19 January 2012

Dear Shareholder

The board of Assured Fund (the "board") would like to draw your attention to the following update which contains important information on the status of your investment.

Updated Offering Memorandum

Assured Fund (the "Fund") has recently updated its offering documents, with no material changes to the Fund's terms, structure or processes.

The Fund would like to welcome Richard Brindley to the board. Richard, who replaced Robert Addison, has over 30 years experience in the finance industry. He was the Senior Director of Close Bank (IoM) Limited, based in the Isle of Man, where their principal activities are Wealth Management, Banking, Custody and Trust and Company Administration. Richard also held responsibility for the International Business Development team for the Close Asset Management Division, and was President of the Close Brothers Barbados subsidiary. As a former director of the Fund's Custodian, Richard has been working with the Fund from its inception.

On 1 June 2011 Kleinwort Benson acquired Close Brothers Offshore Group including Close Trustees (IOM) Limited and these entities have been performing their duties under the aegis of Kleinwort Benson from 30 September 2011.

Redemptions

The Fund is still operating on a Net Realisable Value basis for redemption requests. The board decided that this is currently the best option as it treats redeemers and remaining shareholders equitably. It is not yet possible to give an estimate of when the Fund will resume processing redemptions at full Net Asset Value per share. However, we are hopeful that the restructuring of the Fund should assist the liquidity position and is also intended to mitigate the application of US Withholding taxes.

Fund restructuring

On May 16th 2009 the U.S. Tax Authority (IRS) issued several tax rulings in relation to life settlements. 'Revenue Ruling 2009-14' asserts that Withholding Tax, levied at 30% of the gain from a life settlement transaction, should be deducted prior to remittance to any offshore recipient, unless mitigated by tax treaty.

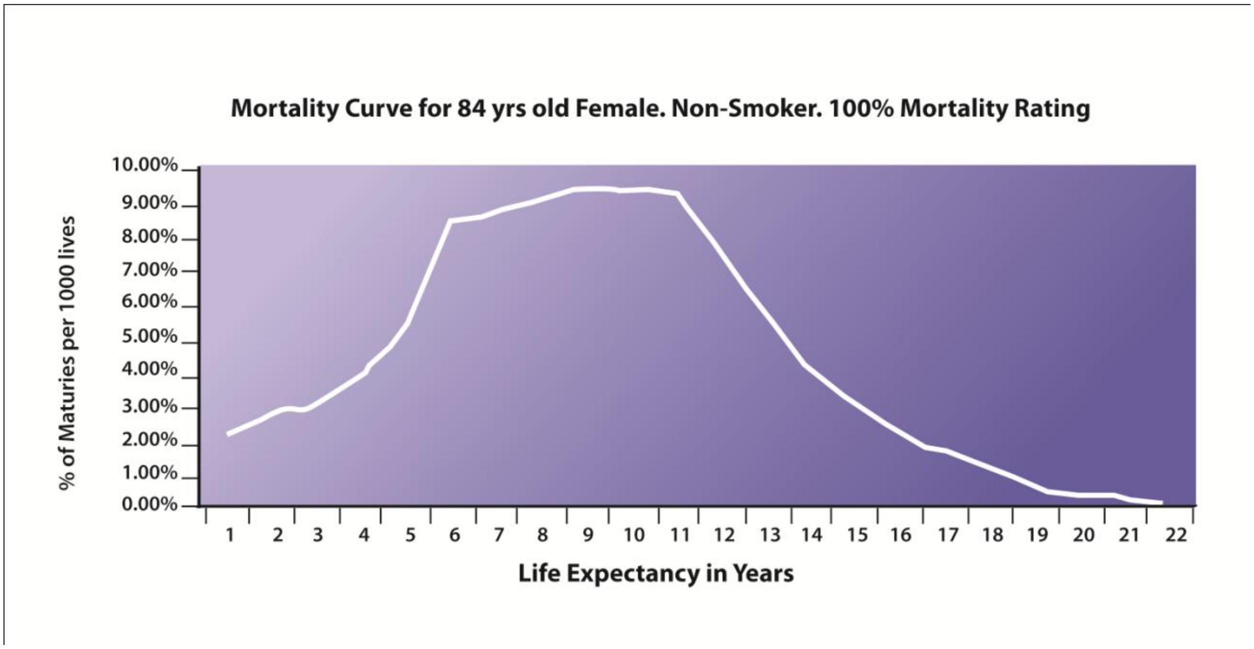
Such a Treaty exists between the U.S. and Belgium and therefore, following legal advice, a Belgian company, Settlements SA ("Settlements"), has been listed on the NYSE Euronext exchange in Brussels. Following a bond issue by Settlements in February 2012, the Fund's portfolio of life settlements will be exchanged with Settlements, which will result in a reduction in the US withholding tax payable on maturity. Subsequent bond issues by Settlements may potentially provide additional liquidity to Assured Fund.

Performance

The share price reflects the performance of the underlying portfolio of life settlements. The return from each life settlement policy is equal to the difference between the cash payout on maturity i.e. the assured sum and the cash used in acquiring the policy and maintaining the policy. The anticipated return within each policy is spread across the life expectancy of the insured using a probabilistic actuarial model.

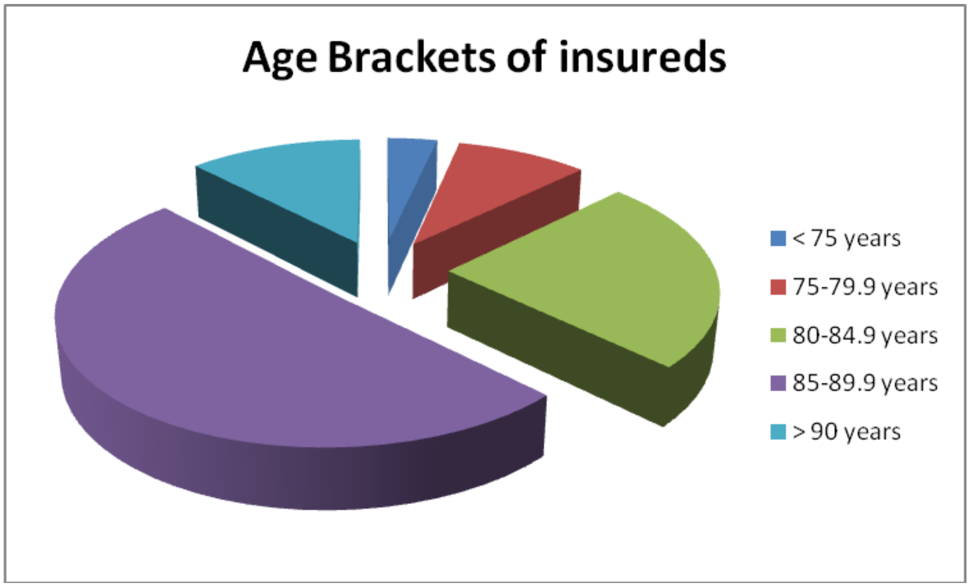
If an insured passes away in accordance with the life expectancy estimate then the anticipated return is achieved. If the insured dies sooner than anticipated, then the return is greater as there are less maintenance costs (i.e. less monthly premiums). Conversely, if the insured dies later than expected the anticipated return is not achieved as the maintenance costs are greater.

The return from any one policy is quite volatile. Below is a typical mortality distribution curve provided by a life settlement underwriter for an elderly lady. It shows the likelihood of death occurring within the coming years. The insured has a 2% (approximately) probability of dying in the next year, rising to over 9% from years 7 through to 11. However, it shows that the insured may still be alive in 21 years time.

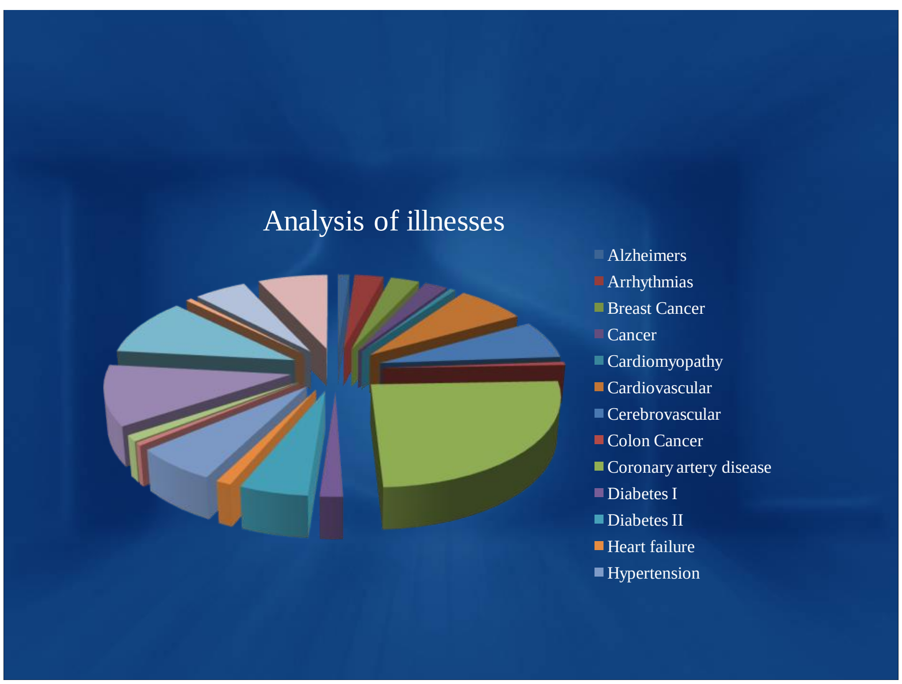


The goal of the Fund has been to reduce the volatility by holding a large well balanced portfolio. The following pie charts illustrate how the Fund's Manager has endeavoured to balance the portfolio of Assured Fund.

62.79% of the portfolio is aged 85 or older.

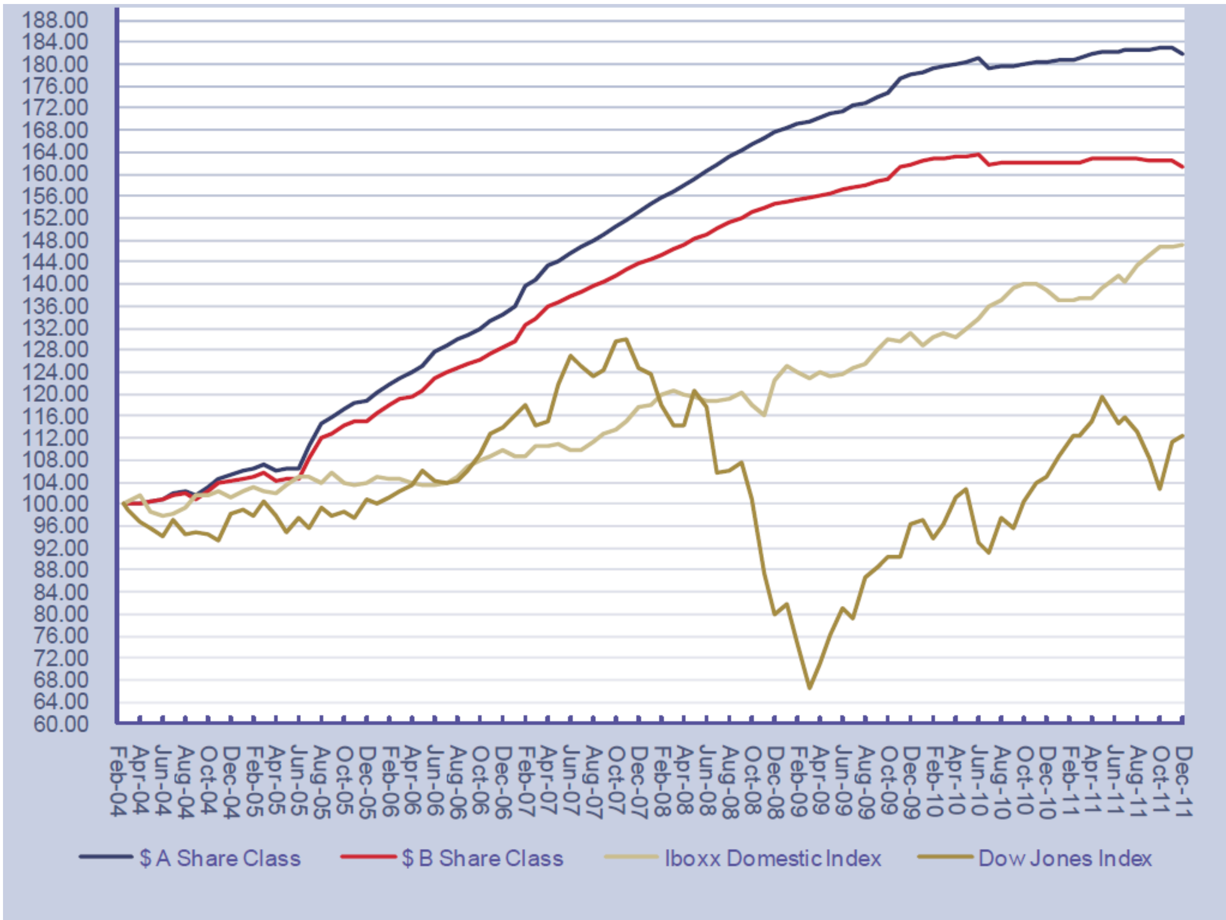


The portfolio has been balanced not only by gender and by smoking status but also by the primary illness of the insured.



The investment strategy is to provide consistent growth by holding a balanced portfolio of assets through to maturity.

The graph below compares the share price of Class A and B (US Dollar) against the US Iboxx bond index and the Dow Jones equity index.



Source: Financial Times and PSL
The Dow Jones Index assumes no income reinvested

Whilst the Fund has fared well against the traditional investments, the performance has been reducing.

As stated above the returns depend on the insured passing away in accordance to their life expectancy estimate.

Below is a table showing the actual mortality experience over the last 12 months:

Year	Numbers			Cash Value ($)		
	Expected	Actual	%	Expected (000's)	Actual (000's)	%
2010	17	7	41%	64,615.3	13,192.0	20%
2011	17	8	47%	71,622.2	28,200.0	39%

The actual mortality experience has been behind the expected experience both in numbers and in cash value of the policies that have matured. Therefore, the average size of the policy within the Fund has grown as the Fund becomes more concentrated in the larger value policies. It also means that the Fund is incurring more costs by way of premiums in maintaining policies longer than was anticipated which has restrained the performance.

Life Expectancy Review

As set down in the Offering Memorandum and required by the Auditors (Price Waterhouse Cooper) and Deloitte, who independently verify that the valuation model is applied correctly each month, the Manager has conducted a review of the life expectancy estimates of the portfolio.

Life extension risk, i.e. the risk that the insured will live longer than anticipated, is the biggest risk associated with this asset class.

The Fund has only ever used independent underwriters to provide the life expectancy estimates of the insureds within the portfolio. Moreover, the Fund uses two underwriters to provide a life expectancy estimate on each policy, so as not to be exposed to any one underwriter's bias. The Fund was one of the first to use a probabilistic valuation methodology encompassing the whole mortality curve to estimate life expectancy and not just the 50% percentile point (deterministic method) as utilised by some other funds.

Despite all of these internal controls, the actual mortality has been falling behind the predicted mortality and it has become clear that the life expectancy estimates used by the Fund need to be adjusted.

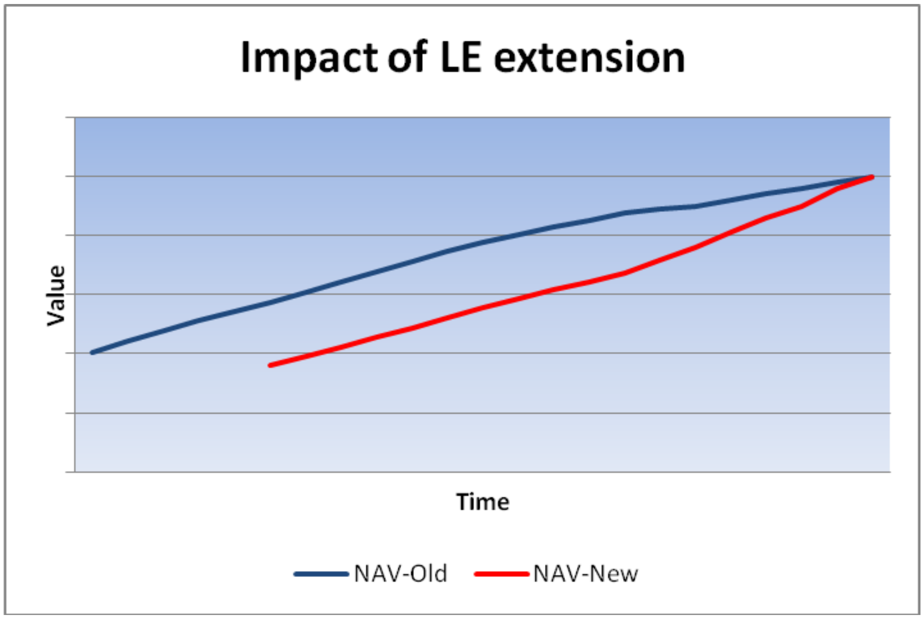
The Manager has conducted a complete review of the life expectancy estimates used to value the Fund's portfolio of life settlements in order that the valuation of the portfolio is more accurate and to enable the Fund to more reliably forecast cash flows, both in terms of maturities and premium liability.

The revision of each estimate was specific to the medical and life style conditions of each insured. In some cases the health of the insured had deteriorated faster than had been estimated. However the life expectancy estimates relating to the majority of the Fund's portfolio has been increased.

There are a number of reasons for the longer life expectancies. Firstly, the underwriters now have direct experience of how certain diseases progress within this distinct section of the US population. Previously the underwriters used mortality data drawn from the general population and extrapolated it in accordance with the standard probabilistic actuarial models. However recent analysis has shown that this particular sector is , on average, more wealthy and enjoys better health than the average US citizen. Secondly, there have been improvements in medical treatment. For example, heart disease is now regarded as a less serious condition than before, with improvements in procedures, such as 'stenting', extending life expectancy. Also the life style of the population has improved with better diets and a greater appreciation of the value of exercise.

The result of the increased life expectancies are: (i) that the Fund can expect maturities to be spread over a longer time frame; and (ii) that the Fund must allow for a greater premium liability on its portfolio of life settlements. Accordingly investors can expect to see a reduction in the Fund's Net Asset Value when the new life expectancies are taken into account. In future life expectancies will be reviewed and, if necessary, revised on a rolling basis every three years using information provided by independent underwriters. This new valuation basis will be applied from 31st December 2011 and published in January 2012.

Despite the reduction in Net Asset Value, it is important to note that the payout from the life office on the policy remains fixed, i.e. the sum assured. Therefore, following the revision to the Net Asset Value (NAV) of each policy the value will grow back except now at a more accurate and steadier growth rate rather than the stagnant NAV resulting from the previous estimate.



<u>In Summary</u>

As a result of the review, the share price of the Fund will more accurately reflect the underlying value of the portfolio and the cash flow estimates will be more accurate. Service provider fees, including the Manager's fees that are based on the value of the Fund will be reduced in line.

Assured Fund has a mature portfolio with over 62% of the insureds being over the age of 85 Years old. It also, to date, has a NAV fund size that is approximately $330M, which is backed by a diversified portfolio of Life insurance policies with a maturity value of $700M. **The Board knows it is important to point out that regardless of the decrease in the Fund's value; the bonds which will drive the performance of the Fund under the Withholding Tax friendly structure are backed by an excellent portfolio of assets and the Fund will continue to deliver returns to shareholders.**

Whilst the accuracy of mortality estimates can only be assessed with the benefit of hindsight, the Manager is confident that the reassessment exercise now completed keeps the Fund at the forefront of industry best practice and establishes its place as one of the foremost amongst its peers. The Fund remains an attractive long-term investment founded on these fundamentals and as uncertainty over the future of major bond and stock indices remain a concern for many investors, the Fund's steady and predictable returns will represent an attractive alternative going forward.

If you or your adviser have any queries regarding the contents of this letter please contact Policy Selection Limited at info@policyselection.com.

Yours sincerely

Alan Morgan-Moodie

Chairman
For and on behalf of the Assured Fund