



Share Class	NAV	January 2008		Last 12 Months	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A - US\$	US\$117.75	(0.57)	+0.42	+7.96	+5.41
Class B - £	£117.71	(0.65)	+0.52	+8.43	+5.96
Class C - €	€113.24	(0.73)	+0.40	+6.71	+4.30

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

In the worst month for the local currency FT World Share Index (down 8.5%) and the UK's FTSE 100 Share Index (down 9.1%) since September 2002 and January 2003 respectively, Absolute Focus Fund's defensive qualities once again exceeded our expectations. Since its peak in October, the FT World Share Index has tumbled by 13% but the £ share class of Absolute Focus Fund has risen by 1.7%. Over the last twelve months, the £ share class of Absolute Focus Fund has delivered a very respectable return of 8.4% whilst the FT World Share Index has fallen by 3.7%.

Our decision last summer to introduce a significant allocation to short-bias and other defensive funds has certainly paid off and 'portfolio insurance' was easily the biggest contributor to overall performance in January. At individual fund level, however, pride of place belongs to USELS1, a San Francisco-based US equity long/short fund which we 'discovered' last summer and added to the Focus portfolio on 1st October. In four months the fund is up by more than 14% and all of this return is due to stock selection as net market exposure has been maintained close to zero. Unsurprisingly in such weak equity markets, long-biased and event-driven funds were the biggest casualties and we have decided to redeem from USELS2. USELS3's loss was disappointing but should be seen in context with the gain of more than 30% last year. We met with the managers of ED1 last month and have decided to retain this investment for the time being.

At a meeting of the Board of Directors of Absolute Focus Fund last month, it was recommended and the Board agreed that modifying the investment strategy to focus almost exclusively on equity-based funds (equity long/short, equity event-driven and equity short-bias) should enhance risk-adjusted returns. It will also make Absolute Focus more distinct from the Absolute Fund and, in terms of asset allocation, investors could treat Absolute Focus as part of their exposure to equity markets. This is not as big a change as it sounds because 77% of Absolute Focus Fund is currently invested in equity-based funds. We will simply be replacing four credit-oriented and arbitrage funds (with target returns of 8-12% p.a.) with equity long/short funds (with target returns of 12-18%). Defensive components, when required, will be provided by short-bias equity funds and there will be no compromise in our commitment to preserve capital in falling markets. Especially for managers with proven short-selling skills, we believe that equity long/short is likely to prove to be the most successful hedge fund strategy in the testing market conditions which we expect to persist. Our pipeline of candidate funds, mainly is the US and Europe, which are in various stages of our due diligence process is busy and exciting and we are confident that Absolute Focus will continue to deliver attractive returns whatever the future holds.

Charles Hovenden & Andrew Wheeler  
22<sup>nd</sup> February 2008

STRATEGY	Contribution Jan 2008 %	Weighting Jan 2008 %
US Equity Long/Short	(0.33)	24.6
Japan Equity Long/Short	(0.01)	7.3
European Equity Long/Short	+0.03	20.1
Event-driven	(0.54)	19.5
Convertible Bond Arbitrage	+0.06	10.8
Distressed Securities	+0.00	5.0
Portfolio Insurance	+0.56	13.4

Best 3 Funds (Size)	Strategy	Jan	YTD
USELS1t (5.4%)	US Equity L/S	+8.0	+8.0
P11 (3.2%)	Portfolio Insurance	+7.5	+7.5
PI2 (2.7%)	Portfolio Insurance	+6.2	+6.2

Worst 3 Funds (Size)	Strategy	Jan	YTD
USELS2 (4.6%)	US Equity L/S	(5.8)	(5.8)
USELS3 (4.7%)	US Equity L/S	(5.3)	(5.3)
ED1 (4.5%)	Event-driven	(5.0)	(5.0)

### FUND DATA

No. of Holdings: 21  
 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

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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
2008	(0.65)												(0.65)
Annual Rate of Return			6.97	Sharpe Ratio (@ 5% risk free)			0.59	Biggest Monthly Loss					(1.61)
Standard Deviation			3.35	Correlation FT World Index (Local)			0.49	Biggest Peak-to-Trough Drawdown					(2.58)

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Source: Absolute Fund Management