

Fund Performance

Share Class (Principal series)	NAV	March 2004		2004 Year to Date		Since Inception [†]	
		Fund (%)	FT World (%)*	Fund (%)	FT World (%)*	Fund (%)	FT World (%)*
Class A – US\$	US\$111.49	+0.87	(0.52)	+2.14	+3.32	+11.49	+22.78
Class B - £	£116.18	+1.09	+0.45	+2.66	+0.64	+16.18	(1.81)
Class C - €	€113.35	+0.94	+0.58	+2.33	+6.03	+13.35	(8.99)

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

†1st October 2001

We are pleased with and proud of the Absolute Fund's performance in March, an eventful month which was made challenging for investors by significantly higher volatility in both equity and corporate bond markets. Most stock markets were sharply lower mid-month following the terrorist attacks in Madrid and a very disappointing employment report in the US. Asian markets were also unsettled by allegations of vote-rigging and the attempted assassination of the President in Taiwan. However, investors subsequently regained their nerve, volatility declined and stock markets rallied to leave the FT World Share Index down by less than 1% in local currency terms by month-end. Corporate credit spreads also widened in March as investors retreated from riskier assets although the impact of this was offset by higher government bond prices. The local-currency Citigroup World Government Bond Index and the Bear Stearns High Yield Index finished the month with gains of 0.44% and 0.71% respectively.

Overall, 36 out of the Absolute Fund's 49 underlying investments were profitable in March, a ratio with which we are satisfied given the circumstances. However, returns were generally modest in 9 out of the 10 sub-strategies and we even lost money in two: European Equity Long/Short (-0.07%) and Distressed Securities (-0.04%), the first losing month in the latter strategy since October 2002. The all-important exception and driver of the Absolute Fund's performance in March is immediately obvious after a quick glance at the 'Best 3 Funds' list. All seven of our Japanese Equity Long/Short funds were profitable in March with returns ranging from 1.7% to 8.5% and, indeed, would have filled seven of the places on a 'Best 9 Funds' list. As evidence of recovery continued to emerge after years of economic paralysis and deflation, the TOPIX Index soared by nearly 9% in March. Our Japanese managers do collectively have a net long bias and this undoubtedly helped last month. However, we remind readers that the current, large allocation to Japanese managers is neither because we are betting on Japan's resurgence as an economic power nor that we necessarily expect the stock market to continue to rise. Instead, we like the abundance of pricing anomalies in the Japanese stock market which provide skilful managers with opportunities to earn substantial returns with relatively little risk and also the fact that there are much fewer hedge fund managers in Japan than in the US or Europe to exploit them.

Biggest 5 Holdings as at 31st March 2004

Name of Fund	%	Strategy	March (%)	Year to Date (%)
ED4	3.2	Event-Driven	(0.4)	+3.1
JLS6	3.1	Japanese Equity Long/Short	+6.1	+7.8
JLS3	3.0	Japanese Equity Long/Short	+6.2	+1.3
DHY7	2.9	Distressed Securities	(0.2)	+3.2
MSI	2.9	Multi-Strategy	+0.3	+2.8

Best 3 Funds in March

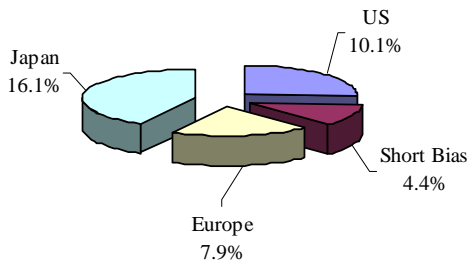
Name of Fund	Strategy	March	YTD
JLS5	Japanese Equity L/S	+8.5	+7.7
OA2	Option Arbitrage	+6.2	+5.6
JLS3	Japanese Equity L/S	+6.2	+1.3

Worst 3 Funds in March

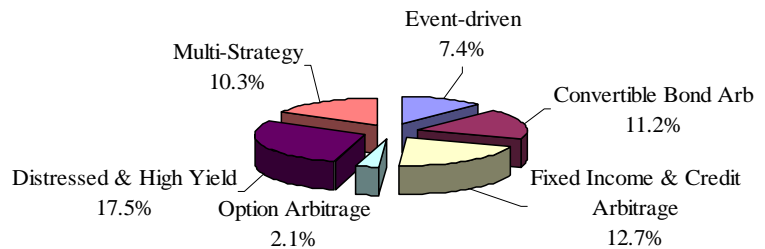
Name of Fund	Strategy	March	YTD
ELS2	European Equity L/S	(1.5)	+3.4
ELS8	UK Equity L/S	(1.4)	+3.6
ELS7	European Equity L/S	(1.1)	+2.3

Asset Allocation by Strategy (as at 31st March 2004)

Equity Long/ Short (38.5%)



Arbitrage & Other (61.1%)



Outlook

As we have discussed with many of the Absolute Fund's investors, we estimate that allocations to short-bias funds cost us about 1.25% in terms of overall performance in 2003. Readers may therefore be surprised to learn that we added a further US\$1m (in total) to two existing investments in short bias funds on 1st April!

We would immediately like to reassure investors that we are not gambling that stock markets are ripe for a tumble. Even though those of you who know us well know that we are perpetually nervous (!), more than 40 years of combined investment experience has taught us that trying to call peaks and troughs in markets is a mug's game and we simply do not permit ourselves to express such opinions in the Absolute Fund's investment strategy.

Instead, the modest increase in short bias exposure is principally a deliberate step to offset the increase in collective net long exposure of the Absolute Fund's equity long/short managers, which we have detected and have been carefully monitoring. We simply want to preserve the overall balance of the portfolio so that the Fund continues to make its returns from 'alpha' (essentially security selection) and not be hostage to broader market trends ('beta'). In addition, however, we also believe that short-selling should return to being a profitable activity in its own right in 2004 after the losses and insanity of last year when shares of the weakest and most speculative companies rose the most.

Finally and relatedly, we thought it might be interesting to share one of our selection criteria for equity long/short funds. As a general rule, we will not invest in funds in which the net long exposure exceeds 30-35% (and in practice we like it to be much lower). The reason why is simple. If net long exposure is higher than this figure and the stock market suffers a sell-off, it doesn't matter how good your stock selection is - it is all but impossible to preserve capital. We note with considerable disappointment that all three funds on this month's 'Worst 3 Funds' list had succumbed to the temptation to increase net long exposure to over 40% and duly paid the price. To us this represents a basic lack of discipline and, unless we can secure assurances the mistake will not be repeated, remedial action is likely to be taken as soon as we have identified suitable replacements.

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

Charles Hovenden & Christopher Aldous

22nd April 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										2.14

Annual Rate of Return	7.84	Sharpe Ratio (@ 5% risk free)	1.11	Biggest Monthly Loss	(1.07)
Standard Deviation	2.56	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\$82.4m
No. of Holdings:	49
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

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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

Risk Warning

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