

Prime Rate Sterling Liquidity Fund

30 September 2011

Fund Objective

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

Investment Manager's Report

Although official interest rates remained unchanged during the period, LIBOR rates rose from a low point at the beginning of April to a high at the end of September. 3 months LIBOR, for instance, gained 13bp from 0.82% pa to 0.95% pa, with the rise accelerating in August and September. Meanwhile the FTSE, which started the period at 6000, despite a mid June dip to 5,700 did not start its plunge until late July, dropping in August to 5000, and ending the period nearly 15% down.

The main, one could argue, only talking point has been the continued pressure on Eurozone economies.

This is why interest rates, even in sterling, have risen. On the back of a raft of downgrades more and more sovereigns and their banks have found their cost of borrowing soaring in the UK, official rates, at the back of their US cousins, are unlikely to rise much before mid 2013. Quantitative Easing, and other stimulative measures will be used to kick start the economy. The Government must stand firm against easy answers, as crowds have rioted and key workers threaten strike action. Meanwhile, cash is king – higher actual rates and returns which are not compromised by erratic equity prices.

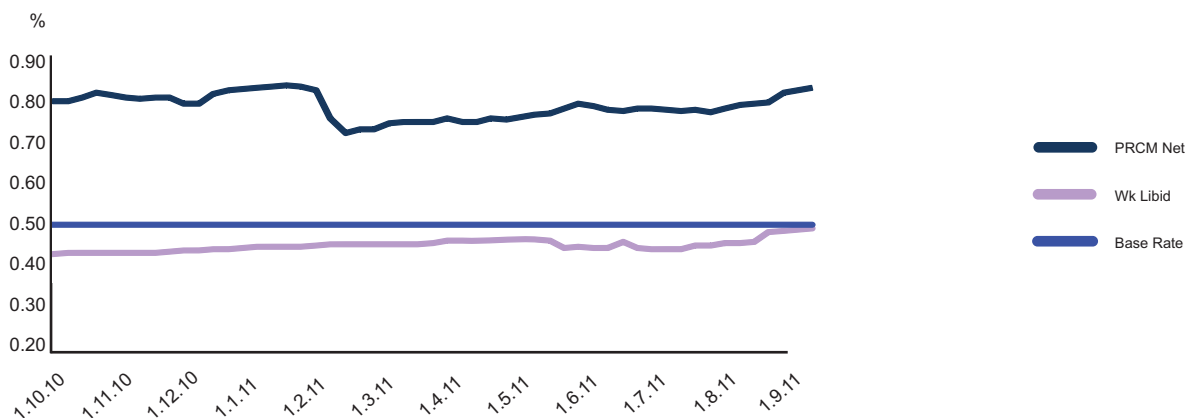
At the end of September 2011 the fund's weighted average maturity was 32.60 days, with the WAL also 32.60 days. Approximately 39% of the fund was maturing within 8 days. It held assets in excess of £2.1bn with 468. The two largest accounts were corporates both with an exposure of 3.58% of the fund.

The fund's performance against its IMMFA peers since inception is shown in the table below.

Sterling Liquidity Fund

	September 2011	2011 YTD	2010	2009
Prime Rate Yield	0.83	0.79	0.86	1.48
IMMFA Average Yield	0.63	0.62	0.52	0.99
Position v Peer Group	1	1	1	3
Peer Group Universe	19	19	23	22

Money Market and MMF Net Returns GBP



Sources: Prime Rate Capital Management LLP, Bloomberg Net returns are for Share Class 3

Fund Details

Domicile	UK
Structure	OEIC UCITS III
Dealing Cut Off	1.30pm London time
Liquidity	Same day
Currency	GBP
CIO	Dennis Gepp
Portfolio Mgr	Gary Skedge
Benchmark	7 day £ LIBID



Dennis Gepp
(Chief Investment Officer) is a founding partner of PRCM. He was responsible for the management of treasury departments of UK

and international banks from 1973 until he joined Prime Rate in 2007.



Gary Skedge
(Portfolio Manager) joined PRCM in September 2007. He managed HSBC's AAA rated liquidity and enhanced cash

funds from 2006 to 2007.

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

Portfolio Top 10 Holdings as at 30 September 2011 % of Fund

Lloyds Bank call account	9.23%
Royal Bank of Scotland call account	6.38%
KBC Bank call account	4.78%
Alliance & Leicester depo	4.68%
Rabobank Nederland Floating Rate Senior Medium Term Notes 12/10/2011	3.81%
Cater Allen call account	3.22%
Clydesdale Bank call account	2.34%
Erste Abwicklungsanstalt Commercial Paper 1/11/211	2.34%
Nordea Bank Commercial Papers 8/12/2011	2.34%
FMS Wertmanagement Commercial Paper 9/12/2011	2.34%

Fund Performance

Calendar year	Share class	Highest share price £	Lowest share price £	Net revenue per share £
2011	Share class 2 - income†	1.0000	1.0000	0.0063
2010	Share class 2 - income	1.0000	1.0000	0.0090
2009	Share class 2 - income	1.0000	1.0000	0.0152
2011	Share class 3 - income†	1.0000	1.0000	0.0060
2010	Share class 3 - income	1.0000	1.0000	0.0087
2009	Share class 3 - income	1.0000	1.0000	0.0145
2008	Share class 3 - income*	1.0000	1.0000	0.0351
2011	Share class 4 - income†	1.0000	1.0000	0.0054
2010	Share class 4 - income	1.0000	1.0000	0.0081
2009	Share class 4 - income**	1.0000	1.0000	0.0115
2011	Share class 5 - income†	1.0000	1.0000	0.0052
2010	Share class 5 - income	1.0000	1.0000	0.0075
2009	Share class 5 - income***	1.0000	1.0000	0.0049
2011	Share class 7 - income†	1.0000	1.0000	0.0045
2010	Share class 7 - income	1.0000	1.0000	0.0060
2009	Share class 7 - income	1.0000	1.0000	0.0079
2008	Share class 7 - income****	1.0000	1.0000	0.0169
2011	Share class 8 - accumulation†	1.0288	1.0247	0.0061
2010	Share class 8 - accumulation	1.0247	1.0141	0.0087
2009	Share class 8 - accumulation*****	1.0141	1.0000	0.0139
2011	Share class 9 - accumulation†	1.0243	1.0213	0.0045
2010	Share class 9 - accumulation	1.0213	1.0131	0.0066
2009	Share class 9 - accumulation	1.0131	1.0003	0.0126
2008	Share class 9 - accumulation*****	1.0003	1.0000	0.0003
2011	Share class 11 - accumulation†	1.0109	1.0089	0.0029
2010	Share class 11 - accumulation	1.0089	1.0033	0.0047
2009	Share class 11 - accumulation*****	1.0033	1.0000	0.0033

* from 7 May 2008

** from 6 February 2009

*** from 3 July 2009

**** from 1 September 2008

†

from 9 January 2009

from 29 December 2008

from 13 July 2009

to 30 September 2011

The sub fund accrues distributions on a daily basis and funds are paid out on a monthly basis on or about the first working day of the following month.

Total Expense Ratio

As at	Share class 2 - income*	Share class 3 - income	Share class 4 - income	Share class 5 - income	Share class 7 - income	Share class 8 - accumulation	Share class 9 - accumulation	Share class 11 - accumulation
30.09.2011	0.06%	0.11%	0.16%	0.21%	0.31%	0.11%	0.31%	0.51%
31.03.2010	0.05%	0.10%	0.15%	0.21%	0.30%	0.10%	0.30%	0.50%

The total expense ratio is the annualised ratio of the share classes' total operating cost for the period to their daily net asset value.

* Investment may only be made into Share class 2 - income when specifically offered by Prime Rate Capital Management LLP.

Contact Details

For a copy of the Prospectus, Simplified Prospectus, information on portfolio holdings, copies of the long form reports* or other matters, please contact us on:

(0)20 3206 7262, or e mail us on contact@prime-rate.co.uk.

Alternatively please see the information on our web site at www.prime-rate.co.uk

* The long form report and accounts are available free of charge per COLL 4.5.14

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