

# PRIME RATE STERLING LIQUIDITY FUND

FOR PROFESSIONAL INVESTORS ONLY

MONTHLY UPDATE DECEMBER 2011

**Standard & Poors AAAm rated**

**Fitch AAAMmf rated**

## FUND OBJECTIVE

The investment objective of the Fund is to maximise the current income consistent with the preservation of principal and liquidity by investing in a diversified portfolio of high quality Sterling denominated short term debt and debt related instruments. The primary objective is to maintain the net asset value either constant at par (net of earnings) or at the value of the investors' initial capital plus earnings.

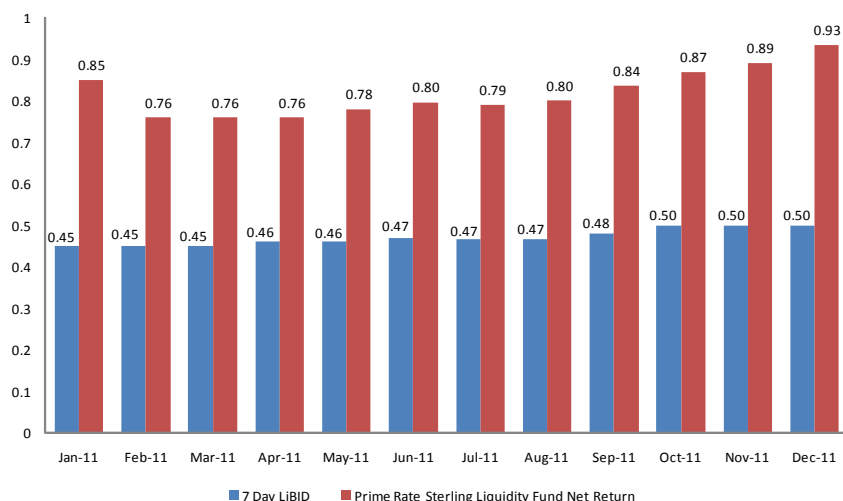
## INVESTMENT MANAGER'S REPORT

UK official rates again remained unchanged at 0.50% in December 2011. No fresh increase on the quantitative easing program is expected till February 2012 when the previous October's purchases are completed. Despite this, the UK is perilously close to entering a double dip recession. Unemployment in the UK reached a 17 year high, with the 3 month rate to October 2011 rising 8.3% and a further 128,000 claimants being added to the 2.64 million count. A further concern is the youth unemployment component hitting 22% of that total figure. Although there was good news for the UK public borrowing requirement with a figure of £18.1bn (from the previous year's £20.4bn in November 2010) which therefore should enable the government to reach its target of £127bn for term 2010/2011, further rises in the unemployment rate will impair the forthcoming income stream. The PMI services index on the other hand, recorded a November reading of 52.1 and again in December continued its strong growth with a reading of 54.0; being its highest level since July 2011 and maybe a saving grace as regards GDP.

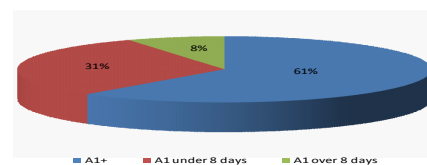
CPI in November fell to an annualised rate of 4.8% from a previous 5.0%, with food, petrol, clothing and furniture being the main benign factors. RPI also fell by 0.2% to 5.2% but general expectations continue to be one of a further softening nature. UK gilt yields continued to be a safe haven with ongoing concerns from Eurozone countries enabling the 10 year yield to fall to 1.97% from 2.30%.

We continue to invest in highly rated assets and look to maintain our WAM in the 35/38 days area for the foreseeable future.

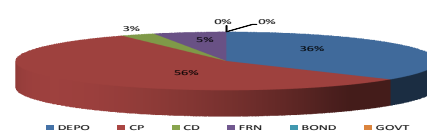
## ANNUALISED MONTHLY RETURNS



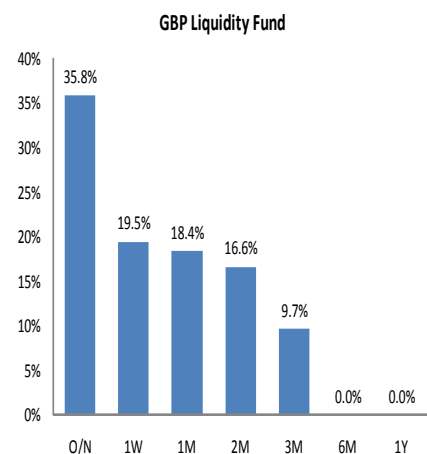
## CREDIT RATING SHORT TERM S&P



## ASSET TYPE



## MATURITY PROFILE



## FUND DETAILS

### Annualised Monthly Returns (Net) - DECEMBER 2011

Fund Return	0.93	Base Rate	0.50
1 Yr Rolling Return	0.82	WAM	20.86
7 Day LIBID	0.50	Benchmark	7 day £ LIBID

**Sources:** 7 Day LIBID: Bloomberg. Fund: Prime Rate Capital Management LLP. All returns are shown annualised on an actual/365 day count basis. Fund returns are net of fees and charges for share class 3.



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## TOP 10 PORTFOLIO HOLDINGS (excluding overnight deposits)

ISSUER	MATURITY	% HOLDING
Rabobank Nederland NV	12 Jan 12	4.30%
BCEE Luxembourg	06 Feb 12	4.16%
FMS Wertmanagement	17 Feb 12	4.15%
DZ Privatbank	09 Jan 12	3.75%
KA Finanz AG	09 Jan 12	3.75%
DnB Nor Bank A SA	23 Mar 12	3.33%
NRW Bank	09 Jan 12	2.91%
Caisse d'Amortissement	06 Jan 12	2.91%
Transport for London	24 Jan 12	2.79%
L-Bank BW Foerderbank	30 Jan 12	2.50%

## SHARE CLASS DETAILS

Class	ISIN	SEDOL	Dividend	Management Fee	Min Initial Investment
3	GB00B2R5TF91	B2R5TF9	Distributing	10 bps	£30,000,000

## PRIME RATE CAPITAL MANAGEMENT LLP

Prime Rate Capital Management LLP is the first independent, specialist provider of AAA-rated liquidity funds, known as Qualifying Money Market Funds, serving the corporate and institutional market. Prime Rate offers independent, specialist liquidity fund products on a wholesale, competitive basis for a variety of corporate and institutional investors, to distribute to their client base, often under a 'whitelabelling' arrangement, or to use in the management of their own liquidity. Federated Investors, Inc agreed to purchase Prime Rate in December 2011.

## CONTACT DETAILS

For a copy of the Prospectus, Simplified Prospectus, information on portfolio holdings or other matters, please contact us on (0)20 3206 7262, or email us on [contact@prime-rate.co.uk](mailto:contact@prime-rate.co.uk). Alternatively please see the information on our website at [www.prime-rate.co.uk](http://www.prime-rate.co.uk)

## DISCLAIMER

This document is issued by Prime Rate Capital Management LLP of One Vine Street, London, W1J 0AH, a limited liability partnership registered in England OC327292 which is authorised and regulated by the Financial Services Authority with FSA reference number 469674. Past performance is no guarantee of future performance and the value of investments and income from them may fall as well as rise and investors may not get back the amount originally invested. Tax assumptions are subject to statutory change and the value of tax reliefs will depend on individual circumstances. This material is not to be regarded as an offer or invitation to buy or sell an investment in the Prime Rate Cash Management Fund nor does it solicit any such offer or invitation. Applications to invest must only be made on the basis of the offer document relating to the investment, which is only available to Eligible Counterparties and Professional Clients.

## FUND INFORMATION

Domicile	UK
Structure	OEIC UCITS III
Inception Date	31 March 2008
Dealing Cut Off	1:30pm London time
Liquidity	Same Day
Currency	GBP
CIO	Dennis Gepp
Portfolio Manager	Gary Skedge
Benchmark	7 day £ LIBID

## DENNIS GEPP CHIEF INVESTMENT OFFICER



Is a founding partner of PRCM. He was responsible for the management of treasury departments of UK and international banks from 1973 until he joined Prime Rate in 2007.

## GARY SKEDGE SENIOR PORTFOLIO MANAGER



Joined PRCM in September 2007. He co-managed HSBC's AAA rated liquidity and enhanced cash funds from 2006 to 2007.

## FURTHER INFORMATION

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The Prime Rate Sterling Liquidity Fund is a sub fund of the umbrella fund, Prime Rate Cash Management Funds which is an OEIC governed by UK law and authorised by the FSA. Any investment in the funds is made subject to the terms of the Funds' Prospectus and relevant Simplified Prospectus, which are available from the Investment Manager, Prime Rate Capital Management LLP, One Vine Street, London W1J 0AH.

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