

Prospectus of
Prime Rate Cash Management Funds

This Prospectus is dated and is valid as at 31st December 2010

INSIDE FRONT COVER

This document constitutes the Prospectus relating to Prime Rate Cash Management Funds (the “Scheme”), a UK authorised investment fund which is an ICVC. It has been prepared in accordance with the rules contained in the Collective Investment Schemes Sourcebook (“COLL Sourcebook”) which forms part of the FSA Handbook of Rules and Guidance (the “FSA Rules”). This document complies with the requirements of Chapter 4 of the COLL Sourcebook and copies have been sent to the Financial Services Authority and to the Depositary in accordance with the COLL Sourcebook.

This document is valid as at 31st December 2010. Any Shareholder or prospective Shareholder should check with the ACD that this document is the most current version and that no revisions have been made to this Prospectus since this date.

The ACD of the Scheme is the person responsible for the information contained in this Prospectus and accepts responsibility accordingly. It has taken all reasonable care to ensure that, to the best of its knowledge and belief, the information in this document does not contain any untrue or misleading statement or omit any matters required by the FSA Rules to be included in it.

This Prospectus does not amount to an offer in any jurisdiction where such offer may be prohibited or to any investor outside the United Kingdom who is prohibited by applicable laws from subscribing for Shares.

If you are in any doubt about the suitability of investing in Shares of the Scheme or the contents of this Prospectus you should consult your financial adviser. This Prospectus sets out only generic information. Potential investors are encouraged to seek appropriate advice prior to investing in Shares.

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TERMS USED IN THIS DOCUMENT

“ACD”	Prime Rate Capital Management LLP
“Act”	the Financial Services and Markets Act 2000 (as amended)
“Approved Bank”	one of the approved banks as defined in the Glossary to the FSA Handbook
“AUT”	a UK authorised unit trust scheme
“Authorised Investment Fund”	an AUT or an ICVC
“COLL Sourcebook”	the Collective Investment Schemes Sourcebook issued by the FSA as amended or re-enacted from time to time (References in this Prospectus to COLL refer to the appropriate chapter or rule in the COLL Sourcebook)
“Dealing Day”	a business day on which banks in England and Wales are open for business, excluding Saturday or Sunday or public holidays and also excluding, for the Prime Rate US Dollar Liquidity Fund, Prime Rate US Dollar Liquidity Plus Fund and Prime Rate US Dollar Short Duration Bond Fund, public holidays in the United States of America and also excluding, for the Prime Rate Euro Liquidity Fund, Prime Rate Euro Liquidity Plus and Prime Rate Euro Short Duration Bond Fund, TARGET public holidays (being 1 January, Good Friday, Easter Monday, 1 May, 25 December and 26 December)
“Dealing Deadline”	1.00pm London time on each Dealing Day for the Prime Rate Euro Liquidity Fund, Prime Rate Euro Liquidity Plus Fund and Prime Rate Euro Short Duration Bond Fund, 1.30pm London time on each Dealing Day for the Prime Rate Sterling Liquidity Fund, Prime Rate Sterling Liquidity Plus Fund and Prime Rate Sterling Short Duration Bond fund

and 3.00pm London time on each Dealing Day for the Prime Rate US Dollar Liquidity Fund, Prime Rate US Dollar Liquidity Plus Fund and Prime Rate US Dollar Short Duration Bond Fund or such earlier time as may be dictated by the closure of relevant exchanges and/or markets on the Dealing Day

“ Depository ”	BNY Mellon Trust & Depository (UK) Limited
“ FSA ”	the Financial Services Authority
“ FSA Rules ”	the FSA’s Handbook of Rules and Guidance (including the COLL Sourcebook)
“ Fund ”	a sub-fund of the Scheme – details of the Funds are set out in Appendix 1
“ ICVC ”	a UK authorised open ended investment company
“ Instrument ”	the instrument of incorporation by which the Scheme is constituted
“ Liquidity Fund ”	the Prime Rate Sterling Liquidity Fund, Prime Rate US Dollar Liquidity Fund or Prime Rate Euro Liquidity Fund as appropriate (together “ the Liquidity Funds ”)
“ Liquidity Plus Fund ”	the Prime Rate Sterling Liquidity Plus Fund, the Prime Rate US Dollar Liquidity Plus Fund or the Prime Rate Euro Liquidity Plus Fund as appropriate (together “ the Liquidity Plus Funds ”)
“ OEIC Regulations ”	The Open-Ended Investment Companies Regulations 2001 (as amended from time to time)
“ Moody’s ”	Moody’s Investor Services
“ Net Asset Value ”	for a Liquidity Fund is the value of the scheme property attributable to a Liquidity Fund or a Share Class calculated on an amortised cost basis, subject to such adjustments as determined by the

ACD pursuant to the policies for stabilising the valuation as agreed with the Depositary from time to time having regard to any divergence from the alternative valuation of the fund on a not less than weekly on a mark to market basis and for a Liquidity Plus Fund and Short Duration Bond Fund is the value of the scheme property attributable to a Liquidity Plus Fund and Short Duration Bond Fund or a Share Class calculated on a mark to market basis

“Prospectus”

this document, the prospectus for the Scheme as amended from time to time

“Qualifying Money Market Fund”

a UCITS scheme which satisfies the following conditions:

- (a) its primary investment objective must be 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;
- (b) it must, with a view to achieving that primary investment objective, invest exclusively in high-quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of 60 days. It may also achieve its objective by investing on an ancillary basis in deposits with credit institutions;
- (c) it must provide liquidity through same day or next day settlement

and in respect of this Scheme, each of the Liquidity Funds would be classified as a Qualifying Money Market Scheme if authorised separately.

“Regulations”

the OEIC Regulations and the FSA Rules

“Scheme”	Prime Rate Cash Management Funds
“Share”	a share in the Scheme, being a share which relates to a particular class of share of a Fund (including fractions of 1/1000 of a share) where appropriate
“Shareholder”	a holder of Shares
“Share Class” or “Class”	a particular class of Share as described in Appendix 1
“Short Duration Bond Fund”	the Prime Rate Sterling Short Duration Bond Fund, the Prime Rate US Dollar Short Duration Bond Fund or the Prime Rate Euro Short Duration Bond Fund as appropriate (together “ the Short Duration Bond Funds ”)
“Standard & Poors”	Standard & Poor’s Corporation.
“UCITS scheme”	a collective investment scheme authorised under the UCITS Directive (which facilitates cross-border marketing of its funds into other EU member states pursuant to the passport which is available under the UCITS Directive) and, in respect of this Scheme, being a UK authorised investment fund which is classified under the COLL Rules as a UCITS scheme, and each of whose sub-funds would be classified as a UCITS scheme if separately authorised.
“Valuation Point”	a valuation point fixed by the ACD for the purposes of valuation of the property of the Scheme. The Manager intends that there should be a valuation point for each Fund on each Dealing Day. For each Liquidity Fund, there must be at least one valuation point on every Dealing Day.
“Valuation”	In respect of a Liquidity Plus Fund or a Short Duration Bond Fund each valuation is to be carried out on the normal mark to market basis. In the case of a Liquidity Fund, each valuation will be carried out on an amortised cost basis and also,

at not less than one Valuation Point in each week, the valuation must also be carried out on a mark to market basis, as explained on page 20.

The Scheme

Establishment and Authorisation

The Scheme is an investment company with variable capital incorporated in England and Wales. The Scheme is constituted by its Instrument of Incorporation (the “Instrument”).

The Scheme was authorised by the Financial Services Authority on 6 February 2008. The Scheme is classified as a UCITS scheme. The Scheme and each Fund is a UCITS scheme. Each of the Liquidity Funds is a Qualifying Money Market Fund.

Base Currency

The base currency of the Scheme is pounds sterling of the United Kingdom. The base currency of each Fund and of each Fund’s respective Share Classes is as set out in the details for each Fund in Appendix 1.

The Funds

The Scheme is an umbrella scheme comprising various Funds, each of which is operated as a distinct fund, with its own portfolio of investments.

The Funds in which Shares are currently available are:

Liquidity Funds

- Prime Rate Sterling Liquidity Fund
- Prime Rate US Dollar Liquidity Fund
- Prime Rate Euro Liquidity Fund

Liquidity Plus Funds

- Prime Rate Sterling Liquidity Plus Fund
- Prime Rate US Dollar Liquidity Plus Fund
- Prime Rate Euro Liquidity Plus Fund

Short Duration Bond Funds

- Prime Rate Sterling Short Duration Bond Fund
- Prime Rate US Dollar Short Duration Bond Fund
- Prime Rate Euro Short Duration Bond Fund

Full details of each Fund are set out in Appendix 1.

Scheme object

The object of the Scheme is to invest the property of the Scheme with the aim of spreading investment risk and giving Shareholders the benefit of the results of the management of that property. The types of investments and assets in which the property of the UCITS Scheme may be invested are derivative instruments and forward transactions, deposits, money market instruments, transferable securities and units in collective investment schemes in accordance with the FSA Rules applicable to a UCITS scheme, and subject to any more restrictive provisions set out in the Prospectus from time to time.

As each of the Liquidity Funds is a Qualifying Money Market Fund, investors should note the restrictions set out in this Prospectus providing that each Liquidity Fund's investment objectives and policies must meet the conditions specified in the FSA's definition of "Qualifying Money Market Fund".

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. Further details are set out on page [33] in the section "Taxation of Shareholders".

Management of the Scheme

The ACD

The ACD of the Scheme is Prime Rate Capital Management LLP (the “ACD”). The ACD is a limited liability partnership registered in England and Wales with registered number OC327292 on 30 March 2007. The registered office (and head office) of the ACD is at One Vine Street, London W1J 0AH.

The ACD is the authorised corporate director of the Scheme.

The ACD is also the administrator for the Prime Rate Cash Management Funds (Isle of Man) Limited, an Isle of Man Specialist Investor Fund, which feeds into the Prime Rate Cash Management Funds, and is the sponsor and fund manager for The Islamic Liquidity Fund, a Dublin domiciled Qualifying Investor Fund..

The Members of the ACD are as follows:

Christopher Oulton, Judith Benson, Henry Buckmaster, Dennis Gepp and Matrix Group Ltd.

The directors/members of the ACD also act as directors of companies other than the ACD (including companies that are within the same group of companies as the ACD) but do not engage in business activities that are not connected with the Scheme that would be significant to the Scheme’s business within the meaning of the FSA Rules.

The appointment of the ACD was made under an Agreement dated 11th February between the Scheme and the ACD (the “ACD Agreement”).

The ACD is responsible for managing and administering the Scheme’s affairs in compliance with the FSA’s Rules. Under the terms of the ACD Agreement, the ACD is to provide investment management, administrative, accounting, company secretarial and registrar services to the Scheme.

The ACD must:

- (a) make decisions as to the constituents of the scheme property in accordance with the investment objectives and policy of each Fund;
- (b) instruct a Depositary in writing how rights attaching to the ownership of the scheme property are to be exercised; and
- (c) take action immediately to rectify any breach in relation to valuation and pricing and,

where the breach relates to incorrect pricing of units, to the late payment in respect of the issue of units, or, in respect of a Liquidity Fund, to the failure to maintain a stabilised valuation, the rectification must (unless a Depositary otherwise directs) extend to the reimbursement or payment or arrange any reimbursement of payment of money by the ACD to Unit holders and former Unit holders as appropriate unless such breach is of minimal significance.

The ACD Agreement may be terminated by the Scheme on 6 months' written notice. The ACD Agreement will terminate if the ACD ceases to be the authorised corporate director of the Scheme or if the Scheme is wound up in accordance with the FSA Rules. The ACD Agreement may be terminated by a notice in writing if the ACD commits a material breach of the ACD Agreement.

The ACD Agreement includes an indemnity from the ACD to the Scheme against costs, claims and expenses incurred by the Scheme as a consequence of the ACD's performance of its responsibilities under the terms of the ACD Agreement except in certain limited circumstances.

Subject to the restrictions in the FSA Rules which are explained below, the ACD may delegate or employ agents to assist it in forming its unit accounting and registration functions for the scheme.

The Depositary

The Depositary of the Scheme is BNY Mellon Trust & Depositary (UK) Limited (registered no. 3588038) (the "Depositary"), a private company limited by shares incorporated in England and Wales on 25 June 1998 whose registered office is The Bank of New York Mellon Centre, 160 Queen Victoria Street, London, EC4V 4LA. Its ultimate holding company is The Bank of New York Inc. incorporated in New York. It is authorised and regulated by the Financial Services Authority. Its principal business activity is acting as a trustee and depositary.

The Depositary is required to carry out the duties specified in the COLL Sourcebook, including having responsibility for the safekeeping of all the property of the Scheme entrusted to it. Subject to the COLL Sourcebook, the Depositary has full power to delegate and to authorise its delegate to sub-delegate its duties.

The Auditor

The auditor of the Scheme is Nexia Smith & Williamson Audit Limited (the "Auditor") of 25 Moorgate, London EC2R 6AY.

Delegation of powers

The ACD and the Depositary may retain the services of the other or of third parties to assist them in fulfilling their respective roles. The exceptions to this are:

- (a) that the Depositary may not delegate oversight in respect of the Scheme to the Scheme, the ACD or any associate of the Scheme or the ACD or custody or control of the scheme property to the Scheme or the ACD;
- (b) any delegation by the Depositary of custody of the scheme property must be under arrangements which allow the custodian to release documents into the possession of a third party only with the Depositary's consent; and
- (c) no mandate for managing investments of the scheme property may be given to the Depositary; or any other person whose interests may conflict with those of the ACD or the Shareholders; or any other person who is not both authorised or registered for managing investments by the FSA and is not subject to prudential supervision (unless there is an agreement in place between the FSA and the overseas regulator of the delegate ensuring adequate co-operation).

Where functions are performed for the ACD by third parties, the responsibility which the ACD had in respect of such services prior to the delegation to a third party will remain unaffected. Where the Depositary delegates matters to a director of the Scheme or an associate of a director or an associate of the Depositary to assist in the performance of its functions, then the Depositary's liability in respect of those services shall remain unaffected and, in any other case, the Depositary will not be held responsible by virtue of the FSA Rules for any act or omission of the person so retained if it can show, first, that it was reasonable for the delegator to obtain assistance to perform the function in question; secondly, that the delegate was and remained competent to provide that assistance; and thirdly, that the delegator took reasonable care to ensure that the assistance was provided in a competent manner.

In accordance with these restrictions, the ACD and the Depositary have, as mentioned above, appointed certain third parties to perform particular functions.

The FSA Rules contain various requirements relating to transactions entered into between the Scheme and the ACD, the Investment Adviser or any of their associates which may involve a conflict of interest. These are designed to protect the interests of the Scheme. Certain transactions between the Scheme and the ACD, or an associate of the ACD, may be voidable at the instance of the Scheme in certain circumstances.

Administrator

BNY Mellon Europe, incorporated in England with registered number 3236121 of One Canada Square, London E14 5AL, **has** been appointed to act as administrator, registrar and transfer agent to the Company and each Fund.

BNY Mellon Europe Limited has responsibility for the performing the day to day administration of the Company, including the calculation of the Net Asset Value and the Net Asset Value per Share of each Fund and the provision of transfer agency and related shareholder services. The Administrator is engaged in the provision of fund administration, accounting, registration, transfer agency and related shareholders services to collective investment schemes and investment funds.

The Administrator is a wholly-owned indirect subsidiary of The Bank of New York Mellon Corporation. The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 34 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team

Investment objective and investment powers

Investment objective

Each Fund has a separate specific investment objective and investment policy, details of which are set out in Appendix 1. In the case of each of the Liquidity Funds, the investment objective has been formulated to meet the primary investment objective required for a Qualifying Money Market Fund under the COLL Sourcebook.

Investment powers and restrictions

The assets of each Fund will be invested in accordance with each Fund's investment policy with the aim of achieving the investment objective of that Fund. They must be invested so as to comply with the investment and borrowing powers and restrictions set out in the FSA Rules, the Scheme's Instrument and this Prospectus. A summary of the investment powers and restrictions applicable to the Funds is set out in Appendix 2.

Risk Factors

Risk is about how likely it is that an investment will fluctuate in value over time. The level of risk varies between investment funds. Potential investors should consider the following risk factors before investing in an investment fund such as the Scheme.

The ACD will, on a Shareholder's request, provide supplementary information to that set out in this Prospectus relating to the quantitative limits applying in the risk management of the Funds, the methods used in this connection, and any recent development of the risk yields of the main categories of investment of the Funds.

Historical performance

Historical performance for each of the funds is given in Appendix 1 below.

Past performance is not a reliable indicator of future performance.

Fluctuations in value

Investors are reminded that, notwithstanding the investment objectives of the Funds, the achievement of the objectives is not guaranteed.

Currency fluctuations

Where an underlying investment of the Scheme is not denominated in the base currency of the Scheme (sterling) the effect of fluctuations in the rate of exchange between that currency and the base currency may adversely affect the value of that investment and this will be reflected in the value of Shares.

Liabilities

Each Fund, in normal circumstances, is treated as having its own assets and liabilities. However, the assets of each Fund are not ring-fenced and, if the Scheme is unable to meet liabilities attributable to any particular Fund out of the assets attributable to that Fund, the excess liabilities may have to be met out of the assets attributable to the other Funds. Assets may be transferred between Funds if it is necessary in order to satisfy any creditor proceeding against certain of the assets of the Scheme. In the event that any assets are so transferred, the ACD will advise Shareholders of the Scheme in the next report to Shareholders.

Charges and expenses

Where an initial charge is imposed, an investor who realises his Shares after a short period may not (even in the absence of a fall in value of the relevant investments) realise the amount originally invested).

Tax position

The tax position as stated in this document is believed to be accurate as at the date of this Prospectus. It may be subject to change in the future. Investors should consider their tax position which would depend on their circumstances.

Fund specific risk factors

Please refer to Appendix 1 for details of specific risk factors which apply to particular Funds.

Shares

Share capital

The minimum share capital of the Scheme is £1,000 and the maximum share capital of the Scheme is £1 trillion.

Share Classes

The Scheme may issue a number of Share Classes in respect of a Fund. Different charging structures, minimum investment levels and eligibility provisions apply to each Share Class. The Scheme may issue income and/or accumulation Shares in each of the Funds. Different types of Shares may be offered to different types of investors. Different Manager's periodic charge rates apply to different classes of Share.

The terms for the Share Classes in issue in the Scheme from time to time are as set out in this Prospectus.

Income attributable to income Shares is distributed to income Shareholders in respect of each accounting period. Income is paid to investors within two months of the end of each interim accounting period and within four months (normally within two months) of the end of each annual accounting period or, at a Shareholders' request, reinvested by the purchase of further income Shares.

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

Details of the Share Classes which are currently available in each Fund are set out in the details of the Funds in Appendix 1. Currently only gross paying Shares are available and so investors must be eligible to hold gross paying Shares.

The ACD may resolve to create further Share Classes in respect of a Fund in the future. As and when the further Share Classes are added, this Prospectus will be updated accordingly.

The Shares in the Scheme are not listed or dealt in on any investment exchange.

Interests of Shareholders

Shareholders are not liable for the debts of the Scheme. A Shareholder is not liable to make any further payment to the Scheme after he has paid the purchase price of the Shares.

Each holder of Shares in the Scheme is entitled to participate in the property of the Scheme and its income in accordance with its proportionate share entitlements calculated in accordance with the terms of the Instrument.

The Register

Entitlement to Shares is conclusively evidenced by entries on the register of Shareholders. The Depositary and the ACD are not obliged to take notice of any trust or equity or other interest affecting the title to any of the Shares.

The register of Shareholders is maintained by The Bank of New York (Europe) Limited, on behalf of the ACD, at 12 Blenheim Place, Edinburgh EH7 5JH, Scotland. The register of Shareholders is also available for inspection by any Shareholder or their duly authorised agent free of charge during normal office hours on any business day at One Vine Street, London W1J 0AH (subject to the power to close the register of Shareholders for such periods not exceeding 30 days in any one year). Copies of the entries on such registers relating to a Shareholder are available on request by that Shareholder free of charge.

Bearer certificates are not currently issued in respect of Shares in the Scheme.

Statements

Certificates will not be issued in respect of Shares in the Scheme. The Instrument relieves the ACD and the Depositary from the duty to issue certificates, representing Shares, to Shareholders whose names appear on the register of Shareholders and title to Shares will be conclusively proved by entry on the register.

At least once each year the ACD will send a statement to each person who holds or has held Shares (or is or was the first named of joint holders of Shares) since the time of issue of the last such statement. That statement shall describe any current holding of Shares in the Scheme as at the date the statement is compiled and any transactions in Shares in the Scheme carried out by or on behalf of that person, since the date on which the last such statement was compiled.

Dealings in Shares

Issue and redemption of 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. Requests may be made in writing to the ACD at Prime Rate Capital Management LLP, PO Box 23867, Edinburgh, EH7 5QT or by telephoning +44 (0) 131 525 9456.

The ACD will also accept instructions to transfer or renunciation of title to shares on the basis of an authority communicated by electronic means and sent by the shareholder or delivered on their behalf by a person that is authorised by the FSA or regulated in another jurisdiction by an equivalent supervisory authority, subject to:

- a) prior agreement between the ACD and the person making the communication as to :
 - i. the electronic media by which communications may be delivered; and
 - ii. how such communications will be identified as conveying the necessary authority; and
- b) assurance from any person who may give such authority on behalf of the investor that they will have obtained the required appointment in writing from the shareholder.

The Shares will be priced on a forward basis, hence prices used will be those calculated by reference to the valuation commencing next after the receipt by the ACD of the Shareholder's application. Shares issued or redeemed between the commencement of the last valuation on a Friday (or a Dealing Day preceding a public holiday) and the close of business on that day or at any time on any other day which is not a Dealing Day will be effected at the price determined after the valuation which - unless the ACD exercises his discretion to revalue the property of the Scheme before that time - will commence at 1.00pm London time for the Prime Rate Euro Liquidity Fund, Prime Rate Euro Liquidity Plus Fund and Prime Rate Euro Short Duration Bond Fund, 1.30pm London time for the Prime Rate Sterling Liquidity Fund, Prime Rate Sterling Liquidity Plus Fund and Prime Rate Sterling Short Duration Bond fund and 3.00pm London time for the Prime Rate US Dollar Liquidity Fund, Prime Rate US Dollar Liquidity Plus Fund and Prime Rate US Dollar Short Duration Bond Fund on the following Dealing Day.

Calculation of the Share price will take place on each Dealing Day at a time not later than 2 hours following the commencement of the valuation of the property of the Scheme (see under "Valuation" below).

Application forms can be obtained if required from the ACD. Applications to purchase Shares may be made in writing and by such other means as the ACD may from time to time permit.

In respect of all applications for the issue of Shares, a contract note will be sent, normally by the close of the Dealing Day following the execution of the transaction. This will show the number of Shares purchased and the price. As share certificates will not be issued in respect of the Scheme, a Renunciation Form will also be sent with the applicant's contract note. Where appropriate, a notice of the applicant's right to cancel the deal will also be sent, under separate cover, within 8 days of the receipt by the ACD of the application for Shares. The application monies are due 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 1.00pm London time for the Prime Rate Euro Liquidity Fund, Prime Rate Euro Liquidity Plus Fund and Prime Rate Euro Short Duration Bond Fund, 1.30pm London time for the Prime Rate Sterling Liquidity Fund, Prime Rate Sterling Liquidity Plus Fund and Prime Rate Sterling Short Duration Bond Fund and 3pm London time for the Prime Rate US Dollar Liquidity Fund, Prime Rate US Dollar Liquidity Plus Fund and Prime Rate US Dollar Short Duration Bond Fund on each Dealing Day.

Requests to redeem Shares may be made in writing or by such other means as the ACD may from time to time permit. In respect of all applications to redeem Shares, a contract note will be issued, normally by close of the Dealing Day following the execution of the redemption giving details of the Shares sold back to the ACD and the price used. 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 the fourth business day after either the day of the calculation of the redemption price or receipt by the ACD of the relevant duly signed repurchase documents, whichever is later.

Any request to redeem Shares, once given, cannot subsequently be withdrawn.

The ACD is under no obligation to account to the Depositary or to the Shareholders for any profit which it makes on the issue of Shares or on the reissue or cancellation of Shares it has redeemed.

Initial offer of Shares

The initial offer price of shares of each share class available in a sterling denominated Fund shall be £1. The initial offer price of shares of each share class of a Euro denominated Fund shall be €1. The initial offer price of shares of each share class of a dollar denominated Fund shall be \$1. Money received for the purchase of Shares will be passed to the Depositary on the fourth business day following receipt, or fifth business day following receipt if received after 12 noon. Money received by the Depositary will be held in an interest bearing bank account until the end of the initial offer period. Investments will be made by the Funds during the initial offer period.

The Liquidity Plus Funds and the Short Duration Bond Funds are to be launched at a future date.

Switching between Funds

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.

[Anti money laundering procedures](#)

The ACD is subject to the provisions of legislation in force in the United Kingdom to prevent money laundering. The ACD operates detailed internal compliance procedures in relation to each and every application to purchase Shares in the Scheme so as to verify the identity and bona fides of the investor and the source of funds offered in consideration of the prospective purchase. This may include the ACD using the services of a licensed reference agency which will record that an enquiry has been made. The type and degree of information required will vary from case to case, and may depend on whether, for example, the prospective Shareholder has been introduced to the ACD by or through the agency of an associate of the ACD or an independent financial intermediary in good standing with the ACD. Specific details of the information required of a prospective investor in Shares will be provided to the person concerned in response to his or its application for Shares. Failure to comply with the ACD's requests to furnish such information may result in the application for Shares being rejected.

Cancellation

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 Scheme will have no rights to cancel an application under the cancellation rules of the FSA Rules.

In specie issue and cancellation of Shares

The Instrument of the Scheme authorises payment for the issue or cancellation of Shares to be made by transfer of assets other than cash but only if the Depositary has taken reasonable care to ensure that the property concerned would not be likely to result in any material prejudice to the interests of Shareholders.

Where a Shareholder requests a redemption of Shares representing in value not less than 5% of the value of the scheme property of a Fund, the ACD may by notice of election served on the Shareholder, choose to transfer scheme property to him. Any such notice must be served no later than the second Dealing Day following the receipt of the request for redemption. The Shareholder may then serve a further notice on the ACD requiring the sale of the property and the payment to the Shareholder of the net proceeds of sale. This further notice must be served on the ACD not later than the close of business on the fourth Dealing Day following the date of receipt of the notice from the ACD.

Deferred redemptions of Shares

For each of the Liquidity Plus Funds and the Short Duration Bond Funds only

If requested redemptions of Shares on a particular Dealing Day exceed 20% of the relevant Fund's value, redemptions of Shares may be deferred to the next valuation point. Any such deferral will only be undertaken in such manner as to ensure consistent treatment of all Shareholders who had sought to redeem units at the valuation point at which redemptions were deferred. Deferral will be pro-rated based on the value of units being redeemed (provided that the ACD may determine in its discretion a value threshold below which all redemptions will be effected, and above which the foregoing pro-rata deferral shall apply), and so that all deals relating to an earlier valuation point are completed before those relating to a later valuation point are considered.

The intention of the deferred redemption provisions is to reduce the impact of dilution on the Fund in question. In times of high levels of redemption, deferred redemption provisions would enable the ACD to protect the interest of continuing Shareholders by allowing it to

match the sale of a property of the Fund in question to the levels of redemptions of Shares in that Fund.

Suspension of dealings in Shares

The issue or redemption of Shares may be suspended by the ACD with the prior agreement of the Depositary or, if the Depositary so requires, at any time. The ACD and the depositary must ensure that the suspension is only allowed to continue for as long as it is justified having regard to the interests of the shareholders.

On suspension, the ACD, or the depositary if it has required the authorised fund manager to suspend dealings in shares, must:

- (a) immediately inform the FSA, stating the reason for its action; and
- (b) as soon as practicable give written confirmation of the suspension and the reasons for it to:
 - (i) the FSA; and
 - (ii) the Home State regulator in each EEA State in which the ACD holds itself out as willing to sell or redeem shares of the authorised fund concerned.

The ACD will ensure that a notification of the suspension is made to shareholders of the authorised fund as soon as practicable after suspension commences. will ensure that it:

- (a) draws shareholders' particular attention to the exceptional circumstance which resulted in the suspension;
- (b) is clear, fair and not misleading; and
- (c) informs shareholders how to obtain the information detailed below

The ACD will ensure that it publishes (on its website or by other general means) sufficient details to keep shareholders appropriately informed about the suspension including, if known, its likely duration.

During such a suspension:

- (a) none of the obligations in the FSA Handbook COLL 6.2 (Dealing) apply; and
- (b) the ACD must comply with as much of COLL 6.3 (Valuation and pricing) as is practicable in the light of the suspension

The ACD and the depositary will formally review the suspension at least every 28 days and inform the FSA of the results of this review and any change to the information provided as described above.

The ACD may agree, during the suspension, to deal in units in which case all deals accepted during, and outstanding prior to, the suspension will be undertaken at a price calculated at the first valuation point after restart of dealing in units.

Compulsory redemptions of Shares

The ACD may impose such restrictions as it thinks necessary to ensure that no Shares are acquired or held by any person in breach of law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. The ACD may reject any application for, or sale of, Shares. If the ACD becomes aware that:

- any Shares are owned directly or beneficially in breach of any law or governmental regulation; or
- the Shareholder in question is not eligible to hold such Shares or if the ACD reasonably believes this to be the case; or
- a holding of Shares constitutes a breach of the Instrument or this Prospectus as to eligibility or entitlement to hold any Shares;

then the ACD may give notice requiring the transfer, repurchase or exchange of such Shares. If any person does not take such steps within 30 days, he shall then be deemed to have given a written request for the redemption of all of his Shares.

As only gross paying Shares are currently available in each of the Funds, a Shareholder must at all times be eligible to receive gross interest. If a Shareholder ceases to be eligible to hold gross paying Shares then the ACD may give notice requiring the transfer, repurchase or exchange of such Shares. If any person does not take such steps within 30 days, he shall then be deemed to have given a written request for the redemption of all of his Shares.

A person who becomes aware that he is holding or owning Shares in breach of any law or governmental regulation or is not eligible to hold those Shares must either:

- transfer all those Shares to a person qualified to own them; or
- give a request in writing for the redemption of all such Shares unless he has already received such a notice from the ACD to transfer the Shares or for them to be repurchased.

Minimum holdings

The minimum initial lump sum purchase, subsequent investment amount and minimum holding amount are set out for the relevant share class of each Fund in Appendix 1. The ACD may waive the requirements set out in this paragraph at its discretion.

Valuation and pricing of Shares

As each Liquidity Fund is a Qualifying Money Market Fund, its primary investment objective must be 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.

Valuation of the Liquidity Funds

The property of each Liquidity Fund will be valued for the purpose of determining prices at which Shares in each Fund may be purchased or redeemed by the ACD as at 1pm London time for the Prime Rate Euro Liquidity Fund, 1.30pm for the Prime Rate Sterling Liquidity Fund, and 3.00pm for the Prime Rate US Dollar Liquidity Fund on every Dealing Day (the "Valuation Point") but may be valued more frequently if the ACD so decides. The net asset values attributable to the Share Class(es) of each Fund will normally be calculated on an amortised cost basis at the Valuation Point on each Dealing Day. The net asset value attributable to a Share Class is determined by calculating this value of the assets attributable to that class and deducting the liabilities attributable to that class in accordance with the provisions for the calculation set out in the Scheme's Instrument.

The value of the Scheme property of a Liquidity Fund, or a Class of a Liquidity Fund (as the case may be) should be calculated on two bases – on an amortised cost basis, and also weekly on a mark to market basis.

As at each Valuation Point, the valuation shall be carried out on an amortised cost basis which is used for the purposes of pricing Shares of a Liquidity Fund:

- (a) the Instrument provides that the amortised cost method of valuation shall be used to determine the value of (i) investments with a residual maturity of 397 days or less or (ii) floating rate investments with an annual or shorter interest reset date and with a residual maturity of two years or less provided that the ACD have determined that such investments have a market value that approximates the amortised cost valuation or (iii) high credit quality investments with a residual maturity of up to five years that meet with the above conditions and where procedures are adopted to ensure that the valuation of such assets using the amortised cost value does not vary significantly from the true market value of such assets.

The Company's investments are valued at their acquisition cost as adjusted for amortisation of premium or accretion of discount rather than at current market value.

- (b) Cash and other liquid assets will be valued at their face value plus interest accrued, where applicable.

- (c) Forward foreign exchange contracts shall be valued by reference to the price as at the Valuation Point at which a new forward contract of the same size and maturity could be undertaken or if unavailable at the settlement price provided by the counterparty.
- (d) The value of any exchange traded futures contracts, share price index futures contracts and options shall be based on the settlement price as determined by the market in question as at the Valuation Point. Where the settlement price is not available the value of such contract shall be its probable realisation value which must be estimated with care and in good faith by a competent person appointed by the ACD and approved for the purpose by the Depositary.
- (e) The value of any off-exchange derivative contracts shall be the quotation from the counterparty to such contracts at the Valuation Point and shall be valued at least daily. The valuation will be approved or verified at least weekly by a party independent of the counterparty who has been approved for such purpose by the Depositary.
- (f) The valuation of units or shares or other similar participations in any collective investment scheme which provides for the units or shares or other similar participations therein to be redeemed at the option of the holder out of the assets of that undertaking shall be valued at the last available Net Asset Value per unit or share or other relevant participation as at the relevant Valuation Point or, if bid and offer prices are published, at the latest bid price.
- (g) If in any case a particular value is not ascertainable as provided above, the method of valuation of the relevant investment shall be such as the ACD, with the approval of the Depositary, shall decide.

Any value expressed otherwise than in the Base Currency of the relevant Fund (whether of any investment or cash) and any non-Base Currency borrowing shall be converted into the Base Currency at the rate (whether official or otherwise) which the ACD shall determine to be appropriate in the circumstances.

Notwithstanding the generality of the foregoing, the ACD may with the approval of the Depositary adjust the value of any investment if taking into account currency, marketability and/or such other considerations as they may deem relevant, such as, applicable rate of interest, anticipated rate of dividend, maturity or liquidity, they consider that such adjustment is required to reflect the fair value thereof.

In circumstances where the ACD have resolved to operate a policy of **smoothing** in relation to any Fund, any cumulative net realised capital gains or losses arising within a Fund which would have an impact on the Net Asset Value per Share greater than 5 basis points, if applied on any one Dealing Day may, at the discretion of the ACD or their duly appointed delegate, be spread over a maximum period of 60 days. In addition, and at least one Valuation Point in

each week, the valuation shall also be carried out on a mark to market basis, for which purpose:

- investments with a single price (whether a transferable security or units or shares in a collective investment scheme) shall be valued at that price;
- investments for which different buying and selling prices are quoted will be valued at the mid-market price;
- other scheme property shall be valued at a fair and reasonable mid-market value;
- derivative and forward transactions shall be valued as agreed between the ACD and the Depositary; and
- adjustments will be made for tax, outstanding borrowings and dealing expenses.

The ACD reserves the right to revalue each Fund at any time, at its discretion with the agreement of the Depositary.

Stabilising the valuation

For each Liquidity Fund, the intention is that, in the case of income Shares of a particular Share class, there should be a constant unit price. This results from the allocation of income on each Dealing Day and the use of the amortised cost basis for valuation for pricing purposes. In respect of accumulation shares of a Liquidity Fund, the unit price will increase, because the income allocated to accumulation shares shall be accumulated and so reflected in the unit price. However the base capital cost is intended to remain constant. To ensure that this intention is realised, the ACD implements procedures designed to stabilise the valuation.

As each Liquidity Fund is a Qualifying Money Market Fund, the ACD must:

- (a) carry out a valuation of the scheme property on a mark to market basis at least once every week and at the same valuation point used to value the scheme property on an amortised cost basis; and
- (b) ensure that the value of the scheme property when valued on a mark to market basis does not differ than more than 0.5% from the value of the scheme property when valued on an amortised cost basis.

The ACD is obliged to advise the Depositary when the ACD considers that the mark to market value of a Fund varies from its amortised cost value by 0.1%, 0.2% and 0.3% respectively. The purpose of the escalation procedure is to ensure that a Fund's objective to preserve principal and the investment strategy devised to deliver on this objective, are reviewed by

individuals independent of the Fund's investment management team at times when the Fund's portfolio is under stress.

In the event that the amortised cost method of valuation is deemed by the ACD not to be the appropriate method of calculating the value of any investments listed or dealt in on a market that the value of such be the last traded price on the relevant market at the relevant Valuation Point. Where any investment is listed or dealt in on more than one market the ACD shall select the market which constitutes the main market they determine provides the fairest criteria in a value for the security.

In the event that the amortised cost method of valuation is deemed by the ACD not to be the appropriate method of calculating the value of any investment which is not listed or dealt in on a market or of any investment which is normally listed or dealt in on a market but in respect of which no last traded price is currently available or the current price of which does not in the opinion of the ACD represent fair market value shall be the probable realisation value thereof estimated with care and in good faith by the ACD or by a competent person, in each case approved, for such purpose, by the Depositary. In determining the probable realisation value of any such investment, a certified valuation thereof provided by a competent independent person or in the absence of any independent person, the Investment manager, who in the each case shall have been approved for such purposes by the Depositary, shall be sufficient.

Smoothing Policy

In circumstances where the ACD has resolved to operate a policy of smoothing in relation to a Liquidity Fund, any cumulative net realised capital gains or losses arising within a Liquidity Fund which would have an impact on the Net Asset Value per Share greater than 5 basis points, if applied in any one Dealing Day, may be spread over a maximum period of 60 days. The ACD retains discretion to amend any such policy from time to time either directly or through their duly appointed delegate.

Valuation of the Liquidity Plus Funds and Short Duration Bond Funds

Each of the Liquidity Plus Funds and the Short Duration Bond Funds is a UCITS scheme and shall be valued on the usual applicable basis for UK authorised funds generally on a mark to market basis. (The special provisions with the amortised cost basis and smoothing policy explained for the Liquidity Funds above shall not apply).

The property of each of the Liquidity Plus Funds and Short Duration Bond Funds will be valued for the purpose of determining prices at which shares in each Fund may be purchased or redeemed by the ACD at 1.00pm London time for the Prime Rate Euro Liquidity Plus Fund and Prime Rate Euro Short Duration Bond Fund, at 1.30pm London time for the Prime Rate Sterling Liquidity Plus Fund and Prime Rate Sterling Short Duration Bond Fund and 3pm London time for the Prime Rate US Dollar Liquidity Plus Fund and the Prime Rate US Dollar

Short Duration Bond Fund on every Dealing Day (“Valuation Point”) and may be valued more frequently if the ACD so decides. As to each Valuation Point, the valuation shall be carried out on a mark to market basis for which purpose:

- investments for the single price (whether a transferable security or units or shares in a collective investment scheme) shall be valued at that price;
- investments for which different buying and selling prices are quoted will be valued at the mid-market price;
- other scheme property should be valued at a fair and reasonable mid-market value;
- derivatives and forward transactions shall be valued as agreed between the ACD and the Depositary; and
- adjustments will be made for tax, outstanding borrowings and dealing expenses.

The ACD reserves the right to revalue a Fund at any time at its discretion. This is only likely to take place in cases where there has been a substantial change amounting to 2% or more in the value of the underlying assets of the Fund since the previous valuation.

Price of a Share of a Fund

Shares are priced on a single mid-market pricing basis in accordance with the COLL Sourcebook and the Instrument. Each Fund deals on a forward pricing basis (and not on the basis of published prices). As mentioned above, a forward price is a price calculated at the next valuation point after the deal is agreed.

The price of a Share is the Net Asset Value of a Fund attributable to the relevant Share Class of that Fund on the relevant valuation basis subject to adjustments determined by the ACD pursuant to the procedure explained above for the relevant Fund divided by the number of Shares in that class in issue.

Special provisions apply in the case of an initial offer of Shares, where the ACD sets the initial offer price (as explained in the paragraph “Initial offer of Shares” above).

Dilution policy

The basis on which the Scheme’s investments are valued for the purpose of calculating the buying and selling price of Shares as stipulated in the FSA Rules and the Scheme’s Instrument is summarised in the section immediately above. This is subject to the application of the dilution policy.

Dealing costs in, and spreads between the buying and selling prices of a Fund's underlying investments means that the buying and selling prices of Shares calculated for a Fund may differ from the value of the proportionate interests those Shares represent in the Fund and dealing at those prices could lead to a reduction in the value of the scheme property of the Fund and so disadvantage other Shareholders. The effect of this is known as "dilution". The ACD may therefore apply a dilution levy as defined in the COLL Sourcebook on the issue and/or redemption of Shares as outlined below.

Any dilution levy must be fair to all shareholders and potential shareholders. A dilution levy is a charge of such amount or at such rate as is determined by the ACD in accordance with the COLL Sourcebook to be made for the purpose of reducing dilution. Any dilution levy will be calculated by reference to the estimated costs of dealing in the underlying investments of the Scheme, including any dealing spreads, commission and transfer taxes in accordance with the COLL Sourcebook.

Generally the ACD reserves the right to impose a dilution levy on purchases and sales of whatever size and whenever made but it is not possible to predict accurately whether dilution would occur at any point in time. If a proposed transaction falls or potentially falls within the large deal category (which is any deal or series of deals which together relates to Shares having an aggregate value of £50 million or more), the investor should enquire as to whether a dilution levy will be applied in respect of that transaction before giving instructions to the ACD. In deciding whether to impose a dilution levy, the ACD may consider a number of factors including the size of the transaction relative to the overall value of the Fund, the level of transaction costs within the relevant particular markets, the liquidity of the underlying investments within the Fund, the amount of the investments to be bought/sold and the likely time that this will take, the likelihood of an adverse impact on the value of the investments as a result of the accelerated rate of disposal and the length of time for which the Shares in question were held.

It should be noted that, as dilution is directly related to the inflows and outflows of monies from a Fund, it is not possible to predict accurately whether or not dilution will occur at any particular point in time, and how frequently the ACD will need to make such a dilution levy.

As at the date of this Prospectus, the ACD has not charged any dilution levy. However the ACD still reserves the right to charge a dilution levy as necessary.

Publication of 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 020 3206 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.

Remuneration and expenses

ACD's remuneration

The Instrument facilitates various elements for the ACD's remuneration but at present only a periodic charge is to be taken by the ACD. There is no preliminary charge, redemption charge or switch fee imposed in relation to dealings in Shares.

The current rate of the ACD's periodic charges for each Share Class for each Fund are set out in the details of the Funds in Appendix 1. This comprises a charge in respect of the ACD's services as authorised corporate director for the Scheme. The charge is calculated and accrued daily for pricing purposes based on the value of the scheme property attributable to the relevant Fund at the Valuation Point on each Dealing Day. The charge is payable in arrears on the last Dealing Day of each month.

In respect of all Classes of Shares, other than Share Class 1 on which no management fee is charged, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed in the details of the Funds in Appendix 1 for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services (see below) and the Depositary's remuneration which is also disclosed below. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) The Administrator's fee is as follows: for the first £5 billion of assets in the Funds: 1.0 basis points, for the next £5 billion of assets in the Funds: 0.8 basis points, for the next £10 billion of assets in the Funds: 0.6 basis points and for amounts in excess of £20 billion in the Funds: 0.4 basis points. Additional charges are £5 per money transfer, £10 per FX transaction and £35 per securities transaction.

In addition, expenses for certain purposes may be payable out of the assets of the Fund as explained below.

Depositary's remuneration

As remuneration for its services, the Depositary is entitled to receive a periodic charge and transaction fees out of the property of each Fund. The periodic fee, which accrues at each Valuation Point and is payable monthly, is based on the value of the scheme property of the relevant Fund and is determined at each Valuation Point on the same basis as the ACD's charge. The rate of the fee is currently: for the first £5 billion of assets in the Funds: 0.25 basis points, for the next £5 billion of assets in the Funds: 0.2 basis points, for the next £10 billion of assets in the Funds: 0.15 basis points and for amounts in excess of £20 billion: 0.10 basis points subject to a minimum annual payment of £10,000 per Fund plus VAT.

There are no additional charges due to the Depositary.

The Depositary's remuneration is charged to the Scheme and taken out of the property attributable to the relevant Funds. In practice however in relation to Share classes other than Class 1 in each of the Funds 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 and no additional charges.

Expenses

The following expenses may be paid out of the property of the Scheme:

- (a) all reasonable and properly evidenced out of pocket expenses incurred by the ACD in the performance of its duties in respect of the Scheme, including any stamp duty reserve tax paid by the ACD in relation to the cancellation of Shares (whether or not the amount of that tax has been deducted from the payments made to Shareholders who cancelled their Shares);
- (b) certain expenses properly incurred by the Depositary in performing its duties in respect of the Scheme, including the following:
 - the fees and expenses and disbursements of any person to whom the Depositary may delegate any function including custody fees (without limitation);
 - expenses incurred in the collection and distribution of income including bank charges, professional and accountancy fees and expenses and disbursements bona fide incurred in respect of the computation claiming or reclaiming of all taxation release and payments;
 - all expenses incurred in the submission of tax returns;
 - all costs and expenses of or incidental to preparation of reports and accounts required to be prepared for the Depositary by regulation or general law in relation to the Scheme and the costs and expenses of or incidental to the preparation and despatch of any communications from the Depositary to Shareholders; and
 - all such other charges, expenses and disbursements properly incurred by the Depositary in performing its duties in respect of the Scheme.
- (c) brokers' commission, fiscal charges and other disbursements which are:

- (i) necessary to be incurred in effecting transactions for the Scheme; and
 - (ii) normally shown in contract notes, confirmation notes and difference accounts as appropriate;
- (d) interest on borrowings permitted under the COLL Sourcebook and charges incurred in effecting or terminating such borrowings or in negotiating or varying the terms of such borrowings;
- (e) taxation and duties payable in respect of the property of the Scheme, the Instrument or the issue of Shares and any stamp duty reserve tax charged in accordance with Schedule 19 of the Finance Act 1999;
- (f) any costs incurred in modifying the Instrument or the Prospectus including costs incurred in respect of meetings of Shareholders convened for purposes which include the purpose of modifying the Instrument where the modification is:
- (i) necessary to implement or necessary as a direct consequence of any change in the law (including changes in the COLL Sourcebook); or
 - (ii) expedient having regard to any change in the law made by or under any fiscal enactment and which the ACD and the Depositary agree is in the interest of Shareholders; or
 - (iii) to remove from the Instrument obsolete provisions;
- (g) any costs incurred in respect of meetings of Shareholders convened by the Depositary or on a requisition by Shareholders not including the ACD or an associate of the ACD;
- (h) liabilities on unitisation, amalgamation or reconstruction arising in certain circumstances as set out in the COLL Sourcebook;
- (i) the audit fee properly payable to the Auditor and VAT thereon plus any proper expenses of the Auditor;
- (j) any fees due to rating agencies;
- (k) the periodic fees of the Financial Services Authority under the Act or the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which Shares in the Scheme are or may be marketed;
- (l) the costs of preparing the Simplified Prospectus;

- (m) the costs of printing and distributing copies of the Prospectus;
- (n) costs of establishing and maintaining the register and/or plan sub-register;
- (o) fees payable to the FSA or the Registrar of Companies in relation to the filing of any details concerning the Scheme in accordance with the OEIC Regulations or FSA Rules;
- (p) costs associated with the publication of any information concerning the Scheme, including the price of a net asset value of Shares from time to time in any medium whatsoever; and
- (q) such other expenses as may be permitted by the COLL Sourcebook from time to time.

Initial Expenses

The costs of authorisation and incorporation of the Scheme and of the promotion of the Scheme are being paid by the ACD.

VAT

The above remuneration and expenses are subject to value added tax where applicable. There are currently some exemptions from VAT in respect of the ACD's charges for management of the Scheme's investments and also any initial charge.

Allocation of Fees and Expenses Between Funds

All the above fees and expenses will be charged as follows:

- fees and expenses which are directly attributable to a particular Share Class of a Fund will be charged to that Share Class;
- fees and expenses which are attributable to a particular Fund will be charged to that Fund. If there is more than one Share Class in issue in the Fund, they will normally be allocated pro rata to the value of the scheme property attributable to those Share Classes; and
- fees and expenses which are attributable to the Scheme generally will normally be charged to each of the Funds (and its Share Classes) pro rata to the value of the scheme property attributable to those Funds (and its Share Classes).

The ACD has discretion to allocate these fees and expenses in a different manner where it considers this to be fair to Shareholders.

Payment of Fees and Expenses

All remuneration and expenses shall be made from the income property of each Fund in the first instance but, if there is insufficient income in any accounting period, such remuneration and expenses shall be charged to the capital account. If deductions are made from capital, this may result in erosion of, or may constrain the growth of, that capital.

Income

Accounting and income allocation dates

The annual accounting date for the Scheme is 31 March and the interim accounting date is 30 September in each year. The first annual accounting period ends on 31 March 2009. Details of the accounting periods and income allocation dates for each of the Funds are set out in Appendix 1.

In general terms, income is allocated on each Dealing Day. Income allocated to income Shares on Dealing Days in a particular month is aggregated and paid monthly. Net income allocated to accumulation Shares will be automatically added to (and retained as part of) the capital assets of the relevant Fund, and reflected in the Share price of the accumulation Shares.

Income allocations

Allocations of income are made in respect of the income available for allocation in each accounting period. The amount available for allocation in an accounting period is calculated by:

- (a) taking the aggregate of the income property received or receivable for the account of the relevant Fund for that period;
- (b) deducting the charges and expenses of that Fund paid or payable out of the income of the property for that accounting period;
- (c) adjusting for the ACD's best estimate of tax charge or tax relief on these expenses and charges; and
- (d) making such other adjustments which the ACD considers appropriate in relation to tax and other issues.

Where there is more than one Share Class in issue, income available for allocation will be allocated between the Share Classes based on the respective proportionate interests represented by those Share Classes on a daily basis.

Gross paying Shares may be available to be held by or on behalf of certain eligible categories of investors, including UK exempt approved pension schemes, UK registered charities and companies resident in the UK. In accordance with UK tax law, the income allocated to such shares is distributed periodically to Shareholders (in the case of gross paying income shares) or added periodically to capital (in the case of gross paying accumulation shares) without deduction of any income tax.

Eligible investors may receive gross payments in respect of professional shares but these will not be a separate class of gross paying and gross priced shares.

Payment will be made by means of direct credit to the Shareholder's nominated bank account. If the Income Allocation Date is not a Dealing Day, payment will be made on the next Dealing Day. No distribution or other monies payable on or in respect of a unit shall bear interest against the Scheme. All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the Scheme.

Equalisation

Although grouping for equalisation is permitted under the terms of the Instrument, in practice there is no equalisation policy implemented in respect of any of the Funds. As income is allocated on each Dealing Day, there is no need for equalisation to be considered in respect of share prices because there will at no point be any income property included within the calculation of the valuation used for ascertaining the price of a Share.

Shareholder meetings and information for Shareholders

Approvals and notifications

Under the COLL Sourcebook, the ACD is required to seek Shareholder approval to, or notify Shareholders of, various types of changes to the Scheme and the Funds. Annual General Meetings are not held but Extraordinary General Meetings may be convened from time to time.

The provisions below apply to a class of shares, a Fund or the Scheme as appropriate.

- *Fundamental Changes*

A fundamental change is a change or event which changes the purposes or nature of the Scheme or a Fund, or may materially prejudice a Shareholder or alters the risk profile of a Fund or introduces any new type of payment out of the scheme property of a Fund. The ACD must, by way of an extraordinary resolution (which needs 75% of the votes cast at the meeting to be in favour if the resolution is to be passed), obtain prior approval from Shareholders for any such change. An extraordinary resolution is required, for example, for a change of investment objective or policy of a Fund.

The convening and conduct of meetings of Shareholders and the voting rights of Shareholders at those meetings is governed by the provisions of the FSA Rules and the Instrument of the Scheme.

A meeting of all Shareholders in the Scheme, a Fund or a Share Class of a Fund may be convened at any time. All references below to a meeting apply equally to Scheme, Fund and Share Class meetings.

The ACD may convene a meeting at any time. Shareholders registered as holding at least 1/10th in value of all the Shares then in issue may require that a meeting be convened. A requisition by Shareholders must state the objects of the meeting, and be dated and signed by those Shareholders and deposited at the head office of the Scheme. The ACD must convene a meeting no later than eight weeks after receipt of such requisition by the Scheme.

Shareholders will receive at least 14 days' written notice of a meeting (including the day of service of the notice and the day of the meeting). The notice will specify the day, hour and place of the meeting and the resolutions to be put to the meeting. They are entitled to be counted in the quorum and vote at a meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. If, at an adjourned meeting, a quorum is not present after a reasonable time from the

time appointed for the meeting, one person entitled to be counted in a quorum present at the meeting shall constitute a quorum.

The ACD will not be counted in the quorum for a meeting. The ACD and its associates are not entitled to vote at any meeting, except in respect of Shares which the ACD or an associate holds on behalf of or jointly with a person who, if himself the registered Shareholder, would be entitled to vote and from whom the ACD or associate has received voting instructions.

Every Shareholder who (being an individual) is present in person or (being a corporation) by its properly authorised representative shall have one vote on a show of hands. Where there are joint holders of a Share, the vote of the holder whose name in the register of Shareholders stands above the names of each other such holder who votes shall be counted to the exclusion of each other vote cast in respect of that Share.

A Shareholder may vote in person or by proxy (a person appointed by the Shareholder to attend and vote in place of the Shareholder) on a poll vote. A poll may be demanded by the chairman of the meeting (who shall be a person appointed by the Depositary, or in the absence of such a person, a person nominated by the Shareholders), the Depositary or any two Shareholders.

A Shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Where every Shareholder is prohibited from voting at a meeting of Shareholders by reason of each such Shareholder being either the ACD or an associate of the ACD and a resolution is required to do business at a meeting of Shareholders, a meeting of Shareholders need not be called and a resolution may, with the prior written consent of the Depositary to the process, instead be passed with the written consent of Shareholders representing 50% or more, or for an extraordinary resolution 75% or more, of the Shares of the Scheme or of the Class in question.

- *Significant Changes*

A significant change is a change or event which is not fundamental but which affects the Shareholder's ability to exercise his rights in relation to his investment; or would reasonably be expected to cause the Shareholder to reconsider his participation in a Fund; or results in any increased payments out of the scheme property to the ACD or an associate of the ACD; or materially increases any other type of payments out of the scheme property of a Fund. The ACD must give reasonable prior notice (of not less than sixty days) in respect of any such significant change to the operation of the Scheme or its Funds.

- *Notifiable Changes*

A notifiable change is a change or event which a Shareholder must be made aware of, but, although considered by the ACD not to be insignificant, is not a fundamental change or a significant change. The ACD must inform Shareholders in an appropriate manner and time scale of any notifiable changes that are reasonably likely to affect or have affected the operation of the Scheme or a Fund.

Reports

The ACD will send free of charge to Shareholders the ACD's short reports within four months of the end of each annual accounting period, and within two months of the end of each half yearly accounting period.

The ACD will also, on request, provide free of charge to any person Scheme copies of the most recent long interim and annual ACD's reports which may also be inspected at the ACD's offices at One Vine Street, London W1J 0AH.

Instrument and Prospectus

Copies of the Instrument, any amendment of such Instrument and the current Prospectus are kept at and may be inspected at the ACD's offices. Copies of the Instrument and any Supplemental Instrument may be obtained by a Shareholder on payment of a reasonable charge from the ACD at One Vine Street, London W1J 0AH. Copies of the Prospectus and the agreement appointing the ACD between the Scheme and the ACD may be obtained free of charge to any person on request from the ACD at One Vine Street, London W1J 0AH.

Taxation

The information given below does not constitute legal or tax advice, and prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of Shares under the laws of any jurisdiction in which they may be subject to tax.

Taxation of the Scheme and the Funds

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

Each 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. A qualifying investment is one or more of the following:

- money placed at interest;
- securities (not including shares in a company);
- shares in a building society;
- units in another authorised investment fund which is a bond fund;
- derivative contracts whose underlying subject matter consists wholly of any one or more of the previous four categories and currency;
- contracts for differences whose underlying subject matter consists wholly of any one or more of interest rates, creditworthiness and currency;
- derivative contracts not within the previous two categories where there is a hedging relationship between the derivative contract and an asset within the first four categories;
- alternative finance arrangements.

The effect of each Fund being regarded as a bond fund is that all distributions by the Fund are deemed to be payments of yearly interest.

Each Fund is exempt from any liability to UK taxation in respect of any capital gains realised by it on the disposal of its investments.

Each Fund is liable to UK corporation tax (at the current special rate of 20%) on all types of income (except dividends from UK resident companies). However, it is able to deduct all interest distributions and other allowable expenses.

Imposition of this tax rate should not mean that investors suffer an additional tax impact when investing through the Fund compared with investing on a direct basis in the Fund's underlying assets. The taxation regime which applies to the Scheme and its Funds is designed to ensure an efficient flow-through of returns to investors. Any income allocations allocated by any Fund to its Shareholders will be interest distributions.

Any income derived by a Fund from foreign sources will be included in its taxable income, but, in computing its liability to corporation tax on any such income, credit may be available for any foreign withholding taxes that the income has borne.

Taxation of Shareholders

Taxation of income allocations from the Funds

For tax purposes, the making of a distribution includes both paying an actual amount in cash in respect of a holding of income Shares to the Shareholder concerned, and also accumulating income which is reflected in the value of a holding of accumulation Shares for the Shareholder concerned. Both categories of distribution constitute deemed payments of yearly interest.

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 currently 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 beneficial owner of Shares which is a company (other than a company which is a trustee), whether UK resident or not UK resident and whether or not within the charge to corporation tax.

Certain other categories of beneficial owners of Shares, 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 which can hold gross paying Shares in the relevant Fund and receive all interest distributions gross.

A distribution can also be paid gross where:

- (a) in the case of an individual, he makes a valid declaration that he is not ordinarily resident in the United Kingdom or, in the case of trustees they make a valid declaration that they are not resident in the UK and that all the beneficiaries of the trust who are individuals are not ordinarily resident in the UK; or
- (b) the distribution is made to 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 probably 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.

General Matters

Winding up of the Scheme or a Fund

The Scheme

The Scheme may be wound up:

- by the court as an unregistered company under Part V of the Insolvency Act 1986, or
- if the Scheme is solvent, under the provisions of the COLL Sourcebook.

To wind up the Scheme under the FSA Rules, the ACD has to notify the FSA of the proposal, confirming to the FSA that the Scheme will be able to meet all its liabilities within the following twelve months.

The Scheme can be wound up under the FSA Rules:

- (a) if an extraordinary resolution is passed to that effect; or
- (b) if the FSA agrees to a request by the ACD for revocation of the order in respect of the Scheme (provided no material change in any relevant factor occurs prior to the date of the revocation); or
- (c) on the expiration of any period for the duration of the Scheme or the occurrence of an event specified in the instrument of incorporation as triggering a winding up of the Scheme.

On a winding-up under the COLL Sourcebook:

- Chapter 5 of the COLL Sourcebook, (concerning pricing investment and borrowing powers) and Chapter 6, Parts 2 and 3 of the COLL Sourcebook (concerning dealing and pricing), will cease to apply;
- the Scheme will cease to issue and cancel Shares;
- the ACD will stop selling and redeeming Shares; and
- no transfer of Shares will be registered and no change to the register will be made without the sanction of the ACD.

The Scheme will cease to carry on its business except as is required for its beneficial winding up. The ACD shall, as soon as practicable, realise assets of the Scheme and pay the respective shares of the proceeds to Shareholders in accordance with the FSA Rules.

A Fund

A Fund of the Scheme may be wound up under the FSA Rules individually

- where any of the events set out in (a), (b) or (c) above occurs in respect of that particular Fund, or
- if the ACD is of the opinion that it is desirable to wind up the Fund.

If so, the assets of the Fund will be realised and the Shareholders in the Fund will receive their respective shares of the proceeds, net of liabilities and the expenses of the termination.

A Fund may also be terminated in connection with its amalgamation or reconstruction. In that case Shareholders in the Fund will become entitled to receive shares or units in another regulated collective investment scheme in exchange for their Shares in the Fund.

General Information

Persons not resident in the United Kingdom who are interested in purchasing Shares should inform themselves as to:

- (a) the legal requirements within their own countries for subscription of Shares;
- (b) any foreign exchange restrictions;
- (c) the income, estate and other tax consequences of becoming a Shareholder.

It is the responsibility of any person not resident in the United Kingdom making an application for Shares to satisfy himself as to full observance of the laws of the relevant territory, including obtaining any governmental or other consents which may be required or observing any formality which needs to be observed in such territory.

Notices

Notices or documents will be served on Shareholders by first class post, with copies available by facsimile and / or secure email.

The address of the head office and the place for service on the Scheme of notices or other documents required or authorised to be served on it is One Vine Street, London W1J 0AH

Complaints

Complaints about any aspect of the ACD's service should in the first instance be made in writing to the Compliance Officer of the ACD at One Vine Street, London W1J 0AH. If the complaint is unresolved the Shareholder may have the right to refer it to the Financial Ombudsman, South Quay Plaza, 183 Marsh Wall, London E14 9SR. A copy of the ACD's Internal Complaint Handling Procedure is available on request. In the event of the ACD being unable to pay a valid claim against it, the Shareholder may be entitled to compensation from the Financial Services Compensation Scheme.

Appendix 1

The Funds

Prime Rate Sterling Liquidity Fund

Prime Rate US Dollar Liquidity Fund

Prime Rate Euro Liquidity Fund

Prime Rate Sterling Liquidity Plus Fund

Prime Rate US Dollar Liquidity Plus Fund

Prime Rate Euro Liquidity Plus Fund

Prime Rate Sterling Short Duration Bond Fund

Prime Rate US Dollar Short Duration Bond Fund

Prime Rate Euro Short Duration Bond Fund

Prime Rate Sterling Liquidity Fund

1. 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.

2. 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. The Prime Rate Sterling Liquidity Fund may invest up to 100% of its net assets in debt and/or debt related instruments issued or guaranteed as to principal and interest by the UK government, its agencies or instrumentalities and which are of investment grade and which 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..

The Prime Rate Sterling Liquidity Fund may not hold any instrument with a residual maturity of greater than 397 days, except where the security is issued by a Government or is explicitly guaranteed by a Government (subject to the restrictions in the paragraph above) where the final legal maturity is restricted to two years.. For this purpose, residual maturity is the instrument's final legal maturity.

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 and only where that other scheme is also subject to the requirements contained within the IMMFA (Institutional Money Market Funds Association) Code of Practice or is subject to equivalent standards as determined by the IMMFA Technical Committee and 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 (WAM) 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.

The Weighted Average Final Maturity (WAFM) of securities held in the Prime Rate Sterling Liquidity Fund will not exceed 120 days. The final legal maturity of a security will be used to calculate the WAFM, unless the security includes a put option where the right to exercise the put option is retained by the fund. In only these instances, the maturity date of the security should be considered to be the date of the option.

3. Rating Award

The Prime Rate Sterling Liquidity Fund has obtained an AAA/MR1+ Money Market Fund Rating from Moody's, or of comparable quality from Standard & Poor's or Fitch (together or singly 'the Rating Agencies'). When awarding these ratings the Rating Agencies take into account, inter alia, the Prime Rate Sterling Liquidity Fund's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the Fund's published objectives. The ACD intend to operate the Prime Rate Sterling Liquidity Fund in accordance with the relevant Rating Agencies' requirements (as amended from time to time) to maintain the rating award which amongst other things may further restrict the weighted average to maturity period of the investment portfolio, the maximum percentage of the Prime Rate Sterling Liquidity Fund value that can be invested with any one counterparty, borrowing and lending powers, securities lending, and the use of Efficient Portfolio Management techniques and instruments.

4. Risk Factors

The general risk factors as set out the Prospectus shall apply.

In addition to the general risk factors outlined in the Prospectus investors should also note that subscription for Shares of the Prime Rate Sterling Liquidity 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 and 10 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, and 10 Shares will be maintained. The value of the Prime Rate Sterling Liquidity Fund may be affected by the creditworthiness of issuers of the Prime Rate Sterling Liquidity Fund's investments and, notwithstanding the policy of the Prime Rate Sterling Liquidity Fund of investing in short term instruments, may also be affected by substantial adverse movements in interest rates.

5. Government and public securities issuers

More than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one of the following:

- the Government of the United Kingdom

6. Eligible Securities and Derivatives Markets

Generally, the Prime Rate Sterling Liquidity Fund will invest in approved securities which are transferable securities admitted to official listing in a Member State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Prime Rate Sterling Liquidity Fund as at the date of this Prospectus are as follows:

- markets established in Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA COLL Rules and Guidance. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, the following specific markets will be deemed an eligible market: -

Country

Stock Exchange

Channel Islands

Channel Islands Stock Exchange

The market organised by the International Capital Markets Association;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (FSA) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook; and (ii) market in non-investment products which is subject to the guidance contained in the Non-Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England.

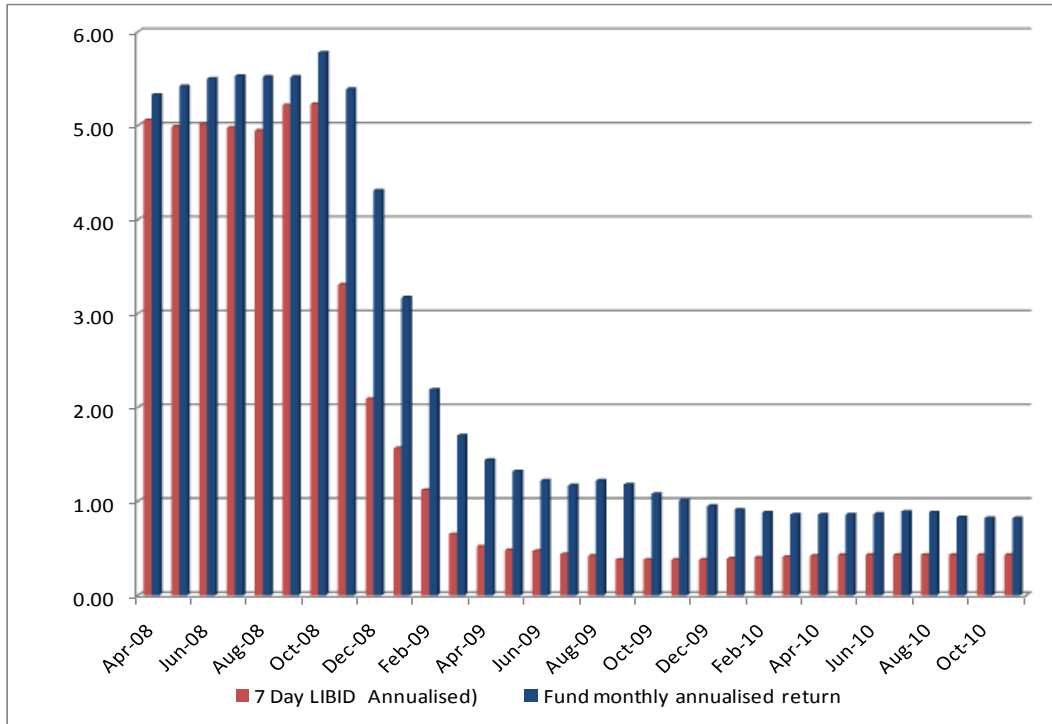
In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is located in an EEA Member State,

OMLX, the London Securities and Derivatives Exchange

7. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

Information concerning the historical performance of the Fund is shown below. Full details are also available in the latest accounts.



	01/04/2008	01/05/2008	01/06/2008	01/07/2008	01/08/2008	01/09/2008	01/10/2008	01/11/2008	01/12/2008			
7 day LIBID Return	0.004158904	0.004238082	0.004126027	0.004229589	0.00420411	0.004290411	0.004441918	0.002720548	0.001775068			
7 Day LIBID (Annualised)	5.0600	4.9900	5.0200	4.9800	4.9500	5.2200	5.2300	3.3100	2.0900			
Fund monthly annualised return	5.33	5.42	5.5	5.53	5.52	5.52	5.78	5.39	4.31			
Fund Return	0.004380822	0.004603288	0.004520548	0.004696712	0.004688219	0.004536986	0.004909041	0.004430137	0.003660548			
	01/01/2009	01/02/2009	01/03/2009	01/04/2009	01/05/2009	01/06/2009	01/07/2009	01/08/2009	01/09/2009	01/10/2009	01/11/2009	01/12/2009
7 day LIBID Return	0.001329178	0.000859178	0.000552055	0.000427397	0.000407671	0.000386301	0.000373699	0.000356712	0.000312329	0.00032274	0.000312329	0.00032274
7 Day LIBID (Annualised)	1.5650	1.1200	0.6500	0.5200	0.4800	0.4700	0.4400	0.4200	0.3800	0.3800	0.3800	0.3800
Fund monthly annualised return	3.17	2.19	1.7	1.44	1.32	1.22	1.17	1.22	1.18	1.08	1.0105	0.95
Fund Return	0.002692329	0.00168	0.001443836	0.001183562	0.001121096	0.00100274	0.000993699	0.001036164	0.000969863	0.00091726	0.000830548	0.000806849
	01/01/2010	01/02/2010	01/03/2010	01/04/2010	01/05/2010	01/06/2010	01/07/2010	01/08/2010	01/09/2010	01/10/2010	01/11/2010	
7 day LIBID Return	0.000331233	0.000306849	0.000348219	0.000345205	0.000365205	0.000353425	0.000365205	0.000365205	0.000365205	0.000365205	0.000353425	
7 Day LIBID (Annualised)	0.3900	0.4000	0.4100	0.4200	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	0.4300	
Fund monthly annualised return	0.91	0.88	0.86	0.86	0.86	0.866	0.89	0.88	0.83	0.82	0.82	
Fund Return	0.000772877	0.000675068	0.000730411	0.000706849	0.000730411	0.000711781	0.00075589	0.000747397	0.000682192	0.000696438	0.000673973	

Notes: Sterling Liquidity Fund yields are net of all fees and charges for Share Class 3: Annualised yields are calculated on an actual/365 day count basis.

Sources: Bloomberg, British Bankers' Association, iMoneyNet, Prime Rate Capital Management

8. Key Information for Purchasing and Repurchasing

Base Currency

Sterling - Investors should note that if the United Kingdom participates in the third or any later stage of the European Monetary Union, the ACD may convert the base currency of the Prime Rate Sterling Liquidity Fund from Sterling to Euro. The ACD will consult with the Fund's Depositary to determine the best means to effect conversion.

Borrowing Limits

For so long as the investments of the Prime Rate Sterling Liquidity Fund hold an AAA rating by Moody's or a comparable rating from Standard & Poor's or FitchIBCA, the Fund will not engage in any borrowing without their express consent. If at any time borrowing is engaged in, it will not exceed 10% of net assets of the Prime Rate Sterling Liquidity Fund and will be on a temporary basis in accordance with the FSA Rules.

Classes of Shares

Class 1 Shares – income
Class 2 Shares – income
Class 3 Shares – income
Class 4 Shares – income
Class 5 Shares – income
Class 6 Shares – income
Class 7 Shares – income
Class 8 Shares – accumulation
Class 9 Shares – accumulation
Class 10 Shares – income
Class 11 Shares – accumulation

Minimum Initial Subscription

£200,000 – only available to investors who have a segregated mandate with Prime Rate Capital Management
£50,000,000 –only available to investors where specifically offered by Prime Rate Capital Management LLP
£30,000,000
£1,000,000
£250,000
£250,000
£250,000
£30,000,000
£250,000
£250,000
£250,000

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

Settlement Date

In the case of subscription(s), a completed Subscription Form (and in the case of an initial investment, a completed Application Form) must have been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day unless otherwise approved by the ACD. Payment must be received before the Dealing Deadline on the relevant Dealing Day (except in the case of share classes 8, 9, and 11 where it must be

received the following day). If cleared funds are not received on the relevant Dealing Day, then any interest costs and/or directly related charges will be reimbursed by the subscriber unless otherwise agreed by the ACD at their absolute discretion. Further details are set out in the Prospectus under **Dealings in Shares**.

In the case of repurchases, assuming all duly signed repurchase documentation has been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day, proceeds will usually be paid by electronic transfer to the account specified in the application form at the Shareholder's risk and expense on the same Dealing Day (except in the case of share Classes 8,9 and 11 where it will be received on the following day) and in any event no later than the fourth business day after the Dealing Deadline.

In the event that a Shareholder requires payment of repurchase proceeds to an account other than that specified in the application form, the Shareholder must provide an original request to the Administrator in writing, on or prior to the receipt of the relevant repurchase documentation.

9. Income Allocation

Annual accounting date: 31 March

Interim accounting date: 30 September

Annual income allocation date: 31 March

Interim allocation dates: every Dealing Day (and payable monthly on or about the first Dealing Day of each following month)

In relation to Class 1 to 7, and 10 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 £1.00. Dividends will be declared daily and payable monthly on or about the first Dealing Day of each following month. For this purpose, net income (from the time immediately preceding determination thereof) shall consist of interest and dividends earned by the Prime Rate Sterling Liquidity Fund and realised and unrealised profits on the disposal/valuation of investments as may be lawfully distributed less realised and unrealised losses (including fees and expenses) of the Prime Rate Sterling Liquidity Fund. Dividends payable to Shareholders will be re-invested each month by subscription for additional Shares of the same class in the Prime Rate Sterling Liquidity Fund unless Shareholders specifically advise on the application form that dividends be paid by electronic transfer. Additional Shares will be issued to Shareholders at a price calculated in the same way as for other issues of the relevant class of Share on the same date. There is no minimum of such further Shares which may be so subscribed.

In the case of Shareholders who request the repurchase of part of their Shares and the payment to them of accrued dividends on those Shares, payment will, if the date of repurchase is other than the first Dealing Day of any month, be made (together with the dividend entitlement on the balance of the Shareholder's holding of Shares) on the first Dealing Day of the next month following the repurchase, provided that dividends shall only accrue up to the date of repurchase.

In the case of Shareholders who request the repurchase of all of their Shares and the payment to them of accrued dividends, such dividends will be paid at the time of such redemption.

Class 8, 9, and 11 Shares are Accumulation Shares and they receive the right to income in the same way as Class 1 to 7, and 10 Shares. Income is not however paid out but accumulated to the Shares and reflected in the unit price of Class 8, 9, and 11 Shares.

10. Remuneration and Expenses

The total annual management charges of the Prime Rate Sterling Liquidity Fund are based on a percentage of the Net Asset Value of the Prime Rate Sterling Liquidity Fund prior to the deduction of any fees or other expenses.

For Class 1 shares (available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP), the ACD's periodic charge is limited to a fee in respect of administration services. The Administrator's fee is set out on page 22 under **ACD's remuneration**. The only fees payable out of the Fund for Class 1 shares will

be the administration fee plus the Depositary's remuneration as set out on page 23 under **Depositary's remuneration**.

In respect of all other Share Classes, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed below for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services and the Depositary's remuneration which is disclosed on page 23 under **Depositary's remuneration**. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) For Class 2-11Shares, it should be noted that there will be an additional fee component to the ACD periodic fee for the first year of operation of the Fund which will be charged to investors and is designed to cover one off work of the ACD in the initial set up phase of the relevant Fund. This additional fee component is detailed below.

Further details are set out under the heading **Remuneration and Expenses** in the Prospectus.

The total annual management charges of the Prime Rate Sterling Liquidity Fund differ for the various classes of Shares. The total annual management charges of each class of Shares in the Prime Rate Sterling Liquidity Fund will be as follows:-

Class 1 Shares

ACD charges fee in respect of administration services as disclosed on page 22 under **ACD's remuneration**. Note that, for Class 1 Shares, in addition to this ACD charge, the Depositary charges explained on page 34 are payable out of the Fund.

Class 2 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 5 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page 23 and the ACD levies the remainder to cover its management and administration services.

Class 3 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page 23 and the ACD levies the remainder to

cover its management and administration services.

Class 4 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 15 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 5 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 20 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 6 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 25 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 7 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 30 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 8 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 9 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 30 basis points per annum of the Net Asset Value attributable

to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. ***Class 10 Shares***

Aggregate fee charged to the property of the Fund which is attributable to that share class is 50 basis points per annum of the Net Asset Value attributable to that share class.

The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services

Class 11 Shares Aggregate fee charged

to the property of the Fund which is attributable to that share class is 50 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services

The above fees will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the Prime Rate Sterling Liquidity Fund. No performance fees will be payable in respect of the Prime Rate Sterling Liquidity Fund.

Details of the management charges and management expenses payable in relation to further Funds or Share classes will be determined at the time of the creation of such further Fund or Share classes and will be set out in the relevant offer document.

All other charges and expenses which may be charged against the Prime Rate Sterling Liquidity Fund are described under the heading **Remuneration and Expenses** in the Prospectus.

11. Reports (long-form ICVC reports and short Fund reports)

Annual report published by: 31 July

Interim report published by: 30 November

Prime Rate US Dollar Liquidity Fund

1. Investment Objective

The investment objective of the Prime Rate US Dollar Liquidity Fund is to maximise current income consistent with the preservation of principal and liquidity by investing in a diversified portfolio of high quality Dollar 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.

2. Investment Policy

The Prime Rate US Dollar 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 Dollars 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. The Prime Rate US Dollar Liquidity Fund may invest up to 100% of its net assets in debt and/or debt related instruments issued or guaranteed as to principal and interest by the US government, its agencies or instrumentalities and which are of investment grade and 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.

The Prime Rate US Dollar Liquidity Fund may not hold any instrument with a residual maturity of greater than 397 days, except where the security is issued by a Government or is explicitly guaranteed by a Government (subject to the restrictions in the paragraph above) where the final legal maturity is restricted to two years. For this purpose, residual maturity is the instrument's final legal maturity.

The Prime Rate US Dollar 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 only where that other scheme is also subject to the requirements contained within the IMMFA (Institutional Money Market Funds Association) Code of Practice or is subject to equivalent standards as determined by the IMMFA Technical Committee and 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 US Dollar 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 (WAM) of the Prime Rate US Dollar 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.

The Weighted Average Final Maturity (WAFM) of securities held in the Prime Rate US Dollar Liquidity Fund will not exceed 120 days. The final legal maturity of a security will be used to calculate the WAFM, unless the security includes a put option where the right to exercise the put option is retained by the fund. In only these instances, the maturity date of the security should be considered to be the date of the option.

3. Rating Award

The Prime Rate US Dollar Liquidity Fund has obtained an AAA/MR1+ Money Market Fund Rating from Moody's, or of comparable quality from Standard & Poor's or Fitch (together or singly 'the Rating Agencies'). When awarding these ratings the Rating Agencies take into account, inter alia, the Prime Rate US Dollar Liquidity Fund's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the Fund's published objectives. The ACD intends to operate the Prime Rate US Dollar Liquidity Fund in accordance with the relevant Rating Agencies' requirements (as amended from time to time) to maintain the rating award which amongst other things may further restrict the weighted average to maturity period of the investment portfolio, the maximum percentage of the Prime Rate US Dollar Liquidity Fund value that can be invested with any one counterparty, borrowing and lending powers, securities lending, and the use of Efficient Portfolio Management techniques and instruments.

4. Risk Factors

The general risk factors as set out in the Prospectus shall apply.

In addition to the general risk factors outlined in the Prospectus investors should also note that subscription for Shares of the Prime Rate US Dollar Liquidity 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 and 10 Shares in the Prime Rate US Dollar Liquidity Fund, there can be no assurance that a stable Net Asset Value per Share for Class 1 to 7 and 10 Shares will be maintained. The value of the Prime Rate US Dollar Liquidity Fund may be affected by the creditworthiness of issuers of the Prime Rate US Dollar Liquidity Fund's investments and, notwithstanding the policy of the Prime Rate US Dollar Liquidity Fund of investing in short term instruments, may also be affected by substantial adverse movements in interest rates.

5. Government and public securities issuers

More than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one of the following:

- Government of the United States

6. Eligible Securities and Derivatives Markets

Generally, the Prime Rate US Dollar Liquidity Fund will invest in approved securities which are transferable securities admitted to official listing in a Member State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Prime Rate US Dollar Liquidity Fund as at the date of this Prospectus are as follows:

- markets established in Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA COLL Rules and Guidance. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, any market located in any of the following countries where the foregoing criteria has been satisfied will be deemed an eligible market:-

United States of America. And in addition the following specific markets:

The market organised by the International Capital Markets Association;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (**FSA**) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook; and (ii) market in non-investment products which is subject to the guidance contained in the Non-Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England;

The market in US government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York and the US Securities and Exchange Commission;

The over-the-counter market in the United States conducted by primary and second dealers regulated by the Securities and Exchanges Commission and by the National Association of Securities Dealers (and by banking institutions regulated by the US Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation);

NASDAQ in the United States of America

In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is (i) located in an EEA Member State, (ii) located in Australia, Canada, Hong Kong, Japan, New Zealand, Switzerland or the United States, (iii) the Channel Islands Stock Exchange or (iv) any of the following:

The Chicago Board of Trade

The Chicago Mercantile Exchange

The Chicago Board Options Exchange

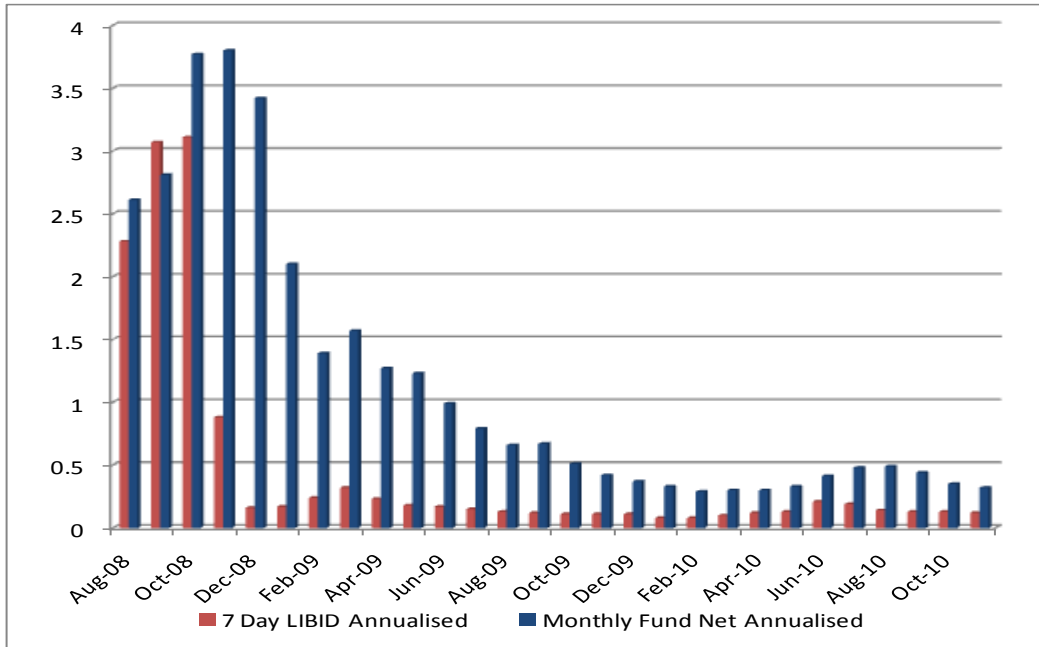
New York Mercantile Exchange

New York Board of Trade

7. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

Information concerning the historical performance of the Fund is shown below. Full details are also available in the latest accounts.



	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08							
7 Day LIBID Annualised	2.28	3.07	3.11	0.88	0.16							
7 Day LIBID	0.001936	0.002523	0.002641	0.000723	0.000136							
Monthly Fund Net Annualised	2.61	2.81	3.77	3.8	3.42							
Monthly Fund Return	0.002217	0.002310	0.003202	0.003123	0.002905							
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
7 Day LIBID Annualised	0.17	0.24	0.32	0.23	0.18	0.17	0.15	0.13	0.12	0.11	0.11	0.11
7 Day LIBID	0.000144	0.000184	0.000272	0.000189	0.000153	0.000140	0.000127	0.000110	0.000099	0.000093	0.000090	0.000093
Monthly Fund Net Annualised	2.1	1.39	1.57	1.27	1.23	0.99	0.79	0.66	0.67	0.51	0.42	0.37
Monthly Fund Return	0.001784	0.001066	0.001333	0.001044	0.001045	0.000814	0.000671	0.000561	0.000551	0.000433	0.000345	0.000314
	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	
7 Day LIBID Annualised	0.08	0.08	0.1	0.12	0.13	0.21	0.19	0.14	0.13	0.13	0.12	
7 Day LIBID	0.000068	0.000061	0.000085	0.000099	0.000110	0.000173	0.000161	0.000119	0.000110	0.000110	0.000099	
Monthly Fund Net Annualised	0.33	0.29	0.3	0.3	0.33	0.41	0.48	0.49	0.44	0.35	0.32	
Monthly Fund Return	0.000280	0.000222	0.000255	0.000247	0.000280	0.000340	0.000408	0.000416	0.000362	0.000297	0.000263	

Notes: US Dollar Liquidity Fund yields are net of all fees and charges for Share Class 3: Annualised yields are calculated on an actual/365 day count basis.

Sources: Bloomberg, British Bankers' Association, iMoneyNet, Prime Rate Capital Management

8. Key Information for Purchasing and Repurchasing

Base Currency

US Dollar

Borrowing Limits

For so long as the investments of the Prime Rate US Dollar Liquidity Fund hold an AAA rating by Moody's or a comparable rating from Standard & Poor's or FitchIBCA, the Prime Rate US Dollar Liquidity Fund will not engage in any borrowing without their express content. If at any time borrowing is engaged in, it will not exceed 10% of net assets of the Prime Rate US Dollar Liquidity Fund and will be on a temporary basis in accordance with the FSA Rules.

Classes of Shares

Class 1 Shares – income

Class 2 Shares – income

Class 3 Shares – income

Class 4 Shares – income

Class 5 Shares – income

Class 6 Shares – income

Class 7 Shares – income

Class 8 Shares – accumulation

Class 9 Shares – accumulation

Class 10 Shares – income

Class 11 Shares – accumulation

Minimum Initial Subscription

US\$250,000 – only available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP.

US\$50,000,000 only available to investors where specifically offered by Prime Rate Capital Management LLP

US\$30,000,000

US\$1,000,000

US\$250,000

US\$250,000

US\$250,000

US\$30,000,000

US\$250,000

US\$250,000

US\$250,000

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

Settlement Date

In the case of subscription(s), a completed Subscription Form (and in the case of an initial investment, a completed Application Form) must have been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day unless otherwise approved by the ACD. Payment must be received before the Dealing Deadline on the

relevant Dealing Day (except in the case of Share Classes 8, 9 and 11 where it must be received the following business day). If cleared funds are not received on the relevant Dealing Day, then any interest costs and/or directly related charges will be reimbursed by the subscriber unless otherwise agreed by the ACD at their absolute discretion. Further details are set out in the Prospectus under **Dealings in Shares**.

In the case of repurchases, assuming all duly signed repurchase documentation has been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day, proceeds will usually be paid by electronic transfer to the account specified in the application form at the Shareholder's risk and expense on the same Dealing Day and in any event no later than the fourth business day after the Dealing Deadline.

In the event that a Shareholder requires payment of repurchase proceeds to an account other than that specified in the application form, the Shareholder must provide an original request to the Administrator in writing, on or prior to the receipt of the relevant repurchase documentation.

9. Income Allocation

Annual accounting date:	31 March
Interim accounting date:	30 September
Annual income allocation date:	31 March
Interim allocation dates:	every Dealing Day (and payable monthly on or about the first Dealing Day of each following month)

In relation to Class 1 to 7, and 10Shares, the ACD intends to declare all net income of the Prime Rate US Dollar 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 US\$1. Dividends will be declared daily and payable monthly on or about the first Dealing Day of each following month. For this purpose, net income (from the time immediately preceding determination thereof) shall consist of interest and dividends earned by the Prime Rate US Dollar Liquidity Fund and realised and unrealised profits on the disposal/valuation of investments as may be lawfully distributed less realised and unrealised losses (including fees and expenses) of the Prime Rate US Dollar Liquidity Fund. Dividends payable to Shareholders will be re-invested each month by subscription for additional Shares of the same class in the Prime Rate US Dollar Liquidity Fund unless Shareholders specifically advise on the application form that dividends be paid by electronic transfer. Different levels of dividend may be declared and paid on each class of Shares. Additional Shares will be issued to Shareholders at a price calculated in the same way as for other issues of the relevant class of Share on the same date. There is no minimum of such further Shares which may be so subscribed.

In the case of Shareholders who request the repurchase of part of their Shares and the payment to them of accrued dividends on those Shares, payment will, if the date of repurchase is other than the first Dealing Day of any month, be made (together with the dividend entitlement on the balance of the Shareholder's holding of Shares) on the first Dealing Day of the next month following the repurchase, provided that dividends shall only accrue up to the date of repurchase.

In the case of Shareholders who request the repurchase of all of their Shares and the payment to them of accrued dividends, such dividends will be paid at the time of such redemption.

Class 8, 9, and 11 Shares are Accumulation Shares and they receive the right to income in the same way as Class 1 to 7, and 10 Shares. Income is not however paid out but accumulated to the Shares and reflected in the unit price of Class 8, 9 and 11 Shares.

10. Remuneration and Expenses

The total annual management charges of the Prime Rate US Dollar Liquidity Fund are based on a percentage of the Net Asset Value of the Prime Rate US Dollar Liquidity Fund prior to the deduction of any fees or other expenses.

For Class 1 shares (available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP), the ACD's periodic charge is limited to a fee in

respect of administration services. The Administrator's fee is set out on page [22] under **ACD's remuneration**. The only fees payable out of the Fund for Class 1 shares will be the administration fee plus the Depositary's remuneration as set out on page [23] under **Depositary's remuneration**.

In respect of all other Shares, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed below for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services and the Depositary's remuneration which is disclosed on page [23] under **Depositary's remuneration**. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) Further details are set out under the heading **Remuneration and Expenses** in the Prospectus.

The total annual management charges of the Prime Rate US Dollar Liquidity Fund differ for the various classes of Shares. The total annual management charges of each class of Shares in the Prime Rate US Dollar Liquidity Fund will be as follows:-

Class 1 Shares

ACD charges a fee in respect of administration services as disclosed on page [22] under **ACD's remuneration**. Note that, for Class 1 Shares, in addition to this ACD charge, the Depositary charges explained on page [23] are payable out of the Fund.

Class 2 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 5 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services

Class 3 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services

Class 4 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 15 basis points

per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. ***Class 5 Shares***

Aggregate fee charged to the property of the Fund which is attributable to that share class is 20 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 6 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 25 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 7 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 30 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 8 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 9 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 30 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 10 Shares Aggregate fee charged

to the property of the Fund which is attributable to that share class is 50 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. *Class 11 Shares* Aggregate fee charged to the property of the Fund which is attributable to that share class is 50 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

The above fees will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the Prime Rate US Dollar Liquidity Fund. No performance fees will be payable in respect of the Prime Rate US Dollar Liquidity Fund.

Details of the management charges and management expenses payable in relation to further Funds or Share classes will be determined at the time of the creation of such further Fund or Share classes and will be set out in the relevant offer document.

All other charges and expenses which may be charged against the Prime Rate US Dollar Liquidity Fund are described under the heading **Remuneration and Expenses** in the Prospectus.

11. Reports (long-form ICVC reports and short Fund reports)

Annual report published by: 31 July

Interim report published by: 30 November

Prime Rate Euro Liquidity Fund

1. Investment Objective

The investment objective of the Prime Rate Euro Liquidity Fund is to maximise 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 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.

2. Investment Policy

The Prime Rate Euro 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 Euro 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. The Prime Rate Euro Liquidity Fund may invest up to 100% of its net assets in debt and/or debt related instruments issued or guaranteed as to principal and interest by an EU Member State government, its agencies or instrumentalities and which are of investment grade and 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. .

The Prime Rate Euro Liquidity Fund may not hold any instrument with a residual maturity of greater than 397 days, except where the security is issued by a Government or is explicitly guaranteed by a Government (subject to the restrictions in the paragraph above) where the final legal maturity is restricted to two years. For this purpose, residual maturity is the instrument's final legal maturity.

The Prime Rate Euro 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 only where that other scheme is also subject to the requirements contained within the IMMFA (Institutional Money Market Funds Association) Code of Practice or is subject to equivalent standards as determined by the IMMFA Technical Committee and 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 Euro 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 (WAM) of the Prime Rate Euro 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.

The Weighted Average Final Maturity (WAFM) of securities held in the Prime Rate Euro Liquidity Fund will not exceed 120 days. The final legal maturity of a security will be used to calculate the WAFM, unless the security includes a put option where the right to exercise the put option is retained by the fund. In only these instances, the maturity date of the security should be considered to be the date of the option.

3. Rating Award

The Prime Rate Euro Liquidity Fund has obtained an AAA/MR1+ Money Market Fund Rating from Moody's, or of comparable quality from Standard & Poor's or Fitch (together or singly 'the Rating Agencies'). When awarding these ratings the Rating Agencies take into account, inter alia, the Prime Rate Euro Liquidity Fund's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the Fund's published objectives. The ACD intends to operate the Prime Rate Euro Liquidity Fund in accordance with the relevant Rating Agencies' requirements (as amended from time to time) to maintain the rating award which amongst other things may further restrict the weighted average to maturity period of the investment portfolio, the maximum percentage of the Prime Rate Euro Liquidity Fund value that can be invested with any one counterparty, borrowing and lending powers, securities lending, and the use of Efficient Portfolio Management techniques and instruments.

4. Risk Factors

The general risk factors as set out in the Prospectus shall apply.

In addition to the general risk factors outlined in the Prospectus investors should also note that subscription for Shares of the Prime Rate Euro Liquidity 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, and 10 Shares in the Prime Rate Euro Liquidity Fund, there can be no assurance that a stable Net Asset Value per Share for Class 1 to 7, and 10 Shares will be maintained. The value of the Prime Rate Euro Liquidity Fund may be affected by the creditworthiness of issuers of the Prime Rate Euro Liquidity Fund's investments and, notwithstanding the policy of the Prime Rate Euro Liquidity Fund of investing in short term instruments, may also be affected by substantial adverse movements in interest rates.

5. Government and public securities issuers

More than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one of the following EU Governments whose currency is Euros:

- Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovenia and Spain

6. Eligible Securities and Derivatives Markets

Generally, the Prime Rate Euro Liquidity Fund will invest in approved securities which are transferable securities admitted to official listing in a Member State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Prime Rate Euro Liquidity Fund as at the date of this Prospectus are as follows:

- markets established in Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA COLL Rules and Guidance. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, the following specific markets will be deemed an eligible market: -

The market organised by the International Capital Markets Association;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (FSA) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook; and (ii) market in non-investment products which is subject to the guidance contained in the Non-Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England;

The French market for Titres de Creance Negotiable (over-the-counter market in negotiable debt instruments);

In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is located in an EEA Member State,

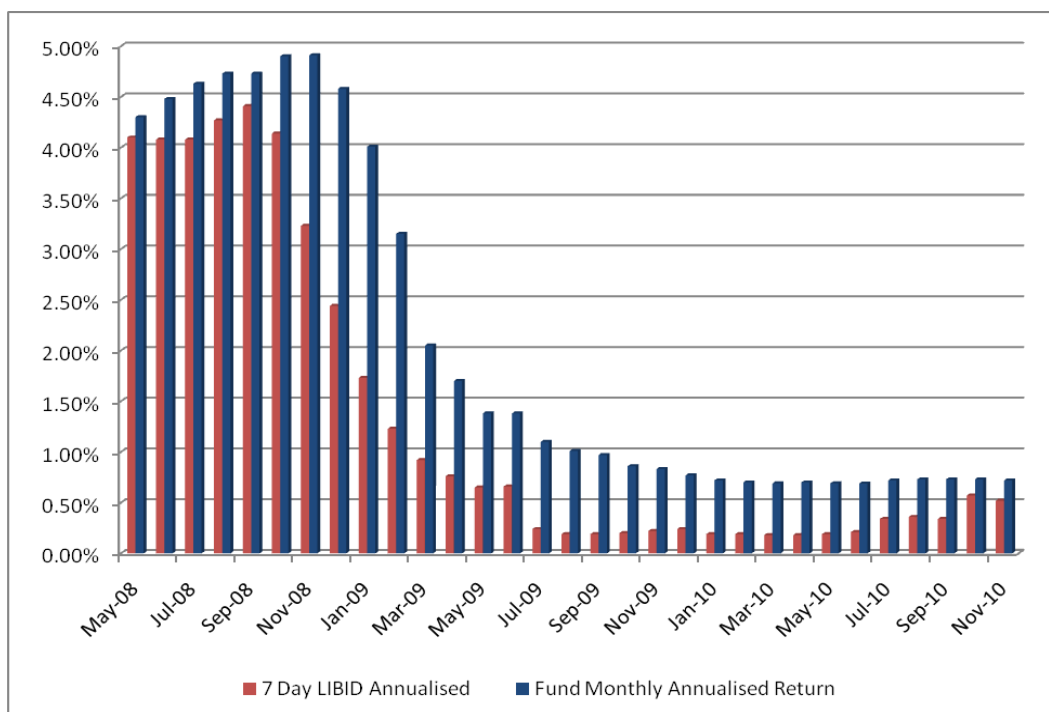
OMLX, the London Securities and Derivatives Exchange

7. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

Information concerning the historical performance of the Fund is shown below. Full details are also available in the latest accounts.



	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08				
7 Day LIBID Annualised	4.10%	4.08%	4.08%	4.27%	4.41%	4.14%	3.23%	2.44%				
7 Day LIBID Return	0.3482%	0.3353%	0.3465%	0.3627%	0.3625%	0.3516%	0.2655%	0.2072%				
Fund Monthly Annualised Return	4.30%	4.48%	4.63%	4.73%	4.73%	4.90%	4.91%	4.58%				
Fund Monthly Return	0.3652%	0.3682%	0.3932%	0.4017%	0.3888%	0.4162%	0.4036%	0.3890%				
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
7 Day LIBID Annualised	1.73%	1.23%	0.92%	0.76%	0.65%	0.66%	0.24%	0.19%	0.19%	0.20%	0.22%	0.24%
7 Day LIBID Return	0.1469%	0.0944%	0.0781%	0.0625%	0.0552%	0.0542%	0.0204%	0.0161%	0.0156%	0.0170%	0.0181%	0.0204%
Fund Monthly Annualised Return	4.01%	3.15%	2.05%	1.70%	1.38%	1.38%	1.10%	1.01%	0.97%	0.86%	0.83%	0.77%
Fund Monthly Return	0.3406%	0.2416%	0.1741%	0.1397%	0.1172%	0.1134%	0.0934%	0.0858%	0.0797%	0.0730%	0.0683%	0.0654%
	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	
7 Day LIBID Annualised	0.19%	0.19%	0.18%	0.18%	0.19%	0.21%	0.34%	0.36%	0.34%	0.57%	0.52%	
7 Day LIBID Return	0.0161%	0.0146%	0.0153%	0.0148%	0.0161%	0.0173%	0.0289%	0.0306%	0.0279%	0.0484%	0.0427%	
Fund Monthly Annualised Return	0.72%	0.70%	0.69%	0.70%	0.69%	0.69%	0.72%	0.73%	0.73%	0.73%	0.72%	
Fund Monthly Return	0.0612%	0.0537%	0.0586%	0.0575%	0.0586%	0.0566%	0.0612%	0.0620%	0.0620%	0.0620%	0.0592%	

Notes: Euro Liquidity Fund yields are net of all fees and charges for Share Class 3: Annualised yields are calculated on an actual/365 day count basis.

Sources: Bloomberg, British Bankers' Association, iMoneyNet, Prime Rate Capital Management

8. Key Information for Purchasing and Repurchasing

Base Currency

Euro

Borrowing Limits

For so long as the Prime Rate Euro Liquidity Fund holds an AAA rating by Moody's or a comparable rating from Standard & Poor's or FitchIBCA, the Prime Rate Euro Liquidity Fund will not engage in any borrowing without their express consent. If at any time borrowing is engaged in, it will not exceed 10% of net assets of the Prime Rate Euro Liquidity Fund

and will be on a temporary basis in accordance with the FSA Rules.

Classes of Shares

Class 1 Shares – income
Class 2 Shares – income
Class 3 Shares – income
Class 4 Shares – income
Class 5 Shares – income
Class 6 Shares – income
Class 7 Shares – income
Class 8 Shares – accumulation
Class 9 Shares – accumulation
Class 10 Shares – income
Class 11 Shares – accumulation

Minimum Initial Subscription

€250,000 only available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP.

€50,000,000 only available to investors where specifically offered by Prime Rate Capital Management LLP

€30,000,000

€5,000,000

€1,000,000

€250,000

€250,000

€30,000,000

€250,000

€250,000

€250,000

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

Settlement Date

In the case of subscription(s), a completed Subscription Form (and in the case of an initial investment, a completed Application Form) must have been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day unless otherwise approved by the ACD. Payment must be received before the Dealing Deadline on the relevant Dealing Day (except in the case of shares in Classes 8, 9, and 11 where it must be received on the following business day). If cleared funds are not received on the relevant Dealing Day, then any interest costs and/or directly related charges will be reimbursed by the subscriber unless otherwise agreed by the ACD at their absolute discretion. Further details are set out in the Prospectus under **Dealings in Shares**.

In the case of repurchases, assuming all duly signed repurchase documentation has been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day, proceeds will usually be paid by electronic transfer to the account specified in the application form at the Shareholder's risk and expense on the same Dealing Day (except in the case of Share Classes 8,9,and11 where it will be received on the following business day) and in any event no later than the fourth business day) after the Dealing Deadline.

In the event that a Shareholder requires payment of repurchase proceeds to an account other than that specified in the application form, the Shareholder must provide an original request to the Administrator in writing, on or prior to the receipt of the relevant repurchase documentation.

9. Income Allocation

Annual accounting date: 31 March

Interim accounting date: 30 September

Annual income allocation date: 31 March

Interim allocation dates: every Dealing Day (and payable monthly on or about the first Dealing Day of each following month)

In relation to Class 1 to 7, and 10 Shares, the ACD intends to declare all net income of the Prime Rate Euro 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 Euro €1. Dividends will be declared daily and payable monthly on or about the first Dealing Day of each following month. For this purpose, net income (from the time immediately preceding determination thereof) shall consist of interest and dividends earned by the Prime Rate Euro Liquidity Fund and realised and unrealised profits on the disposal/valuation of investments as may be lawfully distributed less realised and

unrealised losses (including fees and expenses) of the Prime Rate Euro Liquidity Fund. Dividends payable to Shareholders will be re-invested each month by subscription for additional Shares of the same class in the Prime Rate Euro Liquidity Fund unless Shareholders specifically advise on the application form that dividends be paid by electronic transfer. Additional Shares will be issued to Shareholders at a price calculated in the same way as for other issues of the relevant class of Share on the same date. There is no minimum of such further Shares which may be so subscribed.

In the case of Shareholders who request the repurchase of part of their Shares and the payment to them of accrued dividends on those Shares, payment will, if the date of repurchase is other than the first Dealing Day of any month, be made (together with the dividend entitlement on the balance of the Shareholder's holding of Shares) on the first Dealing Day of the next month following the repurchase, provided that dividends shall only accrue up to the date of repurchase.

In the case of Shareholders who request the repurchase of all of their Shares and the payment to them of accrued dividends, such dividends will be paid at the time of such redemption.

Class 8, 9, and 11 Shares are Accumulation Shares and they receive the right to income in the same way as Class 1 to 7, and 10 Shares. Income is not however paid out but accumulated to the Shares and reflected in the unit price of those Class 8, 9, and 11 Shares.

10. Remuneration and Expenses

The total annual management charges of the Prime Rate Euro Liquidity Fund are based on a percentage of the Net Asset Value of the Prime Rate Euro Liquidity Fund prior to the deduction of any fees or other expenses.

For Class 1 shares (available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP), the ACD's periodic charge is limited to a fee in respect of administration services. The Administrator's fee is set out on page [22] under **ACD's remuneration**. The only fees payable out of the Fund for Class 1 shares will be the administration fee plus the Depositary's remuneration as set out on page [23] under **Depositary's remuneration**.

In respect of Class 2-11, Shares, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed below for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services and the Depositary's remuneration which is disclosed on page

[23] under **Depositary's remuneration**. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) Further details are set out under the heading **Remuneration and Expenses** in the Prospectus.

The total annual management charges of the Prime Rate Euro Liquidity Fund differ for the various classes of Shares. The total annual management charges of each class of Shares in the Prime Rate Euro Liquidity Fund will be as follows:-

Class 1 Shares

ACD charges fee in respect of administration services as disclosed on page [22] under **ACD's remuneration**. Note that, for Class 1 Shares, in addition to this ACD charge, the Depositary charges explained on page [23] are payable out of the Fund.

Class 2 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 5 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. ***Class 3 Shares*** Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 4 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 15 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. ***Class 5 Shares*** Aggregate fee charged to the property of the Fund which is attributable to that share class is 20 basis points per annum of the Net Asset Value attributable to that share

class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. ***Class 6 Shares*** Aggregate fee charged to the property of the Fund which is attributable to that share class is 25 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. ***Class 7 Shares***

Aggregate fee charged to the property of the Fund which is attributable to that share class is 30 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 8 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 9 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 30 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

Class 10 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 50 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services

Class 11 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 50 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services.

The above fees will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the Prime Rate Euro Liquidity Fund. No performance fees will be payable in respect of the Prime Rate Euro Liquidity Fund.

Details of the management charges and management expenses payable in relation to further Funds or Share classes will be determined at the time of the creation of such further Fund or Share classes and will be set out in the relevant offer document.

All other charges and expenses which may be charged against the Prime Rate Euro Liquidity Fund are described under the heading **Remuneration and Expenses** in the Prospectus.

11. Reports (long-form ICVC reports and short Fund reports)

Annual report published by: 31 July

Interim report published by: 30 November

Prime Rate Sterling Liquidity Plus Fund

1. Investment Objective

The investment objective of the Prime Rate Sterling Liquidity Plus Fund is to provide investors with stability of capital and income through investment in short term fixed income and variable rate securities.

2. Investment Policy

In pursuit of its investment objective the Prime Rate Sterling Liquidity Plus Fund may invest in a broad range of liquid securities, instruments and obligations which may be available in the prevailing markets (both within and outside the UK) for Sterling denominated instruments, including securities, instruments and obligations issued or guaranteed by the UK government or other sovereign governments or their agencies and securities, instruments and obligations issued by supranational or public international bodies, banks, corporates or other commercial issuers. These types of securities, instruments and obligations are described below and may be issued by both UK and non-UK issuers and will be denominated in Sterling or hedged into Sterling.

UK Government Gilts – Fixed interest securities issued by Her Majesty’s Government and sold by the Bank of England to raise money for Her Majesty’s Government.

UK Government T-Bills – Short-term securities issued by Her Majesty’s Government.

Non-UK Government Sovereign Bonds – Bonds denominated in Sterling which are issued or guaranteed by one or more non-UK sovereign governments or by any of their political sub-divisions, agencies or instrumentalities. Bonds of such political sub-divisions, agencies or instrumentalities are often, but not always, supported by the full faith and credit of the relevant non-UK sovereign government.

Supranational Bonds – Debt obligations issued or guaranteed by supranational entities and public international bodies including international organisations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies including the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the International Monetary Fund, the European Investment Bank, the International Bank for Reconstruction and Development (the World Bank) (collectively “Supranational Entities”).

Asset Backed Securities (“ABSs”) – ABSs are securities issued by corporations or other entities (including public and local authorities) which are collateralised by

mortgages, charges or other debt obligations or rights to receivables. ABSs are normally issued in a number of different classes with different characteristics such as credit quality and term.

Certificates of Deposit – Negotiable interest-bearing debt instruments with a specific maturity. Certificates of deposit are issued by banks, building societies and other financial institutions in exchange for the deposit of funds, and normally can be traded in the secondary market prior to maturity.

Floating Rate Notes (“FRNs”) – FRNs are debt securities issued by banks, building societies and other financial institutions with a variable interest rate. The interest rate payable on FRNs may be reset periodically by reference to some independent interest rate index or according to a prescribed formula.

Short and Medium Term Obligations – Debt obligations, notes, debentures or bonds including but not limited to certificates of deposit, commercial paper, floating rate notes or short dated fixed rate bonds or any other type of debt instrument which are transferable securities listed or traded on Recognised Exchanges.

Commercial Paper – Unsecured short-term promissory notes issued by corporations and other entities with maturities varying from a few days to nine months and which are readily transferable.

It is intended that investments will have at the time of purchase a short term credit rating of at least A1 and/or a long term credit rating of at least A (or in each case its equivalent) from a recognised rating agency such as Standard & Poor’s or be deemed by the Investment Manager to be of equivalent quality.

The Prime Rate Sterling Liquidity Plus Fund will invest in securities, instruments and obligations with remaining maturities of five years or less, save in the case of FRNs issued by issuers with a credit quality deemed appropriate by the Investment Manager and which is within the guidelines laid down from time to time by Standard & Poor’s or any other rating agency for a Sub-Fund of this nature, in which case the remaining term to maturity from the date of purchase shall not exceed ten years. Investments in FRNs with a maturity exceeding five years shall not exceed 10% of the net assets of the Prime Rate Sterling Liquidity Plus Fund and exposure to each issuer of such FRNs shall be limited to 10% of the net assets of the Prime Rate Sterling Liquidity Plus Fund. The weighted average maturity of the Prime Rate Sterling Liquidity Plus Fund’s portfolio will be maintained at no more than one year in order to retain the AAAf/S1 rating from Standard & Poor’s.

The Prime Rate Sterling Liquidity Plus 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 Plus Fund may also have 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 of the Prospectus.

3. Rating Award

The Prime Rate Sterling Liquidity Plus Fund has obtained an AAA/MR1 Money Market Fund Rating from Moody's, or of comparable quality from Standard & Poor's. When awarding these ratings Moody's take into account, inter alia, the Prime Rate Sterling Liquidity Plus Fund's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the Prime Rate Sterling Liquidity Plus Fund's published objectives. The ACD intends to operate the Prime Rate Sterling Liquidity Plus Fund in accordance with Moody's requirements (as amended from time to time) to maintain the rating award which amongst other things may further restrict the weighted average to maturity period of the investment portfolio, the maximum percentage of the Prime Rate Sterling Liquidity Plus Fund value that can be invested with any one counterparty, borrowing and lending powers, securities lending, and the use of Efficient Portfolio Management techniques and instruments.

4. Risk Factors

The general risk factors as set out in the Prospectus shall apply.

5. Government and public securities issuers

More than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one of the following:

- the Government of the United Kingdom

6. Eligible Securities and Derivatives Markets

Generally, the Prime Rate Sterling Liquidity Plus Fund will invest in approved securities which are transferable securities admitted to official listing in a Member State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Prime Rate Sterling Liquidity Plus Fund as at the date of this Prospectus are as follows:

- markets established in Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA COLL Rules and Guidance. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, the following specific markets will be deemed an eligible market:-

<i>Country</i>	<i>Stock Exchange</i>
Channel Islands	Channel Islands Stock Exchange

The market organised by the International Securities Market Association;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (FSA) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook; and (ii) market in non-investment products which is subject to the guidance contained in the Non-Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England;

In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is (i) located in an EEA Member State,

OMLX, the London Securities and Derivatives Exchange

7. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

As the Fund has not yet been established there is no past performance data which is currently available. Past performance data will be added to subsequent versions of this Prospectus when it becomes available.

8. Key Information for Purchasing and Repurchasing

Base Currency

Sterling - Investors should note that if the United Kingdom participates in the third or any later stage of the European Monetary Union, the ACD may convert the base currency of the Prime Rate Sterling Liquidity Plus Fund from Sterling to Euro. The ACD will consult with the Company's Depositary to determine the best means to effect conversion

Borrowing Limits

For so long as the investments of the Prime Rate Sterling Liquidity Plus Fund hold an AAA rating by Moody's or a comparable rating from Standard & Poor's or FitchIBCA, the Sub-Fund will not engage in any borrowing without their express consent. If at any time borrowing is engaged in, it will not exceed 10% of net assets of the Prime Rate Sterling Liquidity Plus Fund and will be on a temporary basis in accordance with the FSA Rules.

Classes of Shares

Minimum Initial Subscription

Class 1 Shares – accumulation

£250,000 only available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP.

Class 2 Shares – accumulation

£50,000,000 –only available to investors where specifically offered by Prime Rate Capital Management LLP

Class 3 Shares – accumulation

£5,000,000

Class 4 Shares – accumulation

£1,000,000

Class 5 Shares – accumulation	£250,000
Class 6 Shares – accumulation	£250,000

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

Settlement Date

In the case of subscription(s), a completed Subscription Form (and in the case of an initial investment, a completed Application Form) must have been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day unless otherwise approved by the ACD. Payment must be received before the Dealing Deadline on the relevant Dealing Day. If cleared funds are not received on the relevant Dealing Day, then any interest costs and/or directly related charges will be reimbursed by the subscriber unless otherwise agreed by the ACD at their absolute discretion. Further details are set out in the Prospectus under **Applications for Shares**.

In the case of repurchases, assuming all duly signed repurchase documentation has been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day, proceeds will usually be paid by electronic transfer to the account specified in the application form at the Shareholder's risk and expense on the Dealing Day (and in any event no later than four business days) after the Dealing Deadline.

In the event that a Shareholder requires payment of repurchase proceeds to an account other than that specified in the application form, the Shareholder must provide an original request to the Administrator in writing, on or prior to the receipt of the relevant repurchase documentation.

9. Income Allocation

Annual accounting date:	31 March
Interim accounting date:	30 September
Annual income allocation date:	31 March
Interim allocation dates:	every Dealing Day (and payable monthly on or about the first Dealing Day of each following month)

Net Income attributable to Class 1 to 6 Accumulation Shares 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.

10. Remuneration and Expenses

The total annual management charges of the Prime Rate Sterling Liquidity Plus Fund are based on a percentage of the Net Asset Value of the Prime Rate Sterling Liquidity Plus Fund prior to the deduction of any fees or other expenses.

For Class 1 shares (available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP), the ACD's periodic charge is limited to a fee in respect of administration services. The Administrator's fee is set out on page [22] under **ACD's remuneration**. The only fees payable out of the Fund for Class 1 shares will be the administration fee plus the Depositary's remuneration as set out on page [23] under **Depositary's remuneration**.

In respect of Class 2-6 Shares, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed below for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services and the Depositary's remuneration which is disclosed on page [23] under **Depositary's remuneration**. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) For Class 2-8 Shares, it should be noted that there will be an additional fee component to the ACD periodic fee for the first year of operation of the Fund which will be charged to investors and is designed to cover one off work of the ACD in the initial set up phase of the relevant Fund. This additional fee component is detailed below.

Further details are set out under the heading **Remuneration and Expenses** in the Prospectus.

The total annual management charges of the Prime Rate Sterling Liquidity Plus Fund differ for the various classes of Shares. The total annual management charges of each class of Shares in the Prime Rate Sterling Liquidity Plus Fund will be as follows:-

Class 1 Shares

ACD charges fee in respect of administration services as disclosed on page [22] under **ACD's remuneration**. Note that, for Class 1 Shares, in addition to this ACD charge, the Depositary charges explained on page [23] are payable out of the Fund.

Class 2 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 5 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 3 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 4 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 15 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23]

and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 5 Shares Aggregate fee charged to the property of the Fund which is attributable to that share class is 20 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund. **Class 6 Shares** Aggregate fee charged to the property of the Fund which is attributable to that share class is 25 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund. The above fees will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the Prime Rate Sterling Liquidity Plus Fund. No performance fees will be payable in respect of the Prime Rate Sterling Liquidity Plus Fund.

Details of the management charges and management expenses payable in relation to further Funds or Share classes will be determined at the time of the creation of such further Fund or Share classes and will be set out in the relevant offer document.

All other charges and expenses which may be charged against the Prime Rate Sterling Liquidity Plus Fund are described under the heading **Remuneration and Expenses** in the Prospectus.

11. Reports (long-form ICVC reports and short Fund reports)

Annual report published by: 31 July

Interim report published by: 30 November

Prime Rate US Dollar Liquidity Plus Fund

1. Investment Objective

The investment objective of the Prime Rate US Dollar Liquidity Plus Fund is to provide investors with stability of capital and income through investment in short term fixed income and variable rate securities.

2. Investment Policy

In pursuit of its investment objective the Prime Rate US Dollar Plus Sub-Fund may invest in a broad range of liquid securities, instruments and obligations which may be available in the prevailing markets (both within and outside the US) for US Dollar denominated instruments, including securities, instruments and obligations issued or guaranteed by the US government or other sovereign governments or their agencies and securities, instruments and obligations issued by supranational or public international bodies, banks, corporates or other commercial issuers. These types of securities, instruments and obligations are described below and may be issued by both US and non-US issuers and will be denominated in US Dollar or hedged into US Dollars.

US Government Securities - US Treasury bills and notes which are freely transferable and supported by the full faith and credit of the United States. Debt securities issued by the US government sponsored enterprises, agencies and instrumentalities including, but not limited to, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Federal National Home Loan Bank. Such securities may also include debt securities such as bond and notes (which may be fixed or floating and shall be rated at least A by Standard and Poor's, or of comparable quality from another rating agency.) issued by international organisations designated or supported by multiple governmental entities such as the International Bank for Reconstruction and Development. Government agency securities are not direct obligations of the US Treasury but involve various forms of US government sponsorship or guarantees. The US government is not obligated to provide financial support to any of the above.

Non-US Government Sovereign Bonds – Bonds denominated in US Dollars which are issued or guaranteed by one or more non-US sovereign governments or by any of their political sub-divisions, agencies or instrumentalities. Bonds of such political sub-divisions, agencies or instrumentalities are often, but not always, supported by the full faith and credit of the relevant non-US sovereign government.

Supranational Bonds – Debt obligations issued or guaranteed by supranational entities and public international bodies including international organisations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies including the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the International Monetary Fund, the European Investment Bank, the International Bank for Reconstruction and Development (the World Bank) (collectively “Supranational Entities”).

Asset Backed Securities (“ABSs”) – ABSs are securities issued by corporations or other entities (including public and local authorities) which are collateralised by mortgages, charges or other debt obligations or rights to receivables. ABSs are normally issued in a number of different classes with different characteristics such as credit quality and term.

Certificates of Deposit – Negotiable interest-bearing debt instruments with a specific maturity. Certificates of deposit are issued by banks, building societies and other financial institutions in exchange for the deposit of funds, and normally can be traded in the secondary market prior to maturity.

Floating Rate Notes (“FRNs”) – FRNs are debt securities issued by banks, building societies and other financial institutions with a variable interest rate. The interest rate payable on FRNs may be reset periodically by reference to some independent interest rate index or according to a prescribed formula.

Short and Medium Term Obligations – Debt obligations, notes, debentures or bonds including but not limited to certificates of deposit, commercial paper, floating rate notes or short dated fixed rate bonds or any other type of debt instrument which are transferable securities listed or traded on Recognised Exchanges.

Commercial Paper – Unsecured short-term promissory notes issued by corporations and other entities with maturities varying from a few days to nine months and which are readily transferable.

It is intended that investments will have at the time of purchase a short term credit rating of at least A1 and/or a long term credit rating of at least A (or in each case its equivalent) from a recognised rating agency such as Standard & Poor’s or be deemed by the Investment Manager to be of equivalent quality.

The Prime Rate US Dollar Liquidity Plus Fund will invest in securities, instruments and obligations with remaining maturities of five years or less, save in the case of FRNs issued by issuers with a credit quality deemed appropriate by the Investment Manager and which is within the guidelines laid down from time to time by Standard

& Poor's or any other rating agency for a Sub-Fund of this nature, in which case the remaining term to maturity from the date of purchase shall not exceed ten years. Investments in FRNs with a maturity exceeding five years shall not exceed 10% of the net assets of the Prime Rate US Dollar Liquidity Plus fund and exposure to each issuer of such FRNs shall be limited to 10% of the net assets of the Prime Rate US Dollar Liquidity Plus fund. The weighted average maturity of the Prime Rate US Dollar Liquidity Plus fund's portfolio will be maintained at no more than one year in order to retain the AAAf/S1 rating from Standard & Poor's.

The Prime Rate US Dollar Liquidity Plus 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 US Dollar Liquidity Plus Fund may also have 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 of the Prospectus.

3. Rating Award

The Prime Rate US Dollar Liquidity Plus Fund has obtained an AAA/MR1 Money Market Fund Rating from Moody's, or of comparable quality from Standard & Poor's. When awarding these ratings Moody's take into account, inter alia, the Prime Rate US Dollar Liquidity Plus Fund's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the Prime Rate US Dollar Liquidity Plus Fund's published objectives. The ACD intends to operate the Prime Rate US Dollar Liquidity Plus Fund in accordance with Moody's requirements (as amended from time to time) to maintain the rating award which amongst other things may further restrict the weighted average to maturity period of the investment portfolio, the maximum percentage of the Prime Rate US Dollar Liquidity Plus Fund value that can be invested with any one counterparty, borrowing and lending powers, securities lending, and the use of Efficient Portfolio Management techniques and instruments.

4. Risk Factors

The general risk factors as set out in the Prospectus shall apply.

5. Government and public securities issuers

More than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one of the following:

- the Government of the United States of America

6. Eligible Securities and Derivatives Markets

Generally, the Prime Rate US Dollar Liquidity Plus Fund will invest in approved securities which are transferable securities admitted to official listing in a Member State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Prime Rate US Dollar Liquidity Plus Fund as at the date of this Prospectus are as follows:

- markets established in Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA COLL Rules and Guidance. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, any market located in any of the following countries where the foregoing criteria has been satisfied will be deemed an eligible market:-

United States of America. And in addition the following specific markets:

The market organised by the International Capital Markets Association;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (FSA) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook; and (ii) market in non-investment products which is subject to the guidance contained in the Non-Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England;

The market in US government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York and the US Securities and Exchange Commission;

The over-the-counter market in the United States conducted by primary and second dealers regulated by the Securities and Exchanges Commission and by the National Association of Securities Dealers (and by banking institutions regulated by the US Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation);

NASDAQ in the United States of America

In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is (i) located in an EEA Member State, (ii) located in Australia, Canada, Hong Kong, Japan, New Zealand, Switzerland or the United States, (iii) the Channel Islands Stock Exchange or (iv) any of the following:

The Chicago Board of Trade

The Chicago Mercantile Exchange

The Chicago Board Options Exchange

New York Mercantile Exchange

New York Board of Trade

7. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

As the Fund has not yet been established there is no past performance data which is currently available. Past performance data will be added to subsequent versions of this Prospectus when it becomes available.

8. Key Information for Purchasing and Repurchasing

Base Currency

US Dollar

Borrowing Limits

For so long as the investments of the Prime Rate US Dollar Liquidity Plus fund hold an AAA rating by Moody's or a comparable rating from Standard & Poor's or FitchIBCA, the Prime Rate US Dollar Liquidity Plus fund will not engage in any borrowing without their express consent. If at any time borrowing is engaged in, it will not exceed 10% of net assets of the Prime Rate US Dollar Liquidity Plus fund and will be on a temporary basis in accordance with the FSA Rules.

Classes of Shares

Class 1 Shares – accumulation

Minimum Initial Subscription

US\$250,000 only available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP. Class 2 Shares – accumulation US\$50,000,000 –only available to investors where specifically offered by Prime Rate Capital Management LLP

Class 3 Shares – accumulation

US\$5,000,000

Class 4 Shares – accumulation

US\$1,000,000

Class 5 Shares – accumulation

US\$250,000

Class 6 Shares – accumulation

US\$250,000

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

Settlement Date

In the case of subscription(s), a completed Subscription Form (and in the case of an initial investment, a completed Application Form) must have been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day unless otherwise approved by the ACD. Payment must be received before the Dealing Deadline on the relevant Dealing Day. If cleared funds are not received by the Settlement Date, then any interest costs and/or directly related charges will be reimbursed by the subscriber unless

otherwise agreed by the ACD at their absolute discretion. Further details are set out in the Prospectus under **Applications for Shares**.

In the case of repurchases, assuming all duly signed repurchase documentation has been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day, proceeds will usually be paid by electronic transfer to the account specified in the application form at the Shareholder's risk and expense on the Dealing Day (and in any event no later than four business days) after the Dealing Deadline.

In the event that a Shareholder requires payment of repurchase proceeds to an account other than that specified in the application form, the Shareholder must provide an original request to the Administrator in writing, on or prior to the receipt of the relevant repurchase documentation.

9. Income Allocation

Annual accounting date: 31 March

Interim accounting date: 30 September

Annual income allocation date: 31 March

Interim allocation dates: every Dealing Day (and payable monthly on or about the first Dealing Day of each following month)

Net Income attributable to Class 1 to 6 Accumulation Shares 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.

10. Remuneration and Expenses

The total annual management charges of the Prime Rate US Dollar Liquidity Plus Fund are based on a percentage of the Net Asset Value of the Prime Rate US Dollar Liquidity Plus Fund prior to the deduction of any fees or other expenses.

For Class 1 shares (available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP), the ACD's periodic charge is limited to a fee in respect of administration services. The Administrator's fee is set out on page [22] under **ACD's remuneration**. The only fees payable out of the Fund for Class 1 shares will be the administration fee plus the Depositary's remuneration as set out on page [23] under **Depositary's remuneration**.

In respect of Class 2-6 Shares, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed below for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services and the Depositary's remuneration which is disclosed on page [23] under **Depositary's remuneration**. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) For Class 2-8 Shares, it should be noted that there will be an additional fee component to the ACD periodic fee for the first year of operation of the Fund which will be charged to investors and is designed to cover one off work of the ACD in the initial set up phase of the relevant Fund. This additional fee component is detailed below.

Further details are set out under the heading **Remuneration and Expenses** in the Prospectus.

The total annual management charges of the Prime Rate US Dollar Liquidity Plus Fund differ for the various classes of Shares. The total annual management charges of each class of Shares in the Prime Rate US Dollar Liquidity Plus Fund will be as follows:-

Class 1 Shares

ACD charges fee in respect of administration services as disclosed on page [22] under **ACD's remuneration**. Note that, for Class 1 Shares, in addition to this ACD charge, the Depositary charges explained on page [23] are payable out of the Fund.

Class 2 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 5 basis points per annum of the Net Asset Value attributable to that share class. The Depository levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 3 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depository levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 4 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 15 basis points per annum of the Net Asset Value attributable to that share class. The Depository levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 5 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 20 basis points per annum of the Net Asset Value attributable to that share class. The Depository levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In

addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 6 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 25 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

The above fees will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the Prime Rate US Dollar Liquidity Plus Fund. No performance fees will be payable in respect of the Prime Rate US Dollar Liquidity Plus Fund.

Details of the management charges and management expenses payable in relation to further Funds or Share classes will be determined at the time of the creation of such further Fund or Share classes and will be set out in the relevant offer document.

All other charges and expenses which may be charged against the Prime Rate US Dollar Liquidity Plus Fund are described under the heading **Remuneration and Expenses** in the Prospectus.

11. Reports (long-form ICVC reports and short Fund reports)

Annual report published by: 31 July

Interim report published by: 30 November

Prime Rate Euro Liquidity Plus Fund

1. Investment Objective

The investment objective of the Prime Rate Euro Liquidity Plus Fund is to provide investors with stability of capital and income through investment in short term fixed income and variable rate securities

2. Investment Policy

In pursuit of its investment objective the Prime Rate Euro Liquidity Plus Fund may invest in a broad range of liquid securities, instruments and obligations which may be available in the prevailing markets (both within and outside the Eurozone) for Euro denominated instruments, including securities, instruments and obligations issued or guaranteed by the Eurozone government or other sovereign governments or their agencies and securities, instruments and obligations issued by supranational or public international bodies, banks, corporates or other commercial issuers. These types of securities, instruments and obligations are described below and may be issued by issuers both inside and outside the Eurozone and will be denominated in Euro or hedged into Euro.

Government Bonds – Fixed interest securities issued by the governments of Member States (whether or not part of the Eurozone).

Government T-Bills (Eurozone) – Short-term securities issued by the governments of Member States (whether or not part of the Eurozone).

Government (ex-Eurozone) Sovereign Bonds – Bonds denominated in Euro which are issued or guaranteed by one or more sovereign governments outside the Eurozone or by any of their political sub-divisions, agencies or instrumentalities. Bonds of such political sub-divisions, agencies or instrumentalities are often, but not always, supported by the full faith and credit of the relevant government.

Supranational Bonds – Debt obligations issued or guaranteed by supranational entities and public international bodies including international organisations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related government agencies including the Asian Development Bank, the European Bank for Reconstruction and Development, the European Central Bank, the Inter-American Development Bank, the International Monetary Fund, the European Investment Bank, the International Bank for Reconstruction and Development (the World Bank) (collectively “Supranational Entities”).

Asset Backed Securities (“ABSs”) – ABSs are securities issued by corporations or other entities (including public and local authorities) which are collateralised by mortgages, charges or other debt obligations or rights to receivables. ABSs are normally issued in a number of different classes with different characteristics such as credit quality and term.

Certificates of Deposit – Negotiable interest-bearing debt instruments with a specific maturity. Certificates of deposit are issued by banks, building societies and other financial institutions in exchange for the deposit of funds, and normally can be traded in the secondary market prior to maturity.

Floating Rate Notes (“FRNs”) – FRNs are debt securities issued by banks, building societies and other financial institutions with a variable interest rate. The interest rate payable on FRNs may be reset periodically by reference to some independent interest rate index or according to a prescribed formula.

Short and Medium Term Obligations – Debt obligations, notes, debentures or bonds including but not limited to certificates of deposit, commercial paper, floating rate notes or short dated fixed rate bonds or any other type of debt instrument which are transferable securities listed or traded on Recognised Exchanges.

Commercial Paper – Unsecured short-term promissory notes issued by corporations and other entities with maturities varying from a few days to nine months and which are readily transferable.

It is intended that investments will have at the time of purchase a short term credit rating of at least A1 and/or a long term credit rating of at least A (or in each case its equivalent) from a recognised rating agency such as Standard & Poor’s or be deemed by the Investment Manager to be of equivalent quality.

The Prime Rate Euro Liquidity Plus Fund will invest in securities, instruments and obligations with remaining maturities of five years or less, save in the case of FRNs issued by issuers with a credit quality deemed appropriate by the Investment Manager and which is within the guidelines laid down from time to time by Standard & Poor’s or any other rating agency for a Sub-Fund of this nature, in which case the remaining term to maturity from the date of purchase shall not exceed ten years. Investments in FRNs with a maturity exceeding five years shall not exceed 10% of the net assets of the Prime Rate Euro Liquidity Plus Fund and exposure to each issuer of such FRNs shall be limited to 10% of the net assets of the Prime Rate Euro Liquidity Plus Fund. The weighted average maturity of the Prime Rate Euro Liquidity Plus Fund’s portfolio will be maintained at no more than one year in order to retain the AAAsf/S1 rating from Standard & Poor’s.

The Prime Rate Euro Liquidity Plus 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 Euro Liquidity Plus Fund may also have 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 of the Prospectus.

3. Rating Award

The Prime Rate Euro Liquidity Plus Fund has obtained an AAA/MR1 Money Market Fund Rating from Moody's, or of comparable quality from Standard & Poor's. When awarding these ratings Moody's take into account, inter alia, the Prime Rate Euro Liquidity Plus Fund's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the Prime Rate Euro Liquidity Plus Fund's published objectives. The ACD intends to operate the Prime Rate Euro Liquidity Plus Fund in accordance with Moody's requirements (as amended from time to time) to maintain the rating award which amongst other things may further restrict the weighted average to maturity period of the investment portfolio, the maximum percentage of the Prime Rate Euro Liquidity Plus Fund value that can be invested with any one counterparty, borrowing and lending powers, securities lending, and the use of Efficient Portfolio Management techniques and instruments.

4. Risk Factors

The general risk factors as set out in the Prospectus shall apply.

In addition to the general risk factors outlined in the Prospectus investors should also note that subscription for Shares of the Prime Rate Euro Liquidity Plus 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. The value of the Prime Rate Euro Liquidity Plus Fund may be affected by the creditworthiness of issuers of the Prime Rate Euro Liquidity Plus Fund's investments and, notwithstanding the policy of the Prime Rate

Euro Liquidity Plus Fund of investing in short term instruments, may also be affected by substantial adverse movements in interest rates.

5. Government and public securities issuers

More than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one of the following EU Governments whose currency is Euros:

- Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovenia and Spain

6. Eligible Securities and Derivatives Markets

Generally, the Prime Rate Euro Liquidity Plus Fund will invest in approved securities which are transferable securities admitted to official listing in a Member State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Prime Rate Euro Liquidity Plus Fund as at the date of this Prospectus are as follows:

- markets established in Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA COLL Rules and Guidance. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, the following specific markets will be deemed an eligible market:-

The market organised by the International Capital Markets Association;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (FSA) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook; and (ii) market in non-investment products which is subject to the guidance contained in the Non-Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England;

The French market for Titres de Creance Negotiable (over-the-counter market in negotiable debt instruments);

In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is located in an EEA Member State,

OMLX, the London Securities and Derivatives Exchange

7. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

As the Fund has not yet been established there is no past performance data which is currently available. Past performance data will be added to subsequent versions of this Prospectus when it becomes available.

8. Key Information for Purchasing and Repurchasing

Base Currency Euro

Borrowing Limits For so long as the Prime Rate Euro Liquidity Plus Fund holds an AAA rating by Moody's or a comparable rating from Standard & Poor's or FitchIBCA, the Prime Rate Euro Liquidity Plus Fund will not engage in any borrowing without their express consent. If at any time borrowing is engaged in, it will not exceed 10% of net assets of the Prime Rate Euro Liquidity Plus Fund and will be on a temporary basis in accordance with the FSA Rules.

Classes of Shares

Minimum Initial Subscription

Class 1 Shares – accumulation

€250,000 – only available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP.

Class 2 Shares – accumulation	€50,000,000 –only available to investors where specifically offered by Prime Rate Capital Management LLP
Class 3 Shares – accumulation	€5,000,000
Class 4 Shares – accumulation	€1,000,000
Class 5 Shares – accumulation	€250,000
Class 6 Shares – accumulation	€250,000

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

Settlement Date

In the case of subscription(s), a completed Subscription Form (and in the case of an initial investment, a completed Application Form) must have been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day unless otherwise approved by the ACD. Payment must be received on the relevant Dealing Day. If cleared funds are not received by the Settlement Date, then any interest costs and/or directly related charges will be reimbursed by the subscriber unless otherwise agreed by the ACD at their absolute discretion. Further details are set out in the Prospectus under **Applications for Shares**.

In the case of repurchases, assuming all duly signed repurchase documentation has been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day, proceeds will usually be paid by electronic transfer to the account specified in the application form at the Shareholder's risk and expense on the Dealing Day (and in any event no later than four business days) after the Dealing Deadline.

9. Income Allocation

Annual accounting date:	31 March
Interim accounting date:	30 September

Annual income allocation date: 31 March

Interim allocation dates: every Dealing Day (and payable monthly on or about the first Dealing Day of each following month)

Net Income attributable to Class 1 to 6 Accumulation Shares 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.

10. Remuneration and Expenses

The total annual management charges of the Prime Rate Euro Liquidity Plus Fund are based on a percentage of the Net Asset Value of the Prime Rate Euro Liquidity Plus Fund prior to the deduction of any fees or other expenses.

For Class 1 shares (available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP), the ACD's periodic charge is limited to a fee in respect of administration services. The Administrator's fee is set out on page [22] under **ACD's remuneration**. The only fees payable out of the Fund for Class 1 shares will be the administration fee plus the Depositary's remuneration as set out on page [23] under **Depositary's remuneration**.

In respect of Class 2-6 Shares, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed below for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services and the Depositary's remuneration which is disclosed on page [23] under **Depositary's remuneration**. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) For Class 2-8 Shares, it should be noted that there will be an additional fee component to the ACD periodic fee for the first year of operation of the Fund which will be charged to investors and is designed to cover one off work of the ACD in the initial set up phase of the relevant Fund. This additional fee component is detailed below.

Further details are set out under the heading **Remuneration and Expenses** in the Prospectus.

The total annual management charges of the Prime Rate Euro Liquidity Plus Fund differ for the various classes of Shares. The total annual management charges of each class of Shares in the Prime Rate Euro Liquidity Plus Fund will be as follows:-

Class 1 Shares

ACD charges fee in respect of administration services as disclosed on page [22] under **ACD's remuneration**. Note that, for Class 1 Shares, in addition to this ACD charge, the Depositary charges explained on page [23] are payable out of the Fund.

Class 2 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 5 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 3 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 4 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 15 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 5 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 20 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 6 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 25 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

The above fees will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the Prime Rate Euro Liquidity Plus Fund. No performance fees will be payable in respect of the Prime Rate Euro Liquidity Plus Fund.

Details of the management charges and management expenses payable in relation to further Funds or Share classes will be determined at the time of the creation of such further Fund or Share classes and will be set out in the relevant offer document.

All other charges and expenses which may be charged against the Prime Rate Euro Liquidity Plus Fund are described under the heading **Remuneration and Expenses** in the Prospectus.

11. Reports (long-form ICVC reports and short Fund reports)

Annual report published by: 31 July

Interim report published by: 30 November

Prime Rate Sterling Short Duration Bond Fund

1. Investment Objective

The investment objective of the Prime Rate Sterling Short Duration Bond Fund is to generate a return for investors by investing primarily in Sterling denominated fixed income securities.

2. Investment Policy

In pursuit of its investment objective the Prime Rate Sterling Short Duration Bond Fund may invest in a broad range of liquid securities, instruments and obligations which may be available in the prevailing markets (both within and outside the UK) for Sterling denominated instruments, including securities, instruments and obligations issued or guaranteed by the UK government or other sovereign governments or their agencies and securities, instruments and obligations issued by supranational or public international bodies, banks, corporates or other commercial issuers. These types of securities, instruments and obligations may be issued by both UK and non-UK issuers and will be denominated in Sterling or hedged into Sterling.

It is intended that investments will have at the time of purchase a short term credit rating of at least A1 and/or a long term credit rating of at least A (or in each case its equivalent) from a recognised rating agency such as Standard & Poor's or be deemed by the Investment Manager to be of equivalent quality.

The weighted average of the Prime Rate Sterling Short Duration Bond Fund will be maintained at no more than five years in order to retain the AAAs/S2 rating from Standard & Poor's.

The Prime Rate Sterling Short Duration Bond Fund will invest in securities, instruments and obligations with remaining maturities of twenty years or less. The Prime Rate Sterling Short Duration Bond 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 Short Duration Bond Fund may also have 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 of the Prospectus.

The Prime Rate Sterling Short Duration Bond Fund may also use derivative instruments including, interest rate swaps, currency swaps and exchange traded futures and options for efficient portfolio management.

3. Rating Award

The Prime Rate Sterling Short Duration Bond Fund has obtained an AAA Rating from Moody's, or of comparable quality from Standard & Poor's. When awarding these ratings Moody's take into account, inter alia, the Prime Rate Sterling Short Duration Bond Fund's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the Prime Rate Sterling Short Duration Bond Fund's published objectives. The ACD intends to operate the Prime Rate Sterling Short Duration Bond Fund in accordance with Moody's requirements (as amended from time to time) to maintain the rating award which amongst other things may further restrict the weighted average to maturity period of the investment portfolio, the maximum percentage of the Prime Rate Sterling Short Duration Bond value that can be invested with any one counterparty, borrowing and lending powers, securities lending, and the use of Efficient Portfolio Management techniques and instruments.

4. Risk Factors

The general risk factors as set out in the Prospectus shall apply.

In addition to the general risk factors outlined in the Prospectus investors should also note that subscription for Shares of the Prime Rate Sterling Short Duration Bond 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. The value of the Prime Rate Sterling Short Duration Bond Fund may be affected by the creditworthiness of issuers of the Prime Rate Sterling Short Duration Bond Fund's investments and, notwithstanding the policy of the Prime Rate Sterling Short Duration Bond Fund of investing in short term instruments, may also be affected by substantial adverse movements in interest rates.

5. Government and public securities issuers

More than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one of the following:

- the Government of the United Kingdom

6. Eligible Securities and Derivatives Markets

Generally, the Prime Rate Sterling Short Duration Bond Fund will invest in approved securities which are transferable securities admitted to official listing in a Member State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Prime Rate Sterling Short Duration Bond Fund as at the date of this Prospectus are as follows:

- markets established in Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA COLL Rules and Guidance. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, the following specific markets will be deemed an eligible market :-

<i>Country</i>	<i>Stock Exchange</i>
Channel Islands	Channel Islands Stock Exchange

The market organised by the International Capital Markets Association;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (**FSA**) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook; and (ii) market in non-investment products which is subject to the guidance contained in the Non-Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England.

In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is located in an EEA Member State,

OMLX, the London Securities and Derivatives Exchange

7. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

As the Fund has not yet been established there is no past performance data which is currently available. Past performance data will be added to subsequent versions of this Prospectus when it becomes available.

8. Key Information for Purchasing and Repurchasing

Base Currency

Sterling - Investors should note that if the United Kingdom participates in the third or any later stage of the European Monetary Union, the ACD may convert the base currency of the Prime Rate Sterling Short Duration Bond Fund from Sterling to Euro. The ACD will consult with the Fund's Depositary to determine the best means to effect conversion.

Borrowing Limits

For so long as the investments of the Prime Rate Sterling Short Duration Bond Fund hold an AAA rating by Moody's or a comparable rating from Standard & Poor's or FitchIBCA, the Prime Rate Sterling Short Duration Bond Fund will not engage in any borrowing without their express consent. If at any time borrowing is engaged in, it will not exceed 10% of net assets of the Prime Rate Sterling Short Duration Bond Fund and will be on a temporary basis in accordance with the FSA Rules.

Classes of Shares

Class 1 Shares – accumulation

Minimum Initial Subscription

£250,000 – only available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP.

Class 2 Shares – accumulation	£10,000,000 –only available to investors where specifically offered by Prime Rate Capital Management LLP
Class 3 Shares – accumulation	£1,000,000
Class 4 Shares – accumulation	£1,000,000

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

Settlement Date

In the case of subscription(s), a completed Subscription Form (and in the case of an initial investment, a completed Application Form) must have been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day unless otherwise approved by the ACD. Payment must be received before the Dealing Deadline on the relevant Dealing Day. If cleared funds are not received on the relevant Dealing Day, then any interest costs and/or directly related charges will be reimbursed by the subscriber unless otherwise agreed by the ACD at their absolute discretion. Further details are set out in the Prospectus under **Dealings in Shares**.

In the case of repurchases, assuming all duly signed repurchase documentation has been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day, proceeds will usually be paid by electronic transfer to the account specified in the application form at the Shareholder's risk and expense on the same Dealing Day and in any event no later than the fourth business day after the Dealing Deadline.

In the event that a Shareholder requires payment of repurchase proceeds to an account other than that specified in the application form, the Shareholder must provide an original request to the Administrator in writing, on or

prior to the receipt of the relevant repurchase documentation.

9. Income Allocation

Annual accounting date: 31 March

Interim accounting date: 30 September

Annual income allocation date: 31 March

Interim allocation dates: every Dealing Day (and payable monthly on or about the first Dealing Day of each following month)

Net Income attributable to Class 1 to 1 Accumulation Shares 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.

10. Remuneration and Expenses

The total annual management charges of the Prime Rate Sterling Short Duration Bond Fund are based on a percentage of the Net Asset Value of the Prime Rate Sterling Short Duration Bond Fund prior to the deduction of any fees or other expenses.

For Class 1 shares (available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP), the ACD's periodic charge is limited to a fee in respect of administration services. The Administrator's fee is set out on page [22] under **ACD's remuneration**. The only fees payable out of the Fund for Class 1 shares will be the administration fee plus the Depositary's remuneration as set out on page [23] under **Depositary's remuneration**.

In respect of Class 2-4 Shares, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed below for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services and the Depositary's remuneration which is disclosed on page [23] under **Depositary's remuneration**. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) For Class 2-8 Shares, it should be noted that there will be an additional fee component to the ACD periodic fee for the first year of operation of the Fund which will be charged to investors and is designed to cover one

off work of the ACD in the initial set up phase of the relevant Fund. This additional fee component is detailed below.

Further details are set out under the heading **Remuneration and Expenses** in the Prospectus.

The total annual management charges of the Prime Rate Sterling Short Duration Bond Fund differ for the various classes of Shares. The total annual management charges of each class of Shares in the Prime Rate Sterling Short Duration Bond Fund will be as follows:-

Class 1 Shares

ACD charges fee in respect of administration services as disclosed on page [22] under **ACD's remuneration**. Note that, for Class 1 Shares, in addition to this ACD charge, the Depositary charges explained on page [23] are payable out of the Fund.

Class 2 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 3 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 15 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 4 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 25 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

The above fees will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the Prime Rate Sterling Short Duration Bond Fund. No performance fees will be payable in respect of the Prime Rate Sterling Short Duration Bond Fund.

Details of the management charges and management expenses payable in relation to further Funds or Share classes will be determined at the time of the creation of such further Fund or Share classes and will be set out in the relevant offer document.

All other charges and expenses which may be charged against the Prime Rate Sterling Short Duration Bond Fund are described under the heading **Remuneration and Expenses** in the Prospectus.

11. Reports (long-form ICVC reports and short Fund reports)

Annual report published by: 31 July

Interim report published by: 30 November

Prime Rate US Dollar Short Duration Bond Fund

1. Investment Objective

The investment objective of the Prime Rate US Dollar Short Duration Bond Fund is to generate a return for investors by investing primarily in US Dollar denominated fixed income securities.

2. Investment Policy

In pursuit of its investment objective the Prime Rate US Dollar Short Duration Bond Fund may invest in a broad range of liquid securities, instruments and obligations which may be available in the prevailing markets (both within and outside the US) for US Dollar denominated instruments, including securities, instruments and obligations issued or guaranteed by the US government or other sovereign governments or their agencies and securities, instruments and obligations issued by supranational or public international bodies, banks, corporates or other commercial issuers. These types of securities, instruments and obligations are described below and may be issued by both US and non-US issuers and will be denominated in US Dollar or hedged into US Dollars.

It is intended that investments will have at the time of purchase a short term credit rating of at least A1 and/or a long term credit rating of at least A (or in each case its equivalent) from a recognised rating agency such as Standard & Poor's or be deemed by the Investment Manager to be of equivalent quality.

The weighted average of the Prime Rate US Dollar Short Duration Bond Fund will be maintained at no more than five years in order to retain the AAAf/S2 rating from Standard & Poor's.

The Prime Rate US Dollar Short Duration Bond Fund will invest in securities, instruments and obligations with remaining maturities of twenty years or less. The Prime Rate US Dollar Short Duration Bond 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 US Dollar Short Duration Bond Fund may also have 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 of the Prospectus.

The Prime Rate US Dollar Short Duration Bond Fund may also use derivative instruments including, interest rate swaps, currency swaps and exchange traded futures and options for efficient portfolio management.

3. Rating Award

The Prime Rate US Dollar Short Duration bond fund has obtained an AAA Rating from Moody's, or of comparable quality from Standard & Poor's. When awarding these ratings Moody's take into account, inter alia, the Prime Rate US Dollar Short Duration Bond Fund's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the Prime Rate US Dollar Short Duration Bond Fund's published objectives. The ACD intends to operate the Prime Rate US Dollar Short Duration Bond Fund in accordance with Moody's requirements (as amended from time to time) to maintain the rating award which amongst other things may further restrict the weighted average to maturity period of the investment portfolio, the maximum percentage of the Prime Rate US Dollar Short Duration Bond value that can be invested with any one counterparty, borrowing and lending powers, securities lending, and the use of Efficient Portfolio Management techniques and instruments.

4. Risk Factors

The general risk factors as set out in the Prospectus shall apply.

In addition to the general risk factors outlined in the Prospectus investors should also note that subscription for Shares of the Prime Rate US Dollar Short Duration Bond 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. The value of the Prime Rate US Dollar Short Duration Bond Fund may be affected by the creditworthiness of issuers of the Prime Rate US Dollar Short Duration Bond Fund's investments and, notwithstanding the policy of the Prime Rate US Dollar Short Duration Bond Fund of investing in short term instruments, may also be affected by substantial adverse movements in interest rates.

5. Government and public securities issuers

More than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one of the following:

- the Government of the United States of America

6. Eligible Securities and Derivatives Markets

Generally, the Prime Rate US Dollar Short Duration Bond Fund will invest in approved securities which are transferable securities admitted to official listing in a Member State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Prime Rate US Dollar Short Duration Bond Fund as at the date of this Prospectus are as follows:

- markets established in Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA COLL Rules and Guidance. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, any market located in any of the following countries where the foregoing criteria has been satisfied will be deemed an eligible market:-

United States of America. And in addition the following specific markets:

The market organised by the International Capital Markets Association;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (**FSA**) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook; and (ii) market in non-investment products which is subject to the guidance contained in the Non-Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England;

The market in US government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York and the US Securities and Exchange Commission;

The over-the-counter market in the United States conducted by primary and second dealers regulated by the Securities and Exchanges Commission and by the National Association of Securities Dealers (and by banking institutions regulated by the US Comptroller of the Currency, the Federal Reserve System or Federal Deposit Insurance Corporation);

NASDAQ in the United States of America

In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is (i) located in an EEA Member State, (ii) located in Australia, Canada, Hong Kong, Japan, New Zealand, Switzerland or the United States, (iii) the Channel Islands Stock Exchange or (iv) any of the following:

The Chicago Board of Trade

The Chicago Mercantile Exchange

The Chicago Board Options Exchange

New York Mercantile Exchange

New York Board of Trade

7. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

As the Fund has not yet been established there is no past performance data which is currently available. Past performance data will be added to subsequent versions of this Prospectus when it becomes available.

8. Key Information for Purchasing and Repurchasing

Base Currency US Dollar

Borrowing Limits For so long as the investments of the Prime Rate US Dollar Short Duration Bond Fund hold an AAA rating by Moody's or a comparable rating from Standard & Poor's or FitchIBCA,

the Prime Rate US Dollar Short Duration Bond Fund will not engage in any borrowing without their express consent. If at any time borrowing is engaged in, it will not exceed 10% of net assets of the Prime Rate US Dollar Short Duration Bond Fund and will be on a temporary basis in accordance with the FSA Rules.

Classes of Shares

Class 1 Shares – accumulation

Class 2 Shares – accumulation

Class 3 Shares – accumulation

Class 4 Shares – accumulation

Minimum Initial Subscription

US\$250,000 – only available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP.

US\$10,000,000 – only available to investors where specifically offered by Prime Rate Capital Management LLP

US\$1,000,000

US\$1,000,000

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

Settlement Date

In the case of subscription(s), a completed Subscription Form (and in the case of an initial investment, a completed Application Form) must have been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day unless otherwise approved by the ACD. Payment must be received before the Dealing Deadline on the relevant Dealing Day. If cleared funds are not received on the relevant Dealing Day, then any interest costs and/or directly related charges will be reimbursed by the subscriber unless otherwise agreed by the ACD at their absolute discretion. Further details are set out in the Prospectus under **Dealings in Shares**.

In the case of repurchases, assuming all duly signed repurchase documentation has been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day, proceeds will usually be paid by electronic transfer to the account specified in the application form at the Shareholder's risk and expense on the same Dealing Day and in any event no later than the fourth business day after the Dealing Deadline.

In the event that a Shareholder requires payment of repurchase proceeds to an account other than that specified in the application form, the Shareholder must provide an original request to the Administrator in writing, on or prior to the receipt of the relevant repurchase documentation.

9. Income Allocation

Annual accounting date: 31 March

Interim accounting date: 30 September

Annual income allocation date: 31 March

Interim allocation dates: every Dealing Day (and payable monthly on or about the first Dealing Day of each following month)

Net Income attributable to Class 1 to 1 Accumulation Shares 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.

10. Remuneration and Expenses

The total annual management charges and management expenses of the Prime Rate US Dollar Short Duration Bond Fund are based on a percentage of the Net Asset Value of the Prime Rate US Dollar Short Duration Bond Fund prior to the deduction of any fees or other expenses. For Class 1 shares (available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP), the ACD's periodic charge

is limited to a fee in respect of administration services. The Administrator's fee is set out on page [22] under **ACD's remuneration**. The only fees payable out of the Fund for Class 1 shares will be the administration fee plus the Depositary's remuneration as set out on page [23] under **Depositary's remuneration**.

In respect of Class 2-4 Shares, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed below for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services and the Depositary's remuneration which is disclosed on page [23] under **Depositary's remuneration**. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) For Class 2-8 Shares, it should be noted that there will be an additional fee component to the ACD periodic fee for the first year of operation of the Fund which will be charged to investors and is designed to cover one off work of the ACD in the initial set up phase of the relevant Fund. This additional fee component is detailed below.

Further details are set out under the heading **Remuneration and Expenses** in the Prospectus.

The total annual management charges and management expenses of the Prime Rate US Dollar Short Duration Bond Fund differ for the various classes of Shares. The total annual management charges and management expenses of each class of Shares in the Prime Rate US Dollar Short Duration Bond Fund will be as follows:-

Class 1 Shares

ACD charges fee in respect of administration services as disclosed on page [22] under **ACD's remuneration**. Note that, for Class 1 Shares, in addition to this ACD charge, the Depositary charges explained on page [23] are payable out of the Fund.

Class 2 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to

that share class on a temporary basis for the first year of operation of the Fund.

Class 3 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 15 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 4 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 25 basis points per annum of the Net Asset Value attributable to that share class. The Depositary levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

The above fees will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the Prime Rate US Dollar Short Duration Bond Fund. No performance fees will be payable in respect of the Prime Rate US Dollar Short Duration Bond Fund.

Details of the management charges and management expenses payable in relation to further Funds or Share classes will be determined at the time of the creation of such further Fund or Share classes and will be set out in the relevant offer document.

All other charges and expenses which may be charged against the Prime Rate US Dollar Short Duration Bond Fund are described under the heading **Remuneration and Expenses** in the Prospectus.

11. Reports (long-form ICVC reports and short Fund reports)

Annual report published by: 31 July

Interim report published by: 30 November

Prime Rate Euro Short Duration Bond Fund

1. Investment Objective

The investment objective of the Prime Rate Euro Short Duration Bond Fund is to generate a return for investors by investing primarily in Euro denominated fixed income securities.

2. Investment Policy

In pursuit of its investment objective the Prime Rate Euro Short Duration Bond Fund may invest in a broad range of liquid securities, instruments and obligations which may be available in the prevailing markets (both within and outside the Eurozone) for Euro denominated instruments, including securities, instruments and obligations issued or guaranteed by the Eurozone government or other sovereign governments or their agencies and securities, instruments and obligations issued by supranational or public international bodies, banks, corporates or other commercial issuers. These types of securities, instruments and obligations are described below and may be issued by issuers both inside and outside the Eurozone and will be denominated in Euro or hedged into Euro.

It is intended that investments will have at the time of purchase a short term credit rating of at least A1 and/or a long term credit rating of at least A (or in each case its equivalent) from a recognised rating agency such as Standard & Poor's or be deemed by the Investment Manager to be of equivalent quality.

The weighted average of the Prime Rate Euro Short Duration Bond Fund will be maintained at no more than five years in order to retain the AAAf/S2 rating from Standard & Poor's.

The Prime Rate Euro Short Duration Bond Fund will invest in securities, instruments and obligations with remaining maturities of twenty years or less. The Prime Rate Euro Short Duration Bond 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 Euro Short Duration Bond Fund may also have 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 of the Prospectus.

The Prime Rate Euro Short Duration Bond Fund may also use derivative instruments including, interest rate swaps, currency swaps and exchange traded futures and options for efficient portfolio management.

3. Rating Award

The Prime Rate Euro Short Duration Bond Fund has obtained an AAA Rating from Moody's, or of comparable quality from Standard & Poor's. When awarding these ratings Moody's take into account, inter alia, the Prime Rate Euro Short Duration Bond Fund's portfolio quality, its counterparties and management, operating procedures and controls, regulatory compliance and market price risk relative to the Prime Rate Euro Short Duration Bond Fund's published objectives. The ACD intends to operate the Prime Rate Euro Short Duration Bond Fund in accordance with Moody's requirements (as amended from time to time) to maintain the rating award which amongst other things may further restrict the weighted average to maturity period of the investment portfolio, the maximum percentage of the Prime Rate Euro Short Duration Bond Fund value that can be invested with any one counterparty, borrowing and lending powers, securities lending, and the use of Efficient Portfolio Management techniques and instruments.

4. Risk Factors

The general risk factors as set out in the Prospectus shall apply.

5. Government and public securities issuers

More than 35% in value of the property of the Fund may be invested in government and public securities issued or guaranteed by any one of the following EU Governments whose currency is Euros:

- Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovenia and Spain

6. Eligible Securities and Derivatives Markets

Generally, the Prime Rate Euro Short Duration Bond Fund will invest in approved securities which are transferable securities admitted to official listing in a Member

State, or are traded on eligible securities markets, or are recently issued transferable securities which are to be so listed or traded. "Eligible securities markets" for the Prime Rate Euro Short Duration Bond Fund as at the date of this Prospectus are as follows:

- markets established in Member States of the European Union, or any other State which is within the European Economic Area ("Member State") on which transferable securities admitted to official listing are traded, and
- markets which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Company having regard to the relevant criteria in the FSA COLL Rules and Guidance. Such markets must operate regularly and be regulated, recognised and open to the public.

As at the time of this Prospectus, the following specific markets will be deemed an eligible market:-

The market organised by the International Capital Markets Association;

The (i) market conducted by banks and other institutions regulated by the Financial Services Authority (FSA) and subject to the Inter-Professional Conduct provisions of the FSA's Market Conduct Sourcebook; and (ii) market in non-investment products which is subject to the guidance contained in the Non-Investment Products Code drawn up by the participants in the London market, including the FSA and the Bank of England;

The French market for Titres de Creance Negotiable (over-the-counter market in negotiable debt instruments);

In relation to any exchange traded financial derivative contract, any stock exchange on which such contract may be acquired or sold and which is regulated, operates regularly, is recognised and open to the public and which is located in an EEA Member State,

OMLX, the London Securities and Derivatives Exchange

7. Past performance

Past performance is not a reliable indicator of future results. The price of shares and the income from them can fall as well as rise and you may not get back the amount originally invested.

As the Fund has not yet been established there is no past performance data which is currently available. Past performance data will be added to subsequent versions of this Prospectus when it becomes available.

8. Key Information for Purchasing and Repurchasing

Base Currency Euro

Borrowing Limits For so long as the investments of the Prime Rate Euro Short Duration Bond Fund hold an AAA rating by Moody's or a comparable rating from Standard & Poor's or FitchIBCA, the Prime Rate Euro Short Duration Bond Fund will not engage in any borrowing without their express consent. If at any time borrowing is engaged in, it will not exceed 10% of net assets of the Prime Rate Euro Short Duration Bond Fund and will be on a temporary basis in accordance with the FSA Rules.

Classes of Shares

Class 1 Shares – accumulation

Minimum Initial Subscription

€250,000 – only available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP.

Class 2 Shares – accumulation

€10,000,000 – only available to investors where specifically offered by Prime Rate Capital Management LLP

Class 3 Shares – accumulation

€1,000,000

Class 4 Shares – accumulation

€1,000,000

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

Settlement Date

In the case of subscription(s), a completed Subscription Form (and in the case of an initial investment, a completed Application Form) must have been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day unless otherwise

approved by the ACD. Payment must be received before the Dealing Deadline on the relevant Dealing Day. If cleared funds are not received on the relevant Dealing Day, then any interest costs and/or directly related charges will be reimbursed by the subscriber unless otherwise agreed by the ACD at their absolute discretion. Further details are set out in the Prospectus under **Dealings in Shares**.

In the case of repurchases, assuming all duly signed repurchase documentation has been received and accepted by the Administrator before the Dealing Deadline for the relevant Dealing Day, proceeds will usually be paid by electronic transfer to the account specified in the application form at the Shareholder's risk and expense on the same Dealing Day and in any event no later than the fourth business day after the Dealing Deadline.

In the event that a Shareholder requires payment of repurchase proceeds to an account other than that specified in the application form, the Shareholder must provide an original request to the Administrator in writing, on or prior to the receipt of the relevant repurchase documentation.

9. Income Allocation

Annual accounting date: 31 March

Interim accounting date: 30 September

Annual income allocation date: 31 March

Interim allocation dates: every Dealing Day (and payable monthly on or about the first Dealing Day of each following month)

Net Income attributable to Class 1 to 1 Accumulation Shares 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.

10. Remuneration and Expenses

The total annual management charges of the Prime Rate Euro Short Duration Bond Fund are based on a percentage of the Net Asset Value of the Prime Rate Euro Short Duration Bond Fund prior to the deduction of any fees or other expenses.

For Class 1 shares (available to investors who hold the Fund as an asset in their investment portfolio on which they are already paying a management fee to Prime Rate Capital Management LLP), the ACD's periodic charge is limited to a fee in respect of administration services. The Administrator's fee is set out on page [22] under **ACD's remuneration**. The only fees payable out of the Fund for Class 1 shares will be the administration fee plus the Depositary's remuneration as set out on page [23] under **Depositary's remuneration**.

In respect of Class 2-4 Shares, the aim is that investors may see a single clear percentage charge encompassing all fees payable out of the Fund. The percentage figure disclosed below for each of these Share classes effectively sets out the total fees which will be charged, comprising an ACD periodic fee for management and administration services and the Depositary's remuneration which is disclosed on page [23] under **Depositary's remuneration**. (The ACD will discount the amount of the periodic charge it is entitled to take to the extent of the amount of the Depositary's remuneration invoiced to the Fund.) For Class 2-8 Shares, it should be noted that there will be an additional fee component to the ACD periodic fee for the first year of operation of the Fund which will be charged to investors and is designed to cover one off work of the ACD in the initial set up phase of the relevant Fund. This additional fee component is detailed below.

Further details are set out under the heading **Remuneration and Expenses** in the Prospectus.

The total annual management charges of the Prime Rate Euro Short Duration Bond Fund differ for the various classes of Shares. The total annual management charges of each class of Shares in the Prime Rate Euro Short Duration Bond Fund will be as follows:-

Class 1 Shares

ACD charges fee in respect of administration services as disclosed on page [22] under **ACD's remuneration**. Note that, for Class 1 Shares, in addition to this ACD charge, the

Depository charges explained on page [23] are payable out of the Fund.

Class 2 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 10 basis points per annum of the Net Asset Value attributable to that share class. The Depository levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 3 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 15 basis points per annum of the Net Asset Value attributable to that share class. The Depository levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

Class 4 Shares

Aggregate fee charged to the property of the Fund which is attributable to that share class is 25 basis points per annum of the Net Asset Value attributable to that share class. The Depository levies the fees set out on page [23] and the ACD levies the remainder to cover its management and administration services. In addition, a management fee of 1 basis point per annum of the Net Asset Value attributable to that share class on a temporary basis for the first year of operation of the Fund.

The above fees will be payable monthly in arrears and be calculated with reference to the daily Net Asset Value of the Prime Rate Euro Short Duration Bond Fund. No performance fees will be payable in respect of the Prime Rate Euro Short Duration Bond Fund.

Details of the management charges and management expenses payable in relation to further Funds or Share classes will be determined at the time of the creation of such further Fund or Share classes and will be set out in the relevant offer document.

All other charges and expenses which may be charged against the Prime Rate Euro Short Duration Bond Fund are described under the heading **Remuneration and Expenses** in the Prospectus.

11. Reports (long-form ICVC reports and short Fund reports)

Annual report published by: 31 July

Interim report published by: 30 November

Appendix 2

Investment powers and limits

The following paragraphs summarise the restrictions applicable to a UCITS scheme which will apply for each Fund.

Each of the Liquidity Funds is within the sub-classification as a “Qualifying Money Market Fund”. This means that each of the Liquidity Funds will have the primary investment objective to maintain a net asset value of the undertaking either constant at par (net of earnings) or at the value of the investors’ initial capital plus earnings. It must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of 60 days. It may also achieve its objective by investing on an ancillary basis in deposits with credit institutions. It must provide liquidity through same day or next day settlement. In the light of these particular objectives, the following paragraphs explain the restrictions applicable to a UCITS scheme as they will, in practice, be exercisable by the Funds.

Prudent spread of risk

The ACD must ensure that, taking account of the investment objectives and policy of the relevant Fund, the scheme property of the Fund aims to provide a prudent spread of risk. An aim of the restrictions on investment and borrowing powers for a UCITS scheme set out in the FSA Rules is to help protect Shareholders by laying down mainstream requirements for the types of investment which may be held and the diversification of the Fund. The ACD will, on a Shareholder’s request, provide supplementary information to that set out in this Prospectus relating to the quantitative limits applying in the risk management of a Fund, the methods used in this connection and any recent development of the risk and yields of the main categories of investment of a Fund.

The property of a UCITS scheme must only consist of any or all of:

- (a) transferable securities;
- (b) money market instruments which are normally dealt in on the money market, are liquid and whose value can accurately be determined at any time, and provided they meet one of certain criteria;
- (c) derivatives and forward transactions;

- (d) deposits; and
- (e) units in collective investment schemes;

each as is permitted for a UCITS scheme under the provisions of the COLL Sourcebook.

Investment and borrowing powers and restrictions

Each of the Funds may, in principle, invest in up to 100% in any of the types of assets mentioned in paragraphs (a) – (e) above. The following paragraphs therefore summarise the restrictions for UCITS schemes generally under the COLL Sourcebook.

The object of the Scheme is to invest the property of the Scheme with the aim of spreading investment risk and giving Shareholders the benefit of the results of the management of that property. The types of investments and assets in which the property of the Scheme may be invested are transferable securities, units in collective investment schemes, money market instruments, deposits and derivative and forward transactions in accordance with the FSA Rules applicable to a UCITS scheme, subject to any more restrictive provisions set out in the Prospectus from time to time. Each of the Funds is managed subject to its investment objective and policy, and this indicates the likely type of investments which will be held. In accordance with each Fund's investment objective and policy:

- Each of the Liquidity Funds will invest predominantly in money market instruments, deposits, transferable securities and bonds.
- Each of the Liquidity Plus Funds will invest predominantly in money market instruments, deposits, transferable securities, bonds and collective investment schemes.
- Each of the Short Duration Bond Funds will invest predominantly in money market instruments, deposits, transferable securities, bonds and collective investment schemes.

Unless a Fund's investment policy (as specified in Appendix 1) states that it is intended that it should, the ACD does not intend to invest in derivative instruments or forward transactions, except for the purposes of efficient management of the portfolio for the Liquidity Plus Funds and the Short Duration Bond Funds as explained further below.

- *Money market instruments*

A Fund may invest in money market instruments which are normally dealt in on the money market, are liquid and whose value can be accurately determined at any time provided:

- (i) it is listed on or normally dealt in on an eligible market (defined on the same basis as explained above in relation to eligible markets for transferable securities); or
- (ii) the money market instrument is (1) issued or guaranteed by a central, regional or local authority, a central bank of an EEA state, the European Central Bank of the European Union or the European Investment Bank, a non-EEA state or, in the case of a federal state by one of the members making up the federation or by a public international body to which one or more EEA states belongs; or (2) issued by a body and the securities of which are dealt in on an eligible market; or (3) is issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by European Community Law or by an establishment which is subject to, and complies with, prudential rules considered by the FSA to be at least as stringent as those laid down by European Community Law.

Not more than 10% in value of the scheme property of a Fund may consist of money market instruments which do not fall within the above conditions (together with any transferable securities which are not approved securities as explained above).

- *Deposits*

Deposits may be made with an approved bank which are repayable on demand or have the right to be withdrawn, and which mature in no more than 12 months.

- *Transferable securities*

A UCITS scheme may invest in “approved securities”, which are transferable securities admitted to or dealt in on an Eligible Market (otherwise than by the specific permission of the market authority). Not more than 10% in the value of a UCITS scheme's property may consist of transferable securities which are not approved securities (and any money market instruments which do not meet the conditions explained below).

A transferable security is an investment which is any of the following: a share, a debenture, a government and public security, a warrant or a certificate representing certain securities. An investment is not a transferable security if title to it cannot be transferred, or can be transferred only with the consent of a third party (although, in the case of an investment which is issued by a body corporate and which is a share or debenture, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored). An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is

limited to any amount for the time being unpaid by the holder of it in respect of the investment.

Eligible Markets are:

- (i) 'regulated markets' which are markets which are authorised by their home state's competent authority and operate in accordance with the provisions of the Investment Services Directive and which have been included by the competent authority of the market's home member state on the list of regulated markets which that competent authority maintains;
- (ii) markets established in member states on which transferable securities admitted to official listing in those states are dealt in or traded; and
- (iii) other markets which the ACD, after consultation and notification with the Depositary, determines are appropriate for the purpose of investment of the property of the Scheme in accordance with the relevant criteria in the FSA Rules, these markets must operate regularly and be regulated, recognised, open to the public, adequately liquid and have adequate arrangements for unimpeded transmission of income and capital to or to the order of investors.

The eligible securities markets for each Fund as at the date of this Prospectus are set out in Appendix 1.

Each of the Funds may invest in government and public securities. Each of the Funds may invest up to 100% of the Fund's property in government and public securities issued by any one body named in respect of that Fund in the Scheme's Instrument and for each Fund in Appendix 1 of this Prospectus. In respect of any Fund which invests more than 35% in value of its property in such securities issued by any such specified body then:

- (a) the ACD is required before any such investment is made to consult with the Depositary and, as a result, consider that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the Fund;
- (b) no more than 30% in value of the property of the Fund may consist of such securities of any one issue; and
- (c) the scheme property shall include such securities issued by that or another issuer of at least six different issues.

- *Derivatives*

Under the FSA Rules, derivatives are permitted for UCITS schemes for investment purposes. Derivative transactions may, under the FSA Rules be used for the purposes of hedging or meeting the investment objectives or both.

Subject to certain detailed restrictions, a transaction in derivatives or a forward transaction may be effected for a UCITS scheme if it is a permitted transaction and the transaction is covered, on the basis explained below. A transaction in a derivative must not cause a Fund to diverge from its investment objectives. For any derivative transaction, there are requirements (to which reference is made below) if such transaction will or could lead to the delivery of property, and there must be an appropriate risk management process in place.

To be a permitted transaction, the following constraints apply. A transaction in a derivative must be in an approved derivative, i.e. a transaction effected on or under the rules of an eligible derivatives market (see paragraph (i) below) or, subject to restrictions, an OTC derivative transactions (see paragraph (ii) below). Further constraints outlined in paragraphs (iii) – (v) also apply.

(i) Eligible derivatives markets are those which the ACD, after consultation with the Depositary, has decided are appropriate for the purpose of investment of or dealing in the property of the Fund in question with regard to the relevant criteria set out in the FSA Rules and the formal guidance on eligible markets issued by the FSA as amended from time to time. Currently no derivatives markets have been designated as eligible derivatives markets for the Funds.

(ii) Any transaction in an OTC derivative must be:

- with an approved counterparty e.g. in an eligible institution or an approved bank or a person whose permission permits it to enter into transactions as principal off exchange
- on approved terms – i.e. approved, before the transaction is entered into, by the Depositary who is satisfied that the counterparty has agreed with the Company or the ACD:
 - to provide a reliable and verifiable valuation in respect of that transaction at least daily and at any other time at the request of the Company or the ACD; and
 - that it will, at the request of the Company or the ACD, enter into a further transaction to close out that transaction at any

time at a fair value arrived at under the pricing model or other reliable basis agreed under the next paragraph

- capable of valuation i.e. the ACD having taken reasonable care determines that throughout the life of the derivative (if the transaction is entered into) it will be able to value the investment concerned with reasonable accuracy:
 - on the basis of the pricing model which has been agreed between the ACD and the Depositary; or
 - on some other reliable basis reflecting an up-to-date market value which has been so agreed.
- (iii) The underlying property of any transaction in a derivative must consist of property to which the Fund is dedicated;
- (iv) A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more transferable securities, money market instruments, units in a collective investment scheme or derivatives;
- (v) Any forward transaction must be made with an Eligible Institution or an Approved Bank (which, taken together, in summary means any bank authorised in an EEA State, any central bank of an OECD state, any bank supervised by an OECD state and any investment firm authorised in the EEA in accordance with the Investment Services Directive);

A transaction in derivatives or a forward transaction may only be entered into if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the Fund is or may be committed by another person is covered globally. Exposure is covered globally if adequate cover from within the scheme property of the Fund is available to meet the Fund's total exposure, taking into account the value of the underlying assets and any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions. The global exposure relating to derivatives held in the Fund may not exceed the net value of the Fund.

A derivative or forward transaction which will or could lead to the delivery of property for the account of the Fund, may be entered into only if:

- that property can be held for the account of the Fund; and

- the ACD, having taken reasonable care, determines that delivery of the property under that transaction will not occur or will not lead to a breach of the applicable restrictions.

The ACD must use a risk management process enabling it to monitor and measure as frequently as appropriate the risk of the Fund's derivatives positions and their contribution to the overall risk profile of the Fund. This process must take into account the investment objectives and policy of the Fund. The Depositary is obliged to take reasonable care to review the appropriateness of the risk management process in line with its duties.

As mentioned above, unless a Fund's investment policy (as specified in Appendix 1) states that the contrary is intended, the ACD does not intend to use derivatives except for the purposes of efficient portfolio management.

In relation to each Fund, the ACD may utilise the property of the Fund to enter into transactions for the purposes of efficient management of the portfolio of that Fund, i.e. transactions which are reasonably regarded by the ACD as economically appropriate and which are permitted by the FSA Rules to be effected in order to achieve a reduction in certain risks or costs or the generation of additional capital or income for the Fund with an acceptably low level of risk. There is no limit on the amount or value of the property of the Fund which may be used for such efficient management purposes, but the ACD will only enter into the transaction if it reasonably believes the transaction to be economically appropriate. The following types of risk are relevant in relation to efficient management of each Fund: market risk; interest rate risk; credit risk and foreign exchange (FX) risk.

- *Collective investment schemes*

Investment by a UCITS scheme in units in collective investment schemes is subject to the following restriction.

- (i) A Fund may invest in any of the following types of collective investment scheme:
 - (1) a scheme which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive. A UCITS scheme for this purpose also includes UCITS schemes established in other European member states which are recognised under section 264 of the Financial Services and Markets Act 2000 to meet the UCITS Directive requirements;

- (2) a scheme which is recognised under the provisions of section 270 of the Financial Services and Markets Act 2000 (schemes authorised in designated countries or territories);
- (3) a scheme which is a UK authorised scheme which is classified as a non-UCITS retail scheme, if the requirements set out in Article 19(1)(e) of the UCITS Directive are met; or
- (4) a scheme which is authorised in another EEA State, if the requirements set out in Article 19(1)(e) of the UCITS Directive are met.

In relation to the schemes mentioned at paragraphs (3) and (4) above, Article 19(1)(e) of the UCITS Directive concern collective investment undertakings the object of which is collective investment of capital raised from the public in transferable securities and certain other liquid financial instruments on the principle of risk spreading, the units of which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of the undertaking's assets, and which meet the following requirements:

- the scheme is authorised under laws which provide that it is subject to supervision considered by UCITS competent authorities to be equivalent to that laid down in community law and that co-operation between authorities is sufficiently assured;
- the level of protection for unitholders in the scheme is equivalent to that provided for unitholders in UCITS schemes and, in particular, the rules on asset segregation, borrowing, lending and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of the UCITS Directive;
- the business of the scheme is reported in half-yearly and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period; and
- no more than 10% of the scheme's assets, whose acquisition is contemplated, can, according to its fund rules or instrument of incorporation, be invested in aggregate in units of other UCITS or other collective investment undertakings.

It is therefore anticipated that UK non-UCITS retail schemes are likely to be possible investments, given that the FSA Rules provisions for such schemes are very similar to those for UCITS retail schemes other than in investment respects.

- (ii) Whilst investment is possible in schemes in any of the categories mentioned in paragraphs (i)(1) to (4) above, not more than 30% in value of a Fund may be invested in schemes which are within paragraphs (i)(2)-(4) above.
- (iii) Any scheme in which a Fund invests must have terms which prohibit more than 10% in value of the scheme property consisting of units in collective investment schemes.
- (iv) As mentioned below (see “Spread Requirements”), no more than 20% in value of a Fund is to consist of units in any one collective investment scheme. For the purposes of this spread requirement, if investment is made in sub-funds of an umbrella scheme, each sub-fund is treated as if it were a separate scheme.
- (v) Also, as mentioned below, the Scheme’s Funds must not acquire more than 25% of the units in any single collective investment scheme.
- (vi) No Fund may invest in another Fund of the Scheme. However, a Fund may invest in associated collective investment schemes (other collective investment schemes which are managed or operated by the ACD or an associate of the ACD) provided there is no double charging of the preliminary charge on investment, or redemption charge on disinvestment, on the basis set out in the COLL Sourcebook.

In order that each Fund is available as an investment of a fund of funds scheme which is a UCITS scheme operating under Chapter 5 of the COLL Sourcebook, the Scheme’s Instrument provides that no more than 10% in value of the scheme property of a Fund may consist of units in collective investment schemes, and this is subject to the further restrictions explained above which currently restrict investment in units of collective investment schemes to 5% of the value of a Fund. The summary of the UCITS scheme restrictions in paragraphs (i) – (vi) above should be read accordingly.

Spread requirements

There are limitations on the proportion of the value of a Fund which may be held in certain forms of investment. The general spread requirements are as follows:

- (i) not more than 20% in value of a Fund’s property is to consist of deposits with a single body;
- (ii) not more than 5% in value of a Fund’s property is to consist of transferable securities or money market instruments issued by a single body, except that the 5% limit is increased to 10% in respect of up to 40% in value of the Fund’s property (and in

- applying these limits certificates representing certain securities are treated as equivalent to the underlying security);
- (iii) the exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of a Fund's property although this limit is raised to 10% where the counterparty is an approved bank;
 - (iv) not more than 20% in value of a Fund is to consist of transferable securities or money market instruments issued by the same group, meaning companies included in the same group for the purposes of consolidated accounts as defined in accordance with EU Directive 83/349/EEC or in the same group in accordance with international accounting standards;
 - (v) not more than 20% in value of a Fund is to consist of units or shares in any one collective investment scheme;
 - (vi) in applying the limits in (i), (ii) and (iii), not more than 20% in value of a Fund's property is to consist of any combination of any two or more of the following:
 - transferable securities or money market instruments issued by; or
 - deposits made with; or
 - exposure from OTC derivatives transactions made with a single body; and
 - (vii) the above restrictions do not apply to government and public securities. No more than 35% of a Fund's property will be invested in government and public securities issued by any one body with the exception of securities named in respect of a Fund in the Scheme's Instrument of Incorporation and in this Prospectus for which the limit of 35% of the value of a Fund's property may be exceeded. A Fund may invest more than 35% in value of the property of the relevant Fund in such securities issued by any one such stipulated body provided that:
 - (i) the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of the Fund;
 - (ii) no more than 30% in value of the property of the Fund consists of such securities of any one issue;
 - (iii) the scheme property of the Fund includes such securities issued by that or another issuer, of at least six different issues; and

- (iv) the appropriate disclosures have been made in the most recently published Prospectus.

Apart from this restriction, there is no limit on the amount which may be invested in such securities or in any one issue.

The issuers in respect of which up to 100% in value of the property of a Fund may invest are as set out in the details of the Funds in Appendix 1.

The above spread requirements do not apply until the expiry of six months after each Fund's inception although the ACD must still aim to maintain a prudent spread of risk during this initial period.

Concentration restrictions

The Scheme must not acquire for its Funds:

- (i) transferable securities (other than debt securities) issued by a company which do not carry rights to vote at a general meeting of that company and represent more than 10% of the securities issued by that company; or
- (ii) more than 10% of the debt securities (which are debentures, government and public securities and warrants which confer rights of investment in these) issued by a single body; or
- (iii) more than 25% of the units in a collective investment scheme; or
- (iv) more than 10% of the money market instruments issued by any single body

but need not comply with the limits in (ii), (iii) and (iv) if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

Prohibition on acquiring significant influence in a company

The Scheme may only acquire for its Funds transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

- immediately before the acquisition, the aggregate of such securities held by the Scheme does not give the Scheme power significantly to influence the conduct of business of that corporate body; or
- the acquisition will not give the Scheme such power.

The power significantly to influence is assumed if such securities allow the Scheme to exercise or control the exercise of 20% or more of the votes cast in that body.

Warrants and nil and partly paid securities

A warrant is an instrument giving entitlements to investment (which includes both a warrant and any other instrument entitling the holder to subscribe for a share, debenture or government and public security) and any other transferable security (not being a nil paid or partly paid security) which is listed on an eligible securities market; and akin to an investment which is an instrument giving entitlements to investments, in that it involves a down payment by the then holder and a right later to surrender the instrument and pay more money in return for a further transferable security.

Where a Fund invests in a warrant, the exposure created by the exercise of the right conferred by that warrant must not exceed the spread requirements set out above.

A warrant falls within any power of investment if it is reasonably foreseeable that the right conferred by the proposed warrant could be exercised by the ACD without contravening the FSA Rules on investment restrictions (assuming that there is no change in the Fund's property between the acquisition of the proposed warrant and its exercise and that the rights conferred by the proposed warrants and all other warrants forming part of the Fund's property at the time of acquisition of the proposed warrant will be exercised, whether or not it is intended that they will be).

The ACD does not, however, intend to enter into warrants and, in any event, not more than 5% in value of the Fund's property will consist of warrants.

A transferable security or a money market instrument on which any sum is unpaid is within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund at the time when payment is required without contravening the FSA Rules as they are applicable to the Fund.

Stock lending and repo contracts

Stock lending involves a lender transferring securities to a borrower otherwise than by way of sale and the borrower transferring those securities, or securities of the same type and amount, back to the lender at a later date. In accordance with market practice, a separate transaction by way of transfer of assets is involved for the purposes of providing collateral to the "lender" to cover him against the risk that the future transfer back of the securities may not be satisfactorily completed.

A repo contract is an agreement between a seller and buyer for the sale/purchase of securities, under which the seller/buyer agrees to repurchase/resell the securities, or equivalent securities, at an agreed date and, usually, at a stated price.

Stock lending or a repo contract may be entered into in respect of a Fund when it is appropriate with a view to generating additional income with an acceptable degree of risk. The Depositary, at the ACD's request, may enter into stock lending transactions or repo contracts in respect of a Fund of a kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C) on certain terms specified in the FSA Rules there is no limit on the value of the property of a Fund which may be the subject of stock lending transactions or repo contracts.

Power to underwrite or accept placings

Underwriting and sub-underwriting contracts and placings may be entered into for the account of a Fund, subject to certain conditions set out in the FSA Rules.

Neither the Scheme nor the Depositary (on account of the Scheme) may provide any guarantee or indemnity in respect of the obligation of any person. None of the property of the Scheme may be used to discharge any obligation arising under any guarantee, or indemnity with respect to the obligation of any person. This is subject to exceptions in the case of any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the FSA Rules (summarised above) or any indemnity given to a person winding up the scheme.

Borrowing

The ACD may borrow money for the use of a Fund on terms that the borrowing is to be repayable out of the property of a Fund from an Eligible Institution or an Approved Bank (as more fully described in paragraph (c)(ii) above). Borrowings may be arranged with the Depositary. The ACD must ensure that any such borrowings comply with the FSA Rules.

Borrowing must be on a temporary basis and not be persistent, and in any event must not exceed 3 months without the prior consent of the Depositary. The Depositary's consent may be given only on conditions which appear appropriate to the Depositary to ensure that the borrowing remains on a temporary basis.

The ACD must ensure that borrowing does not exceed 10% of the value of the property of the relevant Fund on any business day.

These borrowing restrictions do not apply to "back to back" borrowing for currency hedging purposes, i.e. borrowing permitted to reduce or eliminate risk arising by reason of fluctuations in exchange rates.

Cash and near cash

At times it is appropriate for a Fund not to be fully invested. A Fund may hold cash or “near cash” where this may reasonably be regarded as necessary in order to enable:

- (i) the pursuit of the Fund’s investment objectives; or
- (ii) redemption of Shares; or
- (iii) efficient management of the Fund in accordance with its investment objectives; or
- (iv) other purposes which may usefully be regarded as ancillary to the investment objectives of the Fund.

During the period of its initial offer of shares, a Fund may consist of cash and near cash without limitation.

Breaches of the investment and borrowing powers and limits

Generally the ACD must, at its own expense, take action to rectify a breach of the investment and borrowing powers and limits as soon as it becomes aware of it. However,

- (a) if the reason for the breach is beyond the control of the ACD and the Depositary, the ACD must take the steps necessary to rectify a breach as soon as it is reasonably practicable having regard to the interests of Shareholders, and, in any event, within six months or, if it is a transaction in derivatives or a forward transaction, five business days; and
- (b) if the exercise of rights conferred by an investment held by a Fund would involve a breach, the Scheme may still exercise those rights if:
 - the prior written consent of the Depositary is obtained; and
 - the ACD then takes the steps necessary to rectify the breach as soon as is reasonably practicable having regard to the interests of Shareholders and, in any event, within six months or, if it is a transaction in derivatives or a forward transaction, five business days.