



Share Class (Principal series)	NAV	March 2006		Since Inception†	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A – US\$	US\$106.71	+0.94	+0.40	+6.70	+2.46
Class B - £	£106.58	+0.94	+0.38	+6.57	+2.64
Class C - €	€105.51	+0.76	+0.22	+5.51	+1.34

*Cash rates used are Citigroup 3-Month 'Eurodeposit' – Source: Citigroup

†1st September 2005

COMMENT March produced another highly satisfactory set of returns from the hedge fund industry with the HFR Fund of Hedge Fund index up by just over 1%. Equity markets in general performed well despite jitters caused by news that Iran has now successfully enriched plutonium and has therefore potentially joined the 'nuclear club'. Otherwise, continued fears of further rises in interest rates on both sides of the Atlantic led to more uneasiness in bond markets and the general upward pressure on global inflation surfaced spectacularly in Iceland, where the kroner fell sharply and the Central Bank was forced to raise interest rates yet again.

The net asset value of Class B (sterling-denominated) shares in Absolute Focus rose by 0.94% during March giving a total performance of 2.89% so far this year and 6.57% since launch only 7 months ago. We are therefore on target to deliver on our objective of a return of "at least 10% per annum" and this is very encouraging bearing in mind that Absolute Focus maintains a less directional bias towards equity markets than many of its competitors and also has a significant allocation to defensive strategies in case of a major market dislocation.

Most underlying strategies within the fund performed well in March, with the exception of US equity long/short and the short-bias equity and credit funds. The latter constitute the principal defensive elements within the fund, thus we regard any small losses incurred during buoyant market conditions as an acceptable price to pay for the 'insurance' characteristics which they afford during more difficult conditions. The loss of -0.15% in the US equity long/short segment is also unsurprising as it was generated solely by USLS15, a California-based fund which specialises in technology investments. Shorting poor-quality technology stocks has been a thankless task of late as there has been something of a 'melt-up' in prices in this sector, with companies which have little realistic prospect of ever making any money seeing share price gains of 50% or more. However, the manager of USLS15 concedes that his investment approach has been driven too heavily by fundamental analysis and in future USLS15's risk management procedures will be adjusted to take account of shorter-term trends in investor sentiment and behaviour. Despite this small hiccup in performance we remain confident that USLS15 can repeat the excellent returns it has produced in the past.

Elsewhere, European and Japanese long/short, global macro and event-driven strategies continued to make an important contribution to returns as can be seen from the table on the right of this page.

OUTLOOK It is impossible to predict when market sentiment will change and that is why Absolute Focus does not and will not take big directional 'bets' on markets. However, we believe that in view of the major global economic imbalances which already exist, coupled with increased political tension and oil prices at new all-time highs, 2006 may not provide such a smooth ride for investors as have the previous three years. If difficult times do indeed lie ahead, Absolute Focus is ready to meet the challenge of producing 10%+ returns while still protecting capital. Specifically, the current asset allocation should allow the fund to benefit from widening credit spreads, a rise in market volatility and a flight to quality in equity markets – all of which are likely to occur if market conditions become less stable. Therefore we remain confident that Absolute Focus Fund's strategy will continue to produce its target returns throughout 2006 and beyond.

STRATEGY	Contribution Mar 2006 %	Weighting Mar 2006 %
US Equity Long/short	(0.15)	12.5
Japan Equity Long/short	0.24	18.2
European Equity Long/Short	0.31	10.7
Event-driven	0.34	22.9
Convertible Bond Arbitrage	0.06	8.1
Distressed Debt (hedged)	0.26	9.9
Global Macro	0.22	6.0
Short-bias Equity & Credit	(0.12)	11.4

Best 3 Funds	%	Strategy	Mar	YTD
GM1	6.0	Global Macro	+3.6	+4.3
JLS10	3.5	Japanese Equity L/S	+3.6	+1.1
ELS14	6.1	European Equity L/S	+3.4	+25.0

Worst 3 Funds	%	Strategy	Mar	YTD
USLS15	5.2	US Equity L/S	(4.8)	(10.2)
SBE7	5.8	Short Bias Equity	(2.2)	(1.7)
JLS5	4.6	Japanese Equity L/S	(0.4)	(12.5)

FUND DATA		Investment Manager
No. of Holdings:	21	Absolute Fund Management
Share Classes:	\$, € & £	Marquis House
Basic Fee:	None	67-68, Jermyn Street
Performance Fee:	15% of profits	London SW1Y 6NY
High Water Mark:	Yes, monthly	Contact: Christopher Aldous
Dealing:	Monthly	+44 20 7925 8070
Notice Period:	35 days	Administrator
Min. Investment:	US\$100,000	Northern Trust International
Fund Domicile:	Cayman Islands	Fund Administration Services
Listing:	Irish Stock Exchange	(Ireland) Ltd.
Class A (\$) SEDOL:	BOHTJF7	George's Quay House
Class B (£) SEDOL:	BOHTJG8	43, Townsend Street
Class C (€) SEDOL:	BOHTJH9	Dublin 2 Ireland
		Contact: Sean Donnelly
		+353 1 670 0660

Class B £ Track Record	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2004									A back-tested performance record				
2005	is available on request								0.98	(0.05)	0.77	1.83	3.52
2006	2.13	(0.19)	0.94										2.89
Annual Rate of Return			11.52	Sharpe Ratio (@ 5% risk free)				2.17	Biggest Monthly Loss				(0.19)
Standard Deviation			3.00	Correlation FT World Index (Local)				n/a	Biggest Peak-to-Trough Drawdown				(0.19)

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