

Final

Simplified Prospectus of Prime Rate Sterling Liquidity Fund

This Simplified Prospectus is dated and is valid as at 16 June 2008

Prime Rate Sterling Liquidity Fund - Simplified Prospectus

This simplified prospectus contains key information in relation to the Prime Rate Sterling Liquidity Fund (the “Fund”), a sub-fund of Prime Rate Cash Management Funds (the “Scheme”). The Scheme is an umbrella Open Ended Investment Company with variable capital incorporated in England and Wales. The Scheme is constituted by its Instrument of Incorporation. The Scheme was authorised by the Financial Services Authority on 6th February 2008. The Scheme is classified as a UCITS scheme. The Scheme and each sub-fund is a UCITS scheme. The Prime Rate Sterling Liquidity Fund is a Qualifying Money Market Fund.

The information contained in this Simplified Prospectus has been derived from the Prospectus of Prime Rate Cash Management Funds, dated 16th June 2008 (the “Prospectus”), which contains full details of the Scheme, the offering of shares in the Fund and related matters. In applying for shares you will be treated as subscribing solely on the basis of the full Prospectus and accordingly potential investors are advised to read the Prospectus before making an investment decision whether or not to invest in the Fund. The rights and duties of the investor as well as the legal relationship with the Fund are laid down in the Prospectus.

The base currency of the Fund is pounds sterling of the United Kingdom.

The Scheme has 8 other sub-funds namely, the Prime Rate US Dollar Liquidity Fund, the Prime Rate Euro Liquidity Fund, the Prime Rate Sterling Liquidity Plus Fund, the Prime Rate US Dollar Liquidity Plus Fund, the Prime Rate Euro Liquidity Plus Fund, the Prime Rate Sterling Short Duration Bond Fund, the Prime Rate US Dollar Short Duration Bond Fund and the Prime Rate Euro Short Duration Bond Fund. Other sub-funds may be established from time to time.

Investment Objective

The investment objective of the Prime Rate Sterling Liquidity Fund is to maximise 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 described below. The primary objective is to maintain the net asset value of the undertaking either constant at par (net of earnings) or at the value of the investors’ initial capital plus earnings.

Investment Policy

The Prime Rate Sterling Liquidity Fund’s investments will include fixed or floating rate instruments including but not limited to commercial paper, floating rate notes, certificates of deposit, freely transferable promissory notes, debentures, asset-backed securities and bonds.

The investments shall be denominated in Sterling and may be issued or guaranteed as to principal or interest by sovereign governments, their agencies and instrumentalities, supranational entities and EU and non-EU corporations and financial institutions. All investments at time of purchase shall have ratings in the highest short term debt rating category awarded by Moody's or of comparable quality from Standard & Poor's or FitchIBCA or, if unrated, be declared to be of comparable quality by the Investment Manager.

The Prime Rate Sterling Liquidity Fund may invest up to 100% of its net assets in debt and/or debt related instruments issued by the UK government.

The Prime Rate Sterling Liquidity Fund may not hold any floating rate instrument with a residual maturity of greater than four years. For this purpose, residual maturity is the earlier of an instrument's final legal maturity or its expected average life calculation.

The Prime Rate Sterling Liquidity Fund may invest an aggregate of 10% of its net assets in the shares of other collective investment schemes as permitted for a UCITS scheme where the Investment Manager considers that such investment would:

- assist in the preservation of capital through further diversification of credit risk; and/or
- provide a better net return than direct investment in money market instruments; and/or
- such investment would enhance available liquidity.

The Prime Rate Sterling Liquidity Fund may also hold ancillary liquid assets such as bank deposits, subject to any applicable limits set out in the Investment Restrictions, further details of which are contained in Appendix 2 to the Prospectus.

The weighted average maturity of the Prime Rate Sterling Liquidity Fund's investments will not exceed 60 days. When calculating the weighted average maturity of investments, the maturity of a floating rate instrument shall be deemed to be its next interest readjustment date and the maturity of any obligations subject to demand features shall be deemed to be the earlier of the next relevant reset date or the date upon which the demand may be invoked to recover the principal.

Risk profile

The investments of the Scheme in securities are subject to normal market fluctuations and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur. The value of investments and the income from them, and

therefore the value of, and income from, Shares relating to the Fund can go down as well as up and investors may not get back the full amount of their investment in the Fund.

An investment in the Fund is not the same as making a deposit with a bank or other deposit taking body and the value of the Shares is not insured or guaranteed. Although it is intended to maintain a stable Net Asset Value per Share for Class 1 to 7 Shares in the Prime Rate Sterling Liquidity Fund, there can be no assurance that a stable Net Asset Value per Share for Class 1 to 7 Shares will be maintained. The value of the Fund may be affected by the creditworthiness of issuers of the investments and, notwithstanding the policy of the Fund of investing in short term instruments, may also be affected by substantial adverse movements in interest rates.

Persons interested in purchasing shares should inform themselves as to a) the legal requirements within their own countries for the purchase of Shares, b) any foreign exchange restrictions which may be applicable, and c) the income and other tax consequences of the purchase and repurchase of shares.

These risks are not exhaustive, a more detailed description of the risk factors applicable to an investment in the Fund are set out in the Prospectus.

[Performance Data](#)

Information concerning the historical performance of the Fund will be included in future version of the Prospectus and Simplified Prospectus. This is currently unavailable for the Fund as it has only recently been authorised. Past performance is not a reliable indicator of future results.

[Profile of the typical investor](#)

Shares in the Funds will be marketable to all Eligible Counterparties and Professional Clients. It is intended that different Share Classes of a Fund may be issued to different types of investors.

Currently only gross paying Shares are available and so investors must be eligible to hold gross paying Shares. Interest distributions can be paid gross to UK resident companies, charities and registered pension schemes and unit trust schemes. Interest distributions may also be payable to certain other persons (particularly offshore persons) if they meet certain criteria and complete certain paperwork.

The Fund is suitable for investors who are seeking cash returns consistent with the preservation of capital and also seeking liquidity from their investments.

Fees and Expenses

Shareholders transaction expense

There are no preliminary, redemption charge or switch fee imposed in relation to dealings in Shares in the Fund.

Annual Operating fees and expenses

The total annual charges and expenses of the Fund differ for the various classes of Shares. The total annual charges and expenses of each class of Share in the Fund are as follows:-

Share Class	Annual Charges and Expenses	Comments
Share Class 1 – income	0 management fee but pays the expenses	Internal share class – for use only when investor is already paying a management fee elsewhere
Share Class 2 – income	5bps An additional charge of 1bp to cover the initial set up costs of the fund for the first year only	By private placement only
Share Class 3 – income	10bps An additional charge of 1bp to cover the initial set up costs of the fund for the 1st year only	
Share Class 4 – income	15bps An additional charge of 1bp to cover the initial set up costs of the fund for the first year only	
Share Class 5 – income	20bps An additional charge of 1bp to cover the initial set up costs of the fund for the first year only	
Share Class 6 – income	25bps An additional charge of 1bp to cover the initial set up costs of the fund for the first year only	
Share Class 7 – income	30bps An additional charge of 1bp to cover the initial set up costs of the fund for the first year only	
Share Class 8 –	10bps	

accumulation	An additional charge of 1bp to cover the initial set up costs of the fund for the first year only	
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The difference between these fee levels reflects the different minimum initial subscription for different share classes.

These fees are payable monthly in arrears and calculated with reference to the daily Net Asset Value of the Fund attributable to each Share class. Details of the other charges and expenses payable out of the assets of the Fund which are not expected to be material are set out in the Prospectus.

The Depositary’s remuneration is charged to the Scheme and taken out of the property attributable to the relevant sub-fund. In practice however Prime Rate Capital Management LLP (the “ACD”) intends to discount the amount invoiced by the Depositary from the amount taken in the ACD’s periodic charge so that investors in effect only bear the straightforward basis points periodic charge payable to the ACD (set out above) and no additional charges.

Total Expense Ratio (“TER”)

The TER shows the annual operating expenses of the Fund – it does not include transaction expenses. All European collective investment schemes (such as the Scheme) disclose the TER to help you compare the annual operating expenses of different schemes.

In accordance with the Financial Services Authority’s Handbook of Rules and Guidance (including the Collective Investment Schemes Sourcebook issued by the Financial Services Authority as amended or re-enacted from time to time (the “FSA Rules”) the TER is calculated annually for each Fund on an ex-post basis for the last financial year and is disclosed in the annual and half-yearly reports and Simplified Prospectus.

The TER is expressed as a % ratio calculated to 2 decimal places using the following formula:

$$\frac{\text{Operating Costs}}{\text{Average net assets}} \times 100$$

Details of the TER will be included in future Simplified Prospectuses following the end of the Fund’s first financial year and will also be able to be found on our website www.prime-rate.co.uk.

The TER of each share class is expected to be the same as the management fee for each share class as expenses are deducted from the management fee.

Portfolio Turnover Rate (“PTR”)

The PTR gives an indication of how much the ACD changes the Funds investments in a year. There is a cost involved with the buying and selling of these investments. The higher the measure, the more changes have been made, and the higher the cost of dealing paid for by the Fund.

The PTR is expressed as a % ratio using the following formula:

$$\frac{[(\text{Purchase of securities} + \text{Sales of securities}) - (\text{Subscription of shares} + \text{Redemption of shares})]}{(\text{Average net asset value of Fund over 12 months}) \times 100}$$

Details of the PTR will be included in future Simplified Prospectuses following the end of the Fund’s financial year and will also be able to be found on our website www.prime-rate.co.uk.

Taxation

Taxation of the Fund

The Fund is treated as a separate open-ended investment company resident in the UK for the purposes of UK taxation.

The Fund is regarded as a bond fund for UK taxation purposes because the market value of qualifying investments of each Fund will exceed 60% of the market value of the investments of the Fund. The effect of the Fund being regarded as a bond fund is that all distributions by the Fund are deemed to be payments of yearly interest.

Taxation of income allocations from the Fund

Taxation of the income or capital gains received by an investor depends on the tax law applicable to the personal situation of each individual investor and/or to the place where the property of the Fund is invested. Shareholders and prospective shareholders should familiarise themselves with and where appropriate take professional tax advice on the tax treatment of income and/or capital gains of their holdings of Shares.

Interest distributions are generally paid after deduction of income tax at the lower rate (currently 20%). This income tax deducted at source will satisfy the tax liability of individual Shareholders other than Shareholders who are higher rate taxpayers. Shareholders liable to income tax at the higher (currently 40%) rate will be liable to pay further income tax of 20% of the gross interest payment. UK residents not liable to tax on some or all of their income may reclaim the appropriate part of the income tax withheld at source from the Inland Revenue.

However interest distributions can be paid gross to certain Shareholders who hold gross paying Shares and it is the intention that Shares of each Class shall only be available to persons falling within these categories.

Interest distributions can be paid gross to any Shareholder which is a company, whether UK resident or not UK resident and whether or not within the charge to corporation tax.

Certain other categories of Shareholder, including UK registered pension schemes, UK registered charities, local authorities, PEP and ISA plan manager and trustees of authorised unit trusts if they demonstrate to the ACD's satisfaction that they fall within one of the specified categories can hold gross paying Shares in the relevant Fund and receive all interest distributions gross.

Individuals who are not ordinarily resident in the UK and companies who receive the distribution under trust (other than a unit trust scheme) may be entitled to receive the interest distribution gross where:

- (a) they make a valid declaration that they are not ordinarily resident in the United Kingdom or in the case of a trustee that they are not resident in the UK and all the beneficiaries of the trust are not ordinarily resident in the UK; or
- (b) they invest through a corporate intermediary, which is subject to the EC Money Laundering Directive (or equivalent rules) and certain conditions are met.

Details of interest distributions paid to individuals with addresses in the UK and other specified countries (including all EU countries and some of the dependant and associated territories of the EU Member States) must be reported to HM Revenue & Customs by the ACD along with the names and addresses of those individuals.

Capital Gains

Shareholders who are resident or, if applicable, ordinarily resident in the UK for tax purposes may be liable to capital gains tax or, if a company, corporation tax in respect of gains arising from the sale or other disposal of Shares.

When the first income allocation is made to Shares purchased during an accounting period, the amount representing the income equalisation (as set out in the previous section) in the price of the Shares is a return of capital and is not taxable as income in the hands of Shareholders. This amount should be deducted from the cost of Shares in computing any capital gains realised on a subsequent disposal.

The attention of Shareholders within the charge to UK corporation tax is drawn to the provisions of Paragraph 4 of Schedule 10 to the Finance Act 1996. Under these provisions,

holdings in a Fund with more than 60% of its investments invested throughout an accounting period in interest paying investments, derivative contracts whose underlying subject matter is such investments or certain contracts for differences will be taxed as creditor relationships of the Shareholder. That creditor relationship can only be taxed on a fair value basis of accounting. This means that the Shareholder within the charge to corporation tax can be charged to tax on unrealised profits and gains in each accounting period.

Stamp Duty Reserve Tax (“SDRT”)

There is no charge to SDRT on certain sales or redemptions in a fund where the terms of the fund provide that all of the fund’s property can only be invested in exempt investments (for example UK government bonds). It is not intended to include this term in respect of any Fund. Otherwise, SDRT is chargeable at a rate of 0.5% on certain sales or redemptions of Shares in the Funds, subject to the following paragraph. Pro rata redemptions in specie (i.e. where a Shareholder receives a proportion of each of the Fund’s underlying assets) are exempt from SDRT.

SDRT is chargeable on the value of surrenders and transfers in a Fund but is reduced proportionately for the Fund to the extent that during a two week period the:

- investments held by the Fund are exempt assets (i.e., broadly, investments in securities other than shares in UK companies) (“the first reducing fraction”); and/or
- purchases of Shares by number are fewer than surrenders of Shares (“the second reducing fraction”).

It is probable that all the investments of each Fund will be exempt investments so that there will be no SDRT in respect of any sale or redemption in a Fund by virtue of the first reducing fraction.

These statements are based on UK law and HM Revenue & Customs practice as known at the date of this document. Shareholders are recommended to consult their professional advisers if they are in any doubt about their tax position.

Publication of Share Prices

Share prices will be available daily on the ACD’s website www.prime-rate.co.uk. In addition, prices can be obtained by calling the ACD on 03206 7262. These prices will, unless for reasons beyond the control of the ACD, relate to the valuation on the Dealing Day immediately prior to the date of publication.

How to Buy/Sell Shares

Shares may be purchased and redeemed between 9 a.m. and 5 p.m. on each Dealing Day. Applications to purchase or redeem Shares may be made to the ACD's dealing department at Prime Rate Capital Management, PO Box 23867, Edinburgh, EH7 5QT. The telephone number is +44 (0)131 525 9456.

The minimum initial subscription amounts for the Fund are as follows:

Share Class	Minimum Investment	Comments
Share Class 1 – income	250,000	Internal share class – for use only when investor is already paying a management fee elsewhere
Share Class 2 – income	50,000,000	By private placement only
Share Class 3 – income	5,000,000	
Share Class 4 – income	1,000,000	
Share Class 5 – income	250,000	
Share Class 6 – income	250,000	
Share Class 7 – income	250,000	
Share Class 8 - accumulation	250,000	

The ACD may for each relevant class of Share waive such minimum initial subscription amounts in their absolute discretion.

Dealing Deadline

Completed application forms for subscriptions or redemptions must be received by the Dealing Deadline which is 1.30pm (London time) on each Dealing Day or such earlier time as may be dictated by the closure of relevant exchanges and /or markets on the Dealing Day.

Switching

A Shareholder in a Fund may switch all or some of his Shares in a Fund for Shares in another Fund, or shares in a fund of another ICVC of which the ACD is the authorised corporate director, at any time.

A switch involves a sale of the original Shares held and a purchase of the new shares. The ACD may make a switch charge (instead of a preliminary charge) on the purchase of the new shares. Such a charge may be up to an amount equal to the amount of the preliminary charge for the Fund in which the new Shares are to be purchased.

If the switch would result in the Shareholder holding a number of original or new shares of a value which is less than the minimum holding in the Funds concerned, the ACD may, if it thinks fit, convert the whole of the applicant's holding of original Shares to new Shares, or refuse to effect any switch of the original Shares.

Investors should note that a switch between funds as described above is treated as a disposal for the purposes of tax on capital gains and may therefore give rise to capital gains tax liability for UK resident Shareholders. In a case of a shareholding in a Liquidity Fund however, given that the unit price is designed to remain constant, the gain realised on a disposal should be nil.

No rights to cancel the purchase of Shares under the FSA Rules will be given to Shareholders who switch their Shares for Shares in another class or Fund of the Scheme.

Cancellation Rights

An investor may be entitled to cancel an application to purchase Shares for a period of fourteen days from his receipt of the contract note and to request the return of his money. If the investor has a right to cancel and exercises that right, and if the value of the investment has fallen before the ACD receives notice of the cancellation, then the amount of refund that the investor receives will be reduced to reflect that fall in value. Generally, an investor in the Fund will have no rights to cancel an application under the cancellation rules of the FSA Rules.

Settlement

In the case of subscriptions cleared funds must be received before the Dealing Deadline unless otherwise approved by the ACD and provided it is received before the valuation point for the Fund (which is currently 1.30pm (London time) on each Dealing Day). In the case of a redemption, proceeds will usually be paid by telegraphic transfer to a specified account at the Shareholder's risk and expense on the same Dealing Day and in any event no later than 4 business days after receipt of the relevant duly signed repurchase documents.

Dealing Days

The Funds Dealing Days are, business days on which banks in England and Wales are open for business, excluding Saturday or Sunday or public holidays.

Income allocations

In relation to Class 1 to 7 Shares, the ACD intends to declare all net income of the Prime Rate Sterling Liquidity Fund on each Dealing Day as a dividend to Shareholders on the register of members as at the close of business on the relevant Dealing Day in an attempt to stabilise the Net Asset Value per Share at Stg **£1.00**. Dividends will be declared daily and payable monthly on or about the first Dealing Day of each following month.

Net income attributable to accumulation Shares (Share Class 8) is automatically added to (and retained as part of) the capital assets of the Fund at the end of each accounting period and is reflected in the Share price of accumulation Shares.

Additional Important Information

ACD: Prime Rate Capital Management LLP, One Vine Street, London W1J 0AH

Investment Manager: Prime Rate Capital Management LLP, One Vine Street, London W1J 0AH

Custodian: The Bank of New York
Registered Office and Principal Place of Business
One Canada Square, Canary Wharf, London, E14 5AL

Depository: The Bank of New York Trust & Depository Co Ltd
Registered Office and Principal Place of Business
43rd Floor, One Canada Square, Canary Wharf, London, E14 5AL

Administrator: The Bank of New York Europe Limited
Registered Office and Principal Place of Business
One Canada Square, Canary Wharf, London, E14 5AL

Auditor: Nexia Smith & Williamson Audit Limited
25 Moorgate, London EC2R 6AY

Supervisory Authority: Financial Services Authority
25 The North Colonnade, Canary Wharf, London E14 5HS

Launch Date: 31st March 2008

[Further Information](#)

Copies of the full Prospectus, the latest annual and half-yearly report and accounts may be obtained free of charge from the registered office of the Administrator at The Bank of New York Europe Limited, One Canada Square, Canary Wharf, London, E14 5AL, during normal business hours on all business days. UK investors may also obtain copies of these documents from Prime Rate Capital Management LLP at, One Vine Street, London, W1J 0AH.

For further information please contact Prime Rate Capital Management LLP, One Vine Street, London, W1J 0AH.