

EXTRACT FROM THE FORTIS LIQUIDITY FUNDS PROSPECTUS

APPENDIX 2

UCITS Investment and Borrowing Restrictions

1. Permitted Investments

Investments of each Fund are confined to:

- 1.1. transferable securities and money market instruments, as prescribed in the Financial Regulator's Notices, which are either admitted to official listing on a stock exchange in an EU Member State or non-EU Member State or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in an EU Member State or non-EU Member State.
- 1.2. Recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described above) within a year.
- 1.3. Money market instruments, as defined in the Financial Regulator Notices, other than those dealt on a regulated market.
- 1.4. Units of UCITS.
- 1.5. Units of non-UCITS as set out in the Financial Regulator Notices.
- 1.6. Deposits with credit institutions as prescribed in the Financial Regulator Notices.
- 1.7. Financial derivative instruments as prescribed in the Financial Regulator Notices.

2. Investment Limits

- 2.1 Each Fund may invest no more than 10% of its Net Asset Value in transferable securities and money market instruments other than those referred to in paragraph 1.
- 2.2 Each Fund may invest no more than 10% of its Net Asset Value in recently issued transferable securities which will be admitted to official listing on a stock exchange or other market (as described in paragraph 1.1) within a year. This restriction will not apply in relation to investment by a Fund in certain US securities known as Rule 144A securities provided that:
 - 2.2.1 the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and
 - 2.2.2 the securities are not illiquid securities i.e. they may be realised by the Fund within seven days at the price, or approximately at the price, at which they are valued by the Fund.
- 2.3 Each Fund may invest no more than 10% of its Net Asset Value in transferable securities or money market instruments issued by the same body provided that the total value of transferable securities and money market instruments held in the issuing bodies in each of which it invests more than 5% of its Net Asset Value is less than 40%.

- 2.4 Subject to the prior approval of the Financial Regulator, the limit of 10% referred to in paragraph 2.3 is raised to 25% in the case of bonds that are issued by a credit institution which has its registered office in an EU Member State and is subject by law to special public supervision designed to protect bond-holders. If a Fund invests more than 5% of its Net Asset Value in bonds issued by one issuer, the total value of such investments may not exceed 80% of the Net Asset Value of the relevant Fund.
- 2.5 The limit of 10% referred to in paragraph 2.3 is raised to 35% if the transferable securities or money market instruments are issued or guaranteed by an EU Member State or its local authorities or by a non-EU Member State or public international body of which one or more EU Member States are members.
- 2.6 The transferable securities and money market instruments referred to in paragraphs 2.4. and 2.5 shall not be taken into account for the purpose of applying the limit of 40% referred to in paragraph 2.3.
- 2.7 Each Fund may not invest more than 20% of its Net Asset Value in deposits made with the same credit institution.

Deposits with any one credit institution, other than credit institutions authorised in an EEA Member State or credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand, held as ancillary liquidity, must not exceed 10% of the Net Asset Value of a Fund.

This limit may be raised to 20% in the case of deposits made with the Custodian.

- 2.8 The risk exposure of a Fund to a counterparty to an over the counter (**OTC**) derivative may not exceed 5% of its Net Assets Value.

This limit is raised to 10% in the case of credit institutions authorised in the EEA or credit institutions authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.

- 2.9 Notwithstanding paragraphs 2.3, 2.7 and 2.8 above, a combination of two or more of the following issued by or made or undertaken with the same body may not exceed 20% of the Net Asset Value of a Fund:

- 2.9.1 investments in transferable securities or money market instruments;
 - 2.9.2 deposits, and/or
 - 2.9.3 counterparty risk exposures arising from OTC derivatives transactions.
- 2.10 The limits referred to in paragraphs 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9 above may not be combined, so that exposure to a single body shall not exceed 35% of the Net Asset Value of a Fund.
- 2.11 Group companies are regarded as a single issuer for the purposes of paragraphs 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9. However, a limit of 20% of a Fund's Net Asset Value may be applied to investment in transferable securities and money market instruments within the same group.
- 2.12 A Fund may invest up to 100% of its Net Asset Value in different transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, non-EU Member States or public international bodies of which one or more EU Member States are members.

The following are permitted issuers for the purposes of this investment restriction.

OECD Member States (provided the relevant issues are investment grade)

European Investment Bank

European Bank for Reconstruction and Development

International Finance Corporation

International Monetary Fund

Euratom

The Asian Development Bank

European Central Bank

Council of Europe

Eurofima

African Development Bank

International Bank for Reconstruction and Development (The World Bank)

The Inter American Development Bank

European Union

Federal National Mortgage Association (Fannie Mae)

Federal Home Loan Mortgage Corporation (Freddie Mac)

Government National Mortgage Association (Ginnie Mae)

Student Loan Marketing Association (Sallie Mae)

Federal Home Loan Bank

Federal Farm Credit Bank

Each Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of its Net Asset Value.

3. Investment in Collective Investment Schemes (CIS)

- 3.1 A Fund may not invest more than 10% of its Net Asset Value in any one CIS and may not invest, in total, more than 10% of its Net Asset Value in CIS.
- 3.2 Investment in non-UCIT CIS may not, in aggregate, exceed 10% of the Net Asset Value of a Fund.
- 3.3 The CIS are prohibited from investing more than 10% of net assets in other open-ended CIS.
- 3.4 When a Fund invests in the units of another CIS that is managed, directly or by delegation, by a Fund's management company (if applicable) or by any other company with which such management company is linked by common management or control, or by a substantial direct or indirect holding (regarded as more than 10% of the voting rights or share capital), that management company or other company may not charge management, subscription, conversion or redemption fees on account of a Fund's investment in the units of such other CIS.
- 3.5 Where a commission (including a rebated commission) is received by a Fund's manager/investment manager/ investment adviser by virtue of an investment in the units of another CIS, this commission must be paid into the property of the Fund.

4. Index Tracking UCITS

- 4.1 A Fund may invest up to 20% of its Net Asset Value in shares and/or debt securities issued by the same body where the investment policy of the UCITS is to replicate an index which satisfies the criteria set out in the Financial Regulator Notices and is recognised by the Financial Regulator.
- 4.2 The limit in paragraph 4.1 may be raised to 35%, and applied to a single issuer, where this is justified by exceptional market conditions.

5. General Provisions

- 5.1 An investment company, or management company acting in connection with all of the CIS' it manages, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.

5.2 A Fund may acquire no more than:

- 5.2.1 10% of the non-voting shares of any single issuing body;
- 5.2.2 10% of the debt securities of any single issuing body;
- 5.2.3 25% of the units of any single CIS;
- 5.2.4 10% of the money market instruments of any single issuing body.

The limits laid down in paragraphs 5.2.2, 5.2.3 and 5.2.4 above may be disregarded at the time of acquisition if at that time the gross amount of the debt securities or of the money market instruments, or the net amount of the securities in issue cannot be calculated.

5.3 Paragraphs 5.1 and 5.2 shall not be applicable to:

- 5.3.1 transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;
- 5.3.2 transferable securities and money market instruments issued or guaranteed by a non-EU Member State;
- 5.3.3 transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members;
- 5.3.4 shares held by a UCITS in the capital of a company incorporated in a non-EU member State which invests its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which the UCITS can invest in the securities of issuing bodies of that State. This waiver is applicable only if in its investment policies the company from the non-EU Member State complies with the limits laid down in paragraphs 2.3 to 2.11, 3.1, 3.2, 5.1, 5.2, 5.4, 5.5 and 5.6 and provided that where these limits are exceeded, paragraphs 5.5 and 5.6 below are observed;
- 5.3.5 shares held by an investment company in the capital of subsidiary companies carrying on only the business of management, advice or marketing in the country where the subsidiary is located, in regard to the repurchase of units at unit-holders' request exclusively on their behalf.

5.4 Each Fund need not comply with the investment restrictions herein when exercising subscription rights attaching to transferable securities or money market instruments which form part of their assets.

5.5 The Financial Regulator may allow a recently authorised Fund to derogate from the provisions of paragraphs 2.3 to 2.12, 3.1, 3.2 4.1 and 4.2 for six months following the date of its authorisation, provided the Fund observes the principle of risk spreading.

5.6 If the limits laid down herein are exceeded for reasons beyond the control of a Fund, or as a result of the exercise of subscription rights, the Fund must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its shareholders.

5.7 Each Fund may not carry out uncovered sales of:

5.7.1 transferable securities;

5.7.2 money market instruments;

5.7.3 units of CIS; or

5.7.4 financial derivative instruments.

5.8 A Fund may hold ancillary liquid assets.

6. Financial Derivative Instruments (FDIs)

6.1 A Fund may invest in FDIs dealt in over-the-counter (OTC) provided that the Counterparties to the OTC transactions are institutions subject to prudential supervision and belonging to categories approved by the Financial Regulator.

6.2 Position exposure to the underlying assets of FDI, including embedded FDI in transferable securities or money market instruments, when combined where relevant with positions resulting from direct investments, may not exceed the investment limits set out in the Financial Regulator Notices. (This provision does not apply in the case of index based FDI provided the underlying index is one which meets with the criteria set out in the Financial Regulator Notices).

6.3 A Fund 's global exposure (as prescribed in the Financial Regulator Notices) relating to FDI must not exceed its total net asset value.

6.4 Investment in FDIs is subject to the conditions and limits laid down by the Financial Regulator.

Efficient Portfolio Management

The Fund, on behalf of a Fund, may employ techniques and instruments relating to transferable securities and/or other financial instruments in which it invests for efficient portfolio management purposes. The use of techniques and instruments for efficient portfolio management purposes is subject to the conditions and within the limits laid down by the Financial Regulator Notices.

Where such operations concern the use of derivative transactions, the Fund must employ a risk-management process which enables it to monitor and measure at any time the risk of a Fund's position and their contribution to the overall risk profile of the portfolio of assets of a Fund. It must employ a process for accurate and independent assessment of the value of OTC derivatives. Before investing in any financial derivative instruments on behalf of a Fund, the Fund must file a risk management process report with the Financial Regulator and in accordance with particular requirements of the Financial Regulator shall specify, for that purpose, the types of derivative instruments, the underlying risks, the quantitative limits and the methods which are chosen in order to estimate the risks associated with transactions in any derivative instruments applicable to a Fund. The Fund will ensure that a Fund's global exposure to FDIs does not exceed the total net asset value of its portfolio and that counterparty risk exposure to any OTC derivative transactions never exceeds the limits permitted under the UCITS Regulations.

The Fund will, on request, provide supplementary information to Shareholders relating to the risk management methods employed, including the quantitative limits that are applied and any recent developments in the risk and yield characteristics of the main categories of investments.

Details of any instruments of efficient portfolio management to be entered into on behalf of a Fund will be contained in Part 1 of this document.

Borrowing and Lending Powers

The Fund may borrow up to 10% of a Fund's Net Asset Value at any time for the account of any Fund and the Custodian may charge the assets of such Fund as security for any such borrowing, provided that such borrowing is only for temporary purposes. Credit balances (e.g. cash) may not be offset against borrowings when determining the percentage of borrowings outstanding. Assets of a Fund may not be passed outside the Custodian's custody network to secure borrowings. Any particular borrowing restrictions for a Fund will appear in Part II for the relevant Fund. Without prejudice to the powers of the Fund to invest in transferable securities, money market instruments and other financial instruments referred to in paragraph 1 of the **Investment Restrictions** under the heading **Permitted Investments** (set out above), the Fund may not lend to, or act as guarantor on behalf of, third parties. A Fund may acquire transferable securities, money market instruments and other financial instruments referred to in paragraph 1 above which are not fully paid. The Fund may not carry out uncovered sales of such transferable securities, money market instruments and other financial instruments.