

# Prime Rate Euro 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 Euro denominated short term debt and debt related instruments. The primary objective is to maintain the net asset value either constant at par (net of earnings) or at the value of the investors' initial capital plus earnings.

## Investment Manager's Report

As the half year ended, no resolution to the problem for Eurozone sovereigns – not just the PIIGS, but also certain economies affected by contagion – was apparent. Not surprisingly, therefore, those countries' banks also saw their credit ratings come under pressure and their cost of funding rise. This would have been most noticeable in foreign currencies, had the ECB, in blissful isolation, not increased the official repo rate by ¼% pa in July. As it was, three months LIBOR, which started the period at 1.19% pa had already reached 1.53% p.a. when the well publicised rise took place, since when it was consolidated around that level.

For those funds (mainly in mainland Europe) that have allied themselves to Eonia, this overnight index has been an absolute roller

coaster. In early April it was just over 0.5% p.a., but exceeded 1.4% p.a. on two different days that month before again slumping to below 60 basis points. The roller coaster ride continued in May (0.60% to 1.16% and back down to 0.85%), June (up to 1.34% mid-month, 0.84% later), July (further down to 0.60%, before rising within 2 days to 1.48% following the ECB rate rise, then falling back to 0.85%) and even in August and September, where the low has been 0.85% and the high 1.21%.

The fund meanwhile has seen a much steadier return, with the return more closely allied to a mix of 1 week and 3 months LIBOR.

The fund continued to focus on liquidity and security, investing in top quality names for up to 4 months. At the end of September the fund's weighted average maturity was 24.32 days, with just over 43% of the fund maturing within 8 days.

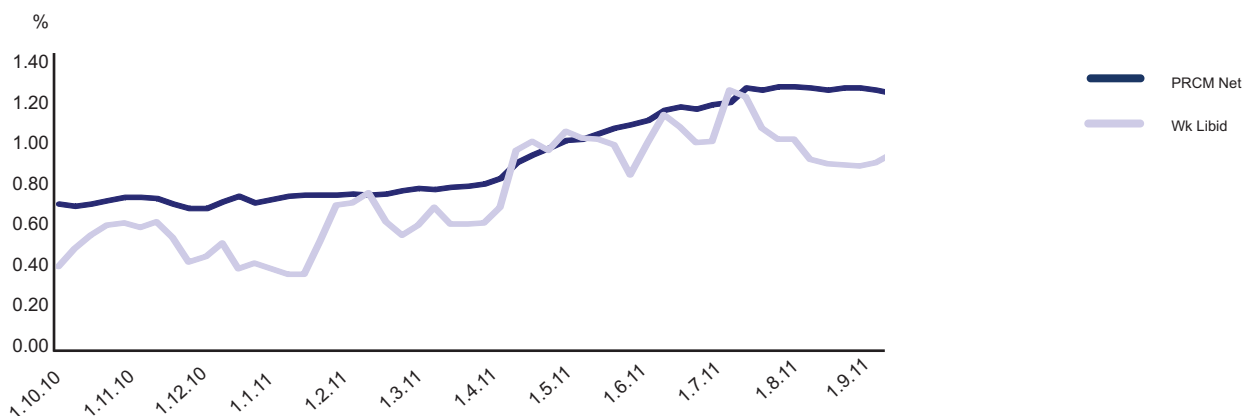
At the end of September 2011 the fund had assets of approximately €81m with 40 investors including the Isle of Man feeder fund which comprised 40.28% of the fund. The Isle of Man fund itself had 26 investors.

Despite the fund's conservative investment criteria it maintained its strong performance with consistent top decile performance against its peers. The fund's performance against its IMMFA peers since inception is shown in the table below.

### Euro Liquidity Fund

	September 2011	2011 YTD	2010	2009
Prime Rate Yield	1.25	1.03	0.71	-
IMMFA Average Yield	0.98	0.89	0.42	-
Position v Peer Group	1	1	2	-
Peer Group Universe	22	22	23	-

## Money Market and MMF Net Returns EUR



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

## Fund Details

<b>Domicile</b>	UK
<b>Structure</b>	OEIC UCITS III
<b>Dealing Cut Off</b>	1.00pm London time
<b>Liquidity</b>	Same day
<b>Currency</b>	EUR
<b>CIO</b>	Dennis Gepp
<b>Portfolio Mgr</b>	Gary Skedge
<b>Benchmark</b>	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 co-managed HSBC's AAA rated liquidity and enhanced cash funds from 2006 to 2007.

### Prime Rate Capital Management LLP

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

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

Lloyds Bank call account	9.91%
Barclays call account	8.73%
Santander UK call account	5.63%
KBC Bank call account	4.89%
ING Bank 1.49% Certificate of Deposit 30/12/2011	3.68%
ING Bank Certificate of Deposit 5/10/2011	3.68%
Unedic Commercial Papers 21/10/2011	3.68%
FMS Wertmanagement Commercial Paper 1/11/2011	3.68%
Pohjola Bank Certificate of Deposit 7/11/2011	3.68%
Nordea Bank Commercial Papers 14/11/2011	3.68%

## 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	0.0080
2010	Share class 2 - income	1.0000	1.0000	0.0076
2009	Share class 2 - income	1.0000	1.0000	0.0162
2008	Share class 2 - income***	1.0000	1.0000	0.0319
2011	Share class 3 - income†	1.0000	1.0000	0.0076
2010	Share class 3 - income	1.0000	1.0000	0.0070
2009	Share class 3 - income	1.0000	1.0000	0.0114
2008	Share class 3 - income****	1.0000	1.0000	0.0089
2011	Share class 4 - income†	1.0000	1.0000	0.0073
2010	Share class 4 - income	1.0000	1.0000	0.0034
2011	Share class 8 - accumulation†	-	-	-
2010	Share class 8 - accumulation	-	-	-
2009	Share class 8 - accumulation*	1.0070	1.0000	0.0010
2011	Share class 9 - accumulation†	1.0196	1.0133	0.0062
2010	Share class 9 - accumulation	1.0133	1.0082	0.0051
2009	Share class 9 - accumulation**	1.0082	1.0000	0.0082

\* from 17 February 2009  
\*\* from 3 March 2009  
\*\*\* from 29 March 2008  
\*\*\*\* from 14 October 2008  
† 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 8 - accumulation	Share class 9 - accumulation
30.09.2011	0.07%	0.12%	0.17%	-	0.32%
31.03.2011	0.07%	0.12%	0.17%	-	0.32%

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](mailto:contact@prime-rate.co.uk). Alternatively please see the information on our web site at [www.prim-rate.co.uk](http://www.prim-rate.co.uk)

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

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