AFM

ABSOLUTE FOCUS FUND

Monthly Report – April 30th 2006

Share Class (Principal series)	NAV	April 2006		Since Inception†	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A – US$	$107.84	+1.06	+0.40	+7.83	+4.26
Class B - £	£107.63	+0.99	+0.37	+7.62	+3.02
Class C - €	€106.43	+0.87	+0.22	+6.42	+1.56

Cash rates used are Citigroup 3-Month 'Eurodeposit' – Source: Citigroup ***†1st September 2005***

COMMENT April saw the first small cracks appear in the foundations of an equity bull market which has barely paused for breath since the end of Gulf War II. The US$ also turned tail and by the end of the month had experienced a sharp and painful sell-off against all major currencies. The Japanese market's recent woes which began after the 'Livedoor' debacle showed no sign of abating as the yen continued to strengthen, boding ill for Japanese exporters.

Despite all the above, the FT World Share Index closed in positive territory and most hedge funds benefited from this upward trend, coupled with an increase in market volatility. Absolute Focus Fund was no exception and produced a return of just over 1% in US dollar terms, giving a return of 4.18% for the year to date, net of all fees. The fund's heavy allocation to Japanese long/short funds held back performance and overall this strategy made a negative contribution of -0.42%. The difficulty in April was that the major indices only told part of the story and whilst the Topix index fell by just 0.7%, smaller company indices such as Jasdaq and Mothers were down -6.3% and -10.8% respectively. The rationale behind our high weighting to Japanese equity long/short in Absolute Focus Fund is to exploit the huge anomalies and inefficiencies which exist in the Japanese equity market; it is therefore frustrating to see mid-cap stocks which are already cheap compared to their large capitalisation counterparts become yet cheaper still! As we have always made clear, Absolute Focus seeks to made profits by exploiting the 'alpha' returns which can be gained by correctly identifying high quality, well-priced securities to buy 'long' and simultaneously selling 'short' poor quality or over-priced securities, rather than attempting to anticipate or guess the market's next move.

In a marked contrast to the situation one year ago, the European long/short portfolio produced excellent numbers and contributed +0.48% to overall performance, cancelling out the damage caused by Japan. In the light of the strengthening yen, we carried out a thorough review of the Japanese equity long/short portfolio during a recent research trip to the Far East and it is likely that exposure to this strategy will be selectively reduced during coming months in order to lower exposure to any directionality inherent within underlying funds and thereby decrease market risk in the portfolio.

OUTLOOK Of course, the first challenge arising from reducing exposure to a particular sector is what to do with the cash raised. Our view is that market volatility (in the form of option premium and implied volatility within convertible bonds) has been under-priced for quite some time. It is impossible to know at this stage, even in light of market performance so far during May, whether we are experiencing a sharp correction during the mature stages of a bull market or whether the bull market has ended and share price falls are on the way. Either way, we believe that the valuation of instruments whose price reflects changes in market volatility is likely to rise and we intend to gradually increase the fund's exposure in this area both as a tactical profit-generating exercise and a defensive one in anticipation of more difficult times ahead.

STRATEGY	Contribution Apr 2006 %	Weighting Apr 2006 %
US Equity Long/Short	0.08	12.3
Japan Equity Long/Short	(0.42)	20.2
European Equity Long/Short	0.48	10.4
Event-driven	0.27	22.4
Convertible Bond Arbitrage	0.03	8.3
Distressed Debt (hedged)	0.76	9.68
Global Macro	0.04	5.84
Short-bias Equity & Credit	0.09	5.65

Best 3 Funds	%	Strategy	Apr	YTD
DHY5	5.7	Distressed & High Yield	+12.1	+60.2
ELS14	6.2	European Equity L/S	+5.8	+32.5
ELS13	4.6	European Equity L/S	+3.1	+13.7

Worst 3 Funds	%	Strategy	Apr	YTD
JLS5	4.2	Japanese Equity L/S	(5.8)	(17.6)
JLS10	5.6	Japanese Equity L/S	(1.8)	(0.7)
ED4	3.5	Event-Driven	(1.2)	+3.8

FUND DATA

No. of Holdings: 21
Share Classes: $, € & £
Basic Fee: None
Performance Fee: 15% of profits
High Water Mark: Yes, monthly
Dealing: Monthly
Notice Period: 35 days
Min. Investment: US$100,000
Fund Domicile: Cayman Islands
Listing: Irish Stock Exchange
Class A ($) SEDOL: BOHTJF7
Class B (£) SEDOL: BOHTJG8
Class C (€) SEDOL: BOHTJH9

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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	0.99									**3.91**
Annual Rate of Return			11.65	Sharpe Ratio (@ 5% risk free)				2.39	Biggest Monthly Loss				(0.19)
Standard Deviation			2.78	Correlation FT World Index (Local)				n/a	Biggest Peak-to-Trough Drawdown				(0.19)