



Share Class (Principal series)	NAV	December 2005		Since Inception†	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A – US\$	US\$103.52	+1.80	+0.36	+3.52	+1.32
Class B - £	£103.57	+1.83	+0.38	+3.57	+1.51
Class C - €	€102.86	+1.67	+0.19	+2.86	+0.72

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

†1st September 2005

COMMENT December marked a weak end to what was a dull year in the US equity markets. This was mainly due to a combination of rising oil prices and an 'inversion' of the US yield curve - meaning that short-term interest rates in the US are now slightly higher than long-term rates. Apart from being the first time that this has occurred since 2000, it is usually the first warning of a forthcoming recession – investors should beware! European equities were mixed in December after a rise of around 20% in 2005 while the Japanese Nikkei index surged ahead to close up 8.3% and take its total gain for the year up to over 40% - the strongest year in two decades.

Absolute Focus had an excellent December with a return of +1.80% for the US dollar share class, net of all fees. The top-performing fund was JLS5 which gained more than 16%. Absolute Focus established a significant weighting in Japanese long/short equity funds at launch and this decision has been vindicated by the strategy's contribution of 1.39% to December's performance.

Returns from most other funds were generally lacklustre and fell into a range between +2% and -2%. An exception was a new addition in December: GM1. This was our first venture into global macro and we are pleased that GM1 gave a net return of +4.2% for the month and was one of our "top 3".

Short-bias credit lost money in December but we believe that it is not a question of 'if' but 'when' a correction takes place in corporate bond markets (which in turn could spark the next big sell-off in equity markets). Short-bias credit funds will benefit from any weakness in corporate bond markets and are therefore not only highly defensive but also potentially very profitable.

OUTLOOK Absolute Focus does not attempt to second-guess the direction of markets but instead seeks to identify sources of significant 'alpha' returns. Consequently the asset allocation themes remain little changed from those we identified at launch:

- A heavy allocation to Japanese equity long/short funds as described above – we may add a further fund to the portfolio in February.
- A focus on event-driven managers to benefit from the merger & acquisition activity which is underway as a result of companies' swollen balance sheets.
- A relatively heavy exposure to short-bias credit strategies because we believe that corporate debt is now seriously overvalued and we expect corporate credit spreads to widen significantly over the coming year. This strategy also has defensive characteristics as described above.
- Exposure to equity market volatility, which we consider to be one of the most oversold, undervalued investment opportunities available and which also brings the portfolio useful defensive characteristics.

We are looking forward to a successful and profitable 2006 for Absolute Focus.

STRATEGY	Contribution Dec 2005 %	Weighting Dec 2005 %
US Equity Long/short	0.23	20.2
Japan Equity Long/short	1.39	17.8
European Equity Long/Short	0.08	5.4
Event-driven	0.22	25.6
Convertible Bond Arbitrage	0.01	10.1
Distressed Debt (hedged)	0.13	5.7
Global Macro	0.23	5.6
Short-bias Credit	(0.09)	9.0

Best 3 Funds	%	Strategy	Dec	YTD
JLS5	6.9	Japanese Equity L/S	+16.3	+42.2
JLS8	5.0	Japanese Equity L/S	+6.7	+30.2
GM1	5.6	Global Macro	+4.2	+34.3

Worst 3 Funds	%	Strategy	Dec	YTD
SBC2	4.4	Short Bias Credit	(1.4)	+0.3
CBA9	4.5	Conv. Bond Arbitrage	(1.1)	(8.4)
SBC3	4.5	Short Bias Credit	(0.5)	+6.9

FUND DATA		Investment Manager
No. of Holdings:	19	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 PERFORMANCE	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
Annual Rate of Return			10.89	Sharpe Ratio (@ 5% risk free)			2.14		Biggest Monthly Loss			(0.13)	
Standard Deviation			2.75	Correlation FT World Index (Local)			n/a		Biggest Peak-to-Trough Drawdown			(0.13)	

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