

**Naos Asset Management Australian Funds Supplementary PDS (No:1)
for:**

**Naos Absolute Return Fund ARSN 111 813 346
Naos Small Companies Fund ARSN 111 813 426**

This Supplementary Product Disclosure Statement (Supplementary PDS) supplements the PDS dated the 31st May 2008. The Supplementary PDS is to be read together with the PDS. This supplementary PDS is dated 31st January 2010. **Applications for units may ONLY be made on the Application Form attached to the Supplementary PDS.**

The following changes take effect from 31st January 2010. The definitions contained in the PDS apply to this Supplementary PDS.

Prime Broker/Custodian

The Fund has appointed Citigroup Global Markets Limited (“CGML”), a wholly owned indirect subsidiary of Citigroup Inc., as a prime broker under the terms of a Customer Agreement for International Prime Brokerage Services dated 30 December 2009 (the “IPB Agreement”). The services which CGML will provide under the IPB Agreement include various custodial services, clearance and settlement of securities transactions and margin financing. CGML, in its capacity as prime broker, will have no decision-making discretion relating to the investment of the assets of the Fund and will not provide any investment advice in relation to the assets of the Fund.

Under the terms of the IPB Agreement, subject to CGML’s right to utilise the same described below, CGML will identify, record on its books and hold on a segregated basis all investments (and collect any dividends and other payments in respect thereto) and other assets of the Fund excluding cash (collectively, the “Assets”) in such manner that the identity and location of the Assets can be readily identified at any time as the property of a customer of CGML and separate from CGML's own property. Accordingly, such Assets which have not been utilised as described below should be unavailable to the creditors of CGML. Certain Assets may be co-mingled with similar assets of other customers of CGML. Accordingly, the Fund may not have the right to the return of specific assets but to their equivalent.

CGML may hold Assets with a sub-custodian, depository or clearing agent (each, a “sub-custodian”) in one or more accounts identified as belonging to customers of CGML. CGML will identify on its books and records all Assets held by a sub-custodian as being held for the Fund. CGML has undertaken to exercise reasonable care, skill and diligence in the selection of any sub-custodian. CGML will make appropriate inquiries periodically to satisfy itself as to the ongoing suitability of such sub-custodian to provide custodial services to the Fund.

The Fund acknowledges that cash received by CGML for credit to the prime brokerage account either from the Fund or on the Fund’s behalf will be Collateral for the purpose of securing or otherwise covering the secured liabilities under the IPB Agreement and full

ownership in such cash will be absolutely transferred to CGML, and all right, title and interest in and to such cash will pass to CGML outright and absolutely for the purposes of covering those secured liabilities. Upon such transfer CGML will become obliged, subject to and in accordance with the provisions of the IPB Agreement to re-transfer to the Fund an equivalent amount of cash. CGML's obligation will be reduced to the extent that such cash is applied in accordance with the security and/or close-out arrangements provided in the IPB Agreement.

The Fund's obligations to CGML under and in connection with the IPB Agreement will be secured by a first fixed charge over all securities held by CGML as custodian for the Fund and over certain other assets (together the "Charged Assets"). CGML will be entitled to sell, loan or otherwise use any and all Charged Assets in the form of securities (securities so used being referred to herein as "Collateral") for its own purposes or the purposes of any third party, and the Fund will have a contractual right against CGML for the return of assets equivalent to the Collateral. Collateral may not, therefore, be recoverable in full in the event of CGML's insolvency.

The IPB Agreement provides that CGML will not be liable for any loss, liability or cost incurred by the Fund as a result of any act or omission of CGML unless such loss, liability or cost is caused by CGML's own fraud, gross negligence, or wilful default. CGML shall not be responsible for the loss, liability or cost which the Fund may suffer or incur arising from the negligence, wilful default or fraud of any third party (including any executing broker, bank, agent, custodian, investment exchange, depositary or clearing house, but subject to the obligations concerning the selection of such sub-custodian described above). Neither CGML nor any third party which acts on its behalf, whether an affiliate of CGML or not, nor its directors, officers, servants, agents or representatives, will be liable to the Fund, except in the case of fraud, for any consequential loss, liability or cost which the Fund may suffer or incur arising out of their acts or omissions, howsoever the loss, liability or cost is caused and regardless of whether it was foreseeable or not.

The Fund has agreed to indemnify CGML and any sub-custodian, nominee or agent appointed by it against any loss, liability and expenses (including without limitation the costs of any investigation or legal proceedings) arising out of or in connection with the IPB Agreement except where arising primarily out of its or, as the case may be, such sub-custodians', nominees' or agents' own gross negligence or willful default, all as more fully detailed in the IPB Agreement.

The IPB Agreement will remain in full force and effect until terminated at any time by either of the parties upon 3 business days' written notice to the other.

CGML is authorised and regulated by the Financial Services Authority. It has financial resources in excess of US\$200 million (or its equivalent in another currency) and its indirect parent company, Citigroup Inc., has, at the date of this Prospectus, a credit rating of at least A for long term debt from Moody's or Standard & Poor's respectively and a minimum of P-2 or A-1 respectively for short term debt from those same agencies.

CGML is a paid service provider to the Fund and is not responsible for the preparation of this document or the activities of the Fund and therefore accepts no responsibility for any information in this document.

The Fund reserves the right to change the prime brokerage and custodian arrangements described above by agreement with the Prime Broker and/or, in its discretion, to appoint additional or alternative prime broker(s) and custodian(s).

The Responsible Entity may remove CCGL as the Prime Broker and Custodian and appoint another Prime Broker and Custodian in their place without notice to Unitholders.

Unit Registry

White Outsourcing Pty Limited has been appointed to provide fund registry services for each Fund. The fees for the Unit Registry are payable out of the ongoing management costs.

The Unit Registry is responsible for assisting the Responsible Entity to maintain each Fund's register of Unitholders, for arranging the issue and redemption of Units, for the preparation of unaudited statements for each Fund and for providing certain other administrative services in respect of each Fund in accordance with the terms and conditions of the Agreement entered into between White Outsourcing Pty Limited and Naos.

The Responsible Entity may remove White Outsourcing Pty Limited as the Unit Registry and appoint another Unit Registry in its place at any time without notice to Unitholders.

Important information

This PDS contains important information about investing in the Funds. To invest in the Funds you should read the PDS in its entirety and complete and sign the application form. If you have any queries about your investment, call us on ((02) 9947 2566 or write to:

**Naos Asset Management Limited,
PO BOX R598
Royal Exchange NSW 1225**

Please note the following:

To complete the application form, complete all details with a **black pen**, where you are given a choice of options, **tick the appropriate box**.

Applicants must be over 18 years of age.

You should ensure that your initial investment in each Fund is at least \$25,000 and any subsequent investment is at least \$10,000.

Your initial investment for the Naos Absolute Return Fund may be paid by cheque made payable to: **'Naos Asset Management Limited ATF Naos Absolute Return Fund'**.

Your initial investment for the Naos Small Companies Fund may be paid by cheque made payable to: **'Naos Asset Management Limited ATF Naos Small Companies Fund'**.

Lodging an application form

Investors can lodge a completed application form and cheque to Naos:

**Naos Asset Management Limited
PO BOX R598
Royal Exchange NSW 1225**

Or through your financial adviser.

Application Form

The Application Form attached to the PDS has been replaced with the following Application Form:

Application Form

Naos Australian Funds

Product Disclosure Statement

This application form is part of the Supplementary PDS for the Naos Australian Funds dated 31 January 2010 (PDS) relating to Units issued by Naos (AFS licence no. 273529) in the Naos Absolute Return Fund and the Naos Small Companies Fund. You should read the PDS before applying for Units in the Funds.

Please complete ALL Sections (Sections 1 to 4) of this Application Form in black ink using block letters and supply the relevant documents specified in Section 5.

Section 1 - Investor Details

Are you an existing investor with Naos?

Yes, my investor ID is _____ and/or _____
Naos Absolute Return Fund Naos Small Companies Fund

No – I am not an existing investor with Naos

If you are an existing investor and your details have not changed, please complete Sections 3B, 3C, 3D and Section 4. If your details have changed, please complete all relevant parts of the Application Form.

Section 2 - Which category do you fit into?

Please indicate who is making the investment.

Investor Type	Go to	Page
<input type="checkbox"/> Individual/ Joint/ Sole Trader	Section 2A	pg 4
<input type="checkbox"/> Company	Section 2B	pg 6
<input type="checkbox"/> Trust/ Super fund with Individual Trustee	Sections 2A and 2C	pg 4 and pg 7
<input type="checkbox"/> Trust/ Super fund with Corporate Trustee	Sections 2B and 2C	pg 6 and pg 7
<input type="checkbox"/> Agent of Investor	Section 2E	pg 9

If you are investing in the Naos Australian Funds through a **Financial Adviser**, your Financial Adviser must also complete **Section 2D**.

If you do not fall into any of the above categories, please contact Naos on (02) 9947 2566 for an appropriate form to be sent to you.

SECTION 2A - INDIVIDUAL/JOINT INVESTORS/ SOLE TRADER / INDIVIDUAL TRUSTEE

Applicant 1

Individual Sole Trader Trustee

Title

Mr Mrs Miss Ms Other

First name

Applicant 2

Individual Sole Trader Trustee

Title

Mr Mrs Miss Ms Other

First name

Middle name

Last name

Date of birth (dd/mm/yyyy)

Tax file number or exemption code

Country of residence for tax purposes

Residential address (street number & name)

Suburb

State

Postcode

Country

Sole Trader additional details:

Full business name

ABN

Principal place of business

Suburb

State

Postcode

Middle name

Last name

Date of birth (dd/mm/yyyy)

Tax file number or exemption code

Country of residence for tax purposes

Residential address (street number & name)

Suburb

State

Postcode

Country

Sole Trader additional details:

Full business name

ABN

Principal place of business

Suburb

State

Postcode

Joint investors only:

Please indicate who will sign to authorise redemptions on your investment account. If no election is made, 'Either to sign' will be assumed.

 Either to sign Both to sign

All Investors - please proceed to Section 3.

SECTION 2B - COMPANY/ CORPORATE TRUSTEE

Full Company Name

--	--

ACN / ARBN (if registered with ASIC)

--

TFN, ABN or exemption code (if any)

--

Country of formation, incorporation or registration

--

Country of residence for tax purposes

--

Name of regulator (if licensed by an Australian Commonwealth, State or Territory statutory regulator)

--

Licence details

--

Registered business address in Australia or country of formation

--

Suburb

--

State

--

Postcode

--

Country

--

Principal place of business (if a local agent is used, please also provide the name of the local agent)

--

Suburb

--

State

--

Postcode

--

Country

--

Registration status with ASIC or in country of formation

Private/Proprietary company - Please list the name of each director of the company:

Director 1

--

Director 2

--

Director 3

--

Director 4

--

If there are more than 4 directors, please write their full names on a separate page and attach to this Application Form.

Public company

Other

Is the company listed on a stock exchange?

No

Yes - name of market/exchange

--

Is the company a majority-owned subsidiary of an Australian listed company?

No

Yes - name of Australian listed company

--

If the company is registered by a foreign registration body, please complete the following:

Name of foreign registration body

--

Foreign company identification number

--

Please proceed to Section 3.

SECTION 2D - FINANCIAL ADVISERS

If you use a Financial Adviser, please have your Financial Adviser complete and sign this section.

Full name of financial adviser

--	--

Financial adviser's code

--

Licence number/ authorised representative number

--

Company name of financial adviser

--

Dealer group

--

Phone

--

Facsimile

--

Email

--

Postal address

--

Suburb

--

Postcode

--

Please nominate the amount of Trailing Commission that will apply. If no selection is made, a 0% Trailing Commission will be assumed.

0% 0.1% 0.2% 0.3% 0.4% Other (please specify)

Adviser's account details

Branch

--

Account name

--

Branch number (BSB)

--

Account number

--

AML/CTF Financial Adviser Certification

I confirm I have completed AML/CTF identification and verification requirements for this investor/ joint investors as required by the AML/CTF Act. **(please tick box to confirm)**

Adviser's signature _____

Adviser Stamp

Please proceed to Section 3.

SECTION 2E - AGENT OF INVESTOR

Please complete Part I if investment is made through an individual Authorised Agent (ie if investment instructions provided to Naos are made by the individual Authorised Agent on behalf of the Investor).

For a non-individual investor, please complete Part II if a verifying officer has been appointed to liaise with the Authorised Agent in relation to this Application.

Part I - Individual Authorised Agent appointed

Full name of agent

--	--

Company name of agent (if any)

--

Licence number/ authorised representative number

--

Phone

--

Facsimile

--

Email

--

Postal address

--	--	--

Suburb

--

Postcode

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Part II - Verifying Officer appointed

It is the Agent's responsibility to notify the investor that the verifying officer has specific obligations under the AML/CTF Act. In completing and signing this Application as Authorised Agent for the Investor, you agree to notify the Investor that the verifying officer is required to:

- a) collect the following: full name of the agent; position title or role held by the agent in relation to the Investor; a copy of the Agent's signature; and evidence that the Agent is authorised to act for the Investor;
 - (b) make a record of the above information; and
 - (c) provide Naos with the full name of the Agent and a copy of the Agent's signature if requested to do so.
- You also agree to inform the Investor that they must retain the records made by the verifying officer.

Full name of verifying officer

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Title (Mr/Mrs/Miss/Ms)

--

Date of Birth (dd/mm/yyyy)

	/		/		
--	---	--	---	--	--

Residential address (street name and number)

--	--	--

Suburb

--

State

--

Postcode

--

Country

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Please proceed to Section 3.

Section 3 - Account Details

SECTION 3A - INVESTOR CONTACT DETAILS

Name of contact person

--	--

Phone (after hours)

--

Phone (business hours)

--

Mobile

--

Facsimile

--

Email - Investor 1

--	--

Email - Investor 2

--	--

Postal address (c/- if applicable)

--

Suburb

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State

--

Postcode

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Country

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SECTION 3B - DISTRIBUTION AND REDEMPTION DETAILS

Please select how you would like your distributions to be paid:

- Reinvest
 Pay to my/our nominated account (**Complete account details below**) *(If no selection is made, reinvestment will be assumed.)*

Institution

--	--

Branch

--

Account name

--

Branch number (BSB)

--

Account number

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SECTION 3C - INVESTMENT DETAILS

The minimum initial investment is \$25,000 per Fund. The minimum additional investment amount is \$10,000. Completed application forms and cheques must be sent to or lodged at Naos' Sydney Office: **Naos Asset Management Limited, PO Box 598, Royal Exchange, NSW 1225**

Your investment may be made by cheque made payable to:

Funds	Investment amount	Separate cheque made payable to:
Naos Absolute Return Fund	\$	Naos Asset Management Limited ATF Naos Absolute Return Fund
Naos Small Companies Fund	\$	Naos Asset Management Limited ATF Naos Small Companies Fund

SECTION 3D - ANNUAL REPORT

You can view an electronic copy of the latest annual report on Naos's website at www.naos.com.au. Alternatively, you may elect to receive a copy of the relevant Fund's annual report by post or email free of charge. Please select one of the options below:

- Please post a hard copy of the Fund's annual report to me each year.
 Please email a copy of the Fund's annual report to me each year (I have provided my email address under the 'Contact Details' section in the previous page).

If no election is made or if you have selected the first option, you will still be able to view each Fund's annual report on Naos' website at www.naos.com.au.

Section 4 - Declaration & Applicant Signature(s)

I/We declare that all the details in this application are true and correct.

I/We have read the accompanying Product Disclosure Statement (PDS) dated 31 May 2008 and the Supplementary PDS dated 31 January 2010 and agree to be bound by the provisions of the relevant Fund's constitutions (as amended) and any other additional restrictions contained in this Supplementary PDS and PDS dated 31 May 2008.

I/We have read the information on privacy and personal information contained in the this Supplementary PDS and PDS dated 31 May 2008, and unless I/we inform Naos otherwise, consent to my personal information being used and disclosed as set out in the this Supplementary PDS and PDS dated 31 May 2008.

If I/we have provided an email address, I/we consent to receive ongoing investor information including this Supplementary PDS and PDS dated 31 May 2008, information, confirmations of transactions and additional information as applicable, via that method of delivery.

If I/we have received this Supplementary PDS and PDS dated 31 May 2008 from the internet or other electronic means, I/we declare that I/we have read and received it personally, or a printout of it, accompanied by or attached to the application form before making an application for Units in the relevant Fund.

I/We received and accepted this offer in Australia.

I/We agree to the anti-money laundering and counter-terrorism financing statements contained in this Supplementary PDS and PDS dated 31 May 2008.

I/We have legal power to invest in accordance with this application. Sole signatories signing on behalf of a company confirm that they are signing as sole director and sole secretary of the company. If investing as trustee, on behalf of a superannuation fund or trust, I/we confirm that I/we am/are acting in accordance with my/our designated powers and authority under the trust deed. In the case of superannuation funds, I/we also confirm that it is a complying fund under the Superannuation Industry (Superannuation) Act 1993.

I/We acknowledge that Naos does not guarantee the repayment of capital or the performance of the Funds or any particular rate of return from the Funds.

Signature _____ Date / /
Capacity (Company investments only) Sole Director Director Secretary

Signature _____ Date / /
Capacity (Company investments only) Director Secretary

Section 5 - What forms of Identification do you need to provide to establish your investment?

To comply with our obligations under anti-money laundering and counter-terrorism financing legislation, we must collect certain information, supported by original or certified copies* of relevant documents**, about each investor. Documents written in a language other than English must be accompanied by an English translation prepared by an accredited translator.

If you are an existing investor with Naos, you are not required to provide us with the information below. If you are a new investor with Naos, please complete the section relevant to you as indicated by the table below.

Investor Type	Go to	Page
<input type="checkbox"/> Individual/Joint/Sole Trader	Section 5A	pg 12
<input type="checkbox"/> Company	Section 5B	pg 12
<input type="checkbox"/> Trust/Super Fund	Section 5C	pg 13
<input type="checkbox"/> Agent of Investor	Section 5D	pg 13

*Please refer to Section 6 on pg 8 for details about obtaining certified copies.

**Any original or certified documents submitted to Naos will not be returned.

**SECTION 5A - INDIVIDUAL/JOINT INVESTORS/ SOLE TRADER/ INDIVIDUAL TRUSTEE*/
AGENT OF INVESTOR**

Please provide us with an original or certified copy of a document from Part I, or if you do not own a document from Part I, original or certified copies of documents from either Part II or III.

**You only need to provide the relevant documents set out in this Section 5A if you are required to complete Section 2A.*

PART I

Provide ONE document from this Part I

- * **Current Australian driver's licence containing your photograph and date of birth;**
- * **Australian passport (a passport that has expired within the past 2 years is acceptable);**
- * **Foreign passport or similar travel document containing your photograph and signature; or**
- * **Current Card issued by an Australian State or Territory for the purpose of proving your age containing your photograph and date of birth.**

PART II (should only be provided if you do not own a document from Part I)

Provide ONE document from the following:

- * **Australian birth certificate;**
- * **Australian citizenship certificate;**
- * **Pension card issued by Centrelink; or**
- * **Health card issued by Centrelink.**

AND ONE document from the following:

- * **An original or certified copy of a notice, showing your name and residential address, issued by the Commonwealth or a State or Territory within the past 12 months that records the provision of financial**

benefits to you;

- * **An original or certified copy of a notice, showing your name and residential address, issued by the Australian Taxation Office within the past 12 months that records a debt payable by you;**
- * **An original or certified copy of a notice, showing your name and residential address, issued by a local government body or utilities provider (eg rates notice or electricity bill) within the past 3 months which records the provision of services to you; or**
- * **If you are under age 18: a notice, showing your name and your residential address, issued by a school principal within the past 3 months which records the period of time that you attended at that school.**

PART III (should only be provided if you do not own a document from Part I)

Provide BOTH documents from the following:

- * **Foreign driver's licence containing your photograph and date of birth; and**
- * **National ID card issued by a foreign government containing your photograph and signature**

SECTION 5B - COMPANY/ CORPORATE TRUSTEE*

Please provide us with an original or certified copy of a document from the following:

**You only need to provide the relevant documents set out in this Section 5B if you are required to complete Section 2B.*

Provide ONE document from the following:

- * **Certificate of registration or incorporation issued by ASIC; or**
- * **Certificate of registration or incorporation issued by the relevant foreign registration body.**

AND ONE document from the following (if applicable):

- * **If a listed company: a search of the relevant financial market.**

- * **If a regulated company: a search of the licence or other records of the relevant Commonwealth, State or Territory statutory regulator.**

- * **If not regulated and is a private/proprietary company: full name and residential address for each individual who owns, through one or more shareholdings, more than 25% of the company's issued capital.**

SECTION 5C - TRUST/ SUPER FUND

Registered Management Investment Scheme/
Regulated Trust/Government Super Fund

- * **Screen print from the relevant regulator's website showing the full name of the Trust, and that the trust is a registered scheme, regulated trust or government super fund.**

Foreign Super Fund/Other Trusts

Provide ONE document from the following:

- * **An original or certified copy or certified extract of the Trust Deed;**
- * **A notice issued to the Trust by the Australian Taxation Office within the past 12 months; or**

- * **Letter from a solicitor or qualified accountant verifying the name of the Trust.**

AND ALL documents from the following:

- * **Full name and residential/ registered office address of all Individual and Corporate Trustees;**
- * **The relevant documents set out in Section 5A or 5B for the Individual or Corporate Trustee who has completed Section 2A or 2B respectively; and**
- * **Full name of each beneficiary in respect of the trust or if the terms of the trust identify the beneficiaries by reference to membership of a class - details of the class.**

SECTION 5D - AGENT OF CUSTOMERS

Provide BOTH documents from the following:

- * **Evidence of the Agent's authority to act on behalf of the Investor (eg signed letter, power of attorney); and**
- * **The relevant documents set out in Section 5A in respect of the Agent (if individual agent appointed) or**

in respect of the verifying officer (if verifying officer appointed).

AND the following if verifying officer appointed:

- * **Written evidence of the Investor's authorisation of the verifying officer to act as a verifying officer.**

Section 6 - What is a Certified Copy of an Original Document

Certified copy means a document that has been certified as a true copy of an original document.

Certified extract means an extract that has been certified as a true copy of some of the information contained in a complete original document by one of the persons described in the sub-paragraphs below.

People who can certify documents or extracts are:

- * a **lawyer** - a person who is enrolled on the roll of the Supreme Court of a State or Territory, or High Court of Australia, as a legal practitioner (however described);
- * a **judge** of a court;
- * a **magistrate**;
- * a **chief executive officer** of a Commonwealth court;
- * a **registrar** or **deputy registrar** of a court;
- * a **Justice of Peace**;
- * a **notary public** (for the purposes of the Statutory Declaration Regulations 1993);
- * a **police officer**;
- * a **postal agent** - an agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- * the **post office** - an **permanent employee** of The Australian Postal Corporation with 2 or more years of continuous service who is employed in an office supplying postal services to the public;
- * an **Australian consular officer** or an **Australian diplomatic officer** (within the meaning of the Consular Fees Act 1955);
- * an **officer** with 2 or more continuous years of service with one or more **financial institutions** (for the purposes of the Statutory Declaration Regulations 1993);
- * a **finance company officer** with 2 or more continuous years of service with one or more financial companies (for the purposes of the Statutory Declaration Regulations 1993);
- * an **officer** with or **authorised representative** of, a **holder of an Australian financial services licence**, having 2 or more continuous years of service with one or more licensees; and
- * an **accountant** - a member of the institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with 2 or more years of continuous membership.

Directory

Responsible Entity address has been changed to

Naos Asset Management Limited ABN 23 107 624 126
Level 50, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Prime Broker reference to Prime Broker UBS AG and Custodian reference to UBS Nominees has been removed and replaced with:

PRIME BROKER and CUSTODIAN

Citigroup ,Global Markets Limited
Citigroup Centre,
Canada Square, Canary Wharf
London E14 5LB England

Administrator reference White Outsourcing Pty Limited has been removed and replaced with:

Unit Registry

White Outsourcing Pty Limited
Level 7,
20 Hunter Street
Sydney NSW 2000

Auditor reference Ernst & Young has been removed and replaced with:

Auditor

Allworts Chartered Accountants
St Martins Tower
Level 9, 31 Market Street
Sydney NSW 2000

Address on back cover of PDS has been updated to:

L50, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000