



Share Class (Principal series)	NAV	February 2006		Since Inception†	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A – US\$	US\$105.72	(0.07)	+0.35	+5.72	+2.05
Class B - £	£105.58	(0.19)	+0.35	+5.58	+2.25
Class C - €	€104.72	(0.15)	+0.19	+4.72	+1.12

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

†1st September 2005

**COMMENT** After the bumper returns of the previous three months, hedge fund performance was muted in February. The HFR Fund of Hedge Fund Index was up by only 0.4%, with no underlying strategies recording big gains.

Despite these neutral conditions, Absolute Focus had a difficult month which ended with a very small loss for the US dollar share class. Japanese equity long/short funds were the sole cause for this poor performance with all four constituent funds producing negative returns totalling -0.71%. JLS5, a stellar performer in December, has now given back most of that month's gains with its losses in January and February. The principal problem for Japanese long/short investors has been the 'hangover' from the share price collapse in January of Livedoor, a media and internet services company which is now being investigated for 'financial irregularities'. Many local investors suffered margin calls which forced them to sell other shares in their portfolios, causing a significant problem for our underlying funds which rely on these smaller companies to produce substantial 'alpha' returns for the long side of their portfolios.

All the other underlying strategies produced small positive returns, but these were insufficient to outweigh the loss in Japan. The two bright spots were the Event-driven portfolio which generated a return +0.19% and Distressed Securities fund DHY5, which was up by 6.63% in February and individually contributed 0.37% to the overall performance of Absolute Focus.

**OUTLOOK** Whilst the substantial investment in Japanese equity long/short funds has led to a bumpy ride over the past two months we are very happy with the medium and long term prospects for this strategy and do not propose to change the Fund's weighting. The principal reason for maintaining a high level of exposure to Japan is to harvest the widespread pricing inefficiencies in its stock market. It is these inefficiencies or anomalies in the valuations of different securities which allow our underlying managers to generate substantial 'alpha' returns; ie. returns which are derived from the outperformance of good quality shares versus poor quality shares, rather than returns which rely on an upward direction in the markets. Alpha returns are generally more reliable and have helped to generate the consistent positive returns of the Absolute Fund over the past seven years.

There have been two changes to the portfolio this month:

- The exposure to short-bias credit was reviewed and one of our Short Bias Credit funds was redeemed as we discussed in last month's report.

- An additional European long/short fund called ELS14 has been added. Unlike many other European funds, ELS14's manager is happy to be net short when necessary and should still therefore be able to generate significant returns even if markets become more difficult.

Overall, we feel that the portfolio is in excellent shape and we expect performance to remain on target over the coming months.

STRATEGY	Contribution Feb 2006 %	Weighting Feb 2006 %
US Equity Long/short	0.06	18.0
Japan Equity Long/short	(0.71)	19.1
European Equity Long/Short	0.12	5.1
Event-driven	0.19	23.5
Convertible Bond Arbitrage	0.01	9.3
Distressed Debt (hedged)	0.34	11.1
Global Macro	0.00	5.0
Short-bias Credit	0.01	8.0

Best 3 Funds	%	Strategy	Feb	YTD
DHY5	5.9	Distressed Debt	+6.6	+39.4
ELS13	5.1	European Equity L/S	+2.3	+7.4
ED9	4.2	Event-driven	+2.2	+5.3

Worst 3 Funds	%	Strategy	Feb	YTD
JLS5	5.4	Japanese Equity L/S	(8.6)	(12.1)
JLS10	3.9	Japanese Equity L/S	(2.8)	(2.4)
CBA9	3.9	Conv. Bond Arbitrage	(2.3)	(2.0)

FUND DATA		Investment Manager
No. of Holdings:	21	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	<b>Administrator</b>
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 £ Track Record	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2004									<b>A back-tested performance record</b>				
2005	<b>is available on request</b>								0.98	(0.05)	0.77	1.83	<b>3.52</b>
2006	2.13	(0.19)											<b>1.94</b>
Annual Rate of Return			11.46	Sharpe Ratio (@ 5% risk free)				1.97	Biggest Monthly Loss				(0.19)
Standard Deviation			3.28	Correlation FT World Index (Local)				n/a	Biggest Peak-to-Trough Drawdown				(0.19)

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