

Institutional Cash Series plc

## Institutional Euro Government Liquidity Fund



### Investment Objective

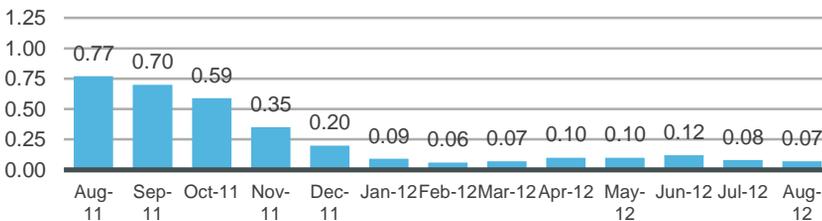
The Institutional Euro Government Liquidity Fund ("the Fund") seeks a moderate level of current income as is consistent with the liquidity and stability of principal.

### Investment Policy

The Fund invests in Government bonds, notes and bills issued or guaranteed by member countries of the European Union as well as repurchase agreements where the associated collateral comprises obligations issued by member countries of the European Union.

### Performance

1 Month Gross Annualised Yield %

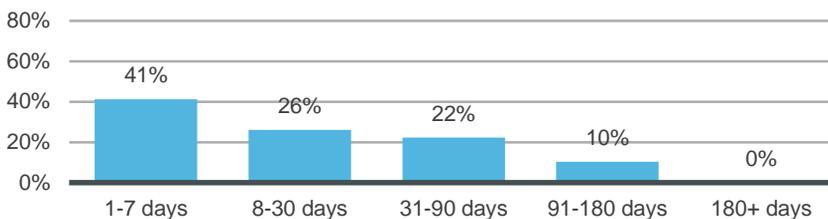


Gross Annualised Yield %

|           | 1 month | 3 months | 6 months | 1 year | Since Inception |
|-----------|---------|----------|----------|--------|-----------------|
| Fund      | 0.07    | 0.09     | 0.07     | 0.23   | 1.87            |
| Benchmark | 0.06    | 0.13     | 0.18     | 0.38   | 0.63            |

Source: Internal and Bloomberg as at 31 August 2012.  
All yields are quoted gross of fees and expenses annualised.

Maturity Distribution (WAM)



Monthly WAM History

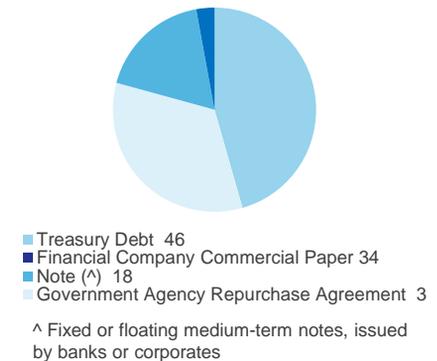
|      | Aug 11 | Sep 11 | Oct 11 | Nov 11 | Dec 11 | Jan 12 | Feb 12 | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 | Aug 12 |
|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fund | 30     | 34     | 28     | 37     | 51     | 53     | 35     | 54     | 48     | 57     | 46     | 55     | 31     |



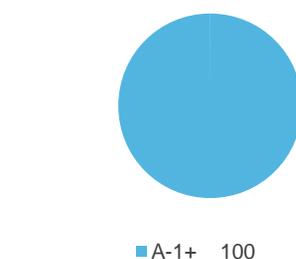
### Fund Details

|                           |                               |
|---------------------------|-------------------------------|
| Umbrella                  | Institutional Cash Series plc |
| Domicile                  | Ireland                       |
| Fund structure            | UCITS                         |
| Size                      | €1.7 billion                  |
| Benchmark                 | Overnight Euro LIBID          |
| Inception date            | 10 December 2008              |
| Minimum investment        | See Fund Information          |
| Dealing deadline          | 10:30am Irish time            |
| ISIN                      | See Fund Information          |
| Standard & Poor's Moody's | AAAm<br>Aaa-mf                |

### Portfolio composition %



### S&P Rating %



Source: BlackRock.

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## European Market Review

At the August meeting the ECB left the main refinancing rate unchanged at 0.75% and kept the monetary policy corridor at  $\pm 0.75\%$ . President Draghi called certain euro area government bond yields “unacceptable” and said further open market operations and non-standard measures may be undertaken. When questioned about the potential for negative rates, given last month’s cut to zero for the deposit rate, he noted that these are largely uncharted waters.

Euro area August composite PMI edged up to 46.6 from 46.5 supported by stronger manufacturing PMI up to 45.1 from 44.0 last month. Services PMI contracted from 47.9 to 47.5. France’s services PMI was expansionary at 50.2 but both France and Germany’s composite PMIs were below 50, at 48.9 and 47.0 respectively. Consumer confidence fell from -21.5 to -24.6 its lowest since June 2009 and the July unemployment rate remained at 11.3%. Eurozone retail sales released for June contracted -1.0% yoy (year-on-year) from -0.7% yoy in May. August “flash” CPI was firmer at 2.6% from 2.4% yoy. The estimate for euro area Q2 GDP growth was left unchanged at -0.2% qoq (quarter-on-quarter) but the disparity between countries continue.

European money market yields’ continued their decline in August: 3-month EURIBOR fell 0.11% to 0.28%, 6-month EURIBOR fell 0.13% to 0.54% and 12-month declined 0.14% to 0.81%. The recent period of increased market volatility and risk aversion continues to cause significant price tiering between money market issuers. High quality issuers from well-regarded countries continue to yield at levels below LIBOR rates, while lower quality issuers, especially those from less regarded countries, price at significant yield premiums.

## Portfolio Activity

Throughout the month, the weighted average maturity (WAM) of the portfolio reduced sharply from 55 to 31 days. The portfolio’s weighted average life (WAL) was maintained around 114 days over the month.

During the month, most of the activity was centred around 1 month Finnish, German and Dutch European T-bills while in supranational space, we switched some of our short dated German KfW exposure into 2013 floating rate note Germany’s FMS benchmarked against Eonia.

The split between physical debt and tri-party repo was heavily weighted towards physical debt with only 3% of the fund invested in tri-party repo. The tri-party repo trades are with highly rated bank counterparties from our credit approved lists and are collateralised at 102% with government bonds issued by Germany, the Netherlands and Finland.

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The Risk indicator may not be a reliable indication of the future risk profile of the fund. The risk category shown is not guaranteed and may change over time. The lowest category does not mean risk free.

### Important information - Institutional Euro Government

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