

FITCH AFFIRMS THREE PRIME RATE LIQUIDITY FUNDS AT 'AAAMMF'

Fitch Ratings-London-23 December 2010: Fitch Ratings has affirmed the 'AAAmmf' ratings on three money market funds managed by Prime Rate Capital Management LLP (Prime Rate) under its Prime Rate Cash Management Funds umbrella:

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

The main drivers for the rating affirmations are the credit quality, diversification, liquidity and low market risk of the funds' portfolio of assets, and the capabilities of Prime Rate as investment manager. In Fitch's opinion, the fund sponsor would not be able to support the funds during a period of market stress; however, consistent with Fitch's rating criteria, this risk is mitigated by the conservative investment strategy implemented. As of 17 December 2010, Prime Rate had GBP2.54bn assets under management (AUM) of which GBP2.28bn was total assets in the liquidity funds -- total assets of the sterling fund, euro fund and dollar fund stood at GBP2.03bn, EUR97.2m and USD361.5m, respectively.

The funds seek to maximise current income consistent with the preservation of principal and liquidity, by investing in a diversified portfolio of highly rated short-term debt and debt-related instruments denominated in the base currency of each fund. Investments include commercial paper (CP), certificate of deposits (CDs), time deposits, call accounts, and fixed and floating rate notes issued by governments, government agencies, supranationals, financial institutions and corporates. The funds do not invest in asset-backed commercial paper (ABCP) or repurchase agreements. Prime Rate manages the portfolios actively, within conservative investment restrictions, such as a minimum of 25% of net assets maturing overnight and 50% within one month, and a maximum maturity of 100 days for investments.

Consistent with Fitch's 'AAAmmf' rating criteria, the funds seek to maintain a high credit quality by investing exclusively in securities rated at least 'A'/F1' by Fitch, or of comparable credit quality by other global credit rating agencies. In line with the same criteria, the funds limit their exposure to individual issuers and counterparties. The funds' Portfolio Credit Factor (PCF), which is a risk-weighted measure of a fund's portfolio assets accounting for the credit quality and maturity profile of the portfolio securities, has been significantly below Fitch's 'AAAmmf' rating criteria of 1.50 or less during the past year, reflecting the funds' conservative investment strategy with regard to credit quality. As at 6 December 2010, the PCF score on the sterling, euro and US dollar portfolios were 0.56, 0.26 and 0.39, respectively, which is significantly below that of their peers. The funds target a maximum single issuer exposure of 5% of portfolio net assets. This limit can be raised to 10% for instruments with a less than 7-day maturity provided the issuer is rated 'AA-'/F1+' or above.

The funds limit their interest rate and spread risk by limiting weighted average maturity to reset date (WAMr) and weighted average final maturity (WAMf) to 60 days and 120 days, respectively, consistent with Fitch's 'AAAmmf' rating criteria. In reality, the limitations on the maximum maturity of investments to no more than 100 days, means that WAMr and WAMf have been much lower, and well within 40 days in the past year, a reflection of the conservative maturity guidelines followed by the funds.

Additional investment restrictions are aimed at maintaining sufficient levels of daily and weekly liquidity to meet investors' redemption requests. As such, the funds' daily and seven-day liquidity are maintained well within Fitch's rating criteria applicable to money market funds globally -- at least 10% of total assets invested in securities maturing overnight or other qualified assets, and at

least 25% of total assets invested in securities maturing within seven days or other qualified assets. During 2010, the funds have significantly exceeded these liquidity levels, a further mitigant to the lack of sponsor support available to these funds.

The rating may be sensitive to material changes in the credit quality or market risk profiles of the funds. A material adverse deviation from Fitch guidelines for any key rating driver could cause the rating to be lowered by Fitch. For additional information about Fitch money market fund ratings guidelines, please review the criteria referenced below, which can be found on Fitch's website.

Prime Rate is a UK based, independent, specialist provider of institutional liquidity and fixed income products and is 50/50 joint venture between its founding partners and Matrix Group. Matrix Group is a privately owned financial services company founded in 1987, employing around 200 people, whose areas of expertise include asset management, investment banking and property. The liquidity funds managed by Prime Rate contribute to a large portion of Matrix's AUM, which was GBP4bn as at 30 November 2010. Fitch views Matrix Group and Prime Rate's advisory capabilities, resource commitments, operational controls, corporate governance, and compliance procedures as consistent with the 'AAAmmf' rating assigned to the fund. In Fitch's opinion Prime Rate and the Matrix Group would not be able to provide financial support to the funds in times of stress, however this is mitigated by the conservative investment strategy adopted by Prime Rate with regards to the very high credit quality of investments, high levels of liquidity and the very short maturities of investments contributing to low PCF scores. As part of Fitch's regular surveillance process, Fitch will monitor any deviation the current conservative profiles that may notably result from a change in market conditions and/or as the funds grow in size.

Up-to-date surveillance and analytical information on the funds are available in the Funds Surveillance section of Fitch's website.

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The sources of information used to assess this rating were the public domain, Prime Rate and Bank of New York Europe Limited.

Applicable Criteria, 'Global Money Market Fund Rating Criteria', dated 5 October 2009 are available at www.fitchratings.com.

Applicable Criteria and Related Research:
Global Money Market Fund Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=470368
European Money Market Funds Quarterly - Q3 2010
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=553865
European Money Market Funds - A Primer for Investors - Part 2
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=573225
European Money Market Funds: Analysing the New Definition
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=532505

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