

EXTRACT FROM THE UNIVERSAL LIQUIDITY FUNDS PROSPECTUS

APPENDIX II

INVESTMENT AND BORROWING RESTRICTIONS

Investment of the assets of the relevant Sub-Fund must comply with the UCITS Regulations. The UCITS Regulations provide:

1	Permitted Investments
1.1	Investments of each Sub-Fund are confined to: Transferable securities and money market instruments which are either admitted to official listing on a stock exchange in a Member State or non-Member State or which are dealt on a market which is regulated, operates regularly, is recognised and open to the public in a Member State or non-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 UCITS Notices, other than those dealt on a regulated market.
1.4	Units of UCITS.
1.5	<u>Units of Non-UCITS as set out in the Financial Regulator's Guidance Note 2/03.</u>
1.6	Deposits with credit institutions as prescribed in the Notices.
1.7	Financial derivative instruments as prescribed in the Notices.
2	Investment Restrictions
2.1	Each Sub-Fund may invest no more than 10% of net assets in transferable securities and money market instruments other than those referred to in paragraph 1.
2.2	Each Sub-Fund may invest no more than 10% of net assets 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 Sub-Fund in certain US securities known as Rule 144A securities provided that: <ul style="list-style-type: none"> - the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and - the securities are not illiquid securities i.e. they may be realised by the UCITS within seven days at the price, or approximately at the price, at which they are valued by the Sub-Fund.
2.3	Each Sub-Fund may invest no more than 10% of net assets 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% is less than 40%.
2.4	The limit of 10% (in 2.3) is raised to 25% in the case of bonds that are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. If a Sub-Fund invests more than 5% of its net assets in these bonds issued by one issuer, the total value of these investments may not exceed 80% of the net asset value of the Sub-Fund. Prior approval will be obtained from the

	Financial Regulator before the Company avails of the provisions of this restriction.
2.5	The limit of 10% (in 2.3) is raised to 35% if the transferable securities or money market instruments are issued or guaranteed by a Member State or its local authorities or by a non-Member State or public international body of which one or more Member States are members.
2.6	The transferable securities and money market instruments referred to in 2.4 and 2.5 shall not be taken into account for the purpose of applying the limit of 40% referred to in 2.3.
2.7	<p>Each Sub-Fund may not invest more than 20% of net assets in deposits made with the same credit institution.</p> <p>Deposits with any one credit institution, other than 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, held as ancillary liquidity, must not exceed 10% of net assets.</p> <p>This limit may be raised to 20% in the case of deposits made with the trustee/custodian.</p>
2.8	<p>The risk exposure of a Sub-Fund to a counterparty to an OTC derivative may not exceed 5% of net assets.</p> <p>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.</p>
2.9	<p>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 net assets:</p> <ul style="list-style-type: none"> - investments in transferable securities or money market instruments; - deposits, and/or - risk exposures arising from OTC derivatives transactions.
2.10	The limits referred to in 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 net assets.
2.11	Group companies are regarded as a single issuer for the purposes of 2.3, 2.4, 2.5, 2.7, 2.8 and 2.9. However, a limit of 20% of net assets may be applied to investment in transferable securities and money market instruments within the same group.
2.12	<p>Each Sub-Fund may invest up to 100% of net assets in different transferable securities and money market instruments issued or guaranteed by any Member State, its local authorities, non-Member States or public international body of which one or more Member States are members.</p> <p>The individual issuers must be listed in the prospectus and may be drawn from the following list:</p> <p>OECD Governments (provided the relevant issues are investment grade), European Investment Bank, European Bank for Reconstruction and Development, International Finance Corporation, International Monetary Sub-Fund, Euratom, The Asian Development Bank, European Central Bank, Council of Europe, Eurofima, African Development Bank, International Bank for</p>

	<p>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 and Tennessee Valley Authority.</p> <p>Each Sub-Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of net assets.</p>
3	Investment in Collective Investment Schemes ("CIS")
3.1	Investments made by a Sub-Fund in units other CIS may not exceed, in aggregate, 10% of the Net Asset Value of the Sub-Fund.
3.2	<p>Notwithstanding the provisions of section 3.1, where the investment policy of a Sub-Fund states that it may invest more than 10% of its assets in other CIS the following restrictions shall apply instead of the restrictions set out at Section 3.1 above:</p> <p>(a) Each Sub-Fund may not invest more than 20% of its Net Asset Value in any one CIS.</p> <p>(b) Investments in non-UCITS CIS may not, in aggregate, exceed 30% of its Net Asset Value.</p>
3.3	The CIS are prohibited from investing more than 10% net assets in other CIS.
3.4	When a Sub-Fund invests in the units of other CIS that are managed, directly or by delegation, by the Manager or by any other company with which the Sub-Fund's management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge subscription, conversion or redemption fees on account of the Sub-Fund's investment in the units of such other CIS.
3.5	Where a commission (including a rebated commission) is received by the Sub-Fund's manager/investment manager/investment advisers by virtue of an investment in the units of another CIS, this commission must be paid into the property of the Sub-Fund.
4	Index Tracking UCITS
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5	General Provisions
5.1	An investment company, or management company acting in connection with all of the Sub-Funds 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	<p>A Sub-Fund may acquire no more than:</p> <p>(i) 10% of the non-voting shares of any single issuing body;</p> <p>(ii) 10% of the debt securities of any single issuing body;</p> <p>(iii) 25% of the units of any single CIS;</p> <p>(iv) 10% of the money market instruments of any single issuing body.</p> <p>NOTE: The limits laid down in (ii), (iii) and (iv) 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.</p>

5.3	<p>5.1 and 5.2 shall not be applicable to:</p> <p>(i) transferable securities and money market instruments issued or guaranteed by a Member State or its local authorities;</p> <p>(ii) transferable securities and money market instruments issued or guaranteed by a non-Member State;</p> <p>(iii) transferable securities and money market instruments issued by public international bodies of which one or more Member States are members;</p> <p>(iv) shares held by a Sub-Fund in the capital of a company incorporated in a non-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 Sub-Fund 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-Member State complies with the limits laid down in 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.</p> <p>(v) Shares held by an investment company or investment companies 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.</p>
5.4	A Sub-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 recently authorised Sub-Funds to derogate from the provisions of 2.3 to 2.12, 3.1, 3.2, 4.1 and 4.2 for six months following the date of their authorisation, provided they observe the principle of risk spreading.
5.6	If the limits laid down herein are exceeded for reasons beyond the control of a Sub-Fund, or as a result of the exercise of subscription rights, the Sub-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	<p>Neither an investment company, nor a management company or a trustee acting on behalf of a unit trust or a management company of a common contractual Sub-Fund, may carry out uncovered sales of:</p> <ul style="list-style-type: none"> - transferable securities; - money market instruments; - units of CIS; or - financial derivative instruments.
5.8	A Sub-Fund may hold ancillary liquid assets.
6	Financial Derivative Instruments ('FDIs')
6.1	Any Sub-Fund's global exposure (as prescribed in the UCITS Notices) relating to FDI must not exceed its total Net Asset Value.
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 UCITS 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 UCITS Notices.)
6.3	Any Sub-Fund may invest in FDIs dealt in over-the-counter (OTC) provided that

	- The counterparties to over-the-counter transactions (OTCs) are institutions subject to prudential supervision and belonging to categories approved by the Financial Regulator.
6.4	Investment in FDIs are subject to the conditions and limits laid down by the Financial Regulator.

C. Borrowing Restrictions

The UCITS Regulations provide that the Company in respect of each Sub-Fund:

- (a) may not borrow, other than borrowings which in the aggregate do not exceed 10% of the Net Asset Value of the Sub-Fund and provided that this borrowing is on a temporary basis. Borrowing may be secured on the assets of the Sub-Fund. Credit balances (e.g. cash) may not be offset against borrowings when determining the percentage of borrowings outstanding;
- (b) may acquire foreign currency by means of a back-to-back loan. Foreign currency obtained in this manner is not classed as borrowings for the purpose of the borrowing restriction in paragraph (a), provided that the offsetting deposit: (i) is denominated in the base currency of the Sub-Fund and (ii) equals or exceeds the value of the foreign currency loan outstanding. However, where foreign currency borrowings exceed the value of the back-to-back deposit, any excess is regarded as borrowing for the purposes of paragraph (a) above.