



Share Class (Principal series)	NAV	December 2007		Last 12 Months	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A - US\$	US\$118.43	+0.63	+0.43	+8.85	+5.44
Class B - £	£118.48	+0.70	+0.53	+9.39	+5.87
Class C - €	€114.08	+0.56	+0.40	+7.71	+4.20

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

Although not as bad as November, December was still a tricky month for investors to navigate and we are pleased that the sterling share class of Absolute Focus Fund returned +0.7%. This resulted in a gain of 9.4% for the whole of 2007, performance which was comfortably better than cash deposits and the main bond and stock market indices. Encouragingly, the defensive qualities of Absolute Focus also exceeded our expectations in 2007's testing months (July, August and November) and the fund finished the year just 0.2% below its October peak. In contrast, the FT World Share Index ended 2007 5.2% below its high for the year.

Although it was always intended that the investment strategy for Absolute Focus would be more opportunistic than for the Absolute Fund, the redemption and replacement of four of its twenty underlying funds at year-end represents an unusually high level of turnover. However, the investment environment has turned decidedly hostile over the last few months and a different portfolio of investments to the one we had six months ago is now appropriate. Mainly because of the loss of a direct relationship with its manager (but also for other reasons explained in October's monthly report), we have redeemed from DS1. Whilst this was easily our most profitable investment last year, the other three funds which we have sold all had lost money in 2007. We have redeemed from Event-driven fund ED1 and European Long/Short Equity fund EELS1 because both managers have stubbornly maintained a very long bias and, in our opinion, are inadequately hedged. We also redeemed from F11, the credit-oriented offshoot of the CBA1 convertible bond arbitrage fund, simply because its performance has been disappointing. The main CBA1 fund, however, remains a core holding in the portfolio. In their places, we have invested in USELS1, EELS2 and AELS1, all of which are already owned in the Absolute Fund. We also added new investments in EELS3 and F13. Finally, we doubled the size of investment in PI1, a short-selling equity fund.

The overall result of these changes is that the investment stance of Absolute Focus has been significantly more defensive since the beginning of the year and this has obviously been helpful in January's vicious market conditions. As a concentrated fund, the monthly returns of Absolute Focus will continue to be more sensitive to the performances of individual funds and therefore bumpier than in the Absolute Fund which is more diversified. However, we have high conviction in Absolute Focus's roster of funds and their collective ability to deliver an attractive risk-adjusted profile of returns over any extended timeframe.

Charles Hovenden & Andrew Wheeler
21st January 2008

STRATEGY	Contribution Dec 2007 %	Weighting Dec 2007 %
US Equity Long/Short	0.01	19.7
Japan Equity Long/Short	0.05	7.2
European Equity Long/Short	(0.07)	12.8
Event-driven	0.13	24.6
Convertible Bond Arbitrage	(0.05)	10.6
Fixed Income and Credit Arb	0.00	6.1
Distressed Securities	0.60	11.8
Portfolio Insurance	0.06	7.7

Best 3 Funds (Size)	Strategy	Dec	YTD
DS1r (2.5%)	Distressed Securities	+5.4	+118.3
ED1 (2.9%)	Event-driven	+4.5	(6.1)
USELS2 (2.3%)	US Equity L/S	+1.2	+2.1

Worst 3 Funds (Size)	Strategy	Dec	YTD
USELS3(4.7%)	US Equity L/S	(1.4)	+5.9
ED2d (5.5%)	Event-driven	(1.1)	+11.1
CBA2 (4.8%)	Convertible Bond Arb	(0.8)	+6.1

FUND DATA

Size of Fund: US\$16.1m
 No. of Holdings: 20
 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

Investment Manager

Absolute Fund Management
 Marquis House
 67-68, Jermyn Street
 London SW1Y 6NY
 Contact: Andrew Wheeler
 +44 20 7925 8070

Administrator

Northern Trust International
 Fund Administration Services
 (Ireland) Ltd.
 George's Court
 54-62 Townsend Street
 Dublin 2 Ireland
 Contact: Terry Fernandes
 +353 1 670 0660

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)	0.66	2.59	(0.87)	0.70	9.39
Annual Rate of Return			7.52	Sharpe Ratio (@ 5% risk free)			0.76	Biggest Monthly Loss					(1.61)
Standard Deviation			3.31	Correlation FT World Index (Local)			0.46	Biggest Peak-to-Trough Drawdown					(2.58)

Source: Absolute Fund Management

RISK WARNING The Absolute Focus Fund Ltd. (the "Company") is not a recognised collective investment scheme for the purposes of the Financial Services and Markets Act 2000 (the "Act"). This document is issued by Absolute Fund Management Ltd. ("AFM"), which is regulated by the Financial Services Authority and is being communicated only to persons (each a "permitted recipient") of the kind to whom both (1) the Company is permitted to communicate financial promotions pursuant to The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") and (2) AFM is permitted to communicate financial promotions relating to the Company or otherwise promote the Company under the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "CIS Order"). It may not be passed on or communicated by the recipient to any other person. Such permitted recipients include existing shareholders of the Company, authorised persons and other investment professionals under Article 19 of the Order and Article 14 of the CIS Order. It does not and is not intended to constitute an offer or solicitation to purchase shares of the Company which may only be made on the basis of the latest private offering memorandum of the Company and the risk and other disclosures made therein. Persons who do not have professional experience in participating in unregulated collective investment schemes should not rely on the information contained herein. The rules made under the Act for the protection of private customers do not apply and the Financial Services Compensation Scheme will not be available for investments in the Company. Past performance is not necessarily a guide to future performance and the value of an investment can go down as well as up. Investors may not get back the full amount originally invested. The value of overseas investments may be influenced by changes in exchange rates.