

**THE CAYMAN NATIONAL  
MASTER SERIES**

**ABSOLUTE RETURN FUND**

THIS SUPPLEMENTAL OFFERING MEMORANDUM FOR THE ABSOLUTE RETURN FUND (THE "FUND") IS DATED JUNE 2004 AND FORMS PART OF THE OFFERING MEMORANDUM FOR THE CAYMAN NATIONAL MASTER SERIES DATED JUNE 2004.

THIS SUPPLEMENTAL OFFERING MEMORANDUM FOR THE FUND TOGETHER WITH THE OFFERING MEMORANDUM FOR THE CAYMAN NATIONAL MASTER SERIES DATED JUNE 2004 SHALL TOGETHER COMPRISE THE OFFERING MEMORANDUM FOR THE FUND.

SUPPLEMENT TO THE OFFERING MEMORANDUM FOR THE CAYMAN NATIONAL MASTER SERIES DATED JUNE 2004

## INVESTMENT OBJECTIVE

The objective of the Cayman National Master Series Absolute Return Fund is to out perform LIBOR by 3– 4% P.A. for investors who have a medium term investment horizon and are willing to accept the risks inherent in investing and trading in the international financial markets. It is intended that the profit and any income generated will be retained by the Fund for the benefit of investors, notwithstanding the forgoing, the Trustee of the Fund has the power to make distributions to investors from time to time.

The Fund will invest in a selection of mutual funds promoted by major international fund managers, which the investment manager considers most likely to achieve the investment objective. The assets of such funds will comprise discretionary managed accounts or units or shares in funds or sub-funds. These investments will provide multi-manager and multi-market diversification exposing the Fund to a wide range of asset types, including equities, bonds, currencies, commodities, and derivatives. The Fund's investments may be long and/or short, hedged and/or unhedged.

## INVESTMENT MANAGER

The Trustee of the Fund has entered into an Investment Management Agreement (the "Management Agreement") with Cayman National Securities Ltd. (the "Manager"). The Manager was incorporated on 21<sup>st</sup> June 1976 under the laws of the Cayman Islands and has its principal place of business at the Cayman National Building, 200 Elgin Avenue, 4<sup>th</sup> Floor, George Town, Grand Cayman, Cayman Islands, B.W.I. The Manager is a wholly owned subsidiary Cayman National Corporation Ltd.

## SUBSCRIPTIONS, REDEMPTIONS & SWITCHING

The Fund's subscription, redemption and switching procedures are set out in detail in the Offering Memorandum for The Cayman National Master Series Trust dated June 2004. Until the Initial Offering Period closes, Units in the Fund may be subscribed for at US\$100 per Unit. The Initial Offering Period for the Fund will close on 30<sup>th</sup> September 2004. Following the close of the Initial Offering Period Units in the Fund may be subscribed for in accordance with the Fund's usual subscription procedures at the Net Asset Value per Unit. There are currently no subscription or redemption fees charged in respect of the Fund. A switching fee of \$25 is charged on each transaction. This fee is subject to revision at the discretion of the Administrator.

## NET ASSET VALUES

Net Asset Values for the Fund and the individual Units issued in respect of the Fund will be determined in accordance with the procedures set out in the Offering Memorandum for The Cayman National Master Series dated June 2004.

## FEES AND EXPENSES

### Trustees Fees

The Trustee's Fees in respect of the Fund are US\$2,500 p.a. and will be payable solely out of the assets of the Fund in arrears on a quarterly basis.

### Management Fees

Under the terms of the Management Agreement, the Company will pay to the Manager a fixed management fee (the "Management Fee") in respect of the Fund. The Management Fee will be payable solely out of the assets of the Fund quarterly, in arrears, at an annual rate equal to 0.75% of the Fund's Net Asset Value, on the last Banking Day of each quarter or shortly thereafter. The Management Fee may be varied by agreement between the Manager and the Trustee.

### Incentive Fees

Ten percent (10%) of the "net gain" attributable to each Unit will be payable by way of incentive fee to the Manager solely out of the assets of the Fund. For this purpose, the "net gain" for each Unit is the increase in Net Asset Value per Unit over and above the preceding October 1 2004 Net Asset Value per Unit after adjusting such October 1 Net Asset Value per Unit by applying a rate equal to LIBOR plus 5%. In the first accounting period, which will begin October 1<sup>st</sup> 2004 and end September 30<sup>th</sup>, 2005, the foregoing methodology for calculating the net gain shall mutatis mutandis be applied utilizing the commencement dates for such period. In the case of any negative performance of the Net Asset Value per Unit, no incentive fee will be earned until such negative performance has been made up. The incentive fee will be accrued on a monthly basis and will be payable (to the extent earned) on an annual basis every September 30.

### Fees and Expenses of the Administrator

The Administrator will be paid a fee for its services as administrator, accountant and registrar and transfer agent. The fee payable to the Administrator in respect of such services shall be 1% p.a. of N.A.V. calculated in arrears on each valuation day (whichever is the greater) and shall be payable out of the assets of the Fund in arrears on a quarterly basis. The fees paid to the Administrator may be varied by agreement between the Trustee and the Administrator. The Trustee will also reimburse the Administrator for all out-of-pocket expenses properly incurred by the Administrator in performing its duties under the Administration Agreement.

### Fees and Expenses of the Custodian

The Custodian will be paid a fee for its services as Custodian in respect of the Fund. The fee payable to the Custodian in respect of such services shall be US\$2,500 p.a. and shall be payable out of the assets of the Fund in arrears on an annual basis. The fees paid to the Custodian may be varied by agreement between the Trustee and the Custodian.

### Other Fees and Expenses

Save as provided above, each service provider to the Fund will be responsible for the payment of all its expenses associated with rendering its services, including the services of its employees, all general overhead expenses and other expenses incidental to the rendering of its services. All other expenses will be borne by the Fund, including the expenses incurred in connection with the organisation of the Fund, legal, accounting and audit expenses, annual Cayman governmental fees, licence fees, investment brokerage and portfolio expenses and all other expenses related to the purchase, sale, transmittal or custody of the Fund's assets. There are currently no subscription or redemption fees charged in respect of the Fund. A switching fee of US\$25 is charged on each transaction. This fee is subject to revision at the discretion of the Administrator.

All fees and operating expenses attributable to the Trust which are not attributable to a particular Fund will be equitably allocated between the Funds comprising The Cayman National Master Series of Funds based on their respective Net Asset Values.

## DISTRIBUTIONS

As the overall investment objective of the Fund is to achieve capital appreciation by investing in a wide range of investments. The Trustee does not anticipate that any distributions shall be paid to Unitholders in the Fund. However, the Trustee reserves the right to make distributions to Unitholders in the Fund from time to time in accordance with the terms of the Trust Deed.