
CLARIEN ALTERNATIVE INVESTMENT FUND LIMITED

(a mutual fund company incorporated with limited liability in Bermuda and registered as a segregated accounts company under the Segregated Accounts Company Act 2000, as amended)

CLARIEN ALTERNATIVE INVESTMENT FUND

(A Segregated Account constituted as a segregated fund and Linked to the class of shares known as CAIF Class A US\$ Shares)

FUND SUPPLEMENT

Dated: 4 May, 2016

relating to

the offering of segregated account company shares as set out in the Supplement for each Fund

Manager

Clarien Investments Limited
25 Reid Street
Hamilton HM 11
Bermuda

This Supplement is supplemental to, forms part of, and should be read in conjunction with, the Prospectus dated 4 May, 2016 (as amended and restated from time to time)

GENERAL NOTICES AND SECURITIES WARNINGS

This supplement dated 23 September, 2015 (**Supplement**) is supplemental to, forms part of, and should be read in conjunction with, the Prospectus dated 23 September, 2015 as amended and restated (**Prospectus**) for Clarien Alternative Investment Fund Limited (**Company**). All defined terms used herein and not otherwise defined shall have the same respective meanings as set forth in the Prospectus.

Clarien Alternative Investment Fund (**Fund**) is a segregated account which is Linked to CAIF Class A US\$ Shares (**Shares**), which is the designated name of a distinct and segregated class of shares in the Company, a company incorporated under the laws of Bermuda as a segregated accounts company. The Shares are offered pursuant to the terms of the Prospectus and this Supplement and are issued by the Fund. Copies of the Prospectus are available during usual business hours on any weekday (Saturdays, Sundays and holidays excepted), on behalf of the Company, free of charge, from the offices of the Manager or the Administrator.

The Company's board of directors has overall responsibility for the management and control of the Company and the Fund. The Directors, whose names appear in the Prospectus, accept full responsibility for the information contained in this Supplement and confirm, having made all reasonable enquiries that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The information contained in this Supplement should be read in the context of, and together with, the information contained in the Prospectus and distribution of this Supplement is not authorised unless accompanied by, or supplied in conjunction with, a copy of the Prospectus.

This Supplement and the Prospectus should be accompanied by, and read in conjunction with, the Company's Memorandum of Association and Bye-laws (collectively the "**Constitutional Documents**"), its latest annual report and audited accounts (if any). Neither this Supplement nor the Prospectus set out all the provisions of the Company's Constitutional Documents that may be significant to a particular prospective investor. Each prospective investor should examine this Supplement and the Prospectus and the applicable subscription agreement in order to assure itself that the terms of the investment offered and the Fund's investment objective and methods of operation are satisfactory to it.

THIS SUPPLEMENT DOES NOT CONSTITUTE AN OFFER TO SUBSCRIBE OR A SOLICITATION OF AN OFFER TO SUBSCRIBE TO ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

In making an investment decision, investors must rely on their own examination of the Company and the terms of the offering, including the merits and risks involved. No assurance can be given that the Company's or Fund's investment objective will be achieved.

When considering what action you should take you are recommended to seek your own financial advice immediately from your stockbroker, solicitor, accountant or another appropriate authorised independent adviser.

Purchase of the Shares involves a high degree of risk. The performance of the Shares is subject to fluctuations and no assurance can be given that appreciation will occur or that losses will not be realised. Investment in the Shares is intended for professional or sophisticated investors who can afford the risks inherent in this type of investment. Prospective investors' attention is drawn to the "RISK FACTORS" section of the Prospectus.

Prospective investors should inform themselves as to the legal requirements and tax consequences within the countries of their residence or domicile for the acquisition, holding or disposal of Shares and any foreign exchange restrictions which may be relevant to them. Shares

which are acquired by persons not entitled under the Company's policies to hold them may be compulsorily redeemed.

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(The documents attached as Appendices can be altered from time to time without any change to this Supplement)

Appendix I: Subscription Agreement

DEFINITIONS

Company	Has the meaning ascribed thereto on page 2.
Fund Account	An interest bearing bank account for Clarien Alternative Investment Fund into which Subscription Proceeds are deposited and from which Clarien Alternative Investment Fund's purchases, redemptions, fees and expenses are paid.
Initial Subscription Period	The period commencing at 9.00 a.m. (Irish time) on the date of this Supplement and expiring at 5.00 p.m. (Irish time) on 27 August, 2015.
Management Fee	Has the meaning ascribed thereto on page 16.
Redemption Date	Has the meaning ascribed thereto on page 15.
Shares	Has the meaning ascribed thereto on page 6.
Shareholders	The persons registered in the register of shareholders of the Company in respect of the registered title to the Shares.
Subscription Day	Has the meaning ascribed thereto on page 14.
Subscription Price	Has the following meaning: (i) in respect of the Initial Subscription Period, \$100 per Share; and (ii) thereafter the Net Asset Value of the Shares, as determined by the Board.
Subscription Closure Date	Has the meaning ascribed thereto on page 14.
Supplement	Has the meaning ascribed thereto on page 2.
Clarien Alternative Investment Fund or Fund	Has the meaning ascribed thereto on page 6.

More detailed information concerning the Company and Clarien Alternative Investment Fund is set forth in the Prospectus, which should be read in conjunction with this Supplement, the Constitutional Documents and the documents and agreements referred to herein and therein which are available from the Manager or the Administrator on request.

THE COMPANY AND CLARIEN ALTERNATIVE INVESTMENT FUND

Details regarding the incorporation and nature of the Company and its designation as a segregated accounts company under the laws of Bermuda are set forth in the Company's Prospectus. Reference should be made to the Prospectus regarding the implications of segregation.

The Offering

The Company has an authorised share capital of US\$10,000 comprised of (i) 8,000 Management Shares of par value US\$1.00 each issued to, and held by, the Manager and (ii) 20,000,000

Participating Shares of par value US\$0.0001 each. The Participating Shares are issuable by the Directors in such classes as the Directors may determine from time to time and the Directors will establish and maintain a separate and distinct Segregated Account in connection with each class of Participating Shares created for issue and within which all assets and liabilities attributable to each relevant class of Participating Shares are held and are segregated from the assets and liabilities attributable to each other class of Participating Shares and from the general assets and liabilities of the Company.

By this Supplement the Company is offering the “CAIF Class A US\$ Shares” (**Shares**) and the Segregated Account to be Linked to the Shares will be known as the “Clarien Alternative Investment Fund” (**Fund**).

There is no minimum amount which, in the opinion of the Directors, must be raised with respect to the offer of the Shares in order to provide for the matters referred to in Section 28 of the Companies Act. Following the expiration of the Initial Subscription Period it is intended that Clarien Alternative Investment Fund will be fully invested from that point save for such amount as may be retained in order to pay for expenses of the Fund.

INVESTMENT CRITERIA AND STRATEGY

Investment Objective and Policy

Clarien Alternative Investment Fund seeks to achieve attractive long term capital appreciation with limited draw-downs and low correlation to traditional global markets. The current investment policy adopted by the Board in respect of the Fund is to seek to achieve this investment objective by investing in global markets implementing a variety of investment strategies primarily via investment in investment funds and products offering an exposure to these markets. Investment strategies which may be considered are global trading, multi strategy/event driven and global equity and a brief description of them is as follows:

- (i) **Global Trading** – typically trade and invest on a worldwide basis in global fixed income, currency, commodity and equity markets and their related derivatives;
- (ii) **Multi Strategy/Event Driven** – seek to profit from inefficiencies and disparities via trading and investing in various strategies including, but not limited to, arbitrage, event driven, convertible bond, corporate restructurings, distressed and bankruptcy;
- (iii) **Global Equity** – are equity long short managers that principally select stocks through the use of fundamental bottom-up stock picking; and

Other strategies, which the Directors consider appropriate for Clarien Alternative Investment Fund, may be added from time to time.

In addition, the investment objective, policy and/or restrictions of the Fund may be amended from time to time by the Directors. In the event of a change in investment objective, policy and or restrictions the Board will provide Shareholders with at least three (3) months’ prior written notice of the applicable change.

Investment and Borrowing Powers

There are no restrictions on the types of investment which may be acquired by the Fund, or in relation to which such strategies may be adopted, which may include equity securities, debt securities, futures, options and other derivative instruments, warrants, convertible securities, money market instruments, fixed interest securities, interest rates, currencies, commodities, structured products and notes, both listed, unlisted, traded on various exchanges or markets or over the counter. Investment by the Fund may be made in such investments and implementation

of such strategies achieved either directly or indirectly through the acquisition of interests in exchange traded and other funds and structured notes and products.

The Fund may invest all of its assets in the securities of any one company, public or private. Generally, any investments will be made in the equity, debt or hybrid securities of either publicly listed or privately held companies. As such, investors should be prepared to accept a significant amount of investment risk, concentration risk and potentially a lack of liquidity. In exercising its investment strategy, the Fund may adopt a passive or activist investment approach and may seek and hold board representation in its portfolio companies.

Clarien Alternative Investment Fund is not subject to any requirements or restrictions on: -

- (i) the amount or degree to which it may hold liquid assets in the form of cash, near cash, money market investments, government and non-government debt securities;
- (ii) the percentage of the gross assets of the Fund that may be invested in the securities of a single issuer or issue or exposed to the credit worthiness of a single counter-party;
- (iii) the percentage of the gross assets of the Fund that may be invested in unlisted securities or securities which are not traded on an exchange or market; or
- (iv) the markets in which the Fund may invest pursuant to its investment policy.

Clarien Alternative Investment Fund is not subject to any restrictions on the degree to which borrowing or leverage may be utilised in furtherance of the investment objective and policy of the Fund although it is the current policy of the Directors that leverage and borrowing should not exceed 50 per cent (50%) of the Net Asset Value of each Class of the Fund.

Underlying investment managers may be permitted to borrow within their funds, subject to the terms of the relevant prospectus and, in the case of segregated portfolios, according to the relevant investment management agreement.

Clarien Alternative Investment Fund is authorised to utilise forward foreign exchange contracts, currency options and other derivative instruments in order to hedge against currency exposures within the Fund. There can be no assurance, however, that currency hedging on behalf of the Fund will be undertaken and, if undertaken, will be successful.

Investment funds managed by third party investment advisors in which investment may be made by the Fund include both open and closed ended funds and special purposes vehicles in the form of bodies corporate, unit trusts, limited partnerships and other forms of investment vehicle considered to be appropriate for investment. Securities of such funds or vehicles may be listed or unlisted. The interests which may be acquired include units, shares, participations and interests in limited and other partnerships and may include other securities such as warrants and debt instruments and other rights, interests and participations. Exposure to such investment advisors and/or funds may also be accessed through structured products and other forms of participations listed or related to the performance of such funds or investment advisors or a combination thereof or indices related thereto.

The exercise of any voting rights or other corporate actions relating to assets and securities held for the Fund are determined by the Directors, taking account of any advice or recommendations received from the third party advisors and the Manager, and reflect the Board's determination of what in its opinion is in the best interests of the Shareholders of the Fund.

THERE CAN BE NO ASSURANCE THAT THE FUND'S INVESTMENT STRATEGY WILL ACHIEVE PROFITABLE RESULTS. AS A RESULT OF INVESTMENT RISKS, A SHAREHOLDER MAY LOSE ANY CAPITAL SUBSCRIBED.

RISK FACTORS

Applicants should give careful consideration to the risk factors set out in the Prospectus and as set out below in evaluating the merits and suitability of an investment in the Company or the Fund. Neither the risks described in the Prospectus nor this Supplement purport to be a comprehensive summary of all of the risks associated with an investment in the Company or the Fund.

Risks Particular to Clarien Alternative Investment Fund

Generally

Prospective investors should note that the purchase of the Shares involves a high degree of risk. The performance of the Shares is subject to fluctuations and no assurance can be given that appreciation will occur or that losses will not be realised. Investment in the Shares is intended for professional or sophisticated investors who can afford the risk inherent in this type of investment. Purchase of the Shares should be made by Applicants only after consulting independent qualified investment and tax advisors.

The investments of the Fund are subject to market fluctuations and other risks inherent in investing in securities and there can be no assurance that any appreciation in value will occur. The value of investments and the income from them, and therefore the value of, and income from, the Shares of the Fund can go down as well as up and an investor may not get back the amount he invests. Changes in exchange rates between currencies may also cause the value of the investments to diminish or increase. An investor who realises Shares of the Fund after a short period may, in addition, not realise the amount originally invested in view of any initial charge made on the issue of Shares of the Fund, and/ or any redemption charge made on cancellation of Shares of the Fund.

Past performance is not necessarily a guide to future performance.

Absence of operating history

The Fund does not have an operating history upon which Applicants may base an evaluation of its likely performance.

Nature of Subscriptions

The Fund's business involves a high degree of financial risk. There is no assurance that the Fund's objective will be realised or that Shareholders will receive any return on their Subscription. A Shareholder may lose all of his or her Subscription.

Dividends

Notwithstanding the provisions set forth in the section on "Dividend Policy" in the Prospectus, the Fund does not intend to pay dividends. Accordingly, an investment in the Fund may not be suitable for Applicants seeking current returns for financial or tax planning purposes.

Market Risk

Any investment made in a specific group of assets is exposed to the universal risks of the market of such assets. There is no guarantee that losses equivalent to or greater than the overall market will not be incurred by a Shareholder as a result of a Subscription.

Exchange rate fluctuations

Fluctuations in US Dollars exchange rate against a Shareholder's domestic currency are unpredictable and can have a significant impact on the return on investment to each Shareholder.

Segregated Accounts Company

Clarien Alternative Investment Fund is a segregated account and reference should be made to the Prospectus regarding the implications of the same.

Compliance

The Fund must comply with various legal requirements, including without limitation requirements imposed by the securities laws, tax laws and pension laws in various jurisdictions. In particular risks of AIFMD and FATCA are set forth in the Prospectus. Should any of those laws change over the scheduled term of the Company, the legal requirements to which the Company and the Shareholders may be subject could differ materially from current requirements.

Uncertainties as to Valuations

Special situations affecting the measurement of the Net Asset Value of the assets attributable to the Fund may arise from time to time. Prospective investors should be aware that situations involving uncertainties as to the valuation of assets attributable to the Fund could have an adverse effect on its Net Asset Value. In particular, the assets of the Fund may be invested in investment funds that are not regularly traded on an exchange and the accuracy of the determination of the Net Asset Value of the assets of the Fund may be affected by the frequency of the valuations of securities provided by those funds and advisors who manage investment funds may report on a weekly, bi-weekly, monthly or quarterly basis.

Whilst the Fund will generally use the latest available published price in respect of each investment in order to calculate the Net Asset Value it reserves the right to use more recent valuations where this is considered appropriate. Such valuations may be based on an estimate of a more recent price of any unit or share in an underlying investment fund or other collective investment undertaking in which the Fund invests obtained from or calculated on the basis of more recent information received from the underlying fund or undertaking or any of its service providers or agents.

In instances where the value of an investment cannot be determined in accordance with the valuation procedures described under the section entitled "Determination of Net Asset Value" in the Prospectus or in instances where the Directors determine that it is impracticable or inappropriate to determine a price or amount of a liability in accordance with the above procedures, the price will be a fair and reasonable value as determined in good faith and on a prudent basis in such manner as the Directors may prescribe in accordance with the accounting procedures applicable to the Company and the Fund.

In the event that a price or valuation estimate accepted by the Fund in relation to an underlying investment subsequently proves to be incorrect or varies from a final published price, no adjustment to the Net Asset Value of Shares in issue will be made unless the Directors deem it appropriate in the circumstances.

Further advisors of underlying funds invested in by the Fund may themselves be affected by special situations relating to the valuation and computation of dealing prices for the underlying funds and these situations will not usually be disclosed to or known about by the Manager.

The Manager does not verify the integrity and consistency of approach followed in the valuation of underlying funds invested in by the Fund. Valuation of underlying funds by their advisors may be affected by override powers exercised by such advisors or connected parties and there may not be complete segregation of duties between functionaries carrying out the valuation process from those responsible for investment management of the underlying funds. Investors are required to accept the risks inherent in these circumstances when investing in the Fund.

Counterparty and Settlement Risks

The Fund may be exposed to credit risk with the counterparties with whom it trades in relation to options, futures, contracts and other derivative financial instruments that are not traded on an exchange. Such instruments are not afforded the same protections as may apply to participants trading futures or options on organised exchanges, such as the performance guarantee of an exchange clearing house. The Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which the Company trades such instruments, which could result in substantial losses to the Fund.

The Fund may also be exposed to a credit risk on parties with whom the Fund trades securities, and may also bear the risk of settlement default, in particular in relation to debt securities such as bonds, notes and similar debt obligations or instruments. Shareholders should also note that settlement mechanisms in emerging markets are generally less developed and reliable than those in more developed countries and that this therefore increases the risk of settlement default, which could result in substantial losses for the Fund in respect to investments in emerging markets. Shareholders should also note that the securities of small capitalisation companies as well as the securities of companies domiciled in emerging markets are less liquid and more volatile than more developed stock markets and this may result in fluctuations in the price of the Shares of the Fund.

Commodity Interests and Options

The prices of commodities contracts and all derivative instruments, including futures and options, in which the Fund and underlying investment funds held by the Fund may invest may be highly volatile. In addition, the Fund is subject to the risk of the failure of any of the exchanges on which such investment funds trade, of their clearing houses and, in certain cases, of the counterparties with whom the trades are carried out.

The Fund and the underlying investment funds in which the Fund invests may purchase and sell ("write") options on securities, currencies and commodities on a variety of commodities exchanges, securities exchanges and over-the-counter markets. The seller ("writer") of a put option which is uncovered (i.e. the writer has a short position in the underlying security, currency or commodity) assumes the risk of an increase in the market price of the underlying security, currency or commodity above the sales price (in establishing the short position) of the underlying security, currency or commodity plus the premium received, and gives up the opportunity for gain on the underlying security, currency or commodity below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security, currency or commodity below the exercise price of the option. The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, currency or commodity, the loss on the put will be offset in whole or in part by any gain on the underlying security, currency or commodity.

The writer of a call option which is covered (e.g. the writer holds the underlying security, currency or commodity) assumes the risk of decline in the market price of the underlying security, currency or commodity below the value of the underlying security, currency or commodity less the premium received, and gives up the opportunity for gain on the underlying security, currency or commodity above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security, currency or commodity above the exercise price of the option. The buyer of the call option assumes the risk of losing his entire investment in the call option. If the buyer of the call sells short the underlying security, currency or commodity, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security, currency or commodity. In entering into a closing purchase transaction, the investment fund in which the Fund invests may be subject to the risk of

loss to the extent that the premium paid for entering into a closing purchase transaction exceeds the premium received when the option was written.

To the extent that the Fund invests in underlying investment funds which engage in futures and options contract trading and the broker with whom such investment funds maintain accounts fails to segregate the underlying investment fund's assets, the investment fund (and hence the Fund) will be subject to a risk of loss in the event of the bankruptcy of the broker. In certain circumstances, where there is segregation, the investment fund concerned might be able to recover, even in respect of property specifically traceable to it, only a pro rata share of all property available for distribution to a bankrupt broker's customers.

Forward Currency Contracts

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Disruptions can occur in any market traded by the Fund and by investment funds in which the Fund may invest due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to the possible detriment of the investors in the Fund or investment funds in which the Fund may invest. In respect of such trading, the relevant investment fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to the Fund or to an underlying investment fund (and hence the Fund).

Short Sales

A short sale involves the sale of a security that the Fund or an underlying investment fund in which the Fund is invested does not own in the expectation of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. To make delivery to the buyer, the Fund or the underlying investment fund must borrow the security and later purchase the security to return to the lender. A short sale involves a risk of a theoretically unlimited increase in the market price of the security and therefore a theoretically unlimited loss on the security sold short.

Lack of Established Rating Criteria

No rating criteria have been established for the debt securities in which the Fund may invest. Therefore, in accordance with the Fund's investment policy, the Fund may invest in low rated (considered to be those that are below "investment grade") and unrated debt securities. Low rated and unrated debt securities are the equivalent of high yield, high risk bonds, commonly known as "junk bonds" are generally considered to be speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of its obligations under such securities.

In some emerging market countries evidence of legal title to shares is maintained in "book-entry" form. In order to be recognised as the registered owner of the shares of a company, a purchaser or purchasers' representative must physically travel to a registrar and open an account with the registrar (which, in certain cases, requires the payment of an account opening fee). Thereafter, each time that the purchaser purchases additional shares of the company, the purchasers' representative must present to the registrar powers of attorney from the purchaser and the seller of such shares, along with evidence of such purchase, at which time the registrar will debit such purchased shares from the seller's account maintained on the register and credit such purchased shares to the purchaser's account to be maintained on the register.

Securities Registration Risk

The role of the registrar in such custodial and registration processes is crucial. Registrars may not be subject to effective government supervision and it is possible for the Fund or an underlying investment fund to lose its registration through fraud, negligence or mere oversight on the part of the registrar. Furthermore, while companies in certain emerging market countries may be required to maintain independent registrars that meet certain statutory criteria, in practice, there can be no guarantee that this regulation has been strictly enforced. Due to this possible lack of independence, management of companies in such emerging market countries can potentially exert significant influence over the shareholding in such companies. If a company's register was to be destroyed or mutilated, the Fund's or an underlying investment fund's holding in respect of the relevant shares of that company could be substantially impaired, or in certain cases, deleted. Registrars often do not maintain insurance against such occurrences, nor are they likely to have assets sufficient to compensate the Fund or an underlying investment fund (and hence the Fund) as a result thereof. While the registrar and the applicable company may be legally obliged to remedy such loss, there is no guarantee that either of them would do so, nor is there any guarantee that the Fund or an underlying investment fund would be able to bring successfully a claim against them as a result of such loss. Furthermore, the registrar or the relevant company could wilfully refuse to recognise the Fund or an underlying investment fund as the registered holder of shares previously purchased due to the destruction of the relevant company's register.

Illiquidity of Underlying Investments

Certain investment positions may be illiquid. Futures positions may be illiquid because, for example, some exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Similar occurrences could prohibit the Fund from promptly liquidating unfavourable positions and subject the Fund to substantial losses. In addition, the Fund may not be able to execute futures contract trades at favourable prices if little trading in the contracts involved is taking place. It is also possible that an exchange may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Further, the factors relating to illiquidity of investment positions may also be applicable to an investor whose assets are used in any *in specie* redemption or withdrawal.

Hedging Transactions

The Fund and the investment funds in which the Fund invests may utilise financial instruments such as forward and futures contracts, options, caps and floors both for investment purposes and to seek to hedge against fluctuations in the relative values of their portfolio positions as a result of changes in currency exchange rates, market interest rates, equity indices, commodity prices and credit spreads. Such hedging transactions may limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not be possible for the Fund and such underlying investment funds to hedge against fluctuations in currency exchange rates, market interest rates, equity indices, commodity prices or credit spreads that may generally be anticipated if the Fund or the relevant underlying investment fund is not able to enter into a hedging transaction at a price sufficient to protect the Fund or the relevant investment fund from the decline in value of the portfolio position anticipated as a result of such fluctuations.

While investment funds in which the Fund and the underlying investment funds invest may enter into such transactions to seek to reduce the risks associated with fluctuations in exchange rates, market interest rates, equity indices, commodity prices and credit spreads, unanticipated changes in currency, exchange rates, interest rates, equity indices, commodity prices and credit spreads may result in a poorer overall performance of the relevant investment funds and hence the Fund. For a variety of reasons, the relevant funds' investment advisors may not seek to establish (or may not otherwise obtain) a perfect correlation between such hedging instruments and the

portfolio holdings being hedged. Such imperfect correlation may prevent the relevant investment fund from achieving the intended hedge or expose the relevant fund to risk of loss.

Trading in Indices, Financial Instruments and Currencies

The Fund and the underlying investment funds in which the Fund invests may place an emphasis on trading indices, financial instruments and currencies. The effect of governmental and/or regulatory intervention may be particularly significant at certain times in currency and financial instrument futures and options markets. Such intervention (as well as other factors) may cause all of these markets to move rapidly in the same direction because of, amongst other things, interest rate fluctuations.

Prime Brokers

An underlying fund in which the Fund invests may appoint one or more prime brokers to provide it with prime brokerage services. A prime brokerage service would involve the prime broker providing this investment fund with financing facilities, typically in the form of cash loans to finance long securities positions and stock loans to enable the company to sell short. Other leveraging facilities, such as acting as a counterparty for swaps and OTC derivatives transactions, may be provided by the prime broker in conjunction with such prime brokerage services.

As security for the prime brokerage facilities the prime broker will normally hold part or all of the underlying investment fund's securities portfolio and/or other assets as collateral, subject either to a charge or mortgage or on a transfer of title basis. Where security is taken by means of a charge or mortgage the prime broker will also normally require the right to deal with, lend, dispose of, pledge, or otherwise use or rehypothecate the charged assets ("rehypothecated assets") for its own purposes and all right, title and interest to such rehypothecated assets can be expected to pass to the prime broker, subject to a contractual obligation to return equivalent assets to the applicable investment fund. Where collateral is taken by the prime broker on a transfer of title basis all right, title and interest in the collateral will pass to the prime broker, the collateral will cease to be the property of the investment fund and instead it will have a contractual right to the return of equivalent assets. In the case both of rehypothecated assets and assets held as collateral on a transfer of title basis, if the prime broker were to become insolvent the relevant underlying investment fund's claim for such assets would be as an unsecured creditor and it might not be able to recover such assets in full.

The underlying fund's assets held by the prime broker may also be subject to other rights associated with security or collateral arrangements in favour of the prime broker, such as a right on the part of the prime broker to retain such assets until all amounts owing to it by the investment fund have been paid in full and a right to have recourse to the assets to meet liabilities owing to other companies within the prime broker's own group.

Master/Feeder Structure

The Fund may be the sole investor in an underlying fund but if there are additional feeder funds whether initially or in the future this could present certain risks to the investor. For example, a smaller feeder fund investing in the underlying master fund may be materially affected by the actions of a larger feeder fund investing in this master fund. If a larger feeder fund withdraws from this master fund, the remaining feeder fund may experience higher pro rata operating expenses, thereby producing lower returns. Hence an underlying master fund may also become less diverse due to a redemption by a larger feeder fund, resulting in increased portfolio risk.

PROFILES

Profiles of the Directors, the Manager, the Administrator, Secretary, SAR, Auditor and Legal Counsel are set forth in the Prospectus. Details of the other participants engaged in the operation of the Fund are as set forth below.

SHARE DEALINGS

The provisions dealing with subscriptions and redemptions generally are set forth in the Prospectus. Those provisions which specifically relate to subscription in and redemption from the Fund and are not contained in the Prospectus are set forth below. Prospective investors and existing Shareholders must read those Prospectus provisions in conjunction with the provisions set forth below.

Subscription for the Shares of Clarien Alternative Investment Fund

Admission

The general admission provisions are set forth in the Prospectus. It is intended that the Fund shall be open following expiration of the Initial Subscription Period for monthly subscriptions. Shares may be purchased on the first Business Day of each calendar month (**Subscription Day**) at a purchase price equal to the then prevailing Net Asset Value per Share in accordance with the Prospectus. The minimum initial subscription for each Shareholder is US\$100,000, and thereafter US\$5,000, which may be waived or reduced by the Directors or by the Manager, on behalf of the Directors, in their discretion on a case by case basis (**Subscription Amount**). Subscriptions are generally payable in USD. The date of closure of the Fund to further subscriptions will be notified to existing Shareholders following determination thereof by the Board (**Subscription Closure Date**).

Application Procedure

The following procedure applies to the application for subscription for Shares:

Subscription Agreement: Applications for Shares at the Subscription Price should be made by completing and signing the Subscription Agreement (see Appendix I) which must be received by the Administrator, together with cleared funds and the documents requested in the Application Procedures, not later than:-

- In the case of the Initial Subscription Period, 5:00 p.m. (Irish time) on the Business Day that is at least five (5) Business Days prior to the last day of the Initial Subscription Period (unless otherwise determined by the Directors).
- In the case of a subscription after expiration of the Initial Subscription Period, 5:00 p.m. (Irish time) five (5) Business Days prior to the applicable Valuation Day (unless the Directors otherwise determine in their discretion).

The duly completed and signed Subscription Agreement should be sent by facsimile to the Administrator at the fax number referred to therein or scanned and emailed to the Administrator to the email address referred to therein. The original should be promptly sent to the Administrator by post. It is the responsibility of the Applicant to verify that the Administrator has received a legible copy of the Subscription Agreement. Subscription monies should be sent by wire transfer (see the Subscription Agreement at Appendix I for details).

Applicants are required to specify on application a Designated Bank Account into which the proceeds of any redemption may be sent by the Administrator. This Designated Bank Account must be in the name of the Applicant. Third party accounts will not be acceptable. Any subsequent change of such instruction must be in writing and duly signed by the Shareholder. Instructions must be signed by authorised signatories.

Applicants are advised that the Shares are issued subject to the provisions of the Company's Constitutional Documents. Fractional Shares may be issued.

Subscription Amounts: When applying for Shares or a series thereof, Applicants must initially apply for an initial minimum amount of US\$100,000 or its equivalent in any freely convertible currency, and thereafter a subsequent minimum amount of US\$5,000. The Board may waive this minimum amount at its discretion. If a Subscription is received in a currency other than US Dollars that subscription will automatically be converted upon receipt by Clarien Alternative Investment Fund into US Dollars at the Shareholder's cost at the then prevailing exchange rate available to the Fund. The resultant subscription proceeds will be deposited into the Fund Account. The Directors have absolute discretion to accept or reject subscriptions and to accept subscriptions greater or smaller than the minimum subscription, in either instance without ascribing any reasons therefor. Investors may elect and the Directors or the Manager, in their sole discretion may accept, payment-in-kind, rather than cash, as payment for subscriptions. If accepted, such in-kind payments will generally be assigned a fair market value in US Dollars unless the Directors determine another value therefor.

Acceptance: The Administrator (for and on behalf of the Fund acting through the Company) will notify successful Applicants of their acceptance by fax or email (as provided in the Subscription Agreement). Once a Subscription Agreement has been received and accepted by the Company, it will be irrevocable. The Board reserves the right in its entire discretion to reject any application in whole or in part, in which event the Subscription Proceeds or any balance will be returned without interest by wire transfer to the Designated Bank Account at the Applicant's risk and at the expense of the Applicant. Shares will not be allotted or issued without a completed and duly signed Subscription Agreement, receipt of cleared Subscription Proceeds and any documents of verification or identity that may be requested by the Administrator pursuant to the Application Procedures (see "*Money Laundering*" below). A contract note will not be released until the Administrator is in receipt of the original Subscription Agreement.

Minimum Amount: The minimum amount which, in the opinion of the Directors, must be raised with respect to the offer of the Shares is nil.

Money Laundering

As part of the Company, the Administrator, its affiliates, subsidiaries or associates responsibility for the prevention of money laundering and terrorist financing, the Company, the Administrator, its affiliates, subsidiaries or associates may require a detailed verification of an investor's identity and the source of payment.

A description of the money laundering provisions is set forth in the Prospectus.

The Fund reserves the right, to the extent permitted under Applicable Law, to use any information that is gathered as part of its anti-money laundering procedures also for compliance with tax related information reporting requirements.

Redemptions

Redemption by Shareholders

Shareholders may request redemption of their Shares in any calendar quarter effective as of the last calendar day of each respective quarter throughout the term of the Fund, or at such other time as determined by the Directors in their sole discretion (each a "**Redemption Date**").

Shareholders wishing to redeem Shares as of a particular Redemption Date must provide the Administrator by 5:00 p.m. Irish time on the Business Day that is at least forty-five (45) calendar days prior to the relevant Redemption Date written notice of their intention to redeem such Shares as of the applicable Redemption Date. A redemption request, once made, will be irrevocable and may not be withdrawn without the consent of the Directors or the Manager.

The redemption price per Share is equal to the Net Asset Value per Share on the Valuation Day. Each redeeming Shareholder will generally receive the redemption proceeds within thirty (30) calendar days after the Redemption Date.

However, in certain unusual or unforeseen circumstances where the Fund is unable to liquidate securities positions in a timely and orderly manner in order to fund redemptions, or where the value of the assets and liabilities of the Fund cannot reasonably be determined, the Fund may, in the sole discretion of the Directors, take longer than the time period mentioned above to effect settlements of redemptions or may effectuate only a portion of a requested redemption. Under certain circumstances, the Fund may settle redemptions, in whole or in part, in-kind and may extend the duration of the redemption notice period if the Directors deem such an extension as being in the best interest of the Fund and the non-redeeming Shareholders. Furthermore, under certain circumstances, the Fund may suspend redemptions.

Redemption Procedure: The form of Redemption Request will be supplied to Shareholders if the Board approves a redemption of Shares by Shareholders at the relevant time.

Redemption Price: In the event that the Board approves a redemption of the Shares at any time then the Shares will be redeemed at a price per share equal to the Net Asset Value per Share, (referred to herein as the “**Redemption Price**”). Payment of the Redemption Price will be made (at the applicable Shareholders risk and expense) by wire transfer, to the Designated Bank Account of the applicable Shareholder in US Dollars.

Compulsory Redemption

The provisions regarding the Directors right to compulsorily redeem some or all of the Shares of a Shareholder are set forth in the Prospectus.

Transfer of Shares

The provisions regarding restrictions on transfers of Shares by Shareholders are set forth in the Prospectus.

FEES AND EXPENSES

Management Fee

A management fee of one and a quarter per cent fee (1.25%) will be payable on the Net Asset Value of the Fund and payable quarterly in arrears from the Fund Account (**Management Fee**). There is no Performance Fee charged in respect of the Fund.

The Manager may, in its sole discretion, effectively waive all or part of the Management Fee otherwise due with respect to any Shareholder’s investment by rebate or otherwise.

Expenses

Establishment expenses: Establishment expenses of approximately US\$20,000 have been allocated to Clarien Alternative Investment Fund and will be expensed as they arise. Any additional establishment expenses will be paid by the Manager and not reimbursed from the Company or any other Segregated Account.

Operating expenses: These expenses are paid by Clarien Alternative Investment Fund and are (*inter alia*) the legal, accounting and administrative fees in respect of Fund and include the apportioned fees of the Administrator and Auditor.

General expenses: Clarien Alternative Investment Fund will pay its administration expenses not captured above and its apportioned share of the costs of administering the Company (for this purpose, expenses may be recognised on an accruals basis or as incurred, depending upon the nature of the expenses).

Fees and Expenses of Underlying Investment Funds

As the investment objectives of the Fund may be achieved through investment in underlying investment funds, the Fund will bear a proportion of the expenses attributable to those investments (whether directly or indirectly) including, without limitation, any subscription or redemption fees or other charges which may be levied by such funds or their operators and investment advisors and advisors. Investment funds of the type in which the Fund may invest include investment funds that charge in addition to a management fee (typically of between one and four per cent. per annum of the relevant net asset value), an incentive fee based on a percentage of profits. The incentive fee can be as high as twenty five per cent. of profits (or possibly even higher in certain cases). Often profits will be assessed on a “high water mark” basis so that no new incentive fee is payable until any prior losses have been recouped, but this may not always be the case.

TAX

The description of the current law and practice in Bermuda as regards taxes and exchange control provisions are set forth in the Prospectus.

STATUTORY AND GENERAL INFORMATION

A summary of certain statutory and general information about the Company, the Fund and the Shares is set forth in the Prospectus. Any variation thereto is set forth below. Neither the information in the Prospectus nor as set forth below purports to be exhaustive. Unless specified otherwise, information contained in this Supplement is as of the date specified on the cover page.

Share Capital and other provisions

There are no variations to the information set out in the Prospectus regarding the share capital of the Company and the different classes of Participating Shares.

Directors’ Interests, Indemnities and Commissions

There are no variations to the information set out in the Prospectus regarding the interests of Directors, indemnities and commissions.

Reporting

The financial year of the Company and the Fund will end on 31 December in each calendar year. The financial statements for the Fund are prepared in accordance with IFRS. An annual report and, if applicable, audited financial statements for the Fund in respect of each financial year will be sent to Shareholders within 21 days of their issue and will be emailed and, if requested, posted to a Shareholder at his registered postal address or other address as notified in writing by

the Shareholder, free of charge and will be made available for inspection at the registered office of the Administrator and the Company. However, the Directors intend to waive the requirement for audited financial statements for the Fund subject to any applicable regulatory approvals required.

It is expected that the Administrator will supply Shareholders with Net Asset Value statements as soon as reasonably practicable following the determination of the Net Asset Value to be calculated as of 31 December each year.

Communication with the Company/Inquiries

All communications and correspondence with the Company and inquiries concerning the Company and the Shares, including information concerning subscription and redemption procedures and current Net Asset Value of the Fund, should be directed to the Administrator at their respective addresses set out in the "DIRECTORY".

General

1. The Directors confirm that as of the date of this Supplement no trading in the Shares has occurred and no accounts have been made up or dividends declared in relation to Clarien Alternative Investment Fund.
2. As at the date of this Supplement, the Company does not intend to seek registration or licensing in any jurisdiction or with any supervisory or regulatory authority outside Bermuda.

Litigation

The Company is not engaged in any litigation or arbitration proceedings and is not aware of any litigation or claim pending or threatened by or against it. The Manager has not been the subject of any criminal convictions or disciplinary action taken by a supervisor or regulatory body since inception.

Borrowings

As of the date of this Supplement, neither the general account of the Company nor Clarien Alternative Investment Fund has any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges, debentures or other borrowings, including bank overdrafts, liabilities under acceptance (other than normal trade bills) or acceptance credits, obligations under finance leases, hire purchase commitments, guarantees or other contingent liabilities.

Correspondence

Neither the Company nor Clarien Alternative Investment Fund is responsible, and does not accept any liability, for any correspondence addressed to the Company or the Fund, including the loss of any completed Subscription Agreement or any supporting documentation posted to the Fund, which is not received by Clarien Alternative Investment Fund. If a Shareholder wishes to ensure the delivery of any such correspondence, such Applicant should make use of a registered delivery service.

Law and Jurisdiction

Any agreement made on the basis of this Supplement will be governed by, and construed in accordance with, the laws of Bermuda.

Availability of Documents

Copies of the following documents will be available for inspection at any time during normal business hours on any Business Day free of charge at the registered office of the Company:

- (a) The Companies Act 1981.
- (b) The Segregated Account Companies Act 2000 (Bermuda).
- (c) The Memorandum of Association and the Bye-laws.
- (d) The material contracts referred to in the Prospectus under "*Material Contracts*".
- (e) Any report of audited accounts prepared by the auditor of the Company.
- (f) The written consent of the Auditors referred to above.

Privacy

The Company only collects (i) personal information on a Shareholder sent by a Shareholder when submitting their Subscription Agreement and accompanying documents, (ii) information relating to a Shareholder's transactions with Clarien Alternative Investment Fund and its service providers, and (iii) information sent by a Shareholder or on a Shareholder's behalf by an agent of the Shareholder whilst the Shareholder continues as a Shareholder to Clarien Alternative Investment Fund. The Company does not use cookies on its website (cookies are pieces of information that a website transfers to the cookie file on your computer's hard disk). The Administrator does not disclose non-public personal information about Shareholders to any third parties except as necessary or appropriate in connection with the operation of Clarien Alternative Investment Fund, including the anti-money laundering procedures adopted by the Company or as required by law. The Company will not sell or profit in any way from disclosure of Shareholders' confidential information.

APPENDIX I
SUBSCRIPTION AGREEMENT