



Share Class (Principal series)	NAV	July 2007		Since Inception (1 <sup>st</sup> Sep 2005)	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A - US\$	US\$115.55	+0.15	+0.45	+15.55	+9.91
Class B - £	£115.05	+0.17	+0.48	+15.05	+9.74
Class C - €	€111.77	+0.07	+0.35	+11.77	+2.25

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

Considering that Absolute Focus Fund deliberately has a long bias and fewer defensive features than the Absolute Fund, we are very pleased that we were able to preserve capital for investors in a month when most major equity markets were down by 3-4%, high yield corporate bond indices suffered their biggest falls since July 2002 and floating rate corporate bank loans had their worst month ever. In July, the contagion from America's sub-prime mortgage crisis began to spread to other asset classes, causing an almost universal widening of risk spreads in equity and bond markets. Whilst a number of Absolute Focus' managers deserve praise for making money or limiting losses in July, Absolute Focus's profit last month can be attributed almost entirely to the stunning performance of Harbinger whose manager hit the jackpot with his short positions in sub-prime mortgage structured credit.

As market conditions deteriorated, many of Absolute Focus' managers experienced their first real test for four years and most acquitted themselves well. However, there were a few disappointments and, notwithstanding the higher risk appetite of Absolute Focus (compared with the Absolute Fund), the losses suffered by ED7 and ELS3 were unacceptable. We have already decided to redeem from ELS3 and a final decision about ED7 will be taken after we meet with its Boston-based manager next month. Fortunately, we have no shortage of candidates to replace the funds we eject and we are particularly excited about one US equity long/short fund which we visited earlier this month in San Francisco and which has made money in June, July and even so far in August.

Like the Absolute Fund, Absolute Focus has no long exposure to US sub-prime mortgages or investments in any other kinds of asset-backed or structured credit securities. Similarly, Absolute Focus has never used any leverage and we have always discriminated against funds which use high levels of leverage to boost returns. Despite this, it has proved impossible over the last few weeks to insulate Absolute Focus from the effects of the de-leveraging and selling by other funds which are battling to stem losses. Many of Absolute Focus's managers are ready to take advantage of the opportunities which this forced selling has given rise to but also recognise that patience may provide even more attractive entry-points.

For this reason, we expect that the performance profile of Absolute Focus could be quite bumpy over the next few months. At the time of writing this report we suspect that Absolute Focus could be down by 2% in August. However, we are also confident that such an outcome will be followed by a series of very profitable months as the mayhem subsides and our managers take advantage of the abundant opportunities left in its wake.

Charles Hovenden & Andrew Wheeler  
20<sup>th</sup> August 2007

STRATEGY	Contribution July 2007 %	Weighting July 2007 %
US Equity Long/Short	(0.19)	11.7
Japan Equity Long/Short	0.11	7.2
European Equity Long/Short	(0.58)	20.4
Event-driven	(0.68)	27.0
Convertible Bond Arbitrage	0.04	12.6
Fixed Income and Credit Arb	0.05	6.6
Distressed Securities	1.34	8.4
Short-bias Equity & Credit	0.14	6.2

Best 3 Funds (Size)	Strategy	July	YTD
DHY4 (8.4%)	Distressed Securities	+19.1	+49.7
SBE6 (6.2%)	Short-Bias Equity	+2.3	(1.4)
JLS4 (7.2%)	Japanese Equity L/S	+1.1	+12.5

Worst 3 Funds (Size)	Strategy	July	YTD
ED7 (5.1%)	Event-Driven	(7.4)	(5.0)
ELS3 (5.3%)	European Equity L/S	(7.2)	+1.7
ELS4 (3.0%)	European Equity L/S	(4.8)	(1.5)

### FUND DATA

Size of Fund: US\$15.7m  
 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: Andrew Wheeler  
 +44 20 7925 8070

### Administrator

Northern Trust International  
 Fund Administration Services  
 (Ireland) Ltd.  
 George's Quay House  
 43, 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						6.23
Annual Rate of Return	7.58			Sharpe Ratio (@ 5% risk free)				0.82	Biggest Monthly Loss				(1.61)
Standard Deviation	3.14			Correlation FT World Index (Local)				0.36	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.