



Share Class (Principal series)	NAV	August 2007		Since Inception (1 st Sep 2005)	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A - US\$	US\$115.40	(0.13)	+0.45	+15.40	+10.41
Class B - £	£114.92	(0.11)	+0.49	+14.92	+10.27
Class C - €	€111.57	(0.18)	+0.35	+11.57	+6.41

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

According to the indices calculated by Hedge Fund Research, August was the worst month for hedge fund performance since April 2000 as violent swings in stock markets, coupled with contagion from the US sub-prime mortgage crisis into other credit markets, wreaked havoc in many hedge strategies. With a number of famous-name hedge funds down by 10% or more, losses of 2-4% were commonplace amongst many of our more illustrious and bigger peers. Against this background, we are therefore very proud that Absolute Focus was down by only 0.1%. This is mainly because of our policy of investing only in funds which use prudent levels of leverage, which invest themselves in 'real' (as opposed to derivative) securities and which utilise strategies that we genuinely understand. Absolute Focus has no exposure to asset-backed securities (including sub-prime mortgages), to any other kinds of structured credit vehicles which have proved so toxic or to quantitative hedge funds whose complex computer models failed so spectacularly in August.

STRATEGY	Contribution Aug 2007 %	Weighting Aug 2007 %
US Equity Long/Short	(0.04)	11.6
Japan Equity Long/Short	0.05	7.2
European Equity Long/Short	(0.30)	20.1
Event-driven	(0.11)	27.0
Convertible Bond Arbitrage	(0.08)	12.6
Fixed Income and Credit Arb	(0.02)	6.6
Distressed Securities	0.41	8.8
Short-bias Equity & Credit	0.11	6.4

The indiscriminate, forced selling by levered hedge funds and investment banks' trading desks over the last two months has, however, left a wealth of investment opportunities in bank debt, bonds and equities which are now demonstrably under-priced. Absolute Focus' managers use little or no leverage and are therefore well-placed to take advantage of the distress of other, less prudent managers who have been scrambling to stem losses and raise cash. Another consequence of the events of the last two months is that the liquidity tap which has fuelled the bull market of the last four years has been firmly turned off. Thanks to the seemingly endless appetite of investors for structured credit product, virtually any company had been able to gain access to new capital and there seemed to be no limit to the debt that private equity funds could raise to finance takeovers. The unreliable pricing and illiquidity of such schemes, however, has now been exposed and banks are stuck with up to US\$300bn of committed financing which they need to sell on. The net result is that failing companies will now find it much harder to raise fresh finance, the default rate of corporate bankruptcies is certain to begin to rise and the risk of private equity takeovers which has made short-selling so treacherous is much diminished. This creates another set of opportunities for skilled hedge fund managers. For example, short-selling should become much more profitable and we have added specialist short-bias equity and credit funds to Absolute Focus' portfolio.

Best 3 Funds (Size)	Strategy	Aug	YTD
DHY4 (8.8%)	Distressed Securities	+5.0	+57.2
ED7 (5.1%)	Event-Driven	+3.9	(1.3)
USLS3 (6.6%)	US Equity L/S	+1.8	+8.5

With good stock and credit selection therefore set to become much more important and rewarding for both long and short investments, we are probably more excited about the prospects for Absolute Focus than at any time since launch.

Worst 3 Funds (Size)	Strategy	Aug	YTD
ELS3 (5.2%)	European Equity L/S	(3.4)	(1.8)
ED4 (5.1%)	Event-driven	(3.0)	+13.7
ELS4 (2.9%)	European Equity L/S	(2.7)	(4.2)

Charles Hovenden & Andrew Wheeler
21st September 2007

FUND DATA		Investment Manager
Size of Fund: US\$15.6 m	No. of Holdings: 17	Absolute Fund Management Marquis House 67-68, Jermyn Street London SW1Y 6NY Contact: Andrew Wheeler +44 20 7925 8070
Share Classes: \$, € & £	Basic Fee: None	Administrator Northern Trust International Fund Administration Services (Ireland) Ltd. George's Quay House 43, Townsend Street Dublin 2 Ireland Contact: Terry Fernandes +353 1 670 0660
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	

Class B £ Track Record	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2005									0.98	(0.05)	0.77	1.83	3.57
2006	2.13	(0.19)	0.94	0.99	0.25	(0.99)	(1.61)	0.88	0.32	(0.36)	0.30	1.86	4.55
2007	0.23	1.12	1.08	0.59	1.72	1.17	0.17	(0.11)					6.11
Annual Rate of Return			7.19	Sharpe Ratio (@ 5% risk free)			0.70	Biggest Monthly Loss					(1.61)
Standard Deviation			3.11	Correlation FT World Index (Local)			0.37	Biggest Peak-to-Trough Drawdown					(2.58)

Source: Absolute Fund Management

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