

THE PROTECTED ASSET TEP FUND PLC

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Our Ref: AF774KF/

Date 4 December 2008

Dear Shareholder

Protected Asset TEP Fund plc – Change of Valuation Methodology.

The Protected Asset TEP Fund plc ('PATF' or the 'Fund'), is designed to provide investors with above average capital growth and relatively low risk through investment in a diversified portfolio of traded endowment policies. As with any investment, market values can vary over time, and the value of the underlying portfolio will fluctuate in response to current market conditions. History demonstrates that over the longer term time horizon the value of a well diversified portfolio increases.

PATF intends holding underlying policies to maturity. As maturity values depend on the investment performance of the life office which issued the relevant traded endowment policy, expectations for ultimate maturity values will vary according to the identity of the issuing Life Office. The price of the shares in the Fund may go down as well as up due to market fluctuations and other considerations.

The volatility experienced in global stock-markets has affected both maturity values and the surrender values (the current value of policies if surrendered to the issuing life office) of traded endowment policies.

Due to the unprecedented activity in global stock markets many investment funds have suffered net redemptions over the prior months as investors have retreated from the markets. PATF has unfortunately not been an exception to this trend and has seen redemption requests escalate significantly, particularly over recent weeks.

In accordance with the terms of the Fund's Scheme Particulars the directors of PATF have therefore imposed a redemption gate across all sub-funds in order to protect long term shareholders who remain invested in the Fund. The gate will permit no more than 5% of redemptions of all issued shares of any sub-fund within a single dealing period, for the avoidance of doubt this refers to no more than 5% of all issued shares to all shareholders of each sub fund, and is not 5% of shares under redemption. All redemption requests will now be dealt with strictly in the order of receipt and when paid may be scaled down such that each redeeming shareholder from any sub-fund will receive a percentage of their total redemption request within the overall limit of 5% of shares in issue.

Additionally, due to the net redemptions currently being suffered by the Fund the Director's of PATF have approved an amendment to the valuation of the assets with reference to the realisable value of such assets. This revision to the valuation methodology recognises the Fund must surrender policies to the life offices in order to fund these continued redemption

Directors: A J Ashworth, G Cowley, A W Foley, A Iversen

(Incorporated in the Isle of Man No 101651)

requests.

The surrender value of policies is determined by the life offices. The Director's of the Fund have consulted with the Fund's appointed Policy Administrator who has advised that trading in the secondary market has become very thin and that it is currently not possible to find buyers of the number and value of policies which PATF needs to dispose of to meet redemption requests. As such PATF will be forced to surrender policies back to issuing life offices to generate sufficient cash flow to meet redemptions. As the price achieved for the surrender of assets will be in line with current life office surrender values, it is expected that this will result in an initial reduction in NAV between 40%-50% of the respective sub-funds. This action is as highlighted in section 23 of the Fund's Scheme Particulars.

It is sincerely hoped that this is a temporary situation, brought on solely by the unprecedented levels of redemption requests which have resulted in the fund becoming a forced seller of policies, which is a prudent safeguard against current market conditions whilst providing protection for the benefit of the long term investors who remain invested in the Fund. It is possible that surrender values currently in force may be revised by life offices, and that longer term retention of shares in the Fund may ultimately lead to maturity of underlying policies at values significantly higher than the surrender values currently offered.

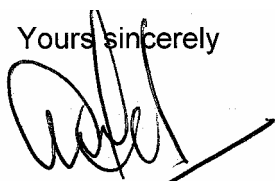
In view of the above we would strongly urge any investor to reconsider any withdrawal from the Fund, and further recommend that investors have a detailed discussion with their Financial Advisor prior to making any decision. In light of these recent developments the Directors of the Fund have authorised the cancellation of outstanding redemption requests for those investors who no longer wish to redeem their holdings based on surrender value, and have also authorised the withdrawal of outstanding subscription applications at this time. This offer will remain in place until the 23rd December 2008 after which point all outstanding requests will be dealt with strictly in accordance with the Scheme Particulars. Investors wishing to cancel their outstanding instructions are advised to write to the Fund C/o Abacus Financial Services Limited, 60 Circular Road, Douglas, Isle of Man, IM1 1SA, (a copy of the relevant form is attached hereto for relevant shareholders – should you have any queries regarding this form, or to request additional copies, please contact Abacus on +44 (0)1624 689750).

Notwithstanding even the latest bonus rate cuts recently announced over the last few weeks, the Fund's TEP assets still maintain an inherent maturity value, which does not take into account any possible future increase in both annual and terminal bonus rates, or the eventual sustained recovery of global stock-markets.

The Director's of the Fund feel that it would not be beneficial for investors seeking an early surrender to experience a significant reduction in the value of their investment, but this change is necessary to reflect the realized value of assets as they are disposed of by the Fund. This action is being taken to protect investors who remain invested in the fund who should not subsidize redeeming shareholders by allowing redemptions at a price which are not currently achievable in the market.

Please find attached a letter from the Fund's Promoter which provides further information regarding your holding in the Fund.

Yours sincerely



For and on Behalf of the Board of Directors
The Protected Asset TEP Fund Plc