

Fund Performance

Share Class (Principal series)	NAV	April 2004		2004 Year to Date		Since Inception [†]	
		Fund (%)	FT World (%)*	Fund (%)	FT World (%)*	Fund (%)	FT World (%)*
Class A – US\$	US\$112.06	+0.51	(2.28)	+2.66	+0.96	+12.06	+19.98
Class B - £	£117.03	+0.73	+1.27	+3.41	+1.92	+17.03	(0.56)
Class C - €	€14.07	+0.64	+0.18	+2.98	+6.22	+14.07	(8.83)

*The FT World Share Index in the currency of the respective share class – Source: FT/Bloomberg

†1st October 2001

Even though returns were lower, we are prouder of the Absolute Fund's performance in April than in March. This is not only because most equity market and bond indices were down in April but also because the main hedge fund indices declined and we hear anecdotally that many of the most respected names in our business lost money. As we follow an 'absolute return' strategy the only benchmark which truly matters to us is cash. However, for those who like to compare performance against other benchmarks, the FT World Share Index and the Citigroup World Government Bond Index fell by 0.62% and 1.29% respectively in local currency terms in April. The CSFB Tremont Hedge Fund Index declined by 0.58% and the HFRI Fund of (Hedge) Funds Index by 0.95%. On a rolling twelve-month basis to the end of April, the US\$, £- and €denominated share classes of the Absolute Fund have returned 8.54%, 10.57% and 9.37% respectively to investors net of all fees.

The Absolute Fund recorded gains in six of its nine investment sub-strategies in April. However, losses in the three losing sub-strategies were minimal, the worst being Event-driven (-0.05%). The other two unprofitable sub-strategies were European Equity Long/Short (-0.02%) and US Equity Long/Short (-0.01%). As in March, Japanese Equity Long/Short stood out amongst the winning strategies and we estimate that our 15% allocation to Japanese funds contributed about three quarters of the Absolute Fund's total return. In contrast to March, however, when our Japanese managers undoubtedly benefited from the soaring stock market, April's success can be attributed almost entirely to stock selection and skill as the TOPIX Index rose by just 0.6% (versus 8.9% in March). The second best sub-strategy was Distressed Securities which contributed 0.11% to the Fund's total return. Gains from the remaining four sub-strategies were modest.

At the underlying fund level, 30 out of 48 were profitable in April. This represents a lower success ratio (63%) than in March (73%) but is not really surprising or too disappointing considering the substantially more difficult and volatile investment environment. Indeed, none of the sub-strategies provided a full house of profitable funds, the closest being Distressed Securities with 6 out of 7. In Japan, 'only' 4 of our 7 funds made money, making the performances of JLS5 and JLS6 all the more remarkable. Just as pleasing for us, though, was the absence of big losers in a challenging month.

Biggest 5 Holdings as at 30th April 2004

Name of Fund	%	Strategy	April (%)	Year to Date (%)
JLS6	3.3	Japanese Equity Long/Short	+5.4	+13.6
ED4	3.1	Event-Driven	(0.5)	+2.6
CBA9	3.0	Convertible Bond Arbitrage	+1.4	+6.0
USLS12	2.9	US Equity Long/Short	+0.0	+5.5
DHY7	2.9	Distressed Securities	+0.6	+3.8

Best 3 Funds in April

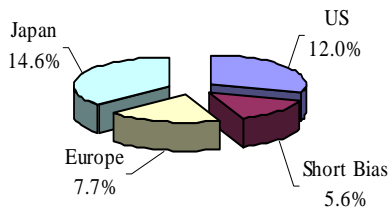
Name of Fund	Strategy	April	YTD
JLS5	Japanese Equity L/S	+9.1	+17.5
JLS6	Japanese Equity L/S	+5.4	+13.6
USSB1	Short Bias	+2.9	+2.0

Worst 3 Funds in April

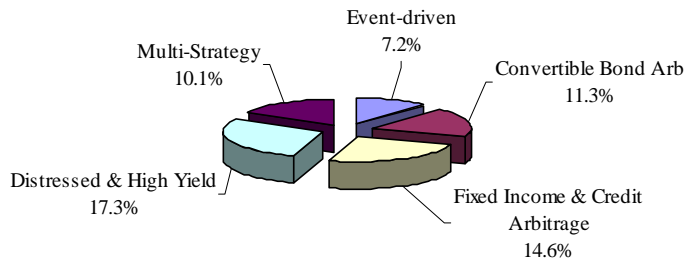
Name of Fund	Strategy	April	YTD
USSB4	US Equity L/S	(2.2)	+0.4
ED5	Event-Driven	(2.1)	+5.5
JLS3	Japanese Equity L/S	(1.7)	(0.4)

Asset Allocation by Strategy (as at 30th April 2004)

Equity Long/ Short (39.9%)



Arbitrage & Other (60.4%)



Outlook

The whole tone to financial markets has deteriorated markedly over the last three weeks and the post-Iraq war rally in equity markets (and corporate credit spreads) now looks well and truly over. The catalyst for this abrupt change was probably the announcement of a second consecutive month of strong growth in employment in the US, raising fears that an imminent end to the protracted period of super-low interest rates is nigh. However, sentiment has also been undermined by the soaring oil price and a worsening security situation in Iraq which is severely damaging Messrs Bush and Blair. Against this background, equities and corporate bonds were ripe for a fall after their dizzy gains of the past twelve months, with stretched valuations and tight spreads providing little protection.

We wrote last month that we were alert to an increase in overall net long equity and credit exposure which the Absolute Fund had acquired due to shifts in exposure in its underlying funds and had sought to neutralise this by increasing exposure to short bias funds. How prophetic those comments were and with the benefit of hindsight we wish we had done more! As it is, the Absolute Fund is almost certainly down this month-to-date as we write and, even though May is far from over, we are already steeling ourselves to have to report our first losing month since October 2002 in the next report.

Although a losing month would be a pity, we recognise that times of inflexion between despair and euphoria and vice versa are perhaps the most difficult for proper hedge fund managers (and hence for the Absolute Fund) as movements in prices of securities temporarily tend to become highly correlated and exaggerated, rendering security selection a largely redundant skill. However, we are also aware that such periods necessarily produce pricing anomalies which are more plentiful and greater in magnitude than before, swelling the opportunity set from which good hedge fund managers can profit in subsequent months.

We therefore remain very excited about the prospects for the Absolute Fund. For conventional investors, however, it promises to be an 'interesting' summer!

As always, we thank the Fund's investors for their trust and welcome any comments, questions and suggestions.

Charles Hovenden & Christopher Aldous

21st May 2004

Manager's Track Record & Summary Statistics (for Class A US\$ shares)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
1999	0.83	1.07	0.96	2.60	1.43	0.74	1.61	0.37	0.81	0.70	2.46	0.57	15.05
2000	1.36	3.21	1.87	(0.03)	1.01	1.63	0.98	0.80	0.83	0.17	(0.28)	0.58	12.77
2001	0.87	0.41	0.36	0.38	0.62	(0.32)	(0.10)	0.68	(0.19)	0.39	0.24	0.63	4.02
2002	0.49	(0.01)	0.82	0.65	0.41	(0.52)	(0.78)	(0.04)	(1.07)	(0.42)	0.18	0.83	0.53
2003	0.67	0.30	(0.01)	0.46	0.61	0.60	0.36	0.86	0.84	1.41	0.10	0.82	7.24
2004	1.00	0.26	0.87	0.51									2.66

Annual Rate of Return	7.81	Sharpe Ratio (@ 5% risk free)	1.11	Biggest Monthly Loss	(1.07)
Standard Deviation	2.54	Correlation with FT World Index (Local)	0.34	Biggest Peak-to-Trough Drawdown	(2.80)

NB: The monthly returns in the shaded portion of the 'Manager's Track Record' table are those of a portfolio previously managed by the Investment Manager of the Absolute Fund. Together with other almost identical portfolios, it was the forerunner of the Absolute Fund in terms of both investment strategy and procedures and its investments have been absorbed into the Absolute Fund. Returns prior to October 2001 have been adjusted to reflect the Absolute Fund's scale of fees. Figures from October 2001 onwards are for the Class A (Principal series) shares of the Absolute Fund.

General Information

Size of Fund:	US\$83.9m	Investment Manager:	Absolute Fund Management Ltd. 4, Arlington Street London SW1A 1RA Telephone: +44 (0) 20 7307 0000 Website: www.absolutefund.co.uk Contact: Christopher Aldous
No. of Holdings:	48	Administrator:	International Fund Managers (Ireland) Ltd. IFSC House International Financial Services Centre Dublin 1 Telephone: +353 1 670 0660 Contact: Andrew Martin
Share Classes:	US\$, £, €		
Basic Fee:	1%		
Incentive Fee:	15% of gains between 6% and 24% p.a.		
High Water Mark:	Yes		
Dealing:	Monthly (with 35 days notice for redemptions)		
Min. Investment:	US\$100,000		
Fund Domicile:	Cayman Islands		
Listing:	Irish Stock Exchange		

Price Information

	Financial Times	Bloomberg	SEDOL	ISIN
Class A (US\$)	under The Absolute Fund Ltd	ABSFNDA KY <Equity>	3093568	TBC
Class B (£)	“	ABSFNDB KY <Equity>	3093591	TBC
Class C (€)	“	ABSFNDC KY <Equity>	3093610	TBC

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