
Merrion Exempt Trust

(the “Trust”)

A unit trust constituted by trust deed dated 27 September 1993 (as amended by supplement from time to time).

The High Alpha Exempt Fund

(the “Fund”)

SUPPLEMENT TO PROSPECTUS

17 August 2010

This Supplement relates to the High Alpha Exempt Fund and forms part of the Prospectus for the Merrion Exempt Trust. This Supplement must be read in the context of, and together with, the Prospectus. In particular, investors should read the risk factors set out in the Prospectus.

This Supplement is issued as an invitation to Qualified Investors to subscribe for units in the Fund at the prevailing subscription price for the units of the Fund (including any applicable preliminary charge) on the applicable Dealing Day.

Units are offered solely on the basis of the information and representations contained in the Prospectus and in this Supplement (which will be deemed for all purposes to be a part of this Prospectus). No person is authorised to give any information or make any representation other than those contained in the Prospectus and in this Supplement and if given or made such information or representation may not be relied upon as having been authorised by the Manager or the Trustee.

Potential Investors should note that the holding of units in the Trust is only open to persons who are Qualified Investors. Unitholders will be required to indemnify the Manager, the Trustee and the Trust in respect of any liability to taxation which the Fund may incur by reason of any holder ceasing to be, or never having been exempt from tax.

Investors in doubt about their tax position are advised to take their own professional advice from their lawyers, accountants or other tax advisers.

This Supplement does not constitute an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person who is not a Qualified Investor or to whom it is unlawful to make such an offer or solicitation. No person may treat this Supplement as constituting an invitation to him unless such an invitation is made to him in compliance with all local legal and regulatory requirements. It is the responsibility of any person outside Ireland wishing to make an application hereunder to satisfy himself as to full observance of the laws of the relevant territory of the connection therewith, including the obtaining of any governmental or other consents which may be required or other formalities needing to be observed or transfer or other taxes requiring to be paid in such territory.

The Manager has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether if fact or of opinion.

Statements made in this Supplement are based on the law and practice currently in force in Ireland and are subject to changes therein.

Investors should note that the price of units (except during any period for which a fixed price applies to the units of any or all of the Funds) may go down as well as up to reflect changes in the value of the assets represented by the Fund as well as the income from such assets.

After publication of an annual report of the Trust this Supplement should be accompanied by, and read in conjunction with, the latest annual report and accounts and any subsequent report which will form an integral part of the Supplement.

Copies of the Trust Deeds and each published annual report and accounts of the Trust will be available for inspection at the registered office of the Manager.

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Definitions

The following definitions apply throughout this Supplement unless the context requires otherwise:

“Business Day”	means any day normally treated as a business day in Ireland;
“Closing Date”	means 1 September 2008;
“Dealing Day”	means the first Business Day of each calendar month, and such other Business Days as the Manager may in its absolute discretion determine and notify in advance to unitholders;
“Fund”	means the High Alpha Exempt Fund;
“Initial Offer”	means the initial offer of units in the Fund which commenced at 9.30 am (Irish time) on or about 1 September 2008 and closed at 5.00 pm (Irish time) on the Closing Date;
“Manager”	means Merrion Capital Investment Managers Limited;
“Net Asset Value”	shall be interpreted in accordance with section 11 of the Prospectus;
“Performance Period”	means each 12 month period commencing on 1 January and ending on and including 31 December of each year provided that, for the avoidance of doubt, the first Performance Period commenced on the Business Day immediately following the Closing Date and ended on and including 31 December 2008;
“Prospectus”	means the prospectus of the Trust dated 17 August 2010 and all relevant supplements and revisions thereto;
“Qualified Investor”	means the trustees of a pension scheme which enjoys exempt approval under the Chapter II of Part I of the Finance Act 1972 as amended by regulation, or an entity which is a charity approved by the Revenue Commissioners;
“Redemption Dealing Deadline”	means 5.00 pm (Irish time) 30 days in advance of the relevant Dealing Day. If the day 30 days in advance of the relevant Dealing Day is not a Business Day the relevant deadline shall be 5pm (Irish time) on the immediately preceding Business Day or such other deadline as the Directors may determine in advance;
“Subscription Dealing Deadline”	means, in relation to subscriptions during the Initial Offer, 5.00 pm (Irish time) on the Closing Date and thereafter, 5.00 pm (Irish time) on the second to last Business Day preceding the relevant Dealing Day on which units are to be issued;

“Trust Deeds”

means the trust deed dated 27 September 1993 which constitutes the Merrion Exempt Trust and the supplemental Deeds dated 7 February 1994; 4 November 1997; 8 December 1999; 18 September 2002; 21 December 2005; and 26 February 2008.

“Valuation Date”

means the Business Day immediately preceding each relevant Dealing Day and such other days as the Manager may in its absolute discretion determine, provided there shall be a Valuation Date for every Dealing Day; and

“Valuation Point”

means 11.00 pm (Dublin time) on each Valuation Date.

The Fund

This Supplement is issued in connection with the offer of the High Alpha Exempt Fund. Although a separate pool of assets is held for the Fund, a separate pool of assets will not be maintained for each class of units within the Fund.

The Base Currency of the Fund is euro.

Investment Objective

The Investment Objective of the Fund is to generate superior long term returns by investing directly or indirectly in an actively managed portfolio of global equities, cash, currency exposures and commodities. The Fund may have a long/short exposure, via derivatives (or otherwise), to indices of any of the foregoing asset classes.

Investment Policy

The Fund may invest directly or indirectly in equities, equity related securities, currency exposures, commodities (through the use of derivatives, futures, options and exchange traded funds (ETFs)) and/or collective investment schemes (including ETFs) with investment policies consistent with the Fund's overall investment strategy. The Fund may gain exposure to any of the foregoing asset classes via derivatives (including swaps, contracts for difference, futures, options and forwards). The Fund will invest in both listed and unlisted equities.

There are no prescribed geographical or sectoral restrictions applicable to the assets that may be acquired. Accordingly, the Fund may invest in equities or equity related securities of companies located in any part of the world and which operate in any industry/sector.

It is anticipated that the Fund may gain exposure to different asset classes by investing in exchange traded funds (ETFs) that are listed or traded on regulated markets. In no circumstances shall the Fund invest more than 40 per cent. of its NAV in any one unregulated collective investment scheme.

The Fund may also maintain a cash balance and invest in money market instruments and other fixed rate securities whether issued by corporate or sovereign entities (including, but not limited to, deposits or treasury bills, demand notes, promissory notes, commercial paper, negotiable certificates of deposit, floating rate notes or any transferable debt securities with a maturity of generally one year or less) without restriction should the Manager determine that market conditions so warrant.

The Manager will vary the proportion of the Fund invested in each of the foregoing asset classes according to its perception of their relative growth potential with a view to optimising the Fund's returns.

Information in relation to certain of the Fund's investments is set out below.

ETFs

Generally an ETF is a fund that tracks an index, but which can be traded like a stock. ETFs typically bundle together the securities that are in an index. As ETFs are traded on stock exchanges, they can be bought and sold at any time during the day (unlike most mutual funds). Their price will fluctuate from moment to moment, just like any other stock's price. ETFs are an efficient means of tracking an index as they have low operating and transaction costs associated with them.

Derivatives

The Fund may enter into derivative transactions including, but not limited to, forwards, futures, options and contracts for difference that are linked to the above mentioned securities. Such derivatives will be deployed where it is considered that their utilisation allows the Fund to obtain the required or desired economic exposure in a more efficient manner or at a lower transaction cost.

A contract for difference is a contract whereby one party agrees to pay to the counterparty the difference in price of a security between two points in time. A contract for difference may be used where this permits the Fund to achieve its investment objectives more efficiently and/or at a lower cost, for example, where a counterparty provides the Fund with exposure to the price movement of a security without the need for such security to be purchased and held in a custody account.

The Fund may also enter into stocklending, repurchase, reverse repurchase and any other techniques and instruments as the Manager may consider appropriate.

Margin/Collateral

In order to secure its obligations in respect of any derivatives transactions referred to above (whether exchange-traded or OTC), the Fund may be required to post margin/collateral with a broker or OTC counterparty, whereby such margin/ collateral will be transferred outside the Trustee's custody network.

In circumstances where the Fund is required to post margin or collateral to any counterparty in the manner contemplated above and the margin is held by the counterparty on a proprietary basis, rather than as sub-custodian to the Fund, the Trust will ensure that any such counterparty (or their parent Trust) shall have a minimum credit rating of A2/P2 or better, as determined by Moody's Investors Service Limited or an equivalent investment grade rating as determined by an internationally recognised rating agency. Furthermore, no more than 40% of the Net Asset Value of the Fund may be held by any such broker or counterparty.

Investment Restrictions

The Trust Deed provides that the Manager's investment policy in respect of the Funds is to be conducted and implemented in accordance with the investment parameters announced for each Fund.

In any case, the Manager has determined that the Fund:

1. will not invest in real property, venture capital or take or seek to take legal or management control of the issuer of any of its underlying investments; and
2. will not acquire units carrying voting rights which would enable it to exercise significant influence over the management of an issuing body.

Borrowing

It is not anticipated that the Fund will utilise any borrowing or leverage.

Dividend Policy

It is currently not intended that the Fund will pay dividends or otherwise make distributions to unitholders.

Risk Factors

Unitholders should note that the management fees and expenses incurred by the Fund will as far as possible be deducted from the income of the Fund. If there is insufficient income, the balance will be charged to the capital of the Fund. This may have the effect of lowering the capital value of the unitholder's investment.

Taxation

Any change in the Fund's tax status or in taxation legislation could affect the value of the investments held by the Fund and could affect the return to investors. Potential investors and unitholders should note that the statements on taxation, which are set out herein are based on advice which has been received by the Manager regarding the law and practice in force in Ireland as at the date of this Supplement and the Prospectus. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the Fund will endure indefinitely. The attention of potential investors is drawn to the tax risk associated with investing in the Fund. See section headed "Taxation" on page 17 in the Prospectus.

Subscriptions

Units could be subscribed for during the Initial Offer at a price of €100 (the "**Initial Offer Price**"). Applications were considered and units issued in accordance with the terms and conditions of application set out in Appendix 1 to the Prospectus and to the provisions of the Trust Deed.

Following the relevant Closing Date, units will be available for subscription at the Net Asset Value on each Dealing Day.

Following the relevant Closing Date investors making an application for subscription should send the completed Application Form to be received by post, delivery or fax (with the original form and supporting documentation in relation to money laundering checks to follow as soon as is possible) by the Manager, for onward submission to the Administrator, to be received no later than the Subscription Dealing Deadline and must furnish evidence to satisfy the Manager that they are a Qualified Investor. Applications will be executed on the Dealing Day after the day upon which they are received. Units will only be issued when the consideration monies or other property paid are vested in the Trustee to its satisfaction, and when the approval of the Revenue Commissioners has been granted. The Manager, may in its discretion, accept late payment for units.

If any application is not accepted the amount paid on application will be returned and if any application is accepted for fewer units than the number applied for the balance of the amount paid on application will be returned. Any amount thus returned will be without interest and will be sent at the risk of the applicant.

On application for units, an application fee may be payable to the Manager equal to 2.5% of the aggregate subscription price. The application fee is returnable in full if for any reason the application is rejected.

Subscription Fee

The subscription price for units (a) may include a preliminary charge of such amount as may be fixed by the Manager, but not exceeding 3% of that price (without taking into account that charge) and (b) may include an upward adjustment of not more than 1% of the aggregate amount of all other elements in the price, such charge and adjustment being payable to the Manager.

Repurchase

Units may be repurchased on a Dealing Day at the current repurchase price applicable on that day calculated in accordance with the Trust Deed by dividing the value of the assets of the Fund at the Valuation Point in respect of such Dealing Day by the number of units of the Fund then in issue or deemed to be in issue. There will be deducted from the resulting amount the anticipated costs of realisation of the relevant proportion of the assets and the amount may be rounded downwards by up to 1%.

Unless otherwise directed by the Manager, a request for repurchase must be made by delivery to the Manager, for onward submission to the Administrator of a request in writing (a “repurchase request”) specifying the number of units of the Fund to be repurchased so as to be received by no later than the Redemption Dealing Deadline for the relevant Dealing Day on which the units are to be redeemed (or such later date as may be determined by the Manager, acting in its sole discretion). Redemption requests not received by the relevant Redemption Dealing Deadline shall be held over and applied on the next following Dealing Day. Unless a lower number of units is specified, a repurchase request will be taken to apply to all of the particular class of unit held by the applicant.

Repurchase proceeds will be payable in the currency in which units are designated. Settlement for redemptions will normally be made by telegraphic transfer to the bank account of the unitholder specified in the original application form (at the unitholder’s risk). Payment will normally be made within three Business Days, and in any event, within ten Business Days of the Dealing Day on which the redemption request has been processed. No payments to third parties will be effected. The applicant shall not without the written consent of the Manager be entitled to withdraw a redemption request.

No repurchase payments will be made until the original application form and relevant subscription monies have been received from a unitholder and all the necessary anti-money laundering checks have been completed.

Any amendments to a unitholder’s registration details and payment instructions will only be effected upon the Administrator’s receipt of original documentation.

Repurchase Fee

A repurchase fee of up to 5% of the repurchase price may, at the absolute discretion of the Manager, be charged in respect of a repurchase of units by an investor. It is expected that any repurchase fee would only be charged in exceptional market circumstances.

Conversion of units

Unitholders may request that on each Dealing Day all or part of their holding of units of the Fund (the “**original units**”) be redesignated as units of another Fund(s) (the “**redesignated units**”) by giving notice to the Manager in writing in such form as the Manager may from time to time require duly signed by the unitholder (the “**redesignation notice**”) provided that no redesignation shall be effected unless redesignated units are at the date of such notice in issue and offered for sale.

Where a unitholder converts original units to redesignated units which have different classes of units, then units in such redesignated units will be issued as different classes of units, as applicable (whether or not the original units were designated as different classes of units). Where the original units are designated as different classes of units and the unitholder converts to redesignated units (which are not different classes of units) units will be issued in the single class of the redesignated units.

The number of redesignated units which shall be issued shall be the number calculated by the Manager by dividing the price of an original unit by the price of a redesignated unit and multiplying the result by the number of the original units to be redesignated, adjusted for any applicable redesignation fee as set out below.

The right to redesignate may be suspended in the circumstances set out in section 10 of the Prospectus.

On any redesignation the holder shall pay to the Manager a fee not exceeding €32, and shall reimburse the Manager for any duties and charges arising out of such redesignation (although no preliminary charge will be payable in respect thereof).

Trustee and Administration Fees

The Trust will pay the Trustee and the Administrator an aggregate fee not exceeding 0.5% per annum of the Net Asset Value of the Fund on the last Business Day preceding the Dealing Day on which the fee is calculated. This fee is payable monthly in arrears.

The Trustee and the Administrator are also entitled to be reimbursed the expenses incurred in management of the Trust.

Establishment Expenses

The expenses incurred in connection with the establishment of the Trust are as set out in the section headed Fees and Expenses in the Prospectus. Any Funds of the Trust which may be established at a later date may, at the absolute discretion of the Manager, be allocated such portion of the formation expenses of the Trust as the Manager considers to be fair in the circumstances.

Annual Charges

A service charge shall be payable to the Manager in respect of units of the Fund which shall not exceed 2% per annum of the net asset value of the Fund. The service charge is payable monthly in arrears.

Performance Fee

The Manager is also entitled to a performance related investment management fee (the "**Performance Fee**"). Such Performance Fee will equal 20 per cent. of the amount by which the NAV per unit on the last Business Day of a Performance Period exceeds 107 per cent. of the opening NAV per unit on the first Business Day of that Performance Period (the "**Performance Target**") provided that, with respect to any Performance Period that is less than 12 months in duration the Performance Target shall be reduced pro rata to reflect the actual duration of the relevant Performance Period. The Performance Fee is accrued monthly and payable at the end of the relevant Performance Period.

A Performance Fee will only be payable to the extent that the NAV per unit (before application of the Performance Fee) on the last Business Day of a Performance Period exceeds 107% of the higher of the NAV per unit on the last Business Day of the previous Performance Period in respect of which a Performance Fee was payable or the Initial Offer Price (whichever is higher).

The calculation of the Performance Fee will be verified by the Trustee.

In circumstances where an investor redeems units in the Fund during any Performance Period (1) the Performance Period in respect of such units shall be deemed to have ended on the Dealing Day on which such Units are redeemed, (2) the Performance Fee payable (if any) in respect of such units shall be calculated in accordance with the terms set out above, and (3) the Performance Fee payable (if any) shall be deducted from the redemption proceeds payable to such investor.

Where incentive fees are payable by the Fund, these will be based on net realised and net unrealised gains and losses as at the end of each calculation period. As a result, incentive fees may be paid on unrealised gains which may never be realised.