



Share Class (Principal series)	NAV	February 2007		Since Inception [†]	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A - US\$	US\$110.28	+1.10	+0.41	+10.24	+7.49
Class B - £	£109.77	+1.12	+0.40	+9.74	+7.23
Class C - €	€107.23	+1.06	+0.28	+7.24	+4.32

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

†1st September 2005

COMMENT As we have commented over the past few months, equity prices seem to be following a pattern typical of a mature bull market. This takes the form of an underlying uptrend interspersed with sharp sell-offs caused by short-term slumps in investor confidence. February characterised this perfectly with an apparently unstoppable uptrend right up until just two days before the end of the month when unrestrained selling led to the biggest one-day correction since July 2002. The catalyst in this case was a 9% plunge in the Shanghai Composite Index (which although seriously overbought even at that point, has since recovered and extended to reach a new high at the time of writing!) There will be many more such catalysts in the months ahead and investors should expect further panic-inspired market corrections followed by rapid recoveries as traders take advantage of cheap buying opportunities.

However, sooner or later this benign trend will come to an end as the next bear market sets in and that is when Absolute Focus Fund will really be able to show its defensive qualities. Some of these were clearly on display in February and led to a very pleasing performance of +1.12% for the sterling-denominated Class B shares. This was driven by strong performance from the distressed securities and event-driven components in the portfolio and was despite a substantial allocation to equity long/short and event-driven strategies, which can often suffer sharp setbacks during market dislocations. The star performer of the month was DHY4, a distressed securities fund, which produced growth of 8.1% - especially admirable considering its potentially cumbersome market capitalisation of US\$5bn! DHY4 epitomises the type of fund which we seek for Absolute Focus by the way it properly hedges against both market and sector-specific risk; this was evidenced in February by the fact that much of its gain was generated by the short side of its portfolio.

Assisted by a heavy weighting in the fund, event-driven made a similar contribution of 0.56% to overall performance. Here, the top performer was ED8, a fund which adopts an activist approach in the US micro cap sector. Our view that by investing part of the fund's assets in these specialist areas we can substantially reduce correlation to equity markets was underpinned and reinforced by February's result.

OUTLOOK Few changes were made to the portfolio this month and we consider that the fund is well-positioned for the economic and market conditions which we expect over the coming months. As we have discussed before, much of the short-bias 'insurance' has been expunged from the portfolio to be replaced with equally defensive volatility-sensitive strategies such as convertible bond arbitrage, which thrive in market conditions like those of February. We look forward to a challenging year in the world markets and an opportunity to show that Absolute Focus is capable of attaining and exceeding its target of 'at least 10% per annum'.

STRATEGY	Contribution Feb 2007 %	Weighting Feb 2007 %
US Equity Long/Short	0.04	11.51
Japan Equity Long/Short	0.07	11.10
European Equity Long/Short	0.10	19.65
Event-driven	0.56	23.50
Convertible Bond Arbitrage	0.14	12.66
Distressed Debt (hedged)	0.55	8.60
Global Macro	(0.18)	4.89
Short-bias Equity & Credit	0.05	8.25

Best 3 Funds	%	Strategy	Feb	YTD
DHY4	6.2	Distressed securities	+8.1	+9.2
ED8	6.8	Event-Driven	+4.0	+7.8
DHY3	2.9	Distressed Securities	+2.8	(2.0)

Worst 3 Funds	%	Strategy	Feb	YTD
USLS5	1.2	US Equity L/S	(3.3)	+0.4
GM1	4.7	Global Macro	(3.2)	(4.3)
ELS4	2.8	European Equity L/S	(1.1)	+2.0

FUND DATA

Size of Fund: US\$17.57m
 No. of Holdings: 18
 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: Christopher Aldous
 +44 20 7925 8070

Administrator

Northern Trust International
 Fund Administration Services
 (Ireland) Ltd.
 George's Quay House
 43, Townsend Street
 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									A back-tested performance record				
2005	is available on request								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											1.35
Annual Rate of Return			6.39	Sharpe Ratio (@ 5% risk free)				0.42	Biggest Monthly Loss				(1.61)
Standard Deviation			3.35	Correlation FT World Index (Local)				0.36	Biggest Peak-to-Trough Drawdown				(2.6)

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.