,000.00</b>	<b>20,276,589.72</b>	<b>7,564,747.52</b>	<b>93,800,408.35</b>
<b>Payments</b>				
Bank Fee	470.00	240.00	380.12	1,090.12
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	66,541.20
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	78,181.11
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	93,099,993
KPMG Advisory Limited	39,977.29	75,487.33	14,320.50	129,785.12
<b>Total Payments</b>	<b>66,478,775.69</b>	<b>20,111,842.20</b>	<b>7,150,857.69</b>	<b>93,741,475.58</b>
<b>Closing Cash at Bank as at 30 June 2021</b>	<b>76,181.37</b>	<b>164,747.52</b>	<b>413,889.83</b>	<b>413,889.83</b>