

# PRIME RATE EURO LIQUIDITY FUND

FOR PROFESSIONAL INVESTORS ONLY

MONTHLY UPDATE DECEMBER 2011

**Standard & Poors AAAm rated**

**Fitch AAAmf 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 Euro 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.

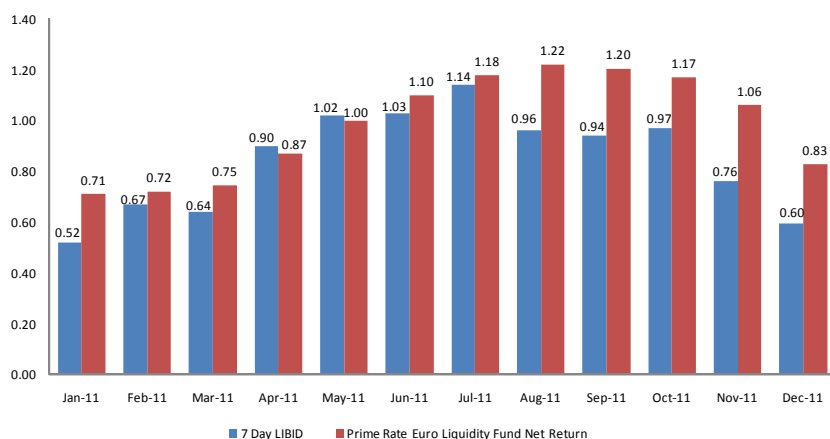
## INVESTMENT MANAGER'S REPORT

As December drew to a close one of the big fears was the Eurozone slipping back into recession. Despite efforts from the European Central Bank ("ECB") to ensure liquidity and some sort of stability we have not seen any definitive solution put on the table and, as such, still see wariness over the debt difficulties, rising unemployment and a weakening Euro all weighing on market sentiment. Data released for November showed unemployment had hit a record high of 10.3% for the 17 Euro countries. Whilst unemployment in Germany continues to decrease, the debt laden countries continue to suffer from the downward pressure, signifying the growing divergence between the Eurozone "core" and the "peripheral" nations.

With consumer spending being seen as one of the key drivers to growth, the seventh consecutive fall in the European Commission Business and Consumer Survey (reaching 92.0, the lowest level since November 2009) and the forecast of further job losses in 2012, does not indicate this will boost the recovery. Elsewhere, banks continue to strongly utilise ECB lending facilities. If, as hoped, the €489bn is used to buy Eurozone government bonds we could well see a welcome respite as the majority of a €700bn wall of debt needs to be refinanced in the first quarter of 2012.

With ECB funding to banks remaining elevated, Libor rates continued their decline in December with overnight rates dropping from 0.704% p.a. to 0.507% and 3 month Libor falling from 1.432% to 1.357%. Despite these declines and ongoing sensitivity in the market, the Fund continues to invest in reasonably priced, strongly rated assets whilst maintaining a sufficient level of liquidity. With many European organisation ratings under pressure it is, however, more challenging to obtain sufficiently highly rated term assets. As such, we have reduced the Fund's WAM to 21 days to ensure we are suitably placed to react to any changes in the market.

## ANNUALISED MONTHLY RETURNS



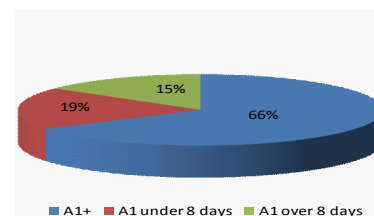
## FUND DETAILS

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

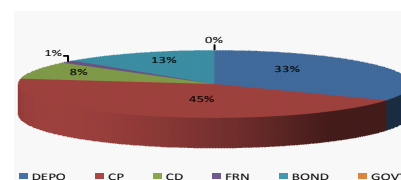
|                     |      |           |               |
|---------------------|------|-----------|---------------|
| Fund Return         | 0.83 | ECB Repo  | 1.00          |
| 1 Yr Rolling Return | 0.99 | WAM       | 21.24         |
| 7 Day LIBID         | 0.60 | Benchmark | 7 day € LIBID |

**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 4.

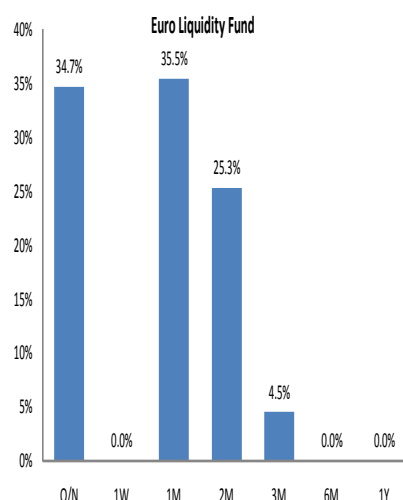
## CREDIT RATING SHORT TERM S&P



## ASSET TYPE



## MATURITY PROFILE



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**PRIME RATE**  
CAPITAL MANAGEMENT

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## TOP 10 PORTFOLIO HOLDINGS (excluding overnight deposits)

| ISSUER                        | MATURITY  | % HOLDING |
|-------------------------------|-----------|-----------|
| General Electric Capital Corp | 08 Feb 12 | 4.61%     |
| BCEE Luxembourg               | 17 Jan 12 | 4.47%     |
| UNEDIC                        | 28 Feb 12 | 4.47%     |
| Caisse d'Amortissement        | 13 Jan 12 | 4.32%     |
| DnB Nor Bank ASA              | 16 Jan 12 | 3.72%     |
| Rabobank Nederland NV         | 08 Feb 12 | 3.72%     |
| Oesterreichische Kontrollbank | 23 Jan 12 | 3.72%     |
| Nordea Bank Finland           | 14 Feb 12 | 3.72%     |
| Stadshypothek                 | 20 Jan 12 | 3.72%     |
| Pohjola Bank                  | 07 Feb 12 | 3.72%     |

## SHARE CLASS DETAILS

| Class | ISIN         | SEDOL   | Dividend     | Management Fee | Min Initial Investment |
|-------|--------------|---------|--------------|----------------|------------------------|
| 4     | GB00B2R5T609 | B2R5T60 | Distributing | 15 bps         | €5,000,000             |

## 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    | 29 April 2008      |
| Dealing Cut Off   | 1:00pm London time |
| Liquidity         | Same Day           |
| Currency          | EUR                |
| 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

|                                   |  |
|-----------------------------------|--|
| Prime Rate Capital Management LLP |  |
| One Vine Street, London W1J 0AH   |  |
| Phone                             | +44 (0)20 3206 7262  |
| Fax:                              | +44 (0)20 3206 7010  |
| Email                             | <a href="mailto:info@prime-rate.co.uk">info@prime-rate.co.uk</a> |
| Website:                          | <a href="http://www.prime-rate.co.uk">www.prime-rate.co.uk</a>   |

The Prime Rate Euro 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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