
TEP fund to alter valuation

REDEMPTIONS

by Rob Langston

The Protected Assets Traded Endowment Policies fund has announced plans to change its valuation process temporarily following a surge in redemptions.

The £750m fund will now be valued on a net realisable value basis, reflecting the surrender value of policies rather than their maturity value.

Alastair Beattie, product specialist at the Isle of Man-based fund, said it had been hit by a number of redemptions as the fund's strong performance made

it a prime candidate for investors who needed access to cash.

"If you need to raise cash, where would you go?" he said. "The answer is, the fund that is least a problem. That's probably a really large factor in the redemptions we're receiving."

He said the fund may have to sell policies to meet redemptions in a difficult market, going against its investment strategy.

"It's more likely we're going to end up surrendering policies and getting less than if we were able to sell to the traded endowment policies market."

He said revaluation would

protect existing shareholders and give new investors the opportunity to take advantage of the low share price and surrender valuation.

"People who stay in the fund will be fine. Those people who are redeeming will have to do so at this new price - to be fair to everybody - and people who are coming into the fund will be coming in at a low price."

The fund expects to deliver a capital guarantee of 4.1 per cent a year over the next five years, while target maturity value should rise by 12.2 per cent a year over the same period.