

WESTERN ASSET LIQUIDITY FUNDS PLC

# Hong Kong Summary Prospectus

An investment company with variable capital constituted as an umbrella fund with segregated liability between its sub-funds under the laws of Ireland.

June 2009

## ATTENTION

- The Company is an Irish umbrella mutual fund that has within it different Funds, each with different risk profiles. The Western Asset US Dollar Liquidity Fund is the only Fund of the Company which is authorized by the SFC and it invests principally in money market instruments, debt securities and fixed income securities.
- Investing in the Fund may involve credit/counterparty, market, volatility, liquidity, regulatory, down grading and political risks. Investors may suffer substantial loss of their investments in the Fund.
- The investment decision is yours but you should not invest unless the intermediary which offers you the Fund has advised you that the Fund is suitable for you and has explained why, including how investment in the Fund will be consistent with your investment objectives.

# Important Information

## This Prospectus

This Hong Kong Summary Prospectus (the “**Prospectus**”) is derived from the Irish Prospectus of Western Asset Liquidity Funds plc (the “**Company**”) dated 29 June 2009, and is for distribution in Hong Kong only. This Prospectus does not constitute a prospectus for the purpose of applicable Irish law.

The Company is an investment company with variable capital incorporated in Ireland as a public limited company. The Company is constituted as an umbrella fund insofar as the share capital of the Company will be divided into different series of Shares with each series of Shares representing a separate investment portfolio of assets (“**Fund**”) and with segregated liability between the Funds. Shares of any Fund may be divided into different classes to accommodate different subscription and/or redemption provisions and/or dividend and/or charges and/or fee arrangements, including different total expense ratios.

The Funds have different investment objectives and invest in different types of transferable securities. Each Fund will invest in accordance with the investment objectives and policies applicable to such Fund as specified in the Relevant Supplement. The Relevant Supplement should be read in conjunction with and construed as one document with this Prospectus. As the Company is an umbrella fund with segregated liability between its Funds, pursuant to Irish law, the Company should not be liable as a whole to third parties for liabilities which are attributable to individual Funds. Investors should note the risk factor “Umbrella Structure of the Company and Cross-contamination Risk” under “Investment Risks” below.

The Directors accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to materially affect the import of such information. The Directors accept responsibility accordingly.

Distribution of this Prospectus is not authorised in any jurisdiction unless accompanied by a copy of the latest published annual report or the latest published semi-annual report, if published after the latest annual report. Such reports and this Prospectus together form the prospectus for the issue of Shares in the Company.

Unless otherwise stated herein, capitalised terms used in this Prospectus shall bear the meaning attributed to them in the “Definitions” section of this Prospectus. References to the singular shall include the plural and vice versa.

**This Prospectus is an important document. If you are in any doubt about the contents of this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.**

## Investor Responsibility

Prospective investors should review this Prospectus carefully and in its entirety and consult with their own legal, tax and financial advisers for advice in relation to: (a) the legal requirements within their own countries for the purchase, holding, exchanging, redeeming or disposing of Shares; (b) any foreign exchange restrictions to which they are subject in their own countries in relation to the purchase, holding, exchanging, redeeming or disposing of Shares; (c) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, exchanging, redeeming or disposing of Shares; and (d) the provisions of this Prospectus and any Relevant Supplement.

The Shares have not been registered under the United States Securities Act of 1933 (as amended) (the “**1933 Act**”) and may not, except in a transaction which does not violate US securities laws and at the discretion of the Directors, be directly or indirectly offered or sold in the United States or to any United States Person. The Directors may delegate to the Master Distributor the exercise of the discretion outlined in the preceding sentence. The Company will not be registered under the United States Investment Company Act of 1940 (the “**1940 Act**”). The Directors may arrange the offer and sale of a portion of the Shares outside the United States to a limited number of accredited investors and institutional investors which are United States Persons in transactions which are exempt from the registration requirements of the 1933 Act. Based on interpretations of the 1940 Act by the staff of the United States Securities and Exchange Commission, if any non-United States organised fund has more than 100 United States resident owners of its shares, it may become subject to registration under the 1940 Act. As a result, the Directors will not knowingly permit the number of Shareholders that are United States Persons or are otherwise deemed to be United States resident beneficial owners of Shares to exceed 100.

### **Irish Financial Services Regulatory Authority authorisation - UCITS**

The Company is authorised by the Financial Regulator as an “Undertaking for Collective Investment in Transferable Securities” under the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989 and regulated pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended. **The authorisation of the Company by the Financial Regulator shall not constitute a warranty as to the performance of the Company and the Financial Regulator shall not be liable for the performance or default of the Company.**

**Authorisation of the Company by the Financial Regulator is not an endorsement or guarantee of the Company by the Financial Regulator nor is the Financial Regulator responsible for the contents of this Prospectus.**

### **UK Recognised Collective Investment Scheme**

The Company is a recognised collective investment scheme under Section 264 of the Financial Services and Markets Act 2000 of the United Kingdom (the “**FSMA**”). The rights of Shareholders in the Company may not be protected by the Financial Services Compensation Scheme established in the United Kingdom.

### **Distribution and Selling Restrictions**

Any information given or representations made by any dealer, salesman or other person and (in any such case) not contained herein should be regarded as unauthorised and, accordingly, should not be relied upon. Neither the delivery of this Prospectus and/or the Relevant Supplement nor the offer, issue or sale of Shares shall, under any circumstances, constitute a representation that the information given in such document is correct as of any time subsequent to the date thereof.

This Prospectus and/or the Relevant Supplement may from time to time be updated and intending subscribers for Shares should enquire of the Hong Kong Representative as to the issue by the Company of any later Prospectus and/or Relevant Supplement.

The distribution of this Prospectus and the offering or purchase of Shares may be restricted in certain jurisdictions. This Prospectus does not constitute and may not be treated as an offer or solicitation by or to anyone in any jurisdiction in which such offer or solicitation is not lawful or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or solicitation. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for Shares pursuant to this Prospectus to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction.

#### *Switzerland*

The Swiss Banking Commission has not authorised the sale and distribution of the Shares for professional offering and public distribution in Switzerland. This Prospectus may be used in a private placement to institutional investors only and is personal to the addressee. It shall not be copied, used by, or distributed to any other person in Switzerland. No person or entity is authorised to distribute or sell the Shares in Switzerland.

#### *Hong Kong*

The Company and the Western Asset US Dollar Liquidity Fund, a Fund of the Company, have been authorised by the Securities and Futures Commission in Hong Kong (the “**SFC**”). In granting such authorisation the SFC takes no responsibility for the financial soundness of the Company or the Western Asset US Dollar Liquidity Fund or for the accuracy of any of the statements made or opinions expressed in this Prospectus or Relevant Supplement and it does not imply that investment in the Company or the Western Asset US Dollar Liquidity Fund is recommended by the SFC.

At the date of this Prospectus, apart from the Western Asset US Dollar Liquidity Fund, none of the other Funds of the Company have been authorised by the SFC in Hong Kong and accordingly this Prospectus may not be used for the purpose of an offer or solicitation in such other Fund(s), and Shares in such other Fund(s) may not be offered, in Hong Kong, except to any person who is a professional investor as defined in the Securities and Futures Ordinance of Hong Kong or the Securities And Futures (Professional Investor) Rules; subject as aforesaid, this Prospectus may not be distributed to any other person in Hong Kong in respect of such other Fund(s).

## Japan

The Shares have not been registered under Article 4, Paragraph 1 of the Securities and Exchange Law of Japan (Law No. 25 of 1948, as amended). Therefore, the offering of the Shares is not permitted in Japan, except to institutional investors in Japan subject to, and in compliance with, applicable Japanese regulations.

The Articles give powers to the Directors to impose restrictions on the holding of Shares by, (and consequently to redeem Shares held by) or the transfer of Shares to, any U.S. Persons (unless permitted under certain exceptions under the laws of the United States) or by any person who appears to be in breach of the laws or requirements of any country or government authority or by any person or persons in circumstances (whether directly or indirectly affecting such person or persons, and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Company incurring any liability to taxation or suffering any other pecuniary disadvantage which the Company might not otherwise have incurred or suffered. The Articles also permit the Directors where necessary for the collection of Irish tax to redeem and cancel Shares held by a person who is or is deemed to be or is acting on behalf of an Irish Resident who is not an Exempt Investor on the occurrence of a chargeable event for Irish taxation purposes.

## Stock Exchange Listing

An application may be made to the Irish Stock Exchange for Shares of any series or class to be admitted to its Official List and to trading on its Main Market. Neither the admission of Shares to the Official List and to trading on the Main Market nor the approval of the listing particulars pursuant to the listing requirements of the Irish Stock Exchange constitute a warranty or representation by the Irish Stock Exchange as to the competence of the service providers or any other party connected with the Company, the adequacy of information contained in this Prospectus or the suitability of the Company for investment purposes. The Class D Shares of the Western Asset US Dollar Liquidity Fund have been admitted to listing and to trading on the Main Market of the Irish Stock Exchange. No application has been made to list the Class P shares or the Class WA shares of each of the Funds on the Irish Stock Exchange. No application has been made for the Shares of the Company to be listed on any other stock exchange. The Directors reserve the right to cause the de-listing of any class of Shares from the Official List and from trading on the Main Market of the Irish Stock Exchange or from any other stock exchange on which the Shares may from time to time be listed. In the event that the Directors elect to de-list a class of Shares from any stock exchange on which they may from time to time be listed, the Company will endeavour to provide holders of the relevant Shares sufficient notice to allow them to redeem their Shares prior to such de-listing. The Directors do not anticipate that an active secondary market will develop in the Shares.

## Reliance on this Prospectus

Shares are offered only on the basis of the information contained in this Prospectus, the Relevant Supplement and, the latest audited annual accounts and any subsequent half-yearly report of the Company. No person has been authorised to give any information or to make any representation in connection with the offering of Shares other than those contained in this Prospectus, the Relevant Supplement and in any subsequent half-yearly or annual report for the Company and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors or any entity appointed by the Company. Statements in this Prospectus are in accordance with the law and practice in force in Ireland at the date of this Prospectus and are subject to change. Neither the delivery of this Prospectus nor the issue of Shares shall, under any circumstances, create any implication or constitute any representation that the affairs of the Company have not changed since the date of this Prospectus.

This Prospectus is published in English and Chinese. Insofar as Hong Kong investors are concerned, the Chinese version of this Prospectus is equivalent to its English version. All disputes as to the contents of this Prospectus shall be governed in accordance with the laws of Ireland.

## Risks

Investment in the Company which invests in money market and short term debt instruments is subject to normal market fluctuations and other risks inherent in investing in money market and short term debt instruments. **The value of such instruments and the income from them and therefore the value of and the income from the Shares relating to each Fund may go down as well as up, and investors may not get back the amount invested. Investment in the Shares may not be suitable for all investors and should not be considered a complete investment programme.** Investors should consider carefully their investment requirements and the "Investment risks" section of this Prospectus, and the Relevant Supplement, before selecting any investment.

An investment in the Company is not in the nature of a deposit in a bank account and is not protected by any government, government agency or other guarantee scheme which may be available to protect the holder of a bank deposit account.

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# Directory

**Western Asset Liquidity Funds plc**

Riverside Two  
Sir John Rogerson's Quay  
Grand Canal Dock  
Dublin 2  
Ireland

**Directors**

John Alldis - *resident in Luxembourg*  
Brian Collins - *resident in Ireland*  
Frank Ennis - *resident in Ireland*  
Joseph LaRocque - *resident in the United States of America*

**Company Secretary**

Matsack Trust Limited  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**Investment Manager**

Western Asset Management Company  
385 East Colorado Boulevard  
Pasadena  
California 91101  
USA

**Sub-Investment Manager**

Western Asset Management Company Limited  
10 Exchange Square  
Primrose Street  
London, EC2A 2EN  
United Kingdom

**Sponsoring Irish Stock Exchange Broker**

J & E Davy  
Davy House  
49 Dawson Street  
Dublin 2  
Ireland

**Auditors**

PricewaterhouseCoopers  
One Spencer Dock  
North Wall Quay  
Dublin 1  
Ireland

**Custodian**

PNC International Bank Limited  
Riverside Two  
Sir John Rogerson's Quay  
Grand Canal Dock  
Dublin 2  
Ireland

**Administrator, Transfer Agent and Registrar**

PNC Global Investment Servicing (Europe) Limited  
Riverside Two  
Sir John Rogerson's Quay  
Grand Canal Dock  
Dublin 2  
Ireland

**Legal Advisers**

Matheson Ormsby Prentice  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

**Shareholder Servicing Agent**

Western Asset Management Company Limited  
10 Exchange Square  
Primrose Street  
London EC2A 2EN  
United Kingdom

**Master Distributor**

Legg Mason Investor Services LLC  
100 Light Street  
Baltimore  
Maryland  
USA 21203

**Hong Kong Representative**

Legg Mason Asset Management Hong Kong Limited  
12/F, York House  
The Landmark  
15 Queen's Road Central  
Hong Kong

**Promoter**

Western Asset Management Company Limited  
155 Bishopsgate  
London EC2M 3XG  
United Kingdom

## Definitions

**Administrator** PNC Global Investment Servicing (Europe) Limited or any successor duly appointed in accordance with the requirements of the Financial Regulator.

**Articles** the Memorandum and Articles of Association of the Company for the time being in force and as may be modified from time to time.

**Base Currency** in relation to any class of Shares such currency as is specified in the Relevant Supplement.

**Business Day** a day on which banks are open for business in such jurisdiction and cities specified in the Relevant Supplement or such other day(s) as the Directors may, with the approval of the Custodian determine.

**CIS** a collective investment scheme, which may be a UCITS or non-UCITS.

**Class Expenses** any expenses attributable to a specific class of Shares including legal fees, marketing expenses and the expenses of registering a class of shares in any jurisdiction or with any stock exchange, regulated market or settlement system and such other expenses arising from such registration and such further expenses howsoever arising as may be disclosed in the Relevant Supplement.

**Code** means Code on Unit Trusts and Mutual Funds published by the SFC

**Companies Acts** the Companies Acts 1963 to 2006 including any regulations issued pursuant to them.

**Company** Western Asset Liquidity Funds plc.

**Connected Persons** the persons defined as such in the section headed "Conflicts of Interest".

**Custodian** PNC International Bank Limited or its successors duly appointed in accordance with the requirements of the Financial Regulator.

**Dealing Day** in respect of each class of Shares such Business Day or Business Days as are specified as a Dealing Day in the Relevant Supplement, provided that there shall be at least one Dealing Day each fortnight for each Fund.

**Dealing Deadline** means in relation to applications for subscription or redemption of Shares in a Fund, the date and time specified in the Relevant Supplement.

**Declaration** a valid declaration in a form prescribed by the Irish Revenue Commissioners for the purposes of Section 739D TCA 1997 (as may be amended from time to time).

**Directors** the directors of the Company for the time being and any duly constituted committee of such directors.

**Distributor(s)** such entity or entities that may be appointed by the Master Distributor.

**Duties and Charges** all stamp and other duties, taxes, governmental charges, brokerage, bank charges, transfer fees, registration fees, any transaction fees payable to the Custodian or its delegates or agents and other duties and charges whether in connection with the original acquisition or increase in assets of the Company or the creation, issue, sale, exchange or purchase of shares or the sale or purchase of investments by the Company in respect of certificates or otherwise which may have become or may be payable in respect of or prior to or upon the occasion of the transaction or dealing in respect of which such duties and charges are payable but shall not include any commission, taxes, charges or costs which may have been taken into account in ascertaining the Net Asset Value of the Fund concerned.

**EU Member State** means a member state of the European Union from time to time.

**Exempt Investor** any of the following Irish Residents: (i) a qualifying management company or a specified company as referred to in Section 739B; (ii) a specified collective investment undertaking as referred to in Section 739B; (iii) a company carrying on life business within the meaning of Section 706 TCA; (iv) a pension scheme as referred to in Section 739B; (v) any other investment undertaking as referred to in Section 739B; (vi) a special investment scheme as referred to in Section

739B; (vii) a unit trust of a type referred to in Section 739D(6)(e) TCA; (viii) a person who is entitled to exemption from income tax or corporation tax by virtue of Section 207(1)(b) TCA; (ix) a person who is entitled to exemption from income tax and capital gains tax by virtue of Section 784A(2) TCA or 848E TCA in circumstances where the Shares held are assets of an approved retirement fund, an approved minimum retirement fund or a special savings incentive account; (x) a person entitled to exemption from income tax and capital gains tax by virtue of Section 787I TCA and the shares he owns are assets of a PRSA (within the meaning of Chapter 2A of Part 30 TCA); (xi) a credit union as referred to in Section 739B; (xiii) the Courts Service as referred to in Section 739B; (xiv) a qualifying company within the meaning of Section 110 TCA as referred to in Section 739D(6)(m) TCA; (xv) the National Pensions Reserve Fund Commission; and any other person resident in Ireland who is permitted to own Shares under Irish taxation legislation or by practice or concession of the Irish Revenue Commissioners without requiring the Company to deduct appropriate tax in respect of any payment to a Shareholder or the transfer by a Shareholder of any Shares and in respect of whom the Company is in possession of a Declaration.

**FDI** financial derivative instrument.

**Financial Regulator** the Irish Financial Services Regulatory Authority.

**Fund** a portfolio of assets established by the Directors (with the prior approval of the Custodian and the Financial Regulator) and constituting a separate fund represented by a separate series of Shares and invested in accordance with the investment objective and policies applicable to such Fund as specified in the Relevant Supplement.

**Intermediary** means a person who carries on a business which consists of, or includes, the receipt of payments from an investment undertaking on behalf of other persons or holds shares in an investment undertaking on behalf of other persons.

**Investment Manager** means the person specified in the Relevant Supplement for each Fund who is duly appointed investment manager to the relevant Fund or its successors duly appointed in accordance with the requirements of the Financial Regulator.

**Irish Resident** any company resident, or other person resident or ordinarily resident, in the Republic of Ireland for the purposes of Irish tax. Please see the "Taxation" section below for the summary of the concepts of residence and ordinary residence issued by the Irish Revenue Commissioners.

**Irish Revenue Commissioners** the Irish authority responsible for taxation.

**Irish Stock Exchange** the Irish Stock Exchange Limited.

**Master Distributor** means Legg Mason Investor Services LLC or its successor appointed in accordance with the requirements of the Financial Regulator.

**Minimum Initial Subscription** means such amount in the relevant Base Currency which must be initially subscribed by each Shareholder for Shares in a Fund as specified in the Relevant Supplement or such lower amount as the Directors may determine either generally or in a particular case.

**Money Market Instrument** instruments normally dealt in on the money market which are liquid, and have a value which can be accurately determined at any time.

**Net Asset Value** the net asset value of a Fund calculated as described in the "Determination of Net Asset Value" section of this Prospectus.

**Net Asset Value per Share** in relation to any Fund, the Net Asset Value divided by the number of Shares in the relevant Fund in issue or deemed to be in issue in respect of that Fund as of the relevant Valuation Point and, in relation to any class of Shares, subject to such adjustments, if any, as may be required in relation to such class.

**Paying Agents** agents which may be appointed by the Company to provide paying and representative services in particular jurisdictions.

**Prospectus** this document and any Relevant Supplement designed to be read and construed together with and to form part of this document.

**Recognised Market** any recognised exchange or market listed or referred in the Articles in accordance with the requirements of the Financial Regulator which does not issue a list of approved markets. The Recognised Markets in which each Fund may invest will be listed in Appendix I.

**Recognised Rating Agency** Moody's and any other internationally recognised rating agency equivalent to Moody's.

**Relevant Supplement** in relation to a Fund, the supplemental document containing specific information to this Prospectus published in respect of that Fund.

**SEC** the Securities and Exchange Commission of the U.S.

**Section 739B** Section 739B of TCA.

**Settlement Date** means in respect of receipt of subscription monies or dispatch of redemption monies, the date specified in the Relevant Supplement for the relevant Fund. The Settlement Date will be no more than 10 Business Days from a receipt of a request for redemption.

**SFC** means the Hong Kong Securities and Futures Commission

**Share or Shares** a share or shares of whatsoever series or class in the capital of the Company (other than Subscriber Shares) entitling the holders to participate in the profits of the Company attributable to the relevant Fund as described in this Prospectus and the Relevant Supplement.

**Shareholder** a person registered in the share register of members of the Company as a holder of Shares.

**Subscriber Shares** the initial issued share capital of 30,000 subscriber shares of no par value each and initially designated as "Subscriber Shares" and which are held by Legg Mason and its nominees but which do not entitle the holders to participate in the profits of the Company attributable to any Fund.

**Subscriber Shareholder or Subscriber Shareholders** a person/persons registered in the register of members of the Company as a holder or holders of Subscriber Shares.

**TCA** the Taxes Consolidation Act 1997, as amended.

**UCITS** an undertaking for collective investment in transferable securities within the meaning of the UCITS Regulations.

**UCITS Notices** the notices issued by the Financial Regulator pursuant to the UCITS Regulations.

**UCITS Regulations** the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (S.I. 211 of 2003) (and any amendment for the time being in force) and all applicable regulations made or conditions imposed or derogations granted thereunder by the Financial Regulator.

**U.S. or United States** the United States of America, its territories and possessions and all areas subject to its jurisdiction (including the Commonwealth of Puerto Rico).

**United States Person or U.S. Person** means a "U.S. Person", as defined by Rule 902 of Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), including:

- (i) any natural person resident in the United States;
- (ii) any partnership organised or incorporated under the laws of the United States;
- (iii) any estate of which any executor or administrator is a U.S. Person;
- (iv) any trust of which any trustee is a U.S. Person;
- (v) any agency or branch of a non-U.S. entity located in the United States;
- (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person;
- (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- (viii) any partnership or corporation if:

- (a) organised or incorporated under the laws of any non-U.S. jurisdiction; and
- (b) formed by a U.S. Person principally for the purposes of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under the Securities Act) who are not natural persons, estates or trusts.

Notwithstanding the preceding paragraph, "U.S. Person" shall not include:

- (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. Person by a dealer or other professional fiduciary organised, incorporated, or (if an individual) resident in the United States;
- (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. Person, if:
  - (a) an executor or administrator of the estate who is not a U.S. Person has sole or shared investment discretion with respect to the assets of the estate, and
  - (b) the estate is governed by non-United States law;
- (iii) any trust of which any professional fiduciary acting as trustee is a U.S. Person if a trustee who is not a U.S. Person has sole or shared investment discretion with respect to the trust assets and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. Person;
- (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country;
- (v) any agency or branch of a U.S. Person located outside the United States if:
  - (a) the agency or branch operates for valid business reasons, and
  - (b) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located;
- (vi) certain international organisations (and their agencies, affiliates and pension plans) as specified in Rule 902(k)(2)(vi) of Regulation S under the Securities Act; or
- (vii) an entity excluded or exempted from the definition of "U.S. Person" in reliance on or with reference to interpretations or positions of the U.S. Securities and Exchange Commission or its staff.

**USD** United States Dollars

**Valuation Point** the time at which the Net Asset Value of a Fund is determined, which will be at such time on a Dealing Day as the Directors may from time to time determine in their absolute discretion provided always that such Valuation Point is after the Dealing Deadline for the Fund.

## The Company

The Company is an investment company with variable capital incorporated in Ireland on 19 February 1996 under registration number 244870 and authorised by the Financial Regulator as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989 and regulated pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended. The object of the Company, as set out in Clause 2 of the Articles, is the collective investment in transferable securities and/or other liquid financial assets of capital raised from the public operating on the principle of risk spreading in accordance with the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (S.I. No. 211 of 2003) (as may be amended or supplemented from time to time). All holders of Shares are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Memorandum and Articles, copies of which are available as described in the "Documents for Inspection" section of this Prospectus.

The Company has been structured as an umbrella fund with segregated liability between its Funds in that the Directors may from time to time, with the prior approval of the Financial Regulator, issue different series of Shares representing separate portfolios of assets. The assets of each Fund will be invested in accordance with the investment objective and policies applicable to such Fund as disclosed in the Relevant Supplement, which should be read in conjunction with and construed as supplemental to this Prospectus.

Under the Articles, the Directors are required to establish a separate Fund, with separate records, for each series of Shares in the following manner:

- (a) the Company will keep separate books and records in which all transactions relating to the relevant Fund shall be recorded. The proceeds from the allotment and issue of each series of Shares will be applied to the Fund established for that series of Shares, and the investments and liabilities and income and expenditure attributable to them will be applied to such Fund;
- (b) any asset derived from another asset in a Fund will be applied to the same Fund as the asset from which it was derived and any increase or diminution in value of such an asset will be applied to the relevant Fund;
- (c) in the event of any asset (not being attributable to Subscriber Shares) which the Directors do not consider as attributable to a particular Fund or Funds, the Directors shall, with the consent of the Custodian, allocate such assets between Funds in such manner and on such basis as they in their discretion, deem fair and equitable and the Directors have the power to and may at any time and from time to time, with the approval of the Custodian, vary such basis in respect of the assets not previously allocated;
- (d) liabilities will be allocated to the Fund or Funds to which they relate or if such liability is not readily attributable to any particular Fund the Directors will have discretion to determine, with the consent of the Custodian, the basis upon which any liability will be allocated between Funds and the Directors may at any time and from time to time, with the approval of the Custodian, vary such basis;
- (e) the Directors may, with the consent of the Custodian, transfer any assets to and from Fund or Funds if, as a result of a creditor proceeding against certain of the assets of the Company or otherwise, a liability would be borne in a different manner from that in which it would have been borne under paragraph (d) above or in any similar circumstances; and
- (f) where the assets of the Company (if any) attributable to the Subscriber Shares give rise to any net profit, the Directors may allocate assets representing such net profits to such Fund or Funds as they may deem appropriate.

Shares of any particular series may be divided into different classes to accommodate different subscription and/or redemption provisions and/or dividend and/or charges and/or fee arrangements, including different total expense ratios, provided that the creation of any Share class is effected in accordance with the requirements of the Financial Regulator. The Company may adopt standards applicable to classes of investors or transactions that permit or require the purchase of a particular class of Shares. Any such standards shall be specified in the Relevant Supplement.

### **The Share Capital**

The authorised share capital of the Company is EUR 38,092.14 Shares divided into 30,000 Subscriber Shares of EUR 1.269738 each and 500,000,000,000 Shares of no par value initially designated as unclassified redeemable participating shares which have subsequently been classified as Class D, S, C, P & WA Shares. The Directors are authorised to issue the Shares on such terms as they think fit. Class S Shares are not currently offered in Hong Kong.

The Subscriber Shares do not entitle the holders to participate in the profits or assets of the Company except for a return of capital on a winding-up. The Shares entitle the holders to attend and vote at general meetings of the Company but not otherwise to participate in the assets of the Company. There are no pre-emption rights attaching to the Shares.

The Company may, from time to time by ordinary resolution increase its capital, consolidate and divide its Shares or any of them into Shares of larger amounts than its existing Shares and subdivide its Shares or any of them into Shares of smaller amounts or cancel any Shares not taken or agreed to be taken by any person. The Company may by special resolution from time to time reduce its share capital in any way permitted by law.

## Voting Rights

Subject to any special rights or restrictions for the time being attached to any class of Shares: (a) on a show of hands each member holding participating Shares, who is present in person or by proxy shall have one vote and the member or members holding Subscriber Shares present in person or by proxy shall have one vote in respect of all Subscriber Shares in issue; (b) on a poll every member present in person or by proxy shall be entitled to one vote in respect of his holding of Subscriber Shares and to one vote in respect of each whole participating Share held by him; and (c) on a poll of all the holders of Shares of more than one class for the time being the voting rights of the holders shall be adjusted in a manner determined by the Directors so as to reflect the latest calculated redemption price per Share of each of the classes in question.

## Variation of Shareholders' rights

Under the Articles, the rights attached to any class of Share may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three fourths of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. The provisions of the Articles relating to general meetings shall apply to every separate general meeting except that the necessary quorum at such a meeting, other than an adjourned meeting, shall be two persons holding or representing by proxy at least one third of the issued Shares of the class in question or, at an adjourned meeting, one person holding Shares of the class in question or his proxy. Any holder of Shares of the class in question present in person or by proxy may demand a poll.

# Investment Objectives and Policies

The Company has been established for the purpose of investing in transferable securities and money market instruments in accordance with the UCITS Regulations. The Western Asset US Dollar Liquidity Fund invests directly or indirectly in a wide range of money market and short term debt instruments with the aim of maintaining capital value while seeking to produce a money market return to investors. Details of specific investment objectives and policies for each Fund, and investment restrictions in relation to them, will be formulated by the Directors at the time of creation of each Fund and will be set out in the Relevant Supplement.

Any change in the investment objective may only be made with the approval of a special resolution of the Shareholders of the relevant Fund. Subject to notifying the Shareholders, the Directors have the power to change the investment policies of a Fund but any material change to the investment policies of a Fund may only be made with the approval of an ordinary resolution of the Shareholders of the relevant Fund. The Company will notify the Financial Regulator of any material change to the investment policies of a Fund that has been made.

Reasonable prior notice of any change in the investment objectives and/or policies must be given in advance to Shareholders to enable them to request the redemption of their Shares prior to its implementation.

The assets of each Fund will be invested in accordance with the investment restrictions contained in the UCITS Regulations and such additional investment restrictions, if any, as may be adopted by the Directors for any Fund and specified in the Relevant Supplement. References below to a Fund means the Company acting for the account of the relevant Fund. The principal investment restrictions applying to each Fund under the UCITS Regulations are as follows:

## 1 Permitted Investments

Investments of a Fund are confined to:

- (a) transferable securities and money market instruments, as prescribed in the UCITS notices, which are either admitted to official listing on a Recognised Market 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.
- (b) recently issued transferable securities which will be admitted to official listing on a Recognised Market within a year.
- (c) money market instruments, as defined in the UCITS Notices, other than those dealt on a Regulated Market.
- (d) units of UCITS.

- (e) units of non-UCITS as set out in the Financial Regulator's Guidance Note 2/03.
- (f) deposits with credit institutions as prescribed in the UCITS Notices.
- (g) FDI as prescribed in the UCITS Notices.

## 2 Investment Restrictions

- (a) A 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.
- (b) A Fund may invest no more than 10% of net assets in recently issued transferable securities which will be admitted to official listing on a Recognised Market 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:
  - (i) the securities are issued with an undertaking to register with the US Securities and Exchanges Commission within one year of issue; and
  - (ii) 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.
- (c) A 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%.
- (d) The limit of 10% in (c) above 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.
- (e) The transferable securities and money market instruments referred to in (d) above shall not be taken into account for the purpose of applying the limit of 40% referred to in (c) above.
- (f) A Fund may not invest more than 20% of net assets in deposits made with the same credit institution. Deposits with any one credit institution, other than (i) a credit institution authorised in the European Economic Area (the "EEA") (EU Member States, Norway, Iceland, Liechtenstein), (ii) a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States of America) or (iii) 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. This limit may be raised to 20% in the case of deposits made with the Custodian.
- (g) The risk exposure of the Fund to a counterparty to an over-the-counter OTC derivative may not exceed 5% of net assets. This limit is raised to 10% in the case of (i) a credit institution authorised in the EEA, (ii) a credit institution authorised within a signatory state (other than an EEA Member State) to the Basle Capital Convergence Agreement of July 1988 or (iii) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.
- (h) Notwithstanding paragraphs (c), (f) and (g) 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:
  - investments in transferable securities or money market instruments;
  - deposits, and/or
  - counterparty risk exposures arising from OTC derivatives transactions.
- (i) The limits referred to in (c), (d), (f), (g) and (h) above may not be combined, so that exposure to a single body shall not exceed 35% of net assets.
- (j) Group companies are regarded as a single issuer for the purposes of (c), (d), (f), (g) and (h) above. However, a limit of 20% of net assets may be applied to investment in transferable securities and money market instruments within the same group.
- (k) A Fund may invest up to 100% of net assets 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, as may be drawn from the following list:

OECD Governments (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  
 Council of Europe  
 Eurofima  
 African Development Bank  
 International Bank for Reconstruction and Development (The World Bank)  
 The Inter American Development Bank  
 European Union  
 European Central Bank  
 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  
 Tennessee Valley Authority

A Fund must hold securities from at least 6 different issues, with securities from any one issue not exceeding 30% of its net assets.

### 3 Investment in CIS

- (a) A Fund may not invest more than 5% of net assets in any one CIS. A Fund may not invest more than 10% in aggregate in other CIS.
- (b) Investment in non-UCITS may not, in aggregate, exceed 10% of net assets.
- (c) A Fund may only invest in CIS which are prohibited from investing more than 10% of their net assets in other open ended CIS.
- (d) When a Fund invests in the units of other CIS that are managed, directly or by delegation, by the Investment Manager or by any company with which an Investment Manager is linked by common management or control, or by a substantial direct or indirect holding, the Investment Manager or other company may not charge subscription, conversion or redemption fees on account of the Fund's investment in the units of such other CIS.
- (e) Where a commission (including a rebated commission) is received by the Investment Manager by virtue of an investment in the units of another CIS, the commission must be paid into the property of the Fund.

### 4 General Provisions

- (a) The Company, may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.
- (b) A Fund may acquire no more than:
  - (i) 10% of the non-voting shares of any single issuing body;
  - (ii) 10% of the debt securities of any single issuing body;
  - (iii) 25% of the units of any single CIS;
  - (iv) 10% of the money market instruments of any single issuing body.

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.

- (c) The provisions of (a) and (b) above shall not be applicable to:
- (i) transferable securities and money market instruments issued or guaranteed by an EU Member State or its local authorities;
  - (ii) transferable securities and money market instruments issued or guaranteed by a non-EU Member State;
  - (iii) transferable securities and money market instruments issued by public international bodies of which one or more EU Member States are members;
  - (iv) shares held by a Fund 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 non-EU Member State, where under the legislation of that non-EU Member State such a holding represents the only way in which the Fund can invest in the securities of issuing bodies of that non-EU Member 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 2 (c) to (j), 3 (a) and (b) and 4 (a),(b),(d),(e) and (f) and provided that where these limits are exceeded, paragraphs (e) and (f) below are observed; and
  - (v) shares held by a Fund 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 Shares at Shareholders' request exclusively on their behalf.
- (d) A 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 its assets.
- (e) The Financial Regulator may allow a recently authorised Fund to derogate from the provisions of 2 (c) to (k) and 3(a) to (b) for six months following the date of its authorisation, provided that it observes the principle of risk spreading.
- (f) 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.
- (g) Neither the Investment Manager nor the Custodian acting on behalf of a Fund may carry out uncovered sales of:
- (i) transferable securities;
  - (ii) money market instruments
  - (iii) units of CIS; or
  - (iv) financial derivative instruments.
- (h) A Fund may hold ancillary liquid assets.

## 5 FDI

- (a) A Fund's global exposure (as prescribed in the UCITS Notices) relating to FDI must not exceed its total Net Asset Value.
- (b) 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.)
- (c) A Fund may invest in FDI dealt in over-the-counter ("**OTC**") provided that the counterparties to OTCs are institutions subject to prudential supervision and belonging to categories approved by the Financial Regulator.
- (d) Investment in FDI is subject to the conditions and limits laid down by the Financial Regulator.

## 6 Further Restrictions

- (a) A Fund may not acquire either precious metals or certificates representing them, but may invest in securities issued by an issuer whose main business is concerned with precious metals.
- (b) A Fund may not invest more than 5% of its net assets in warrants.
- (c) A Fund may not make any loan or act as a guarantor on behalf of third parties provided that, for the purpose of this restriction, the making of deposits, the acquisition of bonds, debentures, debenture stock, notes, commercial paper, certificates of deposit, time deposits, bankers' acceptances, money market instruments or other debt instruments, securities or obligations permitted by the UCITS Regulations, or the acquisition of transferable securities which are not fully paid, shall not be deemed to constitute the making of a loan.
- (d) A Fund may not borrow money except as follows:
  - (i) foreign currency may be acquired by means of a back-to-back loan (i.e. borrowing one currency against a deposit of an equivalent amount of another currency), provided that where foreign currency borrowings exceed the value of the back-to-back deposit any excess shall be regarded as borrowing and is therefore aggregated with other borrowings for the purposes of the 10% limit referred to below;
  - (ii) the Company may borrow up to 10% of a Fund's net assets at any time for the account of any Fund and may charge the assets of such Fund as security for any such borrowing, provided that such borrowing is only for temporary purposes such as securities settlement or meeting a redemption, and not for leverage. Without prejudice to the powers of the Company to invest in transferable securities, the Company may not lend to, or act as guarantor on behalf of, third parties. A Fund may acquire debt securities and securities which are not fully paid; and
  - (iii) the Company may in respect of each Fund utilize and/or enter into repurchase agreements, buy and sell back agreements and stock lending agreements subject to the limits and conditions laid down by the Financial Regulator from time to time.

The investment restrictions listed above apply at the time of purchase of the relevant investments. If these limits are exceeded with respect to a Fund for reasons beyond the control of the Investment Manager or as a result of subscription rights, the Investment Manager shall adopt as a priority objective for the sales transactions of the relevant Fund the remedying of that situation, taking due account of the interests of its Shareholders.

Any Fund which proposes to invest in FDI as part of its investment policy or for efficient portfolio management purposes shall submit a risk management process to the Financial Regulator for review in advance of any such investment and shall set out in the Relevant Supplement (a) a statement drawing attention to this policy; (b) confirmation whether the FDI will be used for investment or efficient portfolio management purposes; (c) the types of FDI in which it is intended to invest; and (d) an explanation of the expected effect of these transactions on the risk profile of the relevant Fund. Any Fund which intends to invest principally in FDI will include in the Relevant Supplement a prominent statement to such effect.

Without limitation, the Directors, in accordance with the requirements of the Financial Regulator, may adopt additional investment restrictions to facilitate the distribution of Shares to the public in a particular jurisdiction. In addition, the investment restrictions set out above may be changed from time to time by the Directors in accordance with a change in the applicable law and regulations in any jurisdiction in which Shares are currently offered, provided that the assets of the Fund, at all times, will be invested in accordance with the restrictions on investments set out in the UCITS Regulations. The Company will not amend investment restrictions in relation to any Fund except in accordance with the requirements of the Financial Regulator and of the Irish Stock Exchange for as long as the Shares are listed on the Irish Stock Exchange and of the SFC for so long as the relevant Fund is authorised in Hong Kong.

### *Additional Investment Restrictions for Fund(s) authorised by the SFC in Hong Kong*

In addition, for so long as a Fund is registered with the SFC in Hong Kong, the following investment restrictions will also apply to the Fund:

The aggregate value of the Fund's holding of instruments and deposits issued by a single issuer may not exceed 10% of the total net assets except:

- (a) where the issuer is a substantial financial institution and the total amount does not exceed 10% of the issuer's capital and published reserves, the limit may be increased to 25%; or
- (b) in the case of government and other public securities, up to 30% may be invested in the same issue; or
- (c) in respect of any deposit of less than US\$1,000,000 or equivalent in the base currency of the Fund, where the Fund cannot otherwise diversify as a result of its size.

## Use of Financial Derivative Instruments and Fund Investment Techniques

The use of FDI (including without limitation, futures and options, currency swaps, interest rate swaps, foreign exchange contracts exchange traded stock index contracts and contracts for differences) is permitted for efficient portfolio management purposes, subject to the general restrictions outlined under "Investment Restrictions" in the "Investment Objectives and Policies" section above. The Fund may also employ fund investment techniques for efficient portfolio management of the assets of any Fund within the limits stipulated by the Financial Regulator under the UCITS Regulations and described below. Any use of such techniques or instruments should be reasonably believed by the Investment Manager to be economically appropriate to the effective portfolio management of the Fund, i.e. the use of FDI may only be undertaken for the purpose of one or more of the following: (a) a reduction of risk, (b) a reduction in cost, or (c) an increase in capital or income returns to a Fund. The Funds are not expected to have an above average risk profile as a result of utilisation of FDI and the total exposure of a Fund, including but not limited to, its exposure from the use of any derivative instruments (but not including temporary borrowings), must not exceed the total Net Asset Value of the Fund. The Financial Regulator defines "leverage" as being a fund's global exposure divided by its net asset value, where global exposure is defined as a measure of incremental exposure and leverage generated by using FDI. Although a Fund may be leveraged in this sense through its use of FDI, the Investment Manager does not expect the use of FDI to significantly increase such Fund's risk profile and the Investment Manager does not intend to use FDI as a means of gearing a Fund or as an alternative to borrowing.

### Use of Repurchase/Reverse Repurchase Agreements

A Fund may enter into repurchase agreements under which it acquires securities from a seller (for example, a bank or securities dealer) who agrees, at the time of sale, to repurchase the security at a mutually agreed-upon date (usually not more than seven days from the date of purchase) and price, thereby determining the yield to the Fund during the term of the repurchase agreement. The resale price reflects the purchase price plus an agreed upon market rate of interest which is unrelated to the coupon rate or maturity of the purchased security. The Fund may enter into reverse repurchase agreements under which it sells a security and agrees to repurchase it at a mutually agreed upon date and price. An investment by a Fund in repurchase and reverse repurchase agreements shall be subject to the conditions and limits set out in the UCITS Regulations (as may be amended from time to time). The provisions of the UCITS Notices as of the date of this Prospectus are summarised below.

Subject to the UCITS Regulations, a Fund may enter into repurchase agreements and reverse repurchase agreements ("**repo contracts**") only in accordance with normal market practice and provided that collateral obtained under the repo contract is liquid and in the form of (i) cash; (ii) government or other public securities; (iii) certificates of deposit issued by a credit institution, authorised in the EEA or a credit institution authorised within a signatory state, other than a Member State of the EEA, to the Basle Capital Convergence Agreement of July 1988 (Switzerland, Canada, Japan, United States) ("**Relevant Institutions**") (iv) bonds/commercial paper issued by Relevant Institutions or by non-bank issuers where the issue and issuer are rated A1 or equivalent; (v) letters of credit with a residual maturity of three months or less, which are unconditional and irrevocable and which are issued by Relevant Institutions (vi) equity securities traded on a stock exchange in the EEA, Switzerland, Canada, Japan, the United States, Jersey, Guernsey, the Isle of Man, Australia or New Zealand. A Fund may only enter into repo contracts with counterparties which are rated A/2 or equivalent or must be deemed by the Fund to have an implied rating of A2. Alternatively, an unrated counterparty is acceptable where the Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which maintains a rating of A2.

Until the expiry of a repo contract, collateral obtained must: (a) be marked to market daily; (b) equal or exceed, in value, at all times, the value of the amount invested or securities loaned; (c) be transferred to the Custodian, or its agent (except where the Fund uses tri-party collateral management services of International Central Securities Depositories and Relevant Institutions which are generally recognised as specialised in this type of transaction and the Custodian will be a named participant to the collateral arrangements); and (d) be immediately available to the Fund without recourse to the counterparty in the event of default by the counterparty. Non-cash collateral (i) cannot be sold or pledged by a Fund; (ii) must be held at the credit risk of the counterparty; and (iii) must be issued by an entity independent of a counterparty.

Cash received as collateral may only be invested in the following:

- deposits with Relevant Institutions;
- government or other public securities;
- certificates of deposit as set out above;
- letters of credit as set out above;
- repurchase agreements subject to the provisions herein; and
- daily dealing money market funds which have and maintain a rating of AAA or equivalent. If investments are made in a linked fund, no subscription, conversion or redemption charge can be made by the underlying money market fund.

Invested cash collateral held at the credit risk of the Fund, other than cash collateral invested in government or other public securities or money market funds, must be invested in a diversified manner. A Fund must be satisfied, at all times, that any investment of cash collateral will enable it to meet with its repayment obligations. Invested cash collateral may not be placed on deposit with, or invested in securities issued by the counterparty or a related entity.

All income or other income paid on securities which are the subject of repo contracts shall accrue to the Company for the benefit of the relevant Fund.

There is no restriction on the amount of the Fund's assets which may be made available by way of repo contracts. However, in practice, the amounts on loan and/or under repo contracts will not normally exceed 25% of such Fund's Net Asset Value.

Repo contracts do not constitute borrowing or lending for the purposes of the UCITS Regulations.

### **Mortgage Dollar Roll Transactions**

A Fund may enter into mortgage dollar roll transactions which are transactions in which mortgage-backed securities are sold for delivery in the current month and the seller simultaneously contracts to repurchase substantially similar securities on a specified future date. The difference between the sale price and the purchase price (plus any interest earned on the cash proceeds of the sale) is netted against the interest income foregone on the securities sold, to arrive at an implied borrowing rate. Alternatively, the sale and purchase transactions can be executed at the same time, with the Fund being paid a fee as consideration for entering into the commitment to purchase. Mortgage dollar rolls may be renewed prior to cash settlement and initially may involve only a firm commitment agreement by the Fund to buy a security. If the broker-dealer to whom the Fund sells the security becomes insolvent, the Fund's right to repurchase the security may be restricted. Other risks involved in entering into mortgage dollar rolls include the risk that the value of the security may change adversely over the term of the mortgage dollar roll and that the security the Fund is required to repurchase may be worth less than the security that the Fund originally held. To avoid any leveraging concerns, the Fund will place U.S. government or other liquid securities in a segregated account in an amount sufficient to cover its repurchase obligation. The Fund's use of mortgage dollar rolls will be subject to the same conditions and restrictions as those applicable to repurchase agreements which are set out in the Prospectus.

### **Sale-buybacks**

A Fund also may effect simultaneous purchase and sale transactions that are known as "sale-buybacks". A sale-buyback is similar to a reverse repurchase agreement, except that in a sale-buyback, the counterparty who purchases the security is entitled to receive any principal or interest payments made on the underlying security pending settlement of the Fund's repurchase of the underlying security. To avoid any leveraging concerns, the Fund will place U.S. government or other liquid securities in a segregated account in an amount sufficient to cover its repurchase obligation. The Fund's use of sale-buybacks will be subject to the same conditions and restrictions as those applicable to repurchase agreements which are set out in the Prospectus.

### **Lending of Fund Securities**

A Fund may lend its securities to brokers, dealers and other financial organisations in accordance with normal market practice, which brokers, dealers and other financial institutions have a minimum credit rating of A2 or equivalent or deemed by the Company to have an implied rating of A2 or with an unrated counterparty where a Fund is indemnified against losses suffered as a result of a failure by the counterparty, by an entity which has and maintains a rating of A2 or better.

Collateral obtained under such contracts or transactions must comply with the requirements outlined under “Use of Repurchase/Reverse Repurchase Agreements” above. That notwithstanding, a Fund may enter into stock lending programmes organised by generally recognised Central Securities Depositories Systems provided that the programme is subject to a guarantee from the system operator.

All interest, dividends or other income paid on securities which are the subject of such securities lending agreements shall accrue to the Company for the benefit of the relevant Fund.

In addition, a Fund must have the right at any time to terminate any securities lending agreement entered into by it, and to demand the return of any or all securities lent within five Business Days or such other period observed as normal market practice.

There is no restriction on the amount of the Fund's assets which may be made available by way of securities lending. However, in practice, the amounts on loan and/or under securities lending will not normally exceed 25% of such Fund's Net Asset Value.

Stock lending transactions do not constitute borrowing or lending for the purposes of the UCITS Regulations.

### **When-Issued and Forward Commitment Securities**

A Fund may purchase securities on a “when-issued” basis and may purchase or sell securities on a “forward commitment” basis. The price, which is generally expressed in yield terms, is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. When-issued securities and forward commitments may be sold prior to the settlement date, but a Fund will usually enter into when-issued and forward commitments only with the intention of actually receiving or delivering the securities or to avoid currency risk, as the case may be. No income accrues on securities which have been purchased pursuant to a forward commitment or on a when-issued basis prior to delivery of the securities. If the Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, the Fund may incur a gain or loss.

### **Currency Transactions**

Each Fund is permitted to invest in securities denominated in a currency other than the base currency of the Fund and may purchase currencies to meet settlement requirements. In addition, subject to the restrictions imposed by the UCITS Regulations, each Fund may enter into various currency transactions, i.e., forward foreign currency contracts, currency swaps or foreign currency to protect against uncertainty in future exchange rates. Forward foreign currency contracts are agreements to exchange one currency for another - for example, to exchange a certain amount of Sterling for a certain amount of Euro - at a future date. The date (which may be any agreed-upon fixed number of days in the future), the amount of currency to be exchanged and the price at which the exchange will take place are negotiated and fixed for the term of the contract at the time that the contract is entered into. Under the UCITS Regulations, uncovered positions in currency derivatives are not permitted.

Currency transactions undertaken to alter the currency exposure characteristics of transferable securities held by a Fund through the purchase or sale of currencies other than the currency of denomination of the Fund or the relevant transferable securities must not be speculative in nature i.e., they must not constitute an investment in their own right. To the extent that such currency transactions alter the currency characteristics of transferable securities of a Fund, they must be fully covered by the cash flows of the transferable securities held by the Fund, including any income therefrom. A Fund may not be leveraged or geared in any way through the use of currency transactions.

Currency transactions which alter currency exposure characteristics of transferable securities held by a Fund may only be undertaken for the purposes of a reduction in risk, a reduction in costs and/or an increase in capital or income returns to the Fund. Any such currency transactions must be used in accordance with the investment objective of the Fund and must be deemed by the Investment Manager to be economically appropriate.

A Fund may “cross-hedge” one foreign currency exposure by selling a related foreign currency into the base currency of that Fund. Also, in emerging or developing markets, local currencies are often expressed as a basket of major market currencies such as the US Dollar or Japanese Yen. A Fund may hedge out the exposure to currencies other than its base currency in the basket by selling a weighted average of those currencies forward into the base currency.

## Credit Default Swaps

A Fund may enter into credit default swaps. A credit default swap is a bilateral financial contract under which the protection buyer pays a fee, usually expressed in basis points per annum on the notional amount, in return for a payment by the protection seller contingent on the occurrence of a credit event, such as a bankruptcy, default, or restructuring, with respect to a referenced entity. The credit events and applicable settlement mechanism used to determine the contingent payment are negotiated between the counterparties at time of trading. Once the credit event has been declared, the protection buyer has the right to settle the contract. Settlement is usually either physical or cash. With physical settlement the protection buyer has the right to deliver bonds of the effected referenced entity with a face value equal to the notional amount of the credit default swap contract. In return, the protection buyer receives the notional amount of the credit default swap contract in cash. With cash settlement, the protection seller pays to the protection buyer the difference between the face value of the debt of the referenced entity and the estimated value of such debt in the markets. Selling and buying protection is the equivalent of synthetically shorting or hedging a bond or other credit exposure as described herein. The use of credit default swap contracts is restricted to the extent that the benefits to the Fund mirror that which could be obtained by direct investment in the underlying instruments and that the swaps do not expose the Fund to risks which it would not otherwise assume (other than the exposure to the credit default swap counterparty). In addition, where a Fund acts as protection seller the following additional requirements will apply: (a) the contract must be subject to daily valuations by the Fund and be independently valued at least once a month; and (b) the risks attached to the contract must be independently assessed (i.e., by a party independent to the counterparty) on a semi-annual basis and the independent report submitted to the Company for review. Credit default swaps which are not exchange traded will be subject to the conditions and restrictions applicable to OTC contracts set out in the Prospectus.

## Additional Information

Each Fund's principal investment strategies will be set out in the Relevant Supplement. The following provides additional information about these principal strategies and describes other investment strategies that may be used by the Funds and contains more information about the various types of securities in which each Fund may invest and the risks involved in such investments.

The general categories of short-term securities or instruments in which the Funds may invest are described below.

### U.S. Government Debt Securities

A Fund may invest in securities, including bills, bonds or notes, issued or guaranteed by the U.S. government, by various agencies of the U.S. government, and by various instrumentalities which have been established or sponsored by the U.S. government.

U.S. Treasury Securities are backed by the "full faith and credit" of the United States government. Securities issued or guaranteed by Federal agencies and U.S. government sponsored instrumentalities may or may not be backed by the full faith and credit of the United States. In the case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency or instrumentality issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitment. However, it is not intended to invest in any such securities unless they are investment grade securities.

Some of the U.S. government agencies that issue or guarantee securities include the Export-Import Bank of the United States, the Farmers Home Administration, the Federal Housing Administration, the Maritime Administration, the Small Business Administration and the Tennessee Valley Authority.

An instrumentality of the U.S. government is a government agency organised under Federal charter with government supervision. Instrumentalities issuing or guaranteeing securities include, among others, Federal Home Loan Banks, the Federal Land Banks, the Central Bank for Cooperatives, Federal Intermediate Credit Banks, and the Federal National Mortgage Association.

A Fund may invest in zero coupon Treasury securities which may be issued by the U.S. government, its agencies or instrumentalities and which are purchased at a substantial discount from their face value. Zero coupon Treasury securities generally are U.S. Treasury notes and bonds that have been "stripped" of their interest coupons, U.S. Treasury bills without interest coupons, or certificates representing interests in the stripped securities. They are subject to greater fluctuations in market value when interest rates change than debt securities that pay interest periodically. A Fund accrues interest on zero coupon bonds even though cash is not actually received.

## **Bank Obligations**

A Fund may invest in negotiable certificates of deposit (issued by banks in large denominations) and bankers' acceptances (credit instruments guaranteed by a bank) which are High-Quality Securities. Generally, "High-Quality Securities" are securities that are rated in one of the two highest rating categories by two Recognised Rating Agencies, or by one if only one Recognised Rating Agency has rated the securities, or, if unrated, determined to be of comparable quality by the Investment Manager pursuant to guidelines adopted by the Directors. High-Quality Securities may be "first tier" or "second tier" securities. First tier securities are rated within the highest category and second tier securities are rated within the second-highest category. In general each Fund intends to invest the majority of its assets in first tier securities. Should a security's high-quality rating change after purchase by a Fund, the Investment Manager would take such action, including no action, as determined to be in the best interest of the Fund, provided that no more than 5% of a Fund's Net Asset Value will be invested in below investment grade securities.

A Fund may also invest in Eurodollar and Yankee obligations which are certificates of deposit issued in U.S. dollars by non-U.S. banks and non-U.S. branches of U.S. banks. Eurodollar and Yankee obligations have the same risks, such as income risk and credit risk, as U.S. money market securities. Other risks of Eurodollar and Yankee obligations include the possibility that a government will not let U.S. dollar-denominated assets leave the country; the possibility that the banks that issue Eurodollar obligations may be subject to an inadequate degree of regulation; and the possibility that adverse political or economic developments will affect investments in a particular country. Before the Investment Manager selects a Eurodollar or Yankee obligation however, any relevant issuer undergoes the same credit-quality analysis and tests of financial strength as the issuers of U.S. securities.

## **Commercial Paper**

A Fund may invest in commercial paper which are High-Quality Securities as described above under "Bank Obligations". Commercial paper consists of short-term promissory notes issued by banks, corporations and other institutions to finance short-term credit needs. These securities generally are discounted but sometimes may be interest bearing. Commercial paper, which also may be unsecured, is subject to credit risk.

## **Promissory Notes**

A Fund may invest in promissory notes which are freely transferable, High-Quality Securities as described above under "Bank Obligations".

Promissory notes are written agreements committing the maker or issuer to pay the payee a specified amount either on demand or at a fixed date in the future, with or without interest. These are sometimes called negotiable notes or instruments and are subject to credit risk. Bank notes are notes used to represent debt obligations issued by banks in large denominations.

## **Asset-backed Securities**

A Fund may invest in securities that are backed by the loans or accounts receivable of an entity, such as a bank or credit card company. These securities are typically commercial paper (short-term loans), which the issuer intends to repay using the assets backing them (once collected). Therefore, repayment depends largely on the cash flows generated by the assets backing the securities. Sometimes the credit support for these securities is limited to the underlying assets, but, in other cases, may be provided by a third party via a letter of credit or insurance guarantee. Asset backed securities are subject to credit and prepayment risks.

Asset backed securities are secured or backed by assets and are sponsored by such institutions as finance companies, finance subsidiaries of industrial companies and investment banks. Asset-backed securities include securities backed by assets such as motor vehicle installment sale contracts, other installment sale contracts, home equity loans, leases of various types of real and personal property, and receivables from revolving credit (credit card) agreements. Such assets are securitised through the use of trusts or special purpose corporations. Payments or distributions of principal and interest may be guaranteed up to a certain amount and for a certain period of time by a letter of credit or pool insurance issued by a financial institution unaffiliated with the issuer, or other credit enhancements may be present.

## **Other Short-term Debt Securities**

A Fund may also invest in other short-term debt securities (including zero coupon securities and asset backed securities) which are High-Quality Securities as described above under "Bank Obligations".

### **Other Short-term Government, Municipal and Corporate Debt Obligations**

A Fund may also invest in short-term government, municipal and corporate obligations whether issued as bonds, notes or other debt securities which are High-Quality Securities as described above under "Bank Obligations".

### **Floating Rate/Variable Rate Notes**

A Fund may purchase notes with floating or variable interest rates. Variable rates are adjustable at stated periodic intervals. Floating rates are adjusted automatically according to a specified market index for such investments, such as the prime rate of a bank.

### **Ancillary Liquid Assets**

A Fund may also hold or maintain ancillary liquid assets which may include time deposits, master demand notes, variable rate demand notes and short-term funding agreements.

### **Master Demand Notes**

A master demand note is a note that permits investment of fluctuating amounts of money at varying rates of interest pursuant to arrangements with issuers of the notes. The interest rate on a master demand note may fluctuate based upon changes in specified interest rates or be set periodically according to a prescribed formula or may be a set rate. Although there is no secondary market in master demand notes, such notes have a demand feature pursuant to which the payee may demand payment of the principal amount for the note on relatively short notice, which generally can vary from one to seven days. A Fund will only invest in master demand notes issued by highly rated institutions or subsidiaries of highly rated institutions.

### **Short-term Funding Agreements**

A short-term funding agreement is similar to a variable rate demand note insofar as it is an agreement which obligates the issuer, typically an insurance company, to pay a rate of interest on a principal sum deposited by the investor. The terms of the agreement specify, among other things, how long the funds will be placed with the issuer, the method for calculating the interest rate (which is usually a variable rate) and the frequency of change, and the terms of the put feature. The put (akin to a demand feature) obligates the issuer to pay the principal and accrued interest within a specified time after notice is given by the investor. A Fund will only enter into short-term funding agreements which have a fixed maturity of no greater than seven days with highly rated institutions or subsidiaries of highly rated institutions.

## **Investment Risks**

Investment in any Fund entails a degree of risk. While there are some risks that may be common to a number or all of the Funds, there may also be specific risk considerations which apply to particular Funds in which case such risks will be specified in the Relevant Supplement for that Fund. It is important to keep in mind one of the main axioms of investing: the higher the risk of losing money, the higher the potential reward. The reverse, also, is generally true: the lower the risk, the lower the potential reward. Investment in the Shares may not be suitable for all investors and should not be considered a complete investment program. As you consider an investment in one or more of the Funds, you should take into account your investment objectives and personal risk tolerance. There can be no assurance that any Fund will achieve its investment objectives. The Net Asset Value of Shares may go down as well as up and you may not get back the amount invested or any return on your investment.

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

### **Market Risk**

The investments of a Fund are subject to normal market fluctuations and the risks inherent in investment in international securities markets and there can be no assurances that appreciation will occur.

Stock markets can be volatile and stock prices can change substantially. Debt securities are interest rate sensitive and may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The magnitude of these price fluctuations will be greater when the maturity of the outstanding securities is longer. The performance of a Fund will therefore depend in part on the ability of the Investment Manager to anticipate and respond to such fluctuations in market interest rates and to utilize appropriate strategies to maximise returns, while attempting to reduce the associated risks to investment capital.

### **Downgrading Risk**

Investment grade securities may be subject to the risk of being downgraded to below investment grade securities. If an investment grade security is downgraded to below investment grade, then investors should note that such below investment grade securities would generally be considered to have a higher credit risk and a greater possibility of default than more highly rated securities. If the issuer defaults, or such securities cannot be realised, or perform badly, investor may suffer substantial losses. In addition, the market for securities which are rated below investment grade and/or have a lower credit rating generally is of lower liquidity and less active than that for higher rated securities and a Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

### **Umbrella Structure of the Company and Cross-contamination Risk**

Each Fund will be responsible for paying its fees and expenses regardless of the level of its profitability. As the Company is an umbrella fund with segregated liability between its Funds, pursuant to Irish law, the Company should not be liable as a whole to third parties for the liability of each Fund and there should not be the potential for cross contamination of liabilities between Funds. However, there can be no categorical assurance that, should an action be brought against the Company in the courts of another jurisdiction, the segregated nature of the Funds will necessarily be upheld.

### **Political and/or Regulatory Risks**

The value of the assets of a Fund may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in applicable laws and regulations.

### **Developing Market Risk**

There are certain risks involved in investing in securities of companies and governments of developing market countries which are in addition to the usual risks inherent in investment in securities of more developed countries. These risks include those resulting from fluctuations in currency exchange rates, revaluation of currencies, future adverse political and economic developments and the possible imposition of currency exchange blockages or other foreign governmental laws or restrictions, reduced availability of public information concerning issuers, the lack of uniform accounting, auditing and financial reporting standards and other regulatory practices and requirements that are often less rigorous than those applied in more developed countries. Securities of many companies in developing market countries may be less liquid and the prices more volatile than those securities of comparable companies in non-developing market countries. Certain developing market countries are known to experience long delays between the trade and settlement dates of securities purchased or sold. In addition, with respect to certain developing market countries, there is a possibility of expropriation, nationalisation, confiscatory taxation and limitations on the use or removal of funds or other assets of a Fund, including the withholding of dividends. Moreover, individual economies of developing market countries may differ favourably or unfavourably from the economies of non-developing market countries in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Investment in foreign securities may also result in higher operating expenses due to the cost of converting foreign currency into the base currency of a Fund, higher valuation and communications cost and the expense of maintaining securities with foreign custodians.

### **Currency Risk**

The Net Asset Value per Share of a Fund will be computed in the base currency of the relevant Fund, whereas the investments held for the account of that Fund may be acquired in other currencies. The base currency value of the investments of a Fund designated in another currency may rise and fall due to exchange rate fluctuations in respect of the relevant currencies. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The investments of each Fund may be fully hedged into its base currency. In addition, currency hedging transactions, while potentially reducing the currency risks to which a Fund would otherwise be exposed, involve certain other risks, including the risk of a default by a counterparty.

Where a Fund enters into "cross hedging" transactions (e.g. utilizing currency different than the currency in which the security being hedged is denominated), the Fund will be exposed to the risk that changes in the value of the currency used to hedge may not correlate with changes in the value of the currency in which the securities are denominated, which could result in loss on both the hedging transaction and the Fund securities.

### **Counterparty Risk**

A Fund will have a credit risk on the parties with which it trades including for example, counterparties to repurchase agreements, securities lending agreements and OTC Contracts. In the event of the insolvency, bankruptcy or default of the seller under a repurchase agreement, a Fund may experience both delays in liquidating the underlying securities and losses, including the possible decline in the value of securities during the period while it seeks to enforce its rights, possible sub-normal level of income, lack of access to income during the period and expenses in enforcing its rights. The risks associated with lending portfolio securities include the possible loss of rights against the collateral for the securities should the borrower fail financially.

A Fund's foreign exchange, futures and other transactions also involve counterparty credit risk and may expose the Fund to unanticipated losses to the extent that counterparties are unable or unwilling to fulfill their contractual obligations. With respect to futures contracts and options on futures, the risk is more complex in that it involves the potential default of the clearing house or the clearing broker.

The Company may have contractual remedies upon any default pursuant to the agreements related to particular transactions. Such remedies could be inadequate, however, to the extent that the collateral or other assets available are insufficient to satisfy the obligations of the counterparty to the Company.

### **Valuation Risk**

The Net Asset Value of each of the Funds is currently calculated using the amortised cost method, which values securities at their cost and thereafter assumes a constant amortisation to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the security or instrument. Whilst this method provides certainty in valuation, it may result in periods during which the value of the security, as determined by the amortised cost method of valuation, is higher or lower than the price a Fund would receive if the security was sold. During such periods, the daily fluctuation in value of the Shares in the Funds may differ somewhat from an identical computation made by an investment company with identical investments utilizing available indications as to market value in order to value its portfolio securities.

The calculation of the Net Asset Value of each Fund involves the estimation of expenses and liabilities and may involve the amortisation of these expenses and liabilities together with any realized capital losses over a certain period. In the event that these estimates prove inaccurate or in the event that the Fund terminates before the end of the relevant amortisation period, this may impact on the Net Asset Value of the Fund and the Net Asset Value per Share and in particular may result in Shareholders receiving less than the amount they invested on the redemption of their Shares or the termination of the Fund.

### **Risk of Investments issued by Special Purpose Vehicles**

Investments in asset backed, mortgage related and other types of structured securities which are issued by special purpose vehicles (such as SIVs) may be subject to certain credit and liquidity risks. Market conditions may significantly impair the value of these types of investments resulting in a lack of correlation between their credit ratings and values. For example a SIV collateralized by residential mortgages may find the market conditions could result in the underlying mortgages' default rates increasing and their foreclosure values being materially below any outstanding amounts. In these circumstances collection of the full amount of accrued interest and principal on such investments may be affected.

### **Portfolio Transaction Charges**

Sales, redemption or transaction charges may be payable in respect of any Fund if specified in the Relevant Supplement. In the short term, these charges will have the effect of reducing the value of an investment. Accordingly, an investor should view its investment in that Fund as medium to long term.

### **Investment Techniques**

There are certain investment risks which apply in relation to techniques and instruments which the Investment Manager may employ for efficient portfolio management purposes including, but not limited to, the techniques listed below. To the extent that the Investment Manager's expectations in employing such techniques and instruments are incorrect, a Fund may suffer a substantial loss having an adverse effect on the Net Asset Value of the Shares.

## **Futures and Options contracts, Forward Commitments, Swaps and When-issued Securities**

Each Fund may use futures and options, forward commitments, swaps and when-issued securities for portfolio management purposes and/or for hedging against market movements, currency exchange or interest rate risks or otherwise. A Fund's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including: (a) dependence on the Investment Manager's ability to predict movements in the price of securities being hedged and movements in interest rates; (b) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies in the relevant Fund; (c) the absence of a liquid market or of accurate pricing information for any particular instrument at any particular time; (d) while a Fund may not be leveraged or geared in any way through the use of derivatives the degree of leverage inherent in futures trading (i.e., the low margin deposits normally required in futures trading) means that a relatively small price movement in a futures contract may result in an immediate and substantial loss to the Fund; and (e) possible impediments to effective portfolio management or the ability to meet redemption requests or other short-term obligations because of the percentage of a Fund's assets segregated to cover its obligations.

Positions in futures contracts may be closed out only on an exchange which provides a secondary market for such futures. However, there can be no assurance that a liquid secondary market will exist for any particular futures contract at any specific time. Thus, it may not be possible to close a futures position. In the event of adverse price movements, a Fund would continue to be required to make daily cash payments to maintain its required margin. In such situations, if a Fund has insufficient cash, it may have to sell portfolio securities to meet daily margin requirements at a time when it may be disadvantageous to do so. In addition, a Fund may be required to make delivery of the instruments underlying futures contracts it holds. The inability to close options and futures positions also could have an adverse impact on the ability to effectively hedge the Fund.

The risk of loss in trading futures contracts in some strategies can be substantial, due both to the low margin deposits required, and the extremely high degree of leverage involved in futures pricing. As a result, a relatively small price movement in a futures contract may result in immediate and substantial loss (as well as gain) to the investor. For example, if at the time of purchase, 10% of the value of the futures contract is deposited as margin, a subsequent 10% decrease in the value of the futures contract would result in a total loss of the margin deposit, before any deduction for the transaction costs, if the account were then closed out. A 15% decrease would result in a loss equal to 150% of the original margin deposit if the contract were closed out. Thus, a purchase or sale of a futures contract may result in losses in excess of the amount of investment in the contract. The relevant Fund also assumes the risk that the Investment Manager will incorrectly predict future stock market trends. However, because the futures strategies of each Fund are engaged in only for hedging purposes, the Company does not believe that the Funds are subject to the risks of loss frequently associated with futures transactions. A Fund would generally have sustained comparable losses if, instead of the futures contract, it had invested in the underlying financial instrument and sold it after the decline.

Utilisation of futures transactions by a Fund does involve the risk of imperfect or no correlation where the securities underlying the futures contracts have different maturities than the portfolio securities being hedged. It is also possible that a Fund could both lose money on futures contracts and also experience a decline in value of its portfolio securities. There is also a risk of loss by a Fund of margin deposits in the event of bankruptcy of a broker with whom a Fund has an open position in a futures contract or related option.

Most futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day. The daily limit establishes the maximum amount that the price of a futures contract may vary either up or down from the previous day's settlement price at the end of a trading session. Once the daily limit has been reached in a particular type of contract, no trades may be made on that day at a price beyond that limit. The daily limit governs only price movement during a particular trading day and therefore does not limit potential losses, because the limit may prevent the liquidation of unfavourable positions. Futures contract prices have occasionally moved to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses.

## **Derivatives**

Derivatives, in general, involve special risks and costs and may result in losses to the Funds. The successful use of derivatives requires sophisticated management, and a Fund will depend on the ability of the Investment Manager to analyse and manage derivatives transactions. The prices of derivatives may move in unexpected ways, especially in abnormal market conditions. In addition, correlation between the particular derivative and an asset or liability of a Fund may prove not to be what the Investment Manager expected. Some derivatives are "leveraged" and therefore may magnify or otherwise increase investment losses to the Fund, creating the risk of potentially unlimited loss.

Other risks arise from the potential inability to terminate or sell derivatives positions. A liquid secondary market may not always exist for the Funds' derivatives positions at any time. In fact, many over-the-counter instruments will not be liquid and may not be able to be "closed out" when desired. Over-the-counter instruments such as swap transactions also involve the risk that the other party will not meet its obligations to the Funds. The participants in "over-the-counter" markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange based" markets, and there is no clearing corporation which guarantees the payment of required amounts. This exposes the Funds to risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the relevant Fund to suffer a loss. Derivative contracts may also involve legal risk.

### **Repurchase and Reverse Repurchase Agreements**

If the seller of a repurchase agreement fails to fulfill its commitment to repurchase the security in accordance with the terms of the agreement, the relevant Fund may incur a loss to the extent that the proceeds realised on the sale of the securities are less than the repurchase price. If the seller becomes insolvent, a bankruptcy court may determine that the securities do not belong to the Fund and order that the securities be sold to pay off the seller's debts. The relevant Fund may experience both delays in liquidating the underlying securities and losses during the period while it seeks to enforce its rights, including possible sub-normal level of income and lack of access to income during the period and expenses in enforcing its rights.

Reverse repurchase agreements create the risk that the market value of the securities sold by the Fund may decline below the price at which the Fund is obliged to repurchase such securities under the agreement. In the event that the buyer of securities under a reverse repurchase agreement files for bankruptcy or proves insolvent, the Fund's use of proceeds from the agreement may be restricted pending the determination by the other party or its trustee or receiver whether to enforce the obligation to repurchase the securities.

### **Securities Lending Agreements**

A Fund will have a credit risk on a counterparty to any securities lending contract. The risks associated with lending portfolio securities include the possible loss of rights against the collateral for the securities should the borrower fail financially.

### **Stable Net Asset Value**

While the Directors may seek to maintain a stable Net Asset Value per Class D and Class WA Share in respect of the Funds of 1.00 unit of the relevant Base Currency per Share, but there can be no assurance that the Net Asset Value per Share, or in any particular class of Share, in such Fund will remain stable or that the price of the Shares will not fall.

### **Mortgage-backed Securities**

Mortgage-backed securities provide a monthly or quarterly payment consisting of interest and principal payments. Additional payments may be made out of unscheduled repayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs that may be incurred. Prepayments of principal on mortgage-backed securities may tend to increase due to refinancing of mortgages as interest rates decline. Prepayments may be passed through to the registered holder with the regular monthly payments of principal and interest, and have the effect of reducing future payments. In the event of prepayments, the Funds may experience a loss (if the price at which the respective security was acquired by the fund was at a premium over par, which represents the price at which the security will be redeemed upon repayment) or a gain (if the price at which the respective security was acquired by the Fund was at a discount from par). To the extent that a Fund purchases mortgage-backed securities at a premium, mortgage foreclosures and prepayments of principal by mortgagors (which may be made at any time without penalty) may result in some loss of the Fund's principal investment to the extent of the premium paid. Prepayments may occur with greater frequency in periods of declining mortgage rates because, among other reasons, it may be possible for mortgagors to refinance their outstanding mortgages at lower interest rates. When market interest rates increase, the market values of mortgage-backed securities decline. At the same time, however, mortgage refinancing slows, which lengthens the effective maturities of these securities. As a result, the negative effect of the rate increase on the market value of mortgage-backed securities is usually more pronounced than it is for other types of fixed-income securities.

Mortgage pools created by private organisations generally offer a higher rate of interest than governmental and government-related pools because there are no direct or indirect guarantees of payments in the former pools. Timely payment of interest and principal in private organisation pools, however, may be supported by various forms of private insurance or guarantees, including individual loan, title, pool and hazard insurance. There can be no assurance that the private insurers can meet their securities under the policies. The Funds' yields may be affected by reinvestment of prepayments at higher or lower rates than the original investment. In addition, like those of other debt securities, the values of mortgage-related securities, including government and government-related mortgage pools, generally will fluctuate in response to market interest rates.

## Asset-backed Securities

The principal of asset-backed securities may be prepaid at any time. As a result, if such securities were purchased at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect. Conversely, if the securities are purchased at a discount, prepayments faster than expected will increase yield to maturity and prepayments slower than expected will decrease it. Accelerated prepayments also reduce the certainty of the yield because the Funds must reinvest the assets at the then-current rates. Accelerated prepayments on securities purchased at a premium also impose a risk of loss of principal because the premium may not have been fully amortised at the time the principal is repaid in full.

## Distribution Policy

The Articles empower the Directors to declare dividends in respect of any Shares out of net income (including dividend and interest income) and the excess of realised and unrealised capital gains over realised and unrealised losses in respect of investments of the Company. Any dividend unclaimed after a period of six years from the date when it first became payable shall be forfeited and shall revert to the relevant Fund.

The net income, as defined below, of each Fund is determined on each Dealing Day. This determination is as of the Valuation Point. All or substantially all of the net income attributable to Class D and Class WA Shares of each Fund is expected to be declared as a dividend to the Class D and Class WA Shareholders of the relevant Fund. Shares purchased begin accruing dividends on, and Shares redeemed cease to accrue dividends up to, the days specified in the Relevant Supplement. It is expected that dividends will be distributed monthly on the Business Day following the last Business Day of each month except where a Shareholder has requested the redemption of all of its Class D or Class WA Shares in a Fund in which case the Directors reserve the right to pay all accrued dividends in respect of the redeemed Shares on the relevant Settlement Date. Unless a Shareholder elects to receive dividends in cash, dividends are distributed in the form of full and fractional additional Class D or Class WA Shares of the relevant Fund at the Net Asset Value per Share of the relevant class, which is expected to be equal to a rate of one Class D Share or one Class WA Share of the Fund for each one unit of currency of dividend income.

For these purposes, the net income of each Fund (from the time of the immediately preceding determination of it) shall consist of all income accrued, including the accretion of discounts less the amortisation of any premium on the portfolio assets of the relevant Fund, less all actual and accrued expenses determined in accordance with generally accepted accounting principles.

Dividends may be declared at a different rate for each Fund.

Since the net income attributable to each Class D and Class WA Share of a Fund is declared as a dividend each time the net income of the relevant Fund is determined, the Net Asset Value per Class D or Class WA Share of the relevant Fund is expected to remain at 1 unit of the relevant Base Currency per Share immediately after each such determination and dividend declaration. Any increase in the value of a Class D or Class WA Shareholder's investment in a Fund, representing the reinvestment of dividend income, is reflected by an increase in the number of Class D or Class WA Shares of the relevant Fund in the Shareholder's account.

In addition to the daily declaration of net income attributable to the Class D Shares and the Class WA Shares, the Directors may also distribute realised and unrealised capital gains, if any, after deduction of realised and unrealised capital losses. The Directors intend to make such distributions of net capital gains where it will facilitate the maintenance of a stable Net Asset Value per Share in the relevant Class of 1 unit of the relevant Base Currency per Share.

Shareholders are reminded that there is no assurance that the Company will be able to maintain a stable Net Asset Value per Share in the Class D Shares and the Class WA Shares of the Funds.

The Directors do not intend to declare any dividend in respect of the Class C and Class P Shares in each Fund. The net income attributable to Class C and Class P Shares shall be retained within the relevant Fund and the value of the Class C and Class P Shares shall rise accordingly.

The Company will be obliged and is entitled to deduct an amount in respect of Irish tax from any dividend payable to an investor who is or is deemed to be or is acting on behalf of an Irish Resident who is not an Exempt Investor and pay such sum to the Revenue Commissioners in Ireland.

## Buying Shares

The Directors may issue Shares of any series or class, and create new series or classes of Shares, on such terms as they may from time to time determine in relation to any Fund provided that the creation of any Share class is effected in accordance with the requirements of the Financial Regulator. Shares of any particular series may be divided into different classes to accommodate different subscription and/or redemption and/or dividend provisions and/or charges and/or fee arrangements, including different total expense ratios. The terms, conditions and procedures applicable to an issue of Shares in respect of a Fund will be specified in the Relevant Supplement.

The price at which Shares in any Fund will be issued is the Net Asset Value per Share of the relevant class for the relevant Fund, at the Valuation Point on the relevant Dealing Day together with such sum as the Directors in their absolute discretion may from time to time determine as an appropriate provision for Duties and Charges in respect of the allotment and issue of such Shares.

Initial applications must be made on the application form and accompanied by supporting documentation in relation to anti-money laundering requirements and otherwise and, where appropriate, a Declaration and submitted by post to the Administrator (or for any subsequent dealing activities by telephone or sent by fax with the originals to follow by post) at the address/fax number/telephone number set out on the application form. Telephone dealing is only permitted on subsequent subscriptions, redemptions, transfers and exchanges upon receipt of the original application documentation detailed above and whereby the shareholder has elected to avail of this service. Applications by fax or telephone will be treated by the Company as definitive orders even if not subsequently confirmed by post and will not be capable of withdrawal after acceptance by the Administrator. The Original application documentation detailed above must be received promptly following telephone/faxed applications. Redemption payments may be withheld in respect of such Shares until the original application documentation detailed above has been received by the Administrator and all necessary original anti-money laundering checks have been completed and the original declaration required by the Irish Revenue Commissioners. Amendments to an investor's registration details and payment instructions will only be effected on receipt of original documentation.

The Minimum Initial Subscription for Shares of each Fund that may be subscribed for by each subscriber on initial application is set out in the Relevant Supplement for the relevant Fund. Thereafter, existing Shareholders may make additional subscriptions for Shares of that Fund in the amount (if any) set out in the Relevant Supplement for the relevant Fund.

Subsequent applications not made on the application form should state the relevant Fund(s) and classes in respect of which the application is being made; state the number of Shares applied for or the amount to be invested; state how payment has been or will be paid; acknowledge receipt of the Prospectus and confirm the application is made on the terms set out in the application form and subject to the Articles; state the name of the applicant and the name and address to which the contract note is to be dispatched; and (other than pursuant to an exemption available under the laws of the United States) confirm the purchaser is neither a United States Person (as defined in this Prospectus) nor acting on behalf of or for the benefit of a United States Person, or if there is more than one purchaser, that none of them is a United States Person or is acting on behalf of, or for the benefit of a United States Person.

Payment in respect of the issue of Shares must be made by the relevant Settlement Date, in the Base Currency of the relevant Fund which payment shall be made by electronic funds transfer ("**EBT**") (net of bank handling charges and fees). If payment in full has not been received by the Settlement Date or in the event of non-clearance, any allotment of Shares made in respect of such application may, at the discretion of the Directors, following consultation with the Administrator, be cancelled. In such a case and notwithstanding cancellation of the application, the Company shall charge the applicant for any resulting loss incurred by the Company.

The Directors may in their absolute discretion, provided that they are satisfied that no material prejudice would result to any existing Shareholders and subject to the UCITS Regulations, allot Shares of any class of a Fund against the vesting in the Company of investments which would form part of the assets of the relevant Fund. The number of Shares of a Fund to be issued in this way shall be the number which would on the day the investments are vested in the relevant Fund of the Company have been issued for cash against the payment of a sum equal to the value of the investments. The value of the investments to be vested shall be calculated on such basis as the Directors may decide, but such value cannot exceed the highest amount at which they would be valued by applying the valuation methods described under the heading "Determination of Net Asset Value/Valuation of Assets" above.

Payment is due in the Base Currency of the relevant Fund. The Company may accept payment in other currencies, but such payments will be converted into the relevant Base Currency and only the proceeds of such conversion (after deducting expenses relating to such conversion) will be applied by the Company towards payment of the subscription moneys. The Company has standing arrangements for subscription moneys to be paid by EBT (net of bank handling charges and fees) as specified in the application form.

Payments by EBT should quote the applicant's name, bank, bank account number, Fund name and contract note number (if one has already been issued). Any charges incurred in making payment by EBT will be payable by the applicant.

Should investors prefer to make payment in any currency other than the relevant Base Currency, they are advised to make direct contact with the Administrator or the Hong Kong Representative.

Applications for Shares may be made for specified amounts in value. Fractions of not less than 0.01 of a Share may be issued.

Subscription moneys representing smaller fractions of Shares will not be returned to the applicant but will be retained as part of the assets of the relevant Fund.

The application form contains certain conditions regarding the application procedure for Shares in the Company and certain indemnities for any loss suffered by the Company, the Administrator or the other Shareholders as a result of an applicant or applicants acquiring or holding Shares in the Company in breach of the laws and regulations of any competent jurisdiction.

Applications will not be accepted directly from individuals unless the individual can satisfy the Company that he has received advice from his financial adviser that investment in the relevant Fund is suitable for him.

The Directors may decline any application for Shares in whole or in part without assigning any reason therefore and will not unless otherwise determined by or on behalf of the Directors, accept an initial subscription for Shares of any amount which is less than the Minimum Initial Subscription set out in the Relevant Supplement for the relevant Fund. If an application is rejected, the Company, at the risk of the applicant, will return application moneys or any balance within 28 Business Days of the rejection or, at the cost of the applicant, by EBT. The Hong Kong Representative will forward applications it receives to the Administrator and transfer subscription monies to the Custodian for the account of the Fund once it has received both (a) an application which satisfies the requirements referred to below and (b) the full subscription monies in cleared funds.

The Directors may, in their absolute discretion and subject to the prior approval of the Custodian agree to designate additional Dealing Days and/or to vary the Valuation Point for the subscription of Shares relating to any Fund. Shareholders will be notified in advance of any such change.

All Shares issued will be in registered form. Written confirmation of ownership will be sent to Shareholders within 10 Business Days after the Dealing Day on which Shares are allotted subject to receipt of payment in respect of such Shares.

Measures aimed towards the prevention of money laundering may require a detailed verification of the applicant's identity. Each of the Company, the Distributors and the Administrator reserves the right to request such information as is necessary to verify the identity of an applicant. By way of example an individual may be required to produce a copy of a passport or photo identification card with signature included duly certified by a notary public, together with two forms of address verification. This can be supplied as one of the following options ,original or certified copies of two different utility bills no greater than three months old or original or certified copy of utility bill and bank statement no greater than three months old. In the case of corporate applicants this may require production of a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or equivalent), the names, occupations, dates of birth and residential and business addresses of all directors. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Company, the Distributor or the Administrator may refuse to process the application or, in the case of any Shareholder who has not provided such verification, compulsorily redeem the Shares.

Investors should note that they may be unable to purchase or redeem Shares through an agent, broker or distributor on days that such parties are not open for business.

### **Subscriptions by, and Transfers to, United States Persons**

Notwithstanding the foregoing, the Directors may authorise the purchase by, or transfer of Shares to, a United States Person provided, however, that:

1. such purchase or transfer does not result in a violation of the 1933 Act or the securities laws of States of the United States;

2. such purchase or transfer would not require the Company to register under the 1940 Act; and
3. there will be no adverse tax consequences to the Company or the Shareholders as a result of such a purchase or transfer.

In addition, the Directors may authorise the purchase by, or transfer of Shares to, a United States Person resident outside the United States if the United States Person declares that it is making its application as a "professional discretionary fiduciary" or otherwise for the beneficial account of a person who is not a United States Person.

Each applicant for Shares who is a United States Person will be required to provide such representation, warranties or documentation as may be required by the Directors to ensure that such requirements are met prior to approval of such sale or transfer by the Directors. The Directors shall determine from time to time the number of United States Persons who may be admitted into the Company and currently will not normally permit the number of holders of such Shares who are United States Persons to exceed 100.

The Directors may receive information about investments by United States Persons and subsidiaries of United States Persons and shall have the authority to refuse applications for Shares or require compulsory redemptions of Shares where the level of investment proposed, or held as a result of redemptions by other Shareholders, would exceed that permitted by the Directors in respect of United States Persons or subsidiaries of United States Persons.

## Determination of Net Asset Value

The Net Asset Value of each Fund, and the Net Asset Value per Share in each Fund, shall be calculated by the Administrator in the base currency of the relevant Fund. To the extent specified in the Relevant Supplement, the Net Asset Value per Share in each Fund, shall be calculated by the Administrator as of the Valuation Point on each Dealing Day in accordance with the valuation provisions set out in the Articles and summarised below.

The Net Asset Value of a Fund shall be calculated by ascertaining the value of the gross assets of the relevant Fund and deducting from such amount the liabilities of the Fund, which shall include all provisions and allowances for contingencies as the Administrator considers appropriate in respect of the costs and expenses payable in relation to the relevant Fund.

In the event that a Fund is further divided into different classes of Shares, the amount of the Net Asset Value of the Fund attributable to a class shall be determined by establishing the number of Shares issued in the class at the relevant Valuation Point and by allocating the relevant fees and Class Expenses to the class and making appropriate adjustments to take account of distributions paid out of the Fund, if applicable, and apportioning the Net Asset Value of the Fund accordingly.

The Net Asset Value per Share in respect of a Fund will be calculated by dividing the Net Asset Value of the relevant Fund by the number of Shares of the relevant Fund in issue. In the event that a Fund is further subdivided into different classes of Shares, the Net Asset Value per Share in respect of a class will be calculated by dividing the Net Asset Value of the relevant class by the number of Shares of the relevant class in issue.

The Net Asset Value per Share of each class will be published by the Company on the following website: <https://totalaccess.westernasset.com><sup>1</sup> and made available from the Administrator, notified daily to the Irish Stock Exchange following calculation and made available to the public on Reuters and Bloomberg. In addition, the Net Asset Value per Share of each class and yield of Fund(s) authorised in Hong Kong will also be available from the Hong Kong Representative and will be published daily in the South China Morning Post and the Hong Kong Economic Journal. However, investors should note that such Net Asset Value per Share and the yield will not be current by the time of publication.

The Articles provide for the methods of valuation of the assets and liabilities of each Fund. The Net Asset Value of the Funds shall be calculated, where appropriate, using the amortised cost method. This involves valuing an investment at its cost and thereafter assuming a constant amortisation to maturity of any discount or premium. The Directors shall continually assess this method of valuation and recommend changes, where necessary, to ensure that the relevant Fund's investments will be valued at their fair value as determined in good faith by the Directors. The review of the amortised cost method of valuation relative to the market valuation of each Fund's assets will be carried out in accordance with the Financial Regulator's guidelines.

<sup>1</sup> This website is not authorised by the SFC and may contain information on Funds which are not authorised by the SFC and may not be offered to the retail public in Hong Kong

In the event that the Directors determine not to apply the amortised cost method of valuation to a particular Fund, in determining the value of the assets of a Fund, where an investment owned or contracted for by a Fund is listed or dealt in on a Recognised Market, its value shall be based on the last traded price available to Directors as at the Valuation Point. Where such asset is listed or dealt in on more than one Recognised Market the Directors shall select one which the Directors determine provides the fairest criteria for the purposes of valuation. The value of any investment which is not normally listed or dealt in on a Recognised Market or of any investment which is normally listed or dealt in on a market but in respect of which no price is currently available or the price does not in the opinion of the Directors represent fair market value, shall be the probable realization value of the investment as ascertained by or on behalf of the Directors with care and in good faith at the relevant Valuation Point with the approval of the Custodian. For this purpose the Directors may accept a certified valuation of such investment by an independent person making a market in such investment and qualified in the opinion of the Directors with the approval of the Custodian to provide such certificate. In the event of no independent person being available, the Directors may rely on the valuation of the relevant investment provided by the Investment Manager or any related duly competent person.

The value of units or shares or other similar participation in any collective investment schemes which provides for the units or shares or other similar participation therein to be redeemed at the option of the holder out of assets of that undertaking shall be valued at the last available Net Asset Value per unit or share or other participation as at a Valuation Point or (if bid or offer prices are published) in the case of subscriptions the last available bid price as at a Valuation Point.

The value of cash in hand or on deposit, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received as at a Valuation Point shall be deemed to be face value unless in any case the Directors are of the opinion that the same is unlikely to be repaid or received in full in which case the value of such asset shall be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value of the asset at any Valuation Point.

The value of any demand notes, promissory notes and accounts receivable shall be deemed to be the face value or full amount of such asset after making such discount as the Directors may consider appropriate to reflect the true value of such asset as at any Valuation Point.

Certificates of deposit, treasury bills, bank acceptances, trade bills and other negotiable instruments shall each be valued on a "straight line" basis by which the difference between their gross costs and their value at maturity (including interest accrued at maturity) is divided by the number of days from acquisition to maturity and an appropriate sum is added daily as from the date of acquisition and totaled as at each Valuation Point.

Forward foreign exchange and interest rate swap contracts shall be valued in accordance with the provisions applicable to over-the-counter ("**OTC**") derivative contracts described below, or by reference to freely available market quotations.

The value of any OTC derivative contracts will be valued either using the counterparty's valuation, or an alternative valuation, including valuation by the Investment Manager or by an independent pricing vendor, who shall be appointed by the Directors and approved for such purpose by the Custodian. OTC derivatives shall be valued at least daily. If using the counterparty's valuation, such valuation must be approved or verified by a party independent of the counterparty and approved by the Custodian on a weekly basis. If using an alternative valuation, the Company will follow international best practice and adhere to the principles on valuation of OTC instruments established by bodies such as IOSCO and AIMA. In the event that the Company opts to use an alternative valuation, such alternative valuation will be reconciled with the counterparty's valuation on a monthly basis. Any significant differences to the counterparty valuation will be promptly investigated and explained.

The value of any futures contracts, share price index futures contracts and options which are dealt in on a market shall be calculated by reference to the price appearing to the Directors with the approval of the Custodian to be the settlement price as determined by the market in question as at a Valuation Point, provided that where it is not the practice for the relevant market to quote a settlement price or such settlement price is not available for any reason as at a Valuation Point, such value shall be the probable realisation value of such assets as ascertained by or on behalf of the Directors with the care and in good faith at the relevant Valuation Point with the approval of the Custodian.

If in any case a particular value is not ascertainable as above provided or if the Directors shall consider that some other method of valuation better reflects the fair value of the relevant investment then in such case the method of valuation of the relevant investment shall be such as the Directors in their absolute discretion shall determine with the approval of the Custodian.

For Class D and Class WA Shares, the Directors shall operate procedures designed to stabilize the Net Asset Value of each Share at the subscription price that is one unit of currency per Share in the relevant Base Currency through, inter alia, the adoption of the amortised cost method for calculating Net Asset Value per Share. Any special valuation provisions applicable to any particular class of Share are summarized in the Relevant Supplement for the relevant Fund.

## Exchange Privilege

Shareholders will not be able to apply to exchange on any Dealing Day all or part of their holding of Shares of any class in a Fund unless that Fund has received and maintains a rating from Moody's Investors Service, Inc. ("**Moody's**") (the "**Original Fund**"). In that case, such Shares may be exchanged for the same class of Shares in another Fund of the Company which is at the time of the exchange so rated and which are being offered at that time (the "**New Fund**") by giving notice to the Administrator on behalf of the Company on or prior to the Dealing Deadline for the relevant Dealing Day. The Administrator may however at its discretion agree to accept requests for exchange received after that time provided they are received by the relevant Valuation Point. Shares may not, unless otherwise determined by the Directors, be exchanged for Shares of another class in the same Fund or another Fund of the Company. The general provisions and procedures relating to redemptions will apply equally to exchanges.

The number of Shares of the New Fund to be issued on an exchange will be calculated by reference to the Net Asset Value per Share of the Original Fund and the Net Asset Value per Share of the New Fund on the relevant Dealing Day and, if appropriate, by applying a currency exchange factor, determined by the Directors to be the effective rate of exchange for settlement on the relevant Dealing Day.

When requesting the exchange of Shares as an initial investment in a Fund, Shareholders should ensure that the Net Asset Value of the Shares exchanged is equal to or exceeds any minimum holding for the relevant Fund specified in the Relevant Supplement. In the case of an exchange of a partial holding only, the value of the remaining holding must also be at least equal to any minimum holding for the relevant Fund as specified in the Relevant Supplement.

## Redeeming Shares

Shareholders may arrange to redeem all or some of their Shares on any Dealing Day. The redemption price will be the Net Asset Value per Share of the relevant class at the Valuation Point on the relevant Dealing Day. If a redemption order reduces the Shareholding to below any minimum holding required in respect of a Fund and specified in the Relevant Supplement, such order may be treated as an order to redeem the entire Shareholding. A Fund may assess a redemption or transaction fee on Share redemptions in such amount as shall be specified in the Relevant Supplement.

If the Company receives aggregate requests for the redemption of Shares in any Fund in respect of 10% or more of the Net Asset Value of the relevant Fund number of on any Dealing Day, the Company may elect to restrict the value of Shares redeemed in the Fund to 10% of the Net Asset Value of the Fund or such higher percentage (or volume of Shares or amount) as the Directors may determine, in which case all requests will be scaled down on an equal basis to ensure that the 10% limit is observed and the remaining balance, subject to any such restriction, will be redeemed on the next Dealing Day in priority to any redemption requests received subsequently. The Articles contain special provisions with respect to a redemption request received from a Shareholder which would result in Shares representing more than 5% or such higher percentage (or volume of Shares or amount) as the Directors may determine of the Net Asset Value of any Fund being redeemed by a Company on any Dealing Day. In such case, subject to the prior consent of the relevant Shareholder, the Company may satisfy the redemption request in whole or in part by distribution of investments of the relevant Fund in specie, provided that any such distribution shall not materially prejudice the interest of other Shareholders. In such circumstances, the relevant Shareholder will have the right to instruct the Company to procure the sale of such underlying investments on their behalf in which case the Shareholder will receive the proceeds net of all fiscal Duties and Charges incurred in connection with the sale of such underlying investments.

The Company may satisfy any redemption request by a transfer to the redeeming Shareholder of the assets of the Company in specie, provided that the relevant Shareholder consents to such transfer and the Custodian confirms that the transfer will not materially prejudice the interests of the remaining Shareholders.

Instructions should be given by facsimile to be received by the Administrator not later than the Dealing Deadline for the relevant Dealing Day. Otherwise, at the option of the Directors and provided the request was received before the relevant Valuation Point, redemption will be effected on the next succeeding Dealing Day.

Redemption requests may be made by fax or telephone to the Administrator by the relevant Shareholder with the original redemption form to follow by post. If requested, the Directors may, in their absolute discretion and subject to the prior approval of the Custodian, agree to designate additional Dealing Days and Valuation Points for the redemption of Shares relating to any Fund.

Redemption proceeds, which will be denominated in the relevant Base Currency, will be paid by the Administrator on the Settlement Date and paid by EBT (net of handling charges and fees) to the relevant shareholder at his risk and cost, unless payment has been suspended in the circumstances described under "Temporary Suspension of Dealings" below. Payment shall be made to the account on record only. (Any changes to the account on record may only be made upon receipt of original signed instructions.)

## Temporary Suspension of Dealings

The Directors may at any time, temporarily suspend the calculation of the Net Asset Value of any Fund and the issue, redemption or exchange of Shares of any class during:

- (a) any period when any Recognised Market on which a substantial part of the investments in the relevant Fund are quoted, listed or dealt in is closed otherwise than for ordinary holidays, or during which dealings on any such Recognised Market are restricted or suspended;
- (b) any period when, as a result of political, military, economic or monetary events or other circumstances outside the control, responsibility and power of the Directors, the disposal or valuation of investments for the time being comprised in the relevant Fund is not reasonably practicable, without this being seriously detrimental to the interests of Shareholders of the relevant Fund or if, in the opinion of the Directors, redemption prices cannot fairly be calculated;
- (c) any breakdown in the means of communication normally employed in determining the value of any of Company's investments and other assets or when for any other reason the current prices on any Recognised Market of any assets of the relevant Fund cannot be promptly or accurately ascertained;
- (d) any period when the Company is unable to repatriate funds for the purposes of making redemption payments or during which the transfer of funds involved in connection therewith cannot, in the opinion of the Directors, be effected at normal prices or normal rates of exchange; or
- (e) any other period where, in the opinion of the Directors, circumstances require such a suspension and it is justified having regard to the interests of the Shareholders.

Notice of any such suspension shall be published by the Company on the following website: <https://totalaccess.westernasset.com><sup>2</sup> and through such other media as the Directors may from time to time determine, and shall be transmitted immediately and in any event, within one Business Day, to the Irish Stock Exchange, the SFC, as appropriate, and the Shareholders. Notice of any such suspension in respect of the Fund(s) authorised in Hong Kong will also be published in the South China Morning Post and the Hong Kong Economic Journal. In addition, the Financial Regulator will be notified without delay of any temporary suspension of dealings. Shareholders who have requested the issue or redemption of Shares of any series or class will have their subscription or redemption request dealt with on the first Business Day after the suspension has been lifted unless applications or redemption requests have been withdrawn prior to the lifting of the suspension. Where possible, reasonable steps will be taken to bring any period of suspension to an end as soon as possible.

## Transfer of Shares

All transfers of Shares must be effected by transfer in writing in any usual or common form or in any other form and every form of transfer must state the full name and address of each of the transferor and the transferee. The instrument must be signed by or on behalf of the transferor. The Directors or their delegate may decline to register any transfer of Shares unless the transfer form is deposited at the registered office of the Company, or such other place as the Directors may reasonably require, accompanied by such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and to determine the identity of the transferee. The transferor shall be deemed to remain the holder of the Shares until the name of the transferee is entered in the register of Shareholders. A transfer of Shares will not be registered unless the transferee, if not an existing Shareholder, has completed an application form with respect to the relevant Shares and any original supporting documentation in relation to anti money laundering requirements and otherwise and the declaration required by the Irish Revenue Commissioners to the satisfaction of the Directors. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided, however that such registration shall not be suspended for more than 30 days in a year.

<sup>2</sup> This website is not authorised by the SFC and may contain information on Funds which are not authorised by the SFC and may not be offered to the retail public in Hong Kong

Shares are freely transferable except that the Directors may decline to register a transfer of Shares (a) in the absence of satisfactory evidence that the proposed transferee is not a U.S. Person (other than pursuant to an exemption available under the laws of the United States); (b) if in the opinion of the Directors the transfer would be unlawful or result or be likely to result in any adverse regulatory, tax or fiscal consequences or material administrative burden to the Company or the Shareholders; (c) in the absence of satisfactory evidence of the transferee's identity; or (d) where the Company is required to redeem appropriate or cancel such number of Shares as are required to meet the appropriate tax of the Shareholder on such transfer. A proposed transferee may be required to provide such representations, warranties or documentation as the Directors may require in relation to the above matters.

In the event that the Company does not receive a Declaration in respect of the transferee, the Company will be required to deduct appropriate tax in respect of any payment to the transferee or any sale, transfer, cancellation, redemption, repurchase, cancellation or other payment in respect of the Shares as described in the section headed "Taxation - Ireland" below.

## Mandatory Repurchase of Shares

The Funds have not been registered under the United States Investment Company Act of 1940 or the United States Securities Act of 1933 and may not be offered for sale and will not be sold in the United States of America, its territories or possessions or to U.S. Persons. Investors will be required to complete a purchase application or other documentation which represents that the purchaser is not a U.S. Person. The Company reserves the right to enforce compulsory redemption of Shares held by such persons at any time.

Shareholders are required to notify the Company immediately in the event that they become Irish Residents or U.S. Persons, or cease to be Exempt Investors, or the Declaration made by or on their behalf is no longer valid. Shareholders are also required to notify the Company immediately in the event that they hold Shares for the account or benefit of Irish Residents or U.S. Persons, or otherwise hold Shares in breach of any law or regulation or otherwise in circumstances having or which may have, adverse regulatory, tax or fiscal consequences for the Company or the Shareholders.

Where the Company becomes aware that a Shareholder is (a) a U.S. Person or is holding Shares for the account of a U.S. Person (other than pursuant to an exemption available under the laws of the United States); or (b) holding Shares in breach of any law or requirement of any country or governmental authority or that any person is not qualified to hold such Shares by virtue of such law or requirement or that such Shares are held by any person whose holding of Shares may prejudice the tax status or residence of the Company, the Directors may appoint an agent to effect the compulsory redemption or transfer of Shares if the holder of Shares fails to act within 21 days of the serving of a notice on such holder by the Director requiring it to do so.

## Termination or Merger of Funds or Share Classes

The Company is established for an unlimited period and may have unlimited assets in its Funds. However, the Company may redeem all of the Shares of any Fund or class in issue if the Net Asset Value of the relevant Fund does not exceed or falls below EUR 1,250,000 (or its foreign currency equivalent) or such other amount as the Directors may determine. In the event that a Fund is authorised by the SFC, affected Shareholders will be given 3 months' prior notice (or such shorter period as permitted by the SFC) of any liquidation.

## Management and Administration

### **The Directors and Secretary**

The Directors are responsible for managing the business affairs of the Company. The Directors have delegated (a) the administration of the Company's affairs, including responsibility for the preparation and maintenance of the Company's records and accounts and related fund accounting matters (including the calculation of the Net Asset Value per Share) and Shareholder registration and transfer agency services to the Administrator; (b) the safe-keeping of the Company's assets to the Custodian; (c) the investment, management and disposal of the assets of each Fund to the Investment Manager, who

has in turn sub-delegated these responsibilities to the Sub-Investment Manager; and (d) the marketing, distribution and sale of Shares to the Master Distributor with the power to sub-delegate these responsibilities to such companies or persons as it may from time to time determine.

The Directors are listed below with their principal occupations. None of the Directors has entered into an employment or service contract with the Company nor is any such contract proposed. Consequently, the Directors are all non-executive Directors. The Company has granted indemnities to the Directors in respect of any loss or damages which they may suffer save where this results from the Directors' negligence, default, breach of duty or breach of trust in relation to the Company. The Articles do not provide for retirement of Directors by rotation. However, the Directors may be removed by the Shareholders by ordinary resolution in accordance with the procedures established under the Irish Companies Acts 1963 to 2006. The address of the Directors is the registered office of the Company.

Mr. Brian Collins joined Bank of Ireland (Corporate Banking) in 1972 where he held various management positions. From 1986 to 1992, Mr. Collins served as General Manager and Managing Director of Bank of Ireland's Hong Kong business and was primarily engaged in Treasury, Corporate and Trade Finance before his appointment as Managing Director of Bank of Ireland International Finance in 1992 where he served until 1996. From 1996 until July 2004, Mr. Collins served as Managing Director of Bank of Ireland Securities Services where he had responsibility for client assets in excess of 120 billion and was a member of the Bank of Ireland Group Operating Risk Committee. Since that date Mr. Collins has served as an independent director for a number of Irish collective investment schemes. Mr. Collins was formerly Chairman of the Dublin Funds Industry Association and Chairman of Taoiseach's Fund Industry Committee. He is an Irish resident.

Mr. Frank Ennis is currently an independent consultant working in the financial services sector in Ireland. Prior to that, he was Joint CEO and Board Director for Trinity Technology Limited (2000-2001). He was a Senior Partner at PricewaterhouseCoopers (1977-2000) in the High-Technology and Investment Management Groups. He is a fellow of the Institute of Chartered Accountants in Ireland.

Mr. John Alldis is the Product Administration Head of Legg Mason Investments (Luxembourg) S.A. He also serves as a director of various Legg Mason investment funds and management companies domiciled in Luxembourg, Ireland and the Cayman Islands. From 2000 to December 2005, he was the Head of Product Management and Funds Regulatory & Corporate Services with Citigroup Asset Management EMEA.

Joseph LaRocque is a Managing Director of Legg Mason, which he joined in 2001. He is also Vice President of Legg Mason Investor Services, LLC and a director of Legg Mason Investments (Europe) Limited. He also serves as a director of a number of Legg Mason's international entities and non-U.S. mutual funds. He is a certified public accountant and from 1991 to 2001 was employed by PricewaterhouseCoopers in several capacities, most recently as a Senior Manager in their global financial services practice.

As of the date hereof, no Directors or connected person has any interest, direct or indirect, in the share capital of the Company. No Director has any interest in any transaction which has been effected by the Company and which is unusual in its nature or conditions or significance to the business of the Company.

None of the Directors has any unspent convictions, has been declared bankrupt, or has been the subject of an individual voluntary arrangement or a receivership of any assets held by such person. None of the Directors was a director with an executive function of any company at the time of or within the 12 months preceding its bankruptcy, receivership administration, liquidation administration, company voluntary arrangement or composition or arrangement with its creditors generally. There have been no public criticisms of any of the Directors by any statutory or regulatory authority and no Director has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company. No Director was a partner of any partnership at the time or within 12 months preceding its compulsory liquidation, administration or partnership voluntary arrangement. No Director has had a receiver appointed over any of his assets or of any of the assets of a partnership of which he was a partner within 12 months after he ceased to be a partner of that partnership.

A memorandum detailing the names of all companies and partnerships of which the directors of the Company have been a director or partner in the past five years, together with an indication of whether or not the individual is still a director or partner, is available for inspection at the offices of J & E Davy, Davy House, 49 Dawson Street, Dublin 2, Ireland.

The Company Secretary is Matsack Trust Limited, of 70 Sir John Rogerson's Quay, Dublin 2, Ireland.

## Promoter

Western Asset Management Company Limited acts as promoter of the Company. Western Asset Management Company Limited is an indirect wholly-owned subsidiary of Legg Mason and is organised under the laws of England and Wales. Legg Mason is a global asset management firm providing asset management services through its subsidiaries (collectively, the "**Legg Mason Group**"). The Legg Mason Group collectively had approximately USD 698 billion in assets under management as of 31 December 2008.

## The Investment Manager

Pursuant to the Investment Management Agreement dated 1 May 2006, as amended by an amendment agreement dated 6 March 2009, between the Company and Western Asset Management Company (the "**Investment Management Agreement**"); the Company has, in respect of the Funds, delegated its investment management functions to Western Asset Management Company.

Western Asset Management Company is a wholly owned subsidiary of Legg Mason and is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (the "**Advisers Act**"). Collectively, Western Asset (including Western Asset Management Company, Western Asset Management Company Limited and other Western Asset entities) had USD 513 billion in total assets under management as of 31 December 2008. The Company agrees to indemnify the Investment Manager and keep it indemnified from and against all actions, proceedings, claims, costs, demands and expenses which may be brought against, suffered or incurred by the Investment Manager including all legal, professional and other expenses incurred by the Investment Manager, except in the case of negligence, willful misfeasance, bad faith or reckless disregard in the performance or non-performance of the Investment Manager's obligations or functions. The appointment of the Investment Manager shall continue in full force and effect unless and until terminated at any time by either party on not less than ninety days' written notice to the other party. Either party shall be entitled to terminate the Investment Management Agreement immediately upon written notice to the other party in the event of the winding up or the appointment of an examiner or receiver to the other party or upon the happening of a like event at the direction of an appropriate regulatory agency or court of competent jurisdiction, the inability of the other party to perform its obligations under applicable law, or either party failing to remedy a breach of this Agreement (if capable of remedy) within 30 days after service of notice requesting it to do so.

Under the Investment Management Agreement, the Investment Manager is, subject to the prior approval of the Company, entitled to engage one or more investment advisers or other parties for the purposes of assisting it in carrying out their duties as Investment Manager or otherwise, provided that such delegation or sub-contract is in accordance with the requirements of the Financial Regulator and shall terminate automatically on the termination of the applicable Investment Management Agreement and provided further that the Investment Manager shall remain responsible and liable for any acts or omissions of any such delegate as if such acts or omissions were those of the Investment Manager.

## The Sub-Investment Manager

Pursuant to a Sub-Investment Management Agreement dated 1 May 2006, as amended by an amendment agreement dated 6 March 2009, between Western Asset Management Company and Western Asset Management Company Limited (the "**Sub-Investment Management Agreement**"), Western Asset Management Company has, in respect of the Funds, appointed Western Asset Management Company Limited as sub-investment manager. Western Asset Management Company Limited is also registered as an investment adviser with the SEC under the Advisers Act and is authorised and regulated by the Financial Services Authority of the United Kingdom. Western Asset Management Company Limited has permission to passport its services within Europe (including Ireland) under the European Investment Services Directive. The Investment Manager agrees to hold harmless and indemnify the Sub-Investment Manager against all actions, Proceedings, claims, costs, demands and expenses which may be brought against, suffered or incurred by the Sub-Investment Manager by reason of the performance of its obligations or functions under the terms of the Sub-Investment Management Agreement except for those that arise from the willful misfeasance, bad faith, negligence or reckless Disregard in the performance or non-performance of the Sub-Investment Manager's obligations and functions. The appointment of the Sub-Investment Manager shall continue in full force and effect unless and until terminated at any time by either party on not less than ninety days' written notice to the other party. Either party shall be entitled to terminate the Sub-Investment Management Agreement immediately upon written notice to the other party in the event of the winding up of the other party or the appointment of an examiner or receiver to the other party or upon the happening of a like event at the direction of an appropriate regulatory agency or court of competent jurisdiction, the inability of the other party to perform its obligations under applicable law, or either party failing to remedy a breach of this Agreement (if capable of remedy) within 30 days after service of notice requesting it to do so.

## The Administrator

Pursuant to the administration agreement dated 1 April 1998 between the Company and the Administrator (the "**Administration Agreement**"), PNC Global Investment Servicing (Europe) Limited has been appointed as the Administrator of the Company with responsibility for performing the calculation of the Net Asset Value, the provision of facilities for the certification and registration of Shares, the keeping of all relevant records and accounts of the Company and of each Fund as may be required with respect to the obligations assumed by it pursuant to the Administration Agreement, assisting the auditor in relation to the audit of the financial statements of the Company and preparing other types of reports, accounts and documents which the Company from time to time request.

The Administrator is a private limited company incorporated in Ireland on 19 August 1993 under registration number 206361. The Administrator is an indirect wholly owned subsidiary of PNC Global Investment Servicing Inc. with an authorised share capital of USD100,000,000 of which USD1,500,000 is issued and fully paid up. The Administrator's main business activity is the provision of administrative services to collective investment schemes and other portfolios.

This agreement contains certain indemnities in favour of the Administrator which are restricted to exclude matters arising by reason of the negligence, willful misfeasance, fraud, bad faith or reckless disregard by the Administrator, its directors, officers, employees, servants or affiliated agents of its or their duties;

The Administration Agreement can be terminated by any party on ninety days' written notice or immediately in certain circumstances described in the Administration Agreement.

## The Custodian

Pursuant to the custodian agreement dated 1 April 1998, between the Company and the Custodian as amended by a supplemental agreement dated 3 April 2001 (the "**Custodian Agreement**"), PNC International Bank Limited has been appointed as custodian of all the Company's assets. The Custodian was incorporated in Ireland under registration number 233557 as a limited liability company on 24 May 1995 and was granted an Irish banking license by the Financial Regulator on 4th May 2007. The authorised share capital of the Custodian in Euro 50,000,000 of which over Euro 7,400,000 is issued and fully paid up. The Custodian is an indirect wholly-owned subsidiary of PNC Global Investment Servicing Inc.. The principal activity of the Custodian is to act as custodian and trustee of collective investment schemes.

The Custodian Agreement contains provisions governing the responsibilities of the Custodian, including its primary responsibilities which are acting as custodian and ensuring the safekeeping of the cash and assets of the Company. The Custodian is obliged to enquire into the conduct of the Company in each financial year and to report thereon to the Shareholders, stating whether in the Custodian's opinion the Company has been managed in accordance with the limitations imposed on the investment and borrowing powers of the Company described in this Prospectus and in all other material respects in accordance with the Articles and the UCITS Regulations and, if it has not been so managed, in which respects it has not been so managed and the steps which the Custodian has taken to rectify the situation.

The Custodian is liable to the Company, and the Shareholders for any loss suffered by them as a result of its unjustifiable failure to perform its obligations or its improper performance of them. Under the UCITS Regulations, the liability of the Custodian will not be affected by the fact that it has entrusted to a third party some or all of the assets in its safe-keeping. The Company and the Custodian acknowledge that the Financial Regulator considers that, in order to discharge its liability under the Custodian Agreement, the Custodian must exercise care and diligence in choosing and appointing a third party as a safe-keeping agent so as to ensure that the third party has and maintains the expertise, competence and standing appropriate to discharge the responsibilities concerned and must maintain an appropriate level of supervision over the safe-keeping agent and make appropriate enquiries from time to time to confirm that the obligations of the agent continue to be competently discharged. This does not purport to be a legal interpretation of the UCITS Regulations or the corresponding provisions of the UCITS Directive.

The Custodian Agreement shall continue in force until terminated by either party on ninety days' written notice to the other party or earlier in the event of breach. If within ninety days from the date of the Custodian serving a termination notice a new custodian has not been appointed by the Directors, the Custodian shall continue to act and such appointment shall not terminate until authorisation of the Company by the Central Bank under the Companies Acts shall be revoked.

## Shareholder Servicing Agent

The Company has appointed Western Asset Management Company Limited as shareholder servicing agent pursuant to the shareholder servicing agreement to provide certain shareholder services in connection with the Class WA Shares (summarised under the paragraph headed "Material Contracts" below)

## The Hong Kong Representative

Pursuant to a Hong Kong Representative Agreement dated 1 May 2006 between the Company and Legg Mason Asset Management Hong Kong Limited the Company appointed Legg Mason Asset Management Hong Kong Limited to represent the Company in Hong Kong.

The agreement provides that the appointment of the Hong Kong Representative will continue in force unless and until terminated by either party giving to the other not less than two months' notice in writing or such shorter notice as the parties to the Agreement may agree to accept or on the Western Asset US Dollar Liquidity Fund ceasing to be authorised under Hong Kong law or on the withdrawal of the authorisation of the Hong Kong Representative by the SFC. The agreement contains certain indemnities in favour of the Hong Kong Representative which will be restricted to exclude matters arising from willful default, negligence, bad faith, fraud or recklessness on the part of the Hong Kong Representative;

## Distributors

Pursuant to a Master Distribution Agreement dated 6 March 2009 between the Company and the Master Distributor (the "**Master Distribution Agreement**"), the Company appointed the Legg Mason Investor Services LLC to distribute the Funds of the Company. The agreement provides that the appointment of the Master Distributor will continue unless and until terminated by either party giving to the other not less than 90 days' prior written notice and contains certain indemnities in favour of the Master Distributor from the Company and certain indemnities from the Master Distributor to the Company.

## Paying Agents

Local regulations in EEA countries may require the appointment of Paying Agents and the maintenance of accounts by such agents through which subscriptions and redemption monies may be paid. Investors who choose or are obliged under local regulations to pay/receive subscription monies via an intermediary entity rather than directly to the Custodian bear a credit risk against the intermediate entity with respect to (a) subscription monies prior to transmission of such monies to the Custodian for the account of the relevant Fund and (b) redemption monies payable by such Paying Agent to the investors.

# Taxation

**The following is a summary of relevant Irish tax law. It does not purport to be a complete analysis of all tax considerations relating to the holding of Shares. Shareholders and potential investors are advised to consult their professional advisors concerning possible taxation or other consequences of purchasing, holding, selling, exchanging or otherwise disposing of Shares under the laws of their country of incorporation, establishment, citizenship, residence, ordinary residence or domicile.**

The following summary is based on advice received by the Directors regarding the law and practice in force in Ireland at the date of this Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position at the time of an investment in the Company will not change.

## IRELAND

### The Company

The Company is an investment undertaking within the meaning of Section 739B TCA and therefore is not chargeable to Irish tax on its relevant income or relevant gains. The Company will be resident for tax purposes in Ireland if it is centrally managed and controlled in Ireland. It is intended that the directors of the Company will conduct the affairs of the Company in a manner that will allow for this.

On the basis that the Company is resident in Ireland for tax purposes, the following tax consequences apply to the Company and the Shareholders.

Distributions of income and capital gains on securities issued in countries other than Ireland may be subject to taxes including withholding taxes imposed by such countries. The Company may not be able to benefit from a reduction in the rate of withholding tax by virtue of the double taxation treaties in operation between Ireland and other countries. The Company may not therefore be able to reclaim withholding tax suffered by it in particular countries. If this position changes in the future and the application of a lower rate results in a repayment to the Company, the Net Asset Value of the Company will not be restated and the benefit will be allocated to the then-existing Shareholders ratably at the time of repayment.

Tax may arise for the Company (“**Appropriate Tax**”) on the happening of a “Chargeable Event” in the Company. A Chargeable Event includes any payments to Shareholders by the Company in respect of their Shares or any encashment, redemption, cancellation or transfer of Shares. On the happening of a Chargeable Event the Company will deduct the Appropriate Tax on any payment made to the Shareholder in respect of the Chargeable Event. On the occurrence of a Chargeable Event where no payment is made, the Company may appropriate or cancel the required number of shares to meet the tax liability.

A Chargeable Event also includes a deemed disposal by a Shareholder of their Shares at the end of a “relevant period”. A relevant period means a period of eight years beginning with the acquisition of the Shares and each subsequent period of eight years beginning immediately after the preceding relevant period. Where the percentage value of Shares held by Irish Residents in the Company is less than 10% of the total value of the Shares in the Company (or the sub-fund as the case may be) and the Company has made an election to report annually to the Revenue Commissioners certain details for each Irish Resident Shareholder, the Company will not be entitled to deduct Appropriate Tax and the Shareholder must instead pay tax on the deemed disposal on a self-assessment basis. Credit is available against Appropriate Tax relating to a Chargeable Event for Appropriate Tax paid by the Company on any previous deemed disposal. On the eventual disposal by the Shareholder of their Shares, a refund of any unutilized credit will be payable.

No Chargeable Event will arise in relation to a Shareholder who is not Irish Resident at the time of the Chargeable Event or in relation to an Irish Resident Shareholder which is an Exempt Investor but provided only that the requisite tax declaration in the form prescribed by the Irish Revenue Commissioners for the purposes of Section 739D TCA (the “**Declaration**”) has been provided to the Company by the Shareholder.

A Chargeable Event does not include:

- any exchange by a Shareholder, effected by way of a bargain made at arms length by the Company of Shares in the Company for other Shares in the Company;
- any exchange by a Shareholder, effected by way of a bargain made at arms length by the Company of Shares in a particular sub-fund of the Company for Shares in another sub-fund of the Company;
- any transaction in relation to Shares which are held in a recognised clearing system; and
- certain transfers of Shares between spouses and former spouses.

## **HONG KONG**

In respect of any Fund which maintains its authorisation with the SFC in Hong Kong, profits of such Fund arising from the sale or disposal of securities, interest received by or accruing to such Fund and certain other profits of such Fund (including those under foreign exchange contracts and certain futures contracts) are exempt from Hong Kong profits tax. It is not expected that any other significant profits arising from the activities of the Fund will be subject to Hong Kong profits tax.

## **Shareholders**

### ***Non-Irish Residents***

Non-Irish Resident Shareholders will not be chargeable to Irish tax, on the occurrence of a Chargeable Event in the Company. No Appropriate Tax will be deducted by the Company provided that the Company is in possession of a signed and completed Declaration from such Shareholder to the effect that the Shareholder is not an Irish Resident and the Company is not in possession of information which would reasonably suggest that the Declaration is not or is no longer materially correct. In the absence of such a Declaration, the Company must presume that the Shareholder is Irish Resident and the Company will deduct the Appropriate Tax (as outlined below) on the happening of a Chargeable Event in relation to such Shareholder.

Intermediaries acting on behalf of non-Irish Resident Shareholders can claim the same exemption (as above) on behalf of the Shareholders for whom they are acting. The Intermediary must state in the Declaration that to the best of its knowledge the Shareholders are not Irish Resident.

A non-Irish Resident corporate Shareholder which holds Shares directly or indirectly by or for a trading branch or agency of the Shareholder in Ireland, will be liable to Irish corporation tax on income from the Shares or gains made on the disposal of the Shares.

Except in certain circumstances specified in TCA no repayment of Appropriate Tax will be made to any person other than a company within the charge to Irish corporation tax.

## Irish Residents

### ***Non-Exempt Investors***

#### *Deductions by the Company*

A Shareholder who is not an Exempt investor will have Appropriate Tax deducted. The Appropriate Tax rate is the Irish standard rate of income tax (currently 20%) on payments which are annual or more frequent (e.g. dividends) and the standard rate of tax plus 3% (i.e. 23%) on the sale, transfer, deemed disposal, redemption, repurchase or cancellation of Shares or the making of any other payment in respect of Shares. The Company will be entitled to deduct such Appropriate Tax from payments or redeem and cancel such number of Shares as are required to meet the Appropriate Tax of the relevant Shareholder and will pay the Appropriate Tax in respect of such Shares to the Irish Revenue Commissioners.

#### *Additional Tax*

A Shareholder who is not a company and who is not an Exempt Investor (and has therefore had Appropriate Tax deducted), will not be liable to any further income or capital gains tax in respect of any sale, transfer, deemed disposal, redemption, repurchase, cancellation of Shares or the making of any other payment in respect of their Shares.

Where the Shareholder is a company which is not an Exempt Investor (and has therefore had Appropriate Tax deducted), and the payment is not taxable as trading income under Schedule D Case I, the following provisions apply:

- (i) where the payment is an annual or more frequent payment, the amount received will be treated as the net amount of an annual payment chargeable to tax under Schedule D Case IV from the gross amount of which income tax has been deducted at the standard rate; and
- (ii) the making of any other payment in respect of such Shares or any sale, transfer, deemed disposal, redemption, repurchase or cancellation of such Shares will not otherwise be taken into account for the purposes of Irish tax.

Where the Shareholder is a company which is not an Exempt Investor (and has therefore had Appropriate Tax deducted) and the payment is taxable as trading income under Schedule D Case I, the following provisions apply:

- (i) the amount received by the Shareholder is increased by any amount of Appropriate Tax deducted and will be treated as income of the Shareholder for the chargeable period in which the payment is made;
- (ii) where the payment is made on the sale, transfer, redemption, repurchase or cancellation of Shares, such income will be reduced by the amount of consideration in money or money's worth given by the Shareholder for the acquisition of those Shares; and
- (iii) the amount of Appropriate Tax deducted will be set off against the Irish corporation tax assessable on the Shareholder in respect of the chargeable period in which the payment is made.

The rate of corporation tax applicable to Schedule D Case IV income is currently 25%. The rate of corporation tax applicable to Schedule D Case I income is currently 12.5%.

#### *Taxation of Shareholders - Hong Kong*

Except as mentioned below, Shareholders will not be subject to any Hong Kong tax on distributions from any Fund which maintains its authorisation with the SFC in Hong Kong or on capital gains realised on the sale of any Shares in such Fund.

Dividends are not taxable in Hong Kong (whether by way of withholding or otherwise) under current legislation and practice. However, if the acquisition and redemption of Shares in such Fund is or forms part of a trade, profession or business carried on in Hong Kong, gains realised by the relevant Shareholder may attract Hong Kong profits tax.

Hong Kong stamp duty will not be payable on the issue or transfer of Shares in such Fund outside Hong Kong as well as on redemption or transfer of existing Shares in such Fund where the Share register(s) of the Funds are maintained outside Hong Kong. There is no estate duty payable in Hong Kong.

## **Exempt Investors**

### *Deductions by the Company*

Appropriate tax will not be deducted in respect of any sale, transfer, deemed disposal, redemption, repurchase or cancellation of Shares held by Exempt Investors or from any other payments in respect of Shares where the Company is in possession of a Declaration in relation to such Shares. It is the Exempt Investor's obligation to account for any tax to the Irish Revenue Commissioners and return such details as are required to the Irish Revenue Commissioners. It is also the Exempt Investor's obligation to notify the Company if it ceases to be an Exempt Investor.

Exempt Investors in respect of whom the Company is not in possession of a Declaration will be treated by the Company in all respects as if they are not Exempt Investors (see above).

### *Additional Tax*

Exempt Investors may be liable to Irish tax on their income, profits and gains in relation to any sale, transfer, repurchase, redemption or cancellation of Shares or dividends or distributions or other payments in respect of their Shares.

Where the Shareholder is not a company and Appropriate Tax has not been deducted, the payment shall be treated as if it were a payment from an offshore fund and taxed in accordance with Sections 747D TCA and 747E TCA. Provided that the Shareholder has correctly included the income or disposal in their tax return, this means that the Shareholder must pay tax at the standard rate of income tax in respect of annual or more frequent distributions by the Company and at the standard rate of income tax plus 3% in respect of any other payment by the Company to the Shareholder in respect of their Shares or in relation to any sale, transfer, deemed disposal, redemption, repurchase or cancellation of Shares. No further Irish tax will be payable by the Shareholder in respect of that payment or disposal.

Where the Shareholder is a company the amount of the payment will be treated as income arising which is chargeable to Irish tax. Where the payment is in respect of the sale, transfer, cancellation, redemption, repurchase or transfer of Shares, such income shall be reduced by the amount of the consideration in money or money's worth given by the Shareholder on the acquisition of the Shares. Where the payment is not taxable as trading income for the company, it will be chargeable to tax under Schedule D Case IV. Where the payment is taxable as trading income for the company, it will be chargeable to tax under Schedule D Case I.

## **Other Taxes - All Shareholders**

### *Currency Gains*

Where a currency gain is made by an Irish Resident Shareholder on the disposal of Shares, such Shareholders may be liable to capital gains tax in respect of such gain in the years of assessment in which the Shares are disposed of.

### *Stamp Duty*

No stamp, documentary, transfer or registration tax is payable in Ireland by the Shareholders on the issue, sale, transfer, redemption, repurchase, cancellation of or subscription for Shares. If any redemption is satisfied by the transfer in specie to any Shareholder of any Irish assets, a charge to Irish stamp duty may arise.

### *Capital Acquisitions Tax*

Provided the Company continues to qualify as an investment undertaking as defined by Section 739B any Shares which are comprised in a gift or an inheritance will be exempt from capital acquisitions tax ("**CAT**") and will not be taken into account in computing CAT on any gift or inheritance taken by the donee or successor if:

- (i) the Shares are comprised in the gift or inheritance at the date of the gift or at the date of the inheritance, and at the relevant valuation date;
- (ii) at the date of the disposition, the Shareholder making the disposition is neither domiciled nor ordinarily resident in Ireland, or the proper law of disposition is not the law of Ireland; and
- (iii) at the date of the gift, or at the date of the inheritance, the donee or successor is not domiciled or ordinarily resident in Ireland.

## **Residence and Ordinary Residence**

The following summary of the concepts of residence and ordinary residence under Irish tax law has been issued by the Irish Revenue Commissioners for the purposes of the Declaration set out in the application form. Shareholders and potential investors are advised to contact their professional advisers if they have any concerns in relation to the Declaration.

### ***Residence - Company***

A company which has its central management and control in Ireland is resident in Ireland irrespective of where it is incorporated. A company which does not have its central management and control in Ireland but which is incorporated in Ireland is resident in Ireland except where:

- (i) the company or a related company carries on a trade in Ireland, and either the company is ultimately controlled by persons resident in EU Member States or, in countries with which Ireland has a double taxation treaty (a "**taxation treaty country**"), or the company or a related company are quoted companies on a recognised stock exchange in the EU or in a taxation treaty country; or
- (ii) the company is regarded as not resident in Ireland under a double taxation treaty between Ireland and another country.

### ***Residence - Individual***

The Irish tax year operates on the calendar year basis.

The normal rule is that an individual will be regarded as being resident in Ireland for a tax year if that individual:

- (i) spends 183 days or more in Ireland in that tax year; or
- (ii) has a combined presence of 280 days in Ireland, taking into account the number of days spent in Ireland in that tax year together with the number of days spent in Ireland in the preceding year.

Presence in a tax year by an individual of not more than 30 days in Ireland will not be reckoned for the purpose of applying the two year test. Presence in Ireland for a day means the personal presence of an individual at the end of the day (midnight).

### ***Ordinary Residence - Individual***

The term "ordinary residence" as distinct from "residence", relates to a person's normal pattern of life and denotes residence in a place with some degree of continuity.

An individual who has been resident in Ireland for three consecutive tax years becomes ordinarily resident with effect from the commencement of the fourth tax year.

An individual who has been ordinarily resident in Ireland ceases to be ordinarily resident at the end of the third consecutive year in which that individual is not resident in Ireland. Thus, an individual who is resident and ordinarily resident in Ireland in tax year ended 31 December 2006 and departs from Ireland in that year will remain ordinarily resident up to the end of the tax year 2009.

## **UNITED STATES FEDERAL INCOME TAXES**

The following discussion is a general summary of certain U.S. federal tax consequences that may result to the Company and its Shareholders in connection with their investment in the Company. The discussion does not purport to deal with all of the U.S. federal tax income consequences applicable to the Company or to all categories of investors, some of whom may be subject to special rules. The discussion assumes that the Company will not hold any interests (other than as a creditor) in any "United States real property holding corporations" as defined in the U.S. Internal Revenue Code of 1986, as amended. Furthermore, the discussion assumes that no U.S. Person owns directly or indirectly, or is considered as owning by application of certain tax law rules of constructive ownership, any Shares of the Company. Investors should consult their own tax advisers regarding the tax consequences to them of an investment in the Company in light of their particular circumstances.

## The Company

The Company intends to conduct its affairs so that it will not be deemed to be engaged in trade or business in the United States and, therefore, none of its income will be treated as “effectively connected” with a U.S. trade or business carried on by the Company. If none of the Company’s income is effectively connected with a U.S. trade or business carried on by the Company, certain categories of income (including dividends and certain types of interest income) derived by the Company from U.S. sources will be subject to a U.S. tax of 30%, which tax is generally withheld from such income. Capital gains derived by the Company will not be subject to this 30% tax. If, on the other hand, the Company derives income which is effectively connected with a U.S. trade or business carried on by the Company, such income will be subject to U.S. federal income tax at the graduated rates applicable to U.S. domestic corporations, and the Company may also be subject to a branch profits tax. It is not anticipated that the Company will be eligible for a reduced rate of withholding tax or other benefits pursuant to the income tax treaty currently in force between the United States and Ireland.

## Shareholders

The U.S. tax consequences to Shareholders of distributions from the Company and of dispositions of Shares generally depends on the Shareholder’s particular circumstances, including whether the Shareholder conducts a trade or business within the United States.

# Fees and Expenses

The total annual expenses of each class are specified in the Relevant Supplement but in any event shall not exceed 1% per annum of the average daily Net Asset Value of a Fund on an annual basis and are payable in arrears. These expenses will cover all of the fees and expenses which may be charged against each Fund and which are described below:

- (i) fees and expenses payable to the Administrator;
- (ii) fees and expenses payable to the Investment Manager appointed in respect of such Fund;
- (iii) fees and expenses payable to the Custodian and at normal commercial rates to any sub-custodians appointed by the Custodian;
- (iv) any fees in respect of circulating details of the Net Asset Value;
- (v) stamp duties;
- (vi) taxes;
- (vii) company secretarial fees;
- (viii) rating fees (if any);
- (ix) brokerage or other expenses of acquiring and disposing of investments;
- (x) fees and expenses of the auditors, tax and legal advisers of the Company;
- (xi) fees (if any) connected with listing of Shares on the Irish Stock Exchange;
- (xii) costs of printing and distributing reports, accounts and any explanatory memoranda;
- (xiii) any necessary translation fees;
- (xiv) costs of publishing prices;
- (xv) any costs incurred as a result of periodic updates of the Prospectus, or of a change in law or the introduction of any new law (including any costs incurred as a result of compliance with any applicable code, whether or not having the force of law);
- (xvi) fees and expenses payable to the Hong Kong Representative and the Paying Agents (at normal commercial rates) and the Distributors;
- (xvii) any other fees and expenses relating to the management and administration of the Fund or attributable to the Fund’s investment in another investment portfolio, if any.

Directors who are employees and/or officers of Legg Mason Inc. or an affiliate of Legg Mason Inc. will not be entitled to remuneration for their services as Directors. The directors’ remuneration for the financial period ended 31 August 2008 was USD 49,922. All of the Directors will be entitled to be reimbursed for their reasonable out of pocket expenses incurred in discharging their duties as Directors.

For the avoidance of doubt, no advertising or promotional expenses will be charged to a Fund during such period as it remains authorised by the SFC in Hong Kong.

The Company reserves the right to charge a redemption fee of up to 0.10% (ten basis points) if the Company believes that a Shareholder is redeeming Shares in any Fund on considerations of a short term nature or for trading or arbitrage purposes.

The Investment Manager will be responsible for paying the fees and expenses of the Sub-Investment Managers. The Investment Manager may from time to time elect to decrease or increase the total annual expenses of any class of Shares by waiving or increasing the investment management fee payable to it by the Company. Shareholders shall be given one month's notice of any increase in the level of management fee charged in respect of any Fund from the current level as stated in the Relevant Supplement.

The Company's organisational expenses have been fully amortised.

The Distributors may appoint one or more dealers, sub-distributors or other financial intermediaries to assist with marketing and distributing the Funds. The Investment Manager, the Distributors or affiliates may make payments for distribution and/or Shareholder servicing activities out of its past profits or other available resources. The Distributors may also make payments, based on gross sales, current assets or other measures, for marketing, promotional or related expenses to brokers, dealers or other parties that have entered into an agreement with a Distributor ("**Sub-Distributor**"). The amount of these payments are determined by the Distributors and may be substantial and may differ between Sub-Distributors. The minimum aggregate sales required for eligibility for such compensation, and the factors in selecting and approving authorised Sub-Distributors to which they will be made, are determined from time to time by the Distributors. The receipt of (or prospect of receiving) payments described above may cause a Sub-Distributor or its salespersons to favour sales of a Fund's Shares over the sale of other funds (or other investments) in which the Sub-Distributor does not receive such payments or receives them in a lower amount. These payment arrangements will not, however, change the price at which Shares are issued by the Funds or the amount that a Fund receives to invest on behalf of the Shareholders. A Shareholder may wish to consider such payment when evaluating any recommendations of the Funds.

The payments described in the preceding paragraph are often referred to as "revenue sharing arrangements". The recipients of such payments may include the Distributors, Sub-Distributors, affiliates of the Investment Manager, broker-dealers, financial institutions and other financial intermediaries through which investors may purchase Shares. In some circumstances, such payments may create an incentive for an intermediary or its employees or associated persons to recommend or sell Shares to investors. Investors should contact the relevant intermediary for details about revenue sharing payments it may receive.

The Distributors or Sub-Distributors may enter into agreements with certain insurance companies or other intermediaries that offer their own product for subscription, for the inclusion of certain of the Funds within such product offering. In certain such cases, such agreements may be limited to the inclusion of a class of Shares of a Fund which is subject to a distribution fee that may be higher than other available Share classes of that Fund. Such insurance companies or other intermediaries may also benefit from additional payments from the Distributors or Sub-Distributor or their affiliates under revenue sharing arrangements.

## General

### Conflicts of Interest

Subject to the provisions of this section, the Administrator, the Investment Manager, the Custodian, any Shareholder and any of their respective subsidiaries, affiliates, associates, agents or delegates ("**Connected Persons**" and each a "**Connected Person**") may contract or enter into any financial, banking or other transaction with one another or with the Company including, without limitation, investment by the Company in securities of a Shareholder or investment by any Connected Persons in any company or body any of whose investments form part of the assets comprised in any Fund or be interested in any such contract or transactions and in particular, without limitation, they may invest in and deal with Shares relating to any Fund or any property of the kind included in the property of the Company for their respective individual accounts or for the account of someone else. A Connected Person may also from time to time have a position in, or underwrite or deal in, one or more of the securities on which the Investment Manager has provided investment advice to the Company.

In addition, any cash of the Company may be deposited, subject to the provisions of the Central Bank Acts 1942 to 1998, of Ireland (as amended by the Central Bank and Financial Services Authority of Ireland Act 2003), with any Connected Person or invested in certificates of deposit or banking instruments issued by any Connected Person. Banking and similar transactions, including foreign exchange transactions, may also be undertaken with or through a Connected Person.

Any Connected Person may also deal as agent or principal in the sale or purchase of securities and other investments to or from the Company through or with the Investment Manager or the Custodian or any subsidiary, affiliate, associate, agent or their respective delegates.

There will be no obligation on the part of any Connected Person to account to Shareholders for any benefits so arising and any such benefits may be retained by the relevant party, provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length, are consistent with the best interests of Shareholders and

- (a) a certified valuation of such transaction by a person approved by the Custodian as independent and competent has been obtained; or
- (b) such transaction has been executed on best terms reasonably available on an organised investment exchange under its rules; or
- (c) where (a) and (b) are not practical, such transaction has been executed on terms which the Custodian is satisfied conform with the principle that such transactions be carried out as if effected on normal commercial terms negotiated at arm's length. In the event of a transaction involving the Custodian, the Directors should be satisfied that such transaction conforms with the principle that it be carried out as if effected on normal commercial terms negotiated at arm's length.

A Connected Person may also engage in other activities involving or affecting the securities in which the Funds will invest. In particular Connected Persons may be involved in origination of transactions concerning such securities, underwriting such securities and acting as broker/dealer in respect of such securities. In addition, a Connected Person may perform other services for portfolio companies and receive fees, commissions and other remuneration therefor. In conjunction with their various activities, Connected Persons may come into possession of confidential information that could, if known to the public, affect the market value of the securities in which the Funds will invest. Connected Persons will not be obliged to disclose such information to the Funds or to use such information for the benefit of the Funds.

The Articles provide that the Directors may rely on the valuation of a competent person when determining the probable realization value of unlisted securities. The Directors may rely on a valuation provided by the Investment Manager or a related entity for these purposes and investors should be aware that in these circumstances a possible conflict of interest may arise as the higher the estimated probable realization value of the security, the higher the fees payable to the Investment Manager.

The Administrator and any Investment Manager may also, in the course of their business, have potential conflicts of interest with the Company in circumstances other than those referred to above. Each of the Administrator and any Investment Manager will, however, have regard in such event to its obligations under the Administration Agreement and the relevant Investment Management Agreement respectively and, in particular, to its obligations to act in the best interests of the Company so far as practicable, having regard to its obligations to other clients when undertaking any investments where conflicts of interest may arise and will ensure that such conflicts are resolved fairly. In the event that a conflict of interest does arise the Directors will endeavor to ensure that such conflicts are resolved fairly.

John Alldis is currently Head of Product Administration at Legg Mason International. Joseph LaRocque is currently a managing director of Legg Mason & Co. LLP. The Directors may also serve as directors of other collective investment schemes or may be directors or shareholders of other companies in which the Company invests.

In selecting brokers to make purchases and sales for the Company, the Investment Manager will choose those brokers who provide best execution to the Company. In determining what constitutes best execution, the Investment Manager may consider a number of factors, including, for example, the over-all economic result of the Company (price of commission plus other costs), clearance, settlement, reputation, the efficiency of the transaction and error resolution, the broker's ability to effect the transaction if a large block is involved, availability of the broker for difficult transactions in the future, order of call, other services provided by the broker such as research and the provision of statistical and other information and the financial strength and stability of the broker. In managing the assets of the Company, the Investment Manager may receive certain research and statistical and other information and assistance from brokers. The Investment Manager may allocate brokerage business to brokers who have provided such research and assistance to the Company and/or other accounts for which the Investment Manager exercises investment discretion. The brokerage rates payable to such brokers shall not be in excess of customary institutional full service brokerage rates and are known as "soft commissions". The benefits provided under any such soft commission arrangements must assist in the provision of investment services to the Company and any such soft commission arrangements will be disclosed in the periodic reports of the Company. No cash rebates will be retained by the Investment Manager or any of its affiliates.

## Meetings

At least one general meeting of the Company shall be held in each year as the Company's annual general meeting. At least twenty-one days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) shall be given to Shareholders for annual general meetings and extraordinary general meetings for the passing of a special resolution, and at least 14 days' notice shall be given for all other extraordinary meetings. The notice shall specify the time and place of the meeting and, in the case of special business, the general nature of that business. A proxy may attend on behalf of any Shareholder. The voting rights attached to the Shares are set out under the heading "Voting Rights" in this Prospectus.

## Reports and Accounts

The Directors shall cause to be prepared an annual report and audited annual accounts for the Company and each Fund for the period ending 31 August in each year. These annual reports will be filed with the Financial Regulator and the Companies Announcements Office of the Irish Stock Exchange within four months of the end of the relevant accounting period and will be circulated to Shareholders, within four months of the end of the relevant accounting period and in any event at least twenty one days before the annual general meeting at which they are to be submitted for approval. In addition, the Directors shall cause to be prepared a half-yearly report covering the period from 1 September to the last day of February each year which shall include unaudited half-yearly accounts for the Company and each Fund. Half-yearly reports for each Fund will be filed with the Financial Regulator and the Companies Announcements Office of the Irish Stock Exchange and will be circulated to Shareholders in the relevant Fund within two months of the end of the relevant accounting period. The annual report and the half-yearly report may be sent to Shareholders by electronic mail or other electronic means of communication where Shareholders have elected to receive the reports by such methods. Shareholders are also entitled to receive reports by hard copy mail on request.

In addition to the periodic reports referred to above, the Company may also cause to be prepared additional reports on a monthly or other basis on any matters relating to any or all of the Funds, including without limitation, the Net Asset Value, performance, risk statistics, allocations and/or portfolio holdings of any or all of the Funds and/or general market outlook or review reports. Any such reports, if prepared, are available to all Shareholders on request from the Administrator or Distributors. The Administrator or the Distributors will advise Shareholders of any fees payable in relation to the delivery of such additional reports.

Subject to the discretion of the Directors, and in compliance with any applicable laws, third parties may, on request, receive information and/or reports in relation to the Funds.

## Directors' Report

The Directors confirm that the Company was incorporated in Ireland on 19 August 1993.

## Winding Up

The Articles contain provisions to the following effect:

- (a) If the Company shall be wound up the liquidator shall, subject to the provisions of the Companies Acts, apply the assets of each Fund in satisfaction of creditors' claims relating to that Fund. The liquidator shall in relation to the assets available for distribution among the members make in the books of the Company such transfers to and from Funds as may be necessary to ensure that the effective burden of such creditors' claims are attributed in accordance with the foregoing provisions.
- (b) The assets available for distribution among the members shall then be applied in the following priority:
  - (1) First, in the payment to the holders of the Shares of each class of a sum in the currency in which that class is designated or in any other currency selected by the liquidator as nearly as possible equal (at a rate of exchange determined by the liquidator) to the Net Asset Value of the Shares of such class held by such holders respectively as at the date of commencement of the winding-up provided that there are sufficient assets available in the relevant Fund to enable such payment to be made.
  - (2) Secondly, in the payment to the holders of the subscriber shares of sums up to the nominal amount paid thereon out of the assets of the Company not comprised within any Funds remaining after any recourse under sub-paragraph (1)(A) above. In the event that there are insufficient assets as aforesaid to enable such payment in full to be made, no recourse shall be had to the assets comprised within any of the Funds.

- (3) Thirdly, in the payment to the holders of each class of Shares of any balance then remaining in the relevant Fund, such payment being made in proportion to the number of Shares held.
  - (4) Fourthly, in the payment to the holders of the Shares of any balance then remaining and not comprised within any of the Funds, such payment being made in proportion to the number of Shares held.
- (c) If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Acts, divide among the members in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members or different classes of member. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any assets in respect of which there is liability. A member may request the liquidator, instead of transferring the assets in specie to him/her, to dispose of them and to pay him/her the net sale proceeds instead.

### Material Contracts

The following contracts, which are summarised in the "Management and Administration" and "Fees and Expenses" sections in this Prospectus, have been entered into and are, or may be, material:

- (a) the Administration Agreement;
- (b) the Custodian Agreement;
- (c) the Investment Management Agreement;
- (d) the Sub-Investment Management Agreement;
- (e) the Master Distribution Agreement; and
- (f) the Shareholder Servicing Agreement dated 4 December 2007 between the Company and Western Asset Management Company Limited; this agreement provides that the appointment of the shareholder servicing agent will continue unless and until terminated by either party giving to the other not less than ninety days' notice. This agreement contains certain indemnities in favour of the shareholder servicing agent which are restricted to exclude matters arising by reason of negligence, willful misfeasance, fraud, bad faith or reckless disregard on the part of shareholder servicing agent.

### Documents for Inspection

Copies of the following documents may be inspected free of charge at or (except otherwise specified below) obtained at a reasonable charge from the registered office of the Hong Kong Representative during normal business hours:

- (a) the material contracts referred to above;
- (b) the Hong Kong Representative Agreement referred to above;
- (b) the Memorandum and Articles of Association of the Company (copies may be obtained free of charge from the Hong Kong Representative);
- (c) the UCITS Regulations and UCITS Notices;
- (d) the latest published annual and half-yearly reports and audited and unaudited accounts of the Company (copies may be obtained free of charge from the Hong Kong Representative); and
- (e) the SFC Code on Unit Trusts and Mutual Funds.

Copies of the latest Irish Prospectus, and any simplified prospectus are available on request from the Administrator free of charge.

## Miscellaneous

- (a) No Shares are under option or are agreed conditionally or unconditionally to be put under option.
- (b) Except as disclosed in the "Fees and Expenses" section of this Prospectus, no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any Shares.
- (c) The Company has no employees.
- (d) The Company has not, since its establishment, been engaged in, and is not currently engaged in any legal or arbitration proceedings and no legal or arbitration proceedings are known to the Directors to be pending or threatened by, or against, the Company.

## Information for U.K. Investors

The UK based Distributor specified in the Directory maintains facilities at its address in the United Kingdom set out in the Directory at which:

- The documents detailed under "Documents for Inspection" above may be inspected and copies of the most recently published Prospectus, simplified prospectuses and annual and half-yearly reports relating to the Company may be obtained
- The most recently published Net Asset Value per Share of any class may be ascertained;
- Shareholders may request the repurchase of their Shares and obtain payment; and
- Any written complaints about the operation of the Company may be submitted.

Please note that any past performance detailed in the Prospectus will not necessarily be repeated in the future, and past performance information should not be interpreted as a projection illustrating the possible future value of an investment in the Funds.

The Company intends to seek annual certification from the UK H.M. Revenue & Customs that the Class D Shares and the Class WA Shares of each Fund each qualify as a "distributing fund". There can, however, be no guarantee that certification will be obtained or that, once obtained, it will continue to be available for future periods.

## UK Offshore Funds Legislation

Each Share Class of each Fund of the Company is treated as an offshore fund for the purposes of United Kingdom taxation. The investment and distribution policies of the Company are designed so as to enable each of the WA and D Share Classes of each of the Funds to qualify as a distributing fund and the Company intends to apply for certification for each year commencing with the year ended 31 August 2008 in respect of each WA and D Share Class that has outstanding Shares. Provided that certification is obtained for each year during which an investor holds Shares of a relevant Class, any profit from disposal of such shares by the investor should fall to be taxed as a capital gain. There can, however, be no guarantee that certification will be obtained or that, once obtained, it will continue to be available for future periods of account of the Company.

On 27 March 2008, the UK Treasury published a paper entitled 'Offshore funds: next steps' with a view to modernising the regime for UK investors in offshore funds. Finance Bill 2008 provides powers to enable the modernised regime to be introduced through secondary legislation, and the Government published draft regulations on 15 May 2008 for consultation with a view to the publication of a further draft of the regulations for comment and, ultimately, the new regime coming into effect in Spring 2009. Shareholders are advised that it is likely that the new regime will be significantly different from the regime in force at the date of this Prospectus. For instance, the draft regulations would generally allow an offshore fund to elect whether or not a particular class of shares is to be a "reporting fund" and therefore to determine whether or not its investors within the charge to UK income or corporation tax would be taxed on a capital gains or an income basis on disposal of their shares in the offshore fund.

# Appendix I

## Recognised Markets

The markets and exchanges described below are set out herein in accordance with the requirements of the Financial Regulator which does not issue a list of approved markets and exchanges and are listed in the Memorandum and Articles of Association of the Company.

With the exception of permitted investments in unlisted securities and in units of open-ended collective investment schemes, investment will be restricted to those stock exchanges and markets listed below.

### 1. Stock Exchanges

- (i) any stock exchange which is:
- located in any EU Member State; or
  - located in a member state of the European Economic Area (EEA) (EU Member States, Norway, Iceland and Liechtenstein); or
  - located in any of the following countries:
    - Australia
    - Canada
    - Japan
    - Hong Kong
    - New Zealand
    - Switzerland
    - United States of America; or
- (ii) any stock exchange included in the following list:
- |              |   |
|--------------|---|
| Argentina    | - Bolsa de Comercio de Buenos Aires;  |
| Botswana     | - the Botswana Stock Exchange;  |
| Brazil       | - Bolsa de Valores do Sao Paulo and Bolsa de Valores do Rio de Janeiro;   |
| Chile        | - Bolsa de Comercio de Santiago;  |
| China        | - the Shanghai Stock Exchange and Shenzhen Stock Exchange;  |
| Colombia     | - Bolsa de Bogota S.A., Bolsa de Medellin SA and the Cali Stock Exchange;   |
| Egypt        | - the Cairo stock exchange and the Alexandria stock exchange;   |
| India        | - the Bombay Stock Exchange, the Madras Stock Exchange Ltd., the Ahmedabab Stock Exchange Association Ltd., the Cochin Stock Exchange Ltd., the Guahatia Stock Exchange Ltd., the Magadh Stock Exchange Association Ltd., the Pune Stock Exchange Ltd., the Hyderabad Stock Exchange, the Ludhiana Stock Exchange Association Ltd., the Uttar Pradesh Stock Exchange Association Ltd., the Bangalore Stock Exchange Limited, the Delhi Stock Exchange Association Ltd. and the Calcutta Stock Exchange Association Ltd. |
| Indonesia    | - the Jakarta Stock Exchange and the Surabaya Stock Exchange;   |
| Israel       | - the Tel Aviv Stock Exchange;  |
| Jordan       | - the Amman Financial Market;   |
| Korea        | - the Korea Stock Exchange in Seoul;  |
| Malaysia     | - the Kuala Lumpur Stock Exchange;  |
| Mexico       | - Bolsa Mexicana de Valores;  |
| Morocco      | - Boures de Valores de Casablanca;  |
| Pakistan     | - the Karachi Stock Exchange and the Lahore Stock Exchange;   |
| Peru         | - Bolsa de Valores de Lima;   |
| Philippines  | - the Philippine Stock Exchange;  |
| Singapore    | - the Stock Exchange of Singapore Limited;  |
| South Africa | - the Johannesburg Stock Exchange;  |
| Sri Lanka    | - the Colombo Stock Exchange;   |
| Taiwan       | - the Taiwan Stock Exchange Corp. in Taipei;  |
| Thailand     | - the Stock Exchange of Thailand in Bangkok;  |
| Turkey       | - the Istanbul Stock Exchange;  |
| Venezuela    | - Bolsa de Valores de Caracas;  |
| Zimbabwe     | - the Zimbabwe Stock Exchange;  |

## (iii) Markets

The market organised by the International Securities Market Association;

The market conducted by banks and other institutions regulated by the United Kingdom Financial Services Authority (the "FSA") and subject to the Inter-Professional Conduct provisions of the Market Conduct section of the FSA Handbook (formerly known as the "Grey Paper");

The market in US government securities conducted by primary dealers regulated by the Federal Reserve Bank of New York;

The over-the-counter market in the United States regulated by the National Association of Securities Dealers Inc.;

NASDAQ in the United States;

The over-the-counter market in Japan regulated by the Securities Dealers Association of Japan;

AIM - the Alternative Investment Market in the United Kingdom which is regulated and operated by the London Stock Exchange;

The French market for "Titres de Creance Negotiable" (over-the-counter market in negotiable debt instruments);

The over-the-counter market in Canadian Government Bonds, regulated by the Investment Dealers Association of Canada; and.

NASDAQ Europe. This is a recently formed market and the general level of liquidity may not compare favourably to that found on more established exchanges.

2. In relation to any exchange traded financial derivatives contract used, any market or exchange on which such contract may be acquired or sold which is referred to in clause 1(i), (ii) or (iii) above, which is in the EEA or which is listed below, is regulated, recognised, operates regularly, and is open to the public.

Bourse de Montreal

The Chicago Board of Trade;

The Chicago Mercantile Exchange;

The Chicago Board Options Exchange;

OMLX;

The London Securities and Derivatives Exchange;

New York Board of Trade;

New York Mercantile Exchange;

New Zealand Futures and Options Exchange;

Hong Kong Futures Exchange;

Osaka Securities Exchange;

Singapore Commodity Exchange;

Tokyo International Financial Futures Exchange.

# WESTERN ASSET LIQUIDITY FUNDS PLC WESTERN ASSET US DOLLAR LIQUIDITY FUND

## Supplement June 2009

The Western Asset US Dollar Liquidity Fund (the "**Fund**"), is a sub-fund of Western Asset Liquidity Funds plc (the "**Company**"), which is an investment company with variable capital constituted as an umbrella fund with segregated liability between its sub-funds under the laws of Ireland and authorised by the Irish Financial Services Regulatory Authority pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989 and regulated pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended.

This Supplement forms part of, and should be read in conjunction with, the Prospectus dated June 2009 (the "**Prospectus**") in relation to the Company and contains information relating to Fund, which is a separate portfolio of the Company, represented by the Western Asset US Dollar Liquidity Fund series of shares in the Company (the "**Shares**"). Words and terms defined in the Prospectus have the same meaning in this Supplement unless otherwise stated.

The Company and the Fund have also been authorised by the Securities and Futures Commission in Hong Kong (the "**SFC**") and are available for sale to the public in Hong Kong. In granting such authorisation, the SFC takes no responsibility for the financial soundness of the Company and/or the Fund or for the accuracy of any of the statements made or opinions expressed in the Prospectus or this Supplement and does not imply that investment in the Company and/or the Fund is recommended by it. There are other Funds and classes of Shares of the Company which have been approved by the Irish Financial Services Regulatory Authority (the "**Financial Regulator**") but which are not authorised by the SFC and accordingly may not be offered to the retail public in Hong Kong.

Shares issued in the Fund are admitted to the Official List and trading on the Main Market of the Irish Stock Exchange. The Directors do not anticipate that an active secondary market will develop in the Shares.

The Directors accept responsibility for the information contained in this Supplement and the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit any material information likely to affect the import of such information. The Directors accept responsibility accordingly.

### **Investment Objective**

The investment objective of the Fund is to maintain capital value while seeking to produce a money market return to the investor.

The Fund seeks to provide current income while maintaining liquidity and a stable Net Asset Value of USD 1.00 per Class D and Class WA Shares.

### **Investment Policy**

The Fund will seek to achieve its investment objectives by investing principally in money market and short term debt securities and fixed income securities denominated in USD or fully hedged back into USD such as United States treasury bills and United States treasury notes, securities issued by United States government sponsored agencies, bonds, domestic and Eurodollar commercial paper, floating rate securities, certificates of deposit, banker's acceptances, asset backed securities such as collateralised loan obligations and commercial backed obligations, convertible bonds and mortgage-backed securities. For efficient portfolio management purposes only and in accordance with the section entitled "Use of Financial Derivative Instruments and Fund Investment Techniques" in the Prospectus, the Fund may utilise repurchase agreements with counterparties approved by the Investment Manager, futures, swaps and options. If the Fund acquires floating rate securities, it shall use the reset date on those securities as the maturity date. There is no assurance that the Fund will be able to maintain a stable Net Asset Value per Share of USD 1.00 or otherwise meet its investment objective.

The Fund may also hold ancillary liquid assets, such as bank deposits and USD denominated time deposits.

Subject to the investment restrictions set out both in the Prospectus and below, the securities acquired by the Fund will be listed or traded on the stock exchanges/markets set out in Appendix I of the Prospectus. Investment will not be made in markets which the Investment Manager considers to be emerging markets.

Details of the minimum credit quality, the maturity and the maximum average maturity of the securities in which the Fund may invest are set out in the section headed "Investment Profile" below.

Notwithstanding the above, the Fund does not intend to invest in credit default swaps, collateralised loan obligations, below investment grade securities, asset backed securities and mortgage-backed securities.

The investment objective and any material aspect of the investment policy of the Fund will not be altered without the approval of the Shareholders by ordinary resolution.

Investors should also recognise that:

- (a) the Fund does not represent an obligation, nor is it guaranteed by, Legg Mason, Inc., or any other subsidiary of Legg Mason, Inc. Exposure to the Fund involves investment risk including the possible loss of capital, and the price of Shares may go down as well as up;
- (b) the Fund is not subject to the provisions of the Banking Ordinance or supervision by the Hong Kong Monetary Authority, investment in Shares is different in nature to placing monies on deposit with a licensed bank or a deposit-taking company and the Fund is under no obligation to redeem Shares at the price at which they were issued.

### Investment Restrictions

The assets of the Fund will be invested in accordance with the concentration and other restrictions imposed under the UCITS Regulations and summarised in the "Investment objectives and policies" section of the Prospectus.

**Notwithstanding the incorporation into the offering documents of the Company of the availability of investment powers under the UCITS directive 2001/108/EC, for so long as the Western Asset US Dollar Liquidity Fund is authorised by the SFC in Hong Kong and unless otherwise agreed with the SFC, it is the intention of the Directors of the Company to operate the Western Asset US Dollar Liquidity Fund in accordance with the investment principles of Chapter 7 of the Code and the investment and borrowing restrictions of Chapter 8.2 However, the Western Asset US Dollar Liquidity Fund will be subject to the investment restrictions set out in the UCITS Regulations to the extent they are more restrictive than investment principles of Chapter 7 of the Code and the investment and borrowing restrictions of Chapter 8.2 of the Code.**

**For so long as the Western Asset US Dollar Liquidity Fund is authorised by the SFC in Hong Kong and unless otherwise agreed with the SFC, the Directors will give affected investors prior written notification of not less than one month and update the Prospectus and/or the Relevant Supplement should they intend to change the investment objectives, policy and/or restrictions applicable to the Western Asset US Dollar Liquidity Fund in the future. Investors may view a copy of the Code upon request at the office of the Hong Kong Representative.**

### Investment Profile

<b>Investment structure:</b>	USD denominated, diversified open ended fund.
<b>Rating:</b>	The fund has received a triple A (Aaa) / MR1+ rating by Moody's and an AAAM rating by Standard & Poor's. These ratings are not intended to be relied upon in considering the performance of the Fund with respect to appreciation, volatility of Net Asset Value or yield.
<b>Minimum Initial Subscription:</b>	USD 100,000 for the Class P Shares USD 5,000,000 for the Class C and D Shares  There is no minimum subscription amount for Class WA Shares
<b>Minimum Holding:</b>	There is no minimum holding requirement applicable to any Class of Shares following their initial purchase.
<b>Shares:</b>	Class P Shares, Class C Shares, Class D Shares and Class WA Shares are available for subscription in the Fund.

<b>Class P Shares:</b>	These are accumulation shares where the principal amount invested accumulates through the roll-up of daily net investment income, increasing the Net Asset Value of the Shares (" <b>Accumulation Shares</b> ").
<b>Class C Shares:</b>	These are also "Accumulation Shares".
<b>Class D Shares:</b>	These stable Net Asset Value shares convert income into new Shares at the daily dealing price which are allocated to the investors proportionately or at the option of the investor pay a cash dividend (" <b>Stable Net Asset Value Shares</b> ").
<b>Class WA Shares:</b>	These are also Stable Net Asset Value Shares.
<b>Minimum Credit Quality:</b>	The Fund may invest in securities that, at the time of purchase of such securities, are rated at least A1/P1 (Moody's), or have received an equivalent rating from a recognised statistical rating organisation, or are deemed by the Investment Manager to be of comparable quality to securities with such a rating. In the event that a security is downgraded after its purchase by the Fund, the Investment Manager will, as soon as practicable, seek to dispose of the downgraded security or take such action as the Investment Manager deems to be appropriate in the circumstances to remedy the situation taking into account the best interest of the Shareholders and the Fund's investment objective.
<b>Maturity:</b>	The Fund will invest in securities or instruments which comply with one of the following criteria: <ul style="list-style-type: none"> <li>(a) have a maturity at issuance of up to and including 397 days;</li> <li>(b) have a residual maturity of up to and including 397 days;</li> <li>(c) undergo regular yield adjustments in line with money market conditions at least every 397 days; or</li> <li>(d) the risk profile, including credit and interest rate risks, of which corresponds to that of financial instruments which meet the criteria set out in (a), (b) or (c).</li> </ul>
<b>Maximum Average Maturity:</b>	The Fund will seek to maintain a weighted average maturity of 60 days or less.
<b>Base Currency:</b>	USD
<b>Key Information for Buying and Selling the Fund</b>	
<b>Dealing Deadline:</b>	6:30 p.m. (Dublin time) on the relevant Dealing Day for the Class C Shares, Class D Shares, Class P Shares and the Class WA Shares, or such other time as the Directors may from time to time determine.
<b>Settlement:</b>	subscription monies must be received by the Custodian in immediately available funds on the same Dealing Day, or such other time as the Directors may from time to time determine.
<b>Business Day:</b>	shall mean any day other than a Saturday, a Sunday, 26th December, Good Friday or any other day determined by the Directors.
<b>Hong Kong Business Day:</b>	shall mean a day, other than a Saturday on which banks in Hong Kong are open for business provided that if on any such day the period during which banks in Hong Kong are open is reduced as a result of a tropical cyclone signal number 8 or above, Black Rainstorm warning or other similar event, such day shall not be a Hong Kong Business Day unless the Hong Kong Representative otherwise agrees.
<b>Dealing Day:</b>	shall mean every Business Day which is a normal banking day in the United States.
<b>Credit for Dividends/Income:</b>	On Purchase: From the relevant Dealing Day On Redemption: Up to and including the day before the relevant Dealing Day.

## Subscriptions

Shares in the Fund are available for subscription on each Business Day at their Net Asset Value per Share, which the Company will seek to maintain at USD 1.00 per Share in the case of the Class D Shares, and the Class WA Shares.

Shares will be issued at the next determined Net Asset Value per Share after receipt and acceptance by the Administrator of a request for subscription. Subscription requests must be sent to the Administrator in original form, electronically, or by fax or telephone to the numbers indicated on the application form (with the original copy received promptly thereafter) by the Dealing Deadline in order to be issued as of the next Net Asset Value per Share. In addition, settlement monies must be received in accordance with the "Settlement" section above. Applications received after the Dealing Deadline will be treated as being received on the next Business Day. Hong Kong investors should refer to the section below headed "*Subscriptions by Hong Kong Investors*" for the subscription procedure.

Applications for Shares received during any period when the Share dealings have been temporarily suspended in the circumstances described in the "Suspension of dealings" section of the Prospectus will be treated as received on the first Business Day after dealings have recommenced, unless such application has been withdrawn during the period of suspension.

The address of the Administrator is:

PNC Global Investment Servicing (Europe)Limited  
Riverside Two  
Sir John Rogerson's Quay  
Grand Canal Dock  
Dublin 2  
Ireland

Details of the minimum initial subscription in respect of each Class of Shares are set out in the section headed "*Investment Profile*" above.

### *Subscriptions by Hong Kong Investors*

Applications from Hong Kong investors for the issue of Shares should be sent to either the Administrator or the Hong Kong Representative at the address set out in the Prospectus under the section headed "Directory". Where such applications are sent to the Hong Kong Representative, the Hong Kong Representative will endeavour (in each case, without responsibility to any applicant) to forward the application to the Administrator and transfer such monies to the Custodian not later than 6:00 p.m. (Hong Kong time) on the Hong Kong Business Day following the Hong Kong Representative becoming aware of such receipt.

Hong Kong investors should arrange for the subscription monies to be paid by cheque in US dollars or by electronic bank transfer. Payment details are set out in the application form attached at the end of this document. In the case of payments otherwise than in US dollars, the Hong Kong Representative may charge the applicant the cost of conversion into US dollars and deduct the same from the applicant's investment amount.

The Hong Kong Representative reserves the right to reject any subscription application in whole or in part without being liable to the applicants for any direct or indirect loss or consequence. In such circumstances, the subscription monies paid, or the balance thereof, will normally be returned to the applicant without interest.

### **No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on Type 1 regulated activity under Part V of the Securities and Futures Ordinance in Hong Kong.**

Upon receipt by the Hong Kong Representative of an application and the subscription monies in full, it will issue a contract note showing the terms of the purchase in respect of the Shares allotted in relation to that application. In the case of the Fund, the Shares will only be issued in registered form.

Measures aimed towards the prevention of money laundering may require a detailed verification of an applicant's identity. The Company (and each of the Distributor, the Administrator and the Hong Kong Representative acting on behalf of the Company) reserves the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Company (and each of the Distributor, Administrator and the Hong Kong Representative acting on behalf of the Company) may refuse to accept the application and all subscription monies.

## Redemptions

The Fund redeems the Shares at their next determined Net Asset Value per Share (less any fees or expenses, if applicable). Redemption requests must be received in proper form and are only effective upon acceptance by the Administrator.

Shares may be redeemed on any Business Day by way of facsimile or other written communication to the Administrator at the address specified in the "Subscriptions" section above, provided that the relevant redemption request is received by the Administrator no later than the Dealing Deadline or such other time as the Directors may from time to time determine, on the relevant Business Day. Redemption requests received after that time will be treated as being received on the following Business Day. Hong Kong investors should refer to the section below headed "*Redemptions by Hong Kong Investors*" for the redemption procedure.

Redemption requests must specify the Shareholder's full name, address and Shareholder number and the number or USD amount of Shares to be redeemed.

Redemption proceeds which are paid by way of redemption monies will be sent (net of any fees or expenses) on the same Business Day on which redemption is effected.

### *Redemptions by Hong Kong Investors*

Whenever a Hong Kong investor wishes to redeem the whole or any part of his holding of Shares, he should submit his request or instructions to the Hong Kong Representative or the Administrator.

The Hong Kong Representative will endeavour to ensure, but without any responsibility to any shareholder, that requests and instructions for the redemption of Shares received by not later than 6:00 p.m. (Hong Kong time) on any Hong Kong Business Day will be transmitted to the Administrator in Dublin by such time on the same day as will enable effect to be given to such instructions at the relevant redemption price per Share calculated on the relevant Dealing Day. Requests and instructions for the redemption of Shares received after 6:00p.m. (Hong Kong time) on any Hong Kong Business Day or on a day which is not a Hong Kong Business Day will be forwarded to the Administrator in Dublin to be effected on the next Dealing Day.

The redemption proceeds will be paid in accordance with the Shareholder's instructions given at the time of application for the relevant Shares unless otherwise requested by the Shareholder. Payment shall be made to the account on record only (any changes to the account on record may only be made upon receipt of original written instruction). Payment will be made normally within one bank Business Day after receipt of a valid redemption request. The maximum period which should elapse between the receipt of a valid redemption request and the payment of redemption proceeds will be one calendar month.

A redemption commission of not more than 0.10 per cent. of the Net Asset Value per Share may be deducted from the redemption proceeds if the Company believes that a Shareholder is redeeming Shares in the Fund on considerations of a short term nature or for trading or arbitrage purposes.

## Fees and Expenses

Investors should read this section in conjunction with the section headed "Fees and Expenses" in the Prospectus.

The Fund's operating expenses are based on a percentage of the average daily Net Asset Value of the Fund on an annual basis. The total operating expenses borne by the Shares will not exceed 0.50% for Class P Shares, 0.35% for Class C and Class D Shares, and 0.10% for Class WA Shares of the average daily Net Asset Value of the Fund on an annual basis. Operating expenses are inclusive of investment advisory, portfolio management, custody, administration, distribution and all other services and out of pocket expenses associated with the Fund's operation including the fees of the Hong Kong Representative. Dividends, paid or accrued, are net of fees and expenses. The higher fee for Class P Shares reflects the low minimum initial subscription amount applicable to this class.

The total annual operating expenses of the Fund may not exceed 1.00 per cent. per annum of the average daily Net Asset Value of the Fund on an annual basis and are payable in arrears. Any increase in the current level of operating expenses up to the maximum level of 1.00 per cent. per annum will only be implemented upon giving one months' notice to affected Shareholders.

A redemption fee of up to 0.10% may be charged if it is believed that a Shareholder is redeeming Shares in the Fund on considerations of a short term nature or for trading or arbitrage purposes.

There are no outstanding unamortised establishment costs and expenses in relation to the Fund.

## Investment Risks

Investment in the Fund carries with it a degree of risk including, but not limited to, the risks described in the "Investment risks" section of the Prospectus and those referred to below. Potential investors should review the Prospectus and this Supplement carefully before making an application for Shares. The value of investments in the Fund, and income earned from them, can go down as well as up and an investor may not recover the amount invested. There can be no assurance that the Fund will be able to maintain a stable Net Asset Value per Share of USD 1.00 or otherwise achieve its investment objective.

### *Income Risk*

The Fund invests in short-term securities whose performance is closely correlated to short-term interest rates. Historically, short-term interest rate fluctuations have been influenced by government monetary policy and by markets' growing demand. The Fund is subject to income risk, which is the possibility that dividends (i.e. income) will decline because of falling interest rates. Because the Fund's income is based on short-term interest rates which can fluctuate significantly over short periods, income risk is expected to be high.

### *Credit Risk*

The Fund is subject to a limited extent to credit risk, which is the possibility that the issuer of a security will be unable to repay interest and principal in a timely manner. While the credit quality of government securities is generally high, the Fund invests in money market securities of private financial and non-financial corporations and, accordingly, not all of the securities in which it invests are issued or guaranteed by sovereign governments or government agencies.

### *Floating Rate Securities*

The Fund may invest in floating rate securities whose interest rates are not set but which fluctuate periodically. These securities reset their yield on a periodic basis (for example, daily, weekly or quarterly) and are closely correlated to changes in money market interest rates. These securities may be subject to price volatility due to such factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and the general market liquidity.

### *Fixed Income Securities*

The fixed-income securities in which a Fund may invest are interest rate sensitive and may be subject to price volatility due to such factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. The magnitude of these fluctuations will normally be greater when the maturity of the outstanding securities is longer. An increase in interest rates will generally reduce the value of fixed-income securities, while a decline in interest rates will generally increase the value of fixed-income securities. The performance of a Fund which invests in fixed income securities will therefore depend in part on the ability of the Investment Manager to anticipate and respond to such fluctuations in market interest rates and to utilise appropriate strategies to maximise returns, while attempting to minimise the associated risks to investment capital.

### *Portfolio Turnover*

Because of the short-term nature of portfolio securities, the turnover rate for the Fund is expected to be high. The turnover rate should not increase portfolio costs however, since brokerage commissions are not usually charged for the purchase or sale of short-term fixed income securities.