

**The Islamic Sterling Liquidity Fund**  
**a sub-fund of**  
**The Islamic Liquidity Fund plc**  
**(an umbrella fund with segregated liability between sub-funds)**

**Supplement to the Prospectus dated 27 September 2010**  
**for The Islamic Liquidity Fund plc**

This Supplement contains specific information in relation to The Islamic Sterling Liquidity Fund (the **Fund**), a fund of The Islamic Liquidity Fund plc (the **Company**) an umbrella fund with segregated liability between sub-funds and incorporated as an open investment company with variable capital governed by the laws of Ireland and authorised by the Irish Financial Services Regulatory Authority (the **Financial Regulator**).

**This Supplement forms part of and should be read in conjunction with the Prospectus dated 27 September 2010.**

The Directors of the Company, whose names appear under the section entitled **Directors of the Company** in the Prospectus, accept responsibility for the information contained in the Prospectus and this Supplement. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

Words and expressions defined in the Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

**Dated:** 27 September 2010

## DIRECTORY

1.	INVESTMENT OBJECTIVE AND POLICIES .....	3
2.	INVESTMENT RESTRICTIONS .....	3
3.	FINANCING .....	3
4.	LISTING .....	3
5.	DIVIDEND POLICY .....	4
6.	RISK FACTORS .....	4
7.	KEY INFORMATION FOR BUYING AND SELLING .....	5
8.	HOW TO BUY SHARES.....	7
9.	HOW TO SELL SHARES .....	7
10.	NET ASSET VALUE .....	7
11.	CHARGES AND EXPENSES .....	7
12.	THE ESCROW AGREEMENT .....	8
13.	MISCELLANEOUS .....	8

## 1. INVESTMENT OBJECTIVE AND POLICIES

### Investment Objective

The investment objective of the Fund is to maximise the current profit rate consistent with the preservation of principal and liquidity and in accordance with Shariah principles.

### Investment Policies

The Fund will aim to achieve its investment objective by entering into daily commodity purchase and sale transactions (**Murabaha transactions**) in a secure operational environment. Murabaha transactions are transactions to purchase a particular commodity and then sell on the same commodity at an agreed profit. The commodities purchased and sold will be consistent with the Shariah Guidelines, and may include platinum group metals, base metals and soft commodities.

The Fund may enter into transactions with one or more commodity suppliers to purchase fixed volumes of commodities. Purchases of commodities by the Fund are on-sold to the Murabaha Counterparty (as defined below) on deferred payment terms which shall be collateralised.

Alternatively the Fund may accept letters of credit or rely on the credit rating of the Murabaha Counterparty if these are sufficient to support the credit rating of the Fund.

The Murabaha transactions will be governed by a Master Murabaha Agreement made between the Company, for and on behalf of the Fund and the Murabaha Counterparty, details of which are set out in the **Master Murabaha Agreements** section in the Prospectus.

The Murabaha Counterparty will be required to maintain cash collateral with the Escrow Agent. The collateral will be held by the Escrow Agent pursuant to an escrow agreement (the **Escrow Agreement**) made between the Company, for and on behalf of the Fund, the Murabaha Counterparty and the Escrow Agent. The Escrow Agreement permits the Murabaha Counterparty to continue to manage the collateral, including the right to invest the collateral as the Murabaha Counterparty determines, but the Murabaha Counterparty has agreed to accept restrictions on the operation of its accounts with the Escrow Agent and on the deployment of the collateral balances held by the Escrow Agent. Any such management will always be subject to the **Risk Factors** below and therefore there is a risk that the amount of collateral available may not be sufficient to cover the full value of the obligation. Where the Investment Manager determines, in its sole discretion, that the accounts are being managed in a manner that may have an adverse effect on the Fund's credit rating, the Fund may terminate the Master Murabaha Agreement immediately. The Investment Manager intends to implement these measures in order to maintain the Fund's credit rating.

The **Murabaha Counterparty** for this Fund is Stancomb Commodities Limited a company incorporated under the laws of Guernsey.

In the event that the Murabaha Counterparty fails to pay any Deferred Sale Price owing under a Murabaha transaction, the Escrow Agent will, on the Fund's instruction, liquidate any relevant collateral investments for same day settlement and apply any cash balances held by the Murabaha Counterparty in favour of the Fund.

***There can be no assurance that the investment objective and policies of the Fund as described above will be achieved.***

## 2. INVESTMENT RESTRICTIONS

The general investment restrictions set out under the heading **Investment Restrictions** in the Prospectus apply to the Fund.

## 3. FINANCING

The Fund will only be Leveraged to the extent that an investor's cash does not arrive in the subscription account by the Settlement Date.

## 4. LISTING

Application has been made to the Irish Stock Exchange for the Shares of the Fund issued and available for issue, to be admitted to the Official List to trading on the main securities market of the Irish Stock Exchange. It is expected that the Shares issued or to be issued in respect of the Fund will be admitted to the Official List to trading on the main securities market and dealings in Class Shares of the Fund on the Irish Stock Exchange will commence on or about 14 October 2010. The Prospectus and this Supplement shall constitute listing particulars for the purposes of the listing of the Shares of the Fund on the Irish Stock Exchange. No application has been made to list the Shares on any other stock exchange.

## 5. **DIVIDEND POLICY**

The Directors intend to declare all or substantially all of the net income of the Fund as a dividend. For this purpose, net income (from the time immediately preceding determination thereof) shall consist of the income earned by the Fund from the Murabaha transactions described above such as may be lawfully distributed less realised losses (including fees and expenses) of the Fund.

Dividends will be declared monthly in respect of the each Share Class and shall be paid on or about the first business day of the month or at the Shareholders request such dividends shall be re-invested by subscription for additional Shares in the Fund.

## 6. **RISK FACTORS**

The general risk factors set out in the **Risk Factors** section of the Prospectus apply to the Fund. In addition, the following risk factors apply to the Fund.

**AN INVESTMENT IN THE SHARES OF THE FUND IS SPECULATIVE AND INVOLVES A DEGREE OF RISK. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD CONSIDER THE FOLLOWING RISK FACTORS. THESE RISK FACTORS MAY NOT BE A COMPLETE LIST OF ALL RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN THE FUND.**

### **Investment Risk**

There can be no assurance that the Fund will achieve its investment objective and policies. An investment in the Fund involves investment risks, including possible loss of the amount invested. The capital return and income of the Fund are based on the capital appreciation and income on the investments it holds, less expenses incurred. Therefore, the Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income.

### **Investing in Commodities**

Holding, selling or purchasing of commodities may be restricted by law or order of relevant authorities in certain jurisdictions from time to time.

Holding, selling or purchasing of commodities may be charged with additional levies, taxes or charges.

Prices of commodities may fluctuate sharply over short periods in time due to changes in inflation or expectations regarding inflation in various countries, the availability of supplies of commodities, changes in industrial and commercial demand, metal sales by governments, central banks or international agencies, investment speculation, monetary and other economic policies of various governments and government restrictions on private ownership of certain commodities, especially precious metals.

### **Counterparty Risk**

The Fund will transact with a number of commodity suppliers to purchase commodities and enter into Murabaha transactions with the Murabaha Counterparty. Accordingly the Fund is subject to the credit risk of the commodity suppliers and the Murabaha Counterparty with the credit risk of the Murabaha Counterparty reduced by the obligation on the Murabaha Counterparty to post collateral on a daily basis- (see **Murabaha Collateral Risk** below).

### **Murabaha Collateral Risk**

The Murabaha Counterparty is obliged to post cash collateral in respect of each Murabaha transaction in an account with the Escrow Agent. The Murabaha Counterparty shall be permitted to deal with the cash posted in the account, including the right to direct how the collateral will be invested. Any shortfall arising in the collateral investment made by the Murabaha Counterparty may be borne by the Fund. In such instances the Investment Manager will instruct the Escrow Agent to release the remaining collateral to the Fund. Accordingly, any collateral investment made by the Murabaha Counterparty may have a material impact on the amount paid to the Fund.

Cash collateral is held by the Escrow Agent as banker and any securities purchased with the cash collateral are held subject to the terms of the Escrow Agreement. In the event of a liquidation or insolvency or equivalent event of the Escrow Agent, the Fund and/or the Murabaha Counterparty as applicable may rank as an unsecured creditor.

### **Operational Risk**

The Fund will be dependent on the proper functioning of the internal management and systems of the Investment Manager and the Escrow Agent as well as the other service providers.

### **Illiquidity**

Notwithstanding the listing of the Shares on the Irish Stock Exchange, it is not expected that there will be an active secondary market for the Shares and it is not expected that such a market will develop. Whilst Shareholders will normally be able to realise their investment in the Fund by redeeming their Shares or by a transfer to a third party it should be noted that the calculation of the Net Asset Value may be suspended in certain circumstances and redemption of Shares may be suspended or deferred in certain circumstances.

### **Risks relating to Shariah Guidelines**

The Investment Manager will undertake the investment activities of the Fund in accordance with the Shariah Guidelines. As a consequence, this may mean that the Fund performs less well than other investment funds with comparable investment objectives that do not seek to adhere to Islamic investment criteria (for example the inability to invest in interest bearing investment securities). The Shariah Guidelines may require the Fund to dispose of investments in circumstances that are less advantageous than might otherwise be the case. For instance, the Fund may not be allowed to invest in securities and other financial instruments which, in the opinion of the Shariah Advisory Panel are not or are no longer, in compliance with the Shariah Guidelines. Similarly, cash balances held by the Fund from time to time may be deposited on terms which shall grant no return on the sum deposited to the benefit of the Fund.

Although the Fund intends to comply with the Shariah Guidelines at all times, no assurance or warranty of full compliance can be given, as there may be occasions when the Fund accidentally breaches such criteria for factors outside the control of the Fund. The Fund shall report such occasions to the Shariah Advisory Panel within a month of their detection.

**BEFORE DETERMINING TO INVEST IN THE FUND, PROSPECTIVE INVESTORS SHOULD EVALUATE WHETHER THEY ACCEPT THE AFORESAID RISKS WHICH THEY WILL ASSUME BY BUYING SHARES OF THE FUND. THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN THIS OFFERING.**

**PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE PROSPECTUS AND THIS SUPPLEMENT AND FULLY EVALUATE ALL OTHER INFORMATION THAT THEY DEEM TO BE NECESSARY BEFORE DETERMINING TO INVEST IN THE FUND.**

## **7. KEY INFORMATION FOR BUYING AND SELLING**

### **Classes available**

In accordance with the Shariah Guidelines, each Class of Shares will rank *pari passu*. Accordingly, each Class of Share will share pro-rata in any dividend or asset distribution.

Classes of Shares will attract different levels of fees and further details of such fees are set out in section 11 entitled **Charges and Expenses**.

**The following share classes will be available**

<b>Share Classes</b>
Institutional Share Class
Prime Share Class
Core Share Class

**Base Currency**

Sterling

**Initial Issue Price**

£10.00

**Initial Offer Period**

From 9.00 a.m. (London time) on 14 October 2010 to 10.30 a.m. (London time) on 14 October 2010 (or such shorter or longer period as the Directors may determine and notify to the Financial Regulator). After the Initial Offer Period, the Fund will be continuously open for subscriptions at each Dealing Day.

**Business Day**

Any day other than a Saturday or Sunday on which banks are open for business in London.

**Dealing Day**

Each Business Day or such other day or days as the Directors may determine on prior notification to Shareholders and provided there is at least one Dealing Day per calendar quarter.

**Dealing Deadline**

In respect of a Dealing Day, the Dealing Deadline for application and repurchase of Shares is 10.30am (London time) or such other time as the Directors may determine.

**Valuation Point**

10.30am (London time) on each Dealing Day.

**Minimum Shareholding**

Zero, or such other amount as may be determined by the Directors provided that the Minimum Initial Investment Amount is €250,000 (or the currency equivalent thereof).

**Minimum Initial Investment Amount**

<b>Share Class</b>	<b>Minimum Initial Investment</b>
Institutional Share Class	£20 million
Prime Share Class	£5 million
Core Share Class	£1 million

The Directors may, in their absolute discretion, permit higher or lower Minimum Initial Investment Amounts provided that such amounts are equal to or greater than €250,000 or its equivalent in the relevant currency.

**Minimum Additional Investment Amount**

£100,000 or the currency equivalent thereof subject to the discretion of the Directors to allow lesser amounts.

### **Settlement Date**

In the case of subscriptions and redemptions, the relevant Dealing Day (or such other Business Day as the Directors may determine at their discretion).

### **Minimum Net Asset Value**

£10 million, subject to the discretion of the Directors to allow a lesser amount.

## **8. HOW TO BUY SHARES**

Application for Shares should be made on the Application Form and be submitted in accordance with the provisions set out in the Prospectus to be received by the Administrator on or prior to the Dealing Deadline for the relevant Dealing Day.

The Minimum Shareholding must be maintained by each Shareholder in the Fund (subject to the discretion of the Directors) following any partial redemption, exchange or transfer of Shares.

Unless the Administrator otherwise agrees, payment for Shares must be received by the relevant Settlement Date by electronic transfer in cleared funds in the currency of the relevant Shares.

This section should be read in conjunction with the section entitled **Subscription for Shares** in the Prospectus.

## **9. HOW TO SELL SHARES**

Requests for the sale of Shares should be submitted to the Company c/o the Administrator in accordance with the provisions set out in the Prospectus. Requests received on or prior to a Dealing Deadline will be dealt with on the relevant Dealing Day. A redemption request once given will not be capable of revocation without the consent of the Administrator.

The amount due on the redemption of Shares of any class in the Fund will be paid by the Settlement Date by electronic transfer to an account in the name of the Shareholder. The proceeds of the redemption of the Shares will only be paid on receipt by the Administrator of the original instrument requesting redemption provided that the original subscription application form together with the necessary anti-money laundering documentation has been received by the Administrator.

This section should be read in conjunction with the section entitled **Redemption of Shares** in the Prospectus.

## **10. NET ASSET VALUE**

The Administrator determines the Net Asset Value per Share as at the Valuation Point of each Dealing Day in accordance with the procedure provided for under the heading **Calculation of Net Asset Value/Valuation of Assets** in the Prospectus

## **11. CHARGES AND EXPENSES**

### **Fees of the Investment Manager**

The Investment Manager will be entitled to receive out of the assets of the Fund an annual fee which will not exceed the amounts shown below for the different share classes. This fee will accrue and be calculated on each Dealing Day and be payable monthly in arrears. The Investment Manager may at its discretion waive its annual fee in whole or in part, in respect of all Shareholders of the same class of Shares. The Investment Manager will also be entitled to be reimbursed out of the assets of the Fund for all its own reasonable out of pocket costs and expenses.

<b>Share Class</b>	<b>Investment Management Fee</b>
--------------------	----------------------------------

<b>Share Class</b>	<b>Investment Management Fee</b>
Institutional Share Class	20bps
Prime Share Class	30bps
Core Share Class	50bps

### **Fees of the Administrator, the Custodian, Shariah Advisor and the Escrow Agent**

The fees of the Administrator, the Custodian, the Shariah Advisor and the Escrow Agent are in addition to the fees of the Investment Manager described above.

The Administrator shall be entitled to receive an annual fee, accrued and calculated on each Dealing Day and payable monthly in arrears of up to and not exceeding 0.05% of the Net Asset Value of the Fund subject to an annual minimum fee of €137,500 (plus VAT, if any) for all Administration, Accounting, Registrar and Shareholder Services. The Administrator is also entitled to all its reasonable agreed upon transaction, transfer agency and other charges (which will be at normal commercial rates) and other out of pocket expenses (plus VAT thereon if any).

The Custodian shall be entitled to receive an annual fee, calculated and payable monthly in arrears, of up to but not exceeding 0.015% of the Net Asset Value of the Fund subject to an annual minimum fee of €17,500 (plus VAT, if any). The Custodian is also entitled to sub-custodian's fees (which will be charged at normal commercial rates) as well as agreed upon transaction charges (which will be at normal commercial rates) and other out of pocket expenses (plus VAT thereon if any).

The Shariah Advisor will be entitled to receive out of the assets of the Fund an annual fee which will not exceed 0.035% of the net assets of the Fund subject to the minimum fee of \$100,000 per annum for the Existing Sub-Funds (as that term is defined below).

The Escrow Agent shall be entitled to receive an annual fee payable out of the assets of the Fund of £10,000 (plus VAT, if any) for the Existing Sub-Funds (as that term is defined below). The Escrow Agent shall also be reimbursed out of the assets of the Fund for all of its reasonable out of pocket expenses incurred (plus VAT thereon if any).

### **Initial Expenses**

The initial expenses, including the fees and expenses in relation to the authorisation of the Company by the Financial Regulator and the preparation and registration of all documents relating to the Funds (plus VAT thereon, if any) are being borne by the Funds. The cost of approval of each Fund which is estimated not to exceed £250,000 will be borne by the Funds and amortised over the first 5 years of each Fund's operation (or such other period as may be determined by the Directors at their discretion).

### **Other Fees and Expenses**

Any other fees and expenses payable out of the assets of the Fund are set out in the Prospectus under the heading **Fees and Expenses**. This section should be read in conjunction with that section.

## 12. **THE ESCROW AGREEMENT**

The Escrow Agreement is dated 27 September 2010 and between the Company, the Escrow Agent, and the Murabaha Counterparty. This Agreement provides that the appointment of the Escrow Agent will continue unless and until terminated by the Company and the Murabaha Counterparty jointly, by the Escrow Agent on advance written notice specifying a date when such termination will take effect or by notice given by the Company or the Murabaha Counterparty of the insolvency of either party; the liability of the Escrow Agent, its associates, directors or employees to the Company or the Murabaha Counterparty is limited to matters arising by reason of the fraud, negligence or wilful default of the Escrow Agent or of its associates or of a nominee controlled by the Escrow Agent, the extent of the liability of the Escrow Agent is limited to the market value of the escrow property at the date of discovery of the loss; this Agreement contains certain indemnities in favour of the Escrow Agent.

## 13. **MISCELLANEOUS**

Since its date of establishment, the Fund has not commenced operations, no accounts have been prepared and no dividends have been paid. As at the date of this Supplement there are two other sub-

funds of the Company in existence:

- The Islamic Euro Liquidity Fund; and
- The Islamic US Dollar Liquidity Fund,

together with the Fund, the **Existing Sub-Funds**.