

# KEY INFORMATION DOCUMENT

## PURPOSE

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

## BLUE CAPITAL ALTERNATIVE INCOME FUND LIMITED – ORDINARY SHARES ISIN: BMG1189R1043

PRIP manufacturer (for the purposes of this document only): Blue Capital Management Ltd.  
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## WHAT IS THIS PRODUCT?

<b>Type</b>	Ordinary shares in Blue Capital Alternative Income Fund Limited, a closed-ended investment company incorporated in Bermuda (the " <b>Company</b> "). The Company's investment manager is Blue Capital Management Ltd. Depository interests in respect of the ordinary shares are traded in US dollars on the Specialist Fund Segment of the London Stock Exchange's main market for listed securities and have a secondary listing on the Bermuda Stock Exchange. The Company has an unlimited life and there is no maturity date for the ordinary shares. There is no recommended holding period for the ordinary shares. The Company may, but is under no obligation to, repurchase ordinary shares and investors should expect that the primary means of disposing of ordinary shares will be by sales on the secondary market. The price at which an investor may dispose of ordinary shares will depend on the prevailing secondary market price, which may, or may not, reflect the prevailing net asset value per ordinary share. Typically, at any given time on any given day, the price at which an ordinary share can be bought will be higher than the price at which an ordinary share can be sold.
<b>Investment Policy</b>	<p>The investment objective of the Company is to generate attractive returns from a sustainable annual dividend yield and longer-term capital growth by investing substantially all of its assets in Blue Capital Global Reinsurance SA-I (the "<b>Master Fund</b>"), a segregated account of Blue Water Master Fund Ltd., an exempted mutual fund company incorporated in Bermuda.</p> <p>The Master Fund invests in a diversified portfolio of fully collateralised reinsurance-linked contracts and other investments carrying exposures to insured catastrophe event risks. Under fully collateralised reinsurance-linked contracts, the Master Fund (indirectly) typically receives premiums in exchange for agreeing to make payments for losses occurring as a result of certain catastrophic events, including but not limited to windstorms and earthquakes. The Master Fund's exposure to such events will be diversified geographically, by peril and occurrence.</p>
<b>Intended retail investor</b>	<p>The Company is not primarily targeted at retail investors. Intended investors in the Company are institutional, professional and highly knowledgeable (including those who are professionally advised).</p> <p>An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment, who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company and the Master Fund, for whom an investment in the ordinary shares constitutes part of a diversified investment portfolio, who fully understand and are willing to assume the risks involved in investing in the Company and who have sufficient resources to bear any loss (which may be equal to the whole amount invested) which might result from such investment.</p>

## WHAT ARE THE RISKS AND WHAT COULD I GET IN RETURN?

### Risk Indicator



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There is no specific recommended holding period for the ordinary shares but the risk indicator assumes you keep the ordinary shares for five years. There is no committed liquidity offered by market makers or the PRIIP manufacturer so liquidity depends only on the availability of buyers and sellers on the secondary market. You may not be able to sell your ordinary shares easily or you may have to sell at a price below the price that you paid or below the prevailing net asset value per ordinary share.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 3 out of 7, which is a medium-low risk class. This rates the potential losses from future performance at a medium to low level, and poor market conditions are unlikely to impact our capacity to pay you. **Be aware of currency risk. You will receive payments in US dollars and, if this is not your own currency, the returns you get will depend on the exchange rate between US dollars and your own currency. This risk is not considered in the indicator shown above.**

Other risks materially relevant to the ordinary shares that are not included in the summary risk indicator include those affecting the catastrophe reinsurance sector generally and the performance of specific Master Fund investments.

This product does not include any protection from future market performance so you could lose some or all of your investment.

## Performance Scenarios

Investment of US\$10,000

Scenarios		1 year	3 years	5 years
Stress scenario	What you might get back after costs	US\$7,503	US\$7,623	US\$7,049
	Average return each year	-24.97%	-8.65%	-6.76%
Unfavourable scenario	What you might get back after costs	US\$8,779	US\$7,936	US\$7,388
	Average return each year	-12.21%	-7.41%	-5.87%
Moderate scenario	What you might get back after costs	US\$10,083	US\$9,991	US\$9,900
	Average return each year	0.83%	-0.03%	-0.20%
Favourable scenario	What you might get back after costs	US\$11,101	US\$12,058	US\$12,716
	Average return each year	11.01%	6.44%	4.92%

This table shows the money you could get back over the next 5 years, under different scenarios, assuming that you make an initial investment of US\$10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how your underlying investment performs, how the overall market performs and how long you keep the investment. The stress scenario shows what you might get back in secondary trading in extreme market circumstances, and it does not take into account the situation where the Company is in liquidation.

This product cannot be cashed in. The figures shown include all the costs of the product itself but do not include all the costs that you may pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

## WHAT HAPPENS IF THE COMPANY IS UNABLE TO PAY OUT?

The Company is not required to make any payment to you in respect of your investment. If the Company were liquidated, you would be entitled to receive a distribution equal to your share of the Company's assets, after payment of all of its creditors. Neither the Company's investment manager nor any other service provider has an obligation to make any payment to you in respect of the ordinary shares. There is no compensation or guarantee scheme in place that applies to the Company and, if you invest in the Company, you should be prepared to assume the risk that you could lose all of your investment.

## WHAT ARE THE COSTS?

The Reduction in Yield ("RIY") shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, on-going and incidental costs. The amounts shown here are the cumulative costs of the product itself, for three different holding periods. The figures assume you invest US\$10,000. The figures are estimates and may change in the future.

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**Table 1: Costs over time**

The person advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

**Investment of US\$10,000**

Scenarios	If you cash in after 1 year	If you cash in after 3 years	If you cash in after 5 years
Total costs	US\$265	US\$809	US\$1,372
Impact on return (RIY) per year	2.63%	2.63%	2.63%

**Table 2: Composition of costs**

The table below shows:

- the impact each year of the different types of costs on the investment return that you might get at the end of the recommended holding period;
- the meaning of the different cost categories.

<b>One-off costs</b>	<b>Entry costs</b>	0%	No entry costs are payable when you acquire ordinary shares, although you may be required to pay brokerage fees or commissions.
	<b>Exit costs</b>	0%	No exit costs are payable when you dispose of ordinary shares, although you may be required to pay brokerage fees or commissions.
	<b>Portfolio transaction costs</b>	0%	There are no costs associated with the buying and selling of underlying investments for the product.
<b>Ongoing costs</b>	<b>Other ongoing costs</b>	1.96%	The impact of the management fees payable to the Company's and the Master Fund's investment manager and the fees and expenses of the Company's other service providers.
	<b>Incidental costs</b>	<b>Performance Fees</b>	0.67%

## HOW LONG SHOULD I HOLD IT AND CAN I TAKE MONEY OUT EARLY?

This product has no required minimum holding period. It is designed for long-term investment with investors being able to sell their investment at will on the London Stock Exchange. The Company is not obliged to acquire any of the Company's ordinary shares. You may sell your ordinary shares in the Company on any day which is a dealing day on the London Stock Exchange. No fees or penalties are payable to the Company or the PRIIPs manufacturer on the sale of your investment but you may be required to pay fees or commissions to any person arranging the sale on your behalf.

## HOW CAN I COMPLAIN?

If you have any complaints about the product or conduct of the product manufacturer, you may lodge your complaint on the Company's website at [ir-bcai.bluecapital.bm/](http://ir-bcai.bluecapital.bm/) or via email to [info@bcapre.bm](mailto:info@bcapre.bm) or to the Company's postal address, Suite No. 784, 48 Par-la-ville Road, Hamilton, HM11, Bermuda. You do not have the right to complain to the UK Financial Ombudsman Service (FOS) about the management of the Company. If you have a complaint about a person who is advising on, or selling, the product you should pursue that complaint with the relevant person in the first instance.

## OTHER RELEVANT INFORMATION

The performance scenarios as calculated have been significantly impacted by three major hurricanes which made landfall in the United States and Puerto Rico in August and September of 2017, other recent catastrophe events and the consequential losses incurred in the reinsurance-linked contracts the Master Fund invests in. Additional information on these events and their impact on the valuation of the product can be found in the Investor Center section of our website.

Further documentation, including the Company's annual and semi-annual reports and regulatory disclosures, is available on the Company's website at [www.bcai.bm](http://www.bcai.bm). This documentation is made available in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom Listing Authority and the Alternative Investment Fund Managers Directive (2011/61/EU). The cost, performance and risk calculations included in this KID follow the methodology prescribed by EU rules.