



Share Class (Principal series)	NAV	November 2006		Since Inception†	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A - US\$	US\$106.76	+0.29	+0.44	+6.72	+6.10
Class B - £	£106.32	+0.30	+0.41	+6.32	+5.88
Class C - €	€104.01	+0.13	+0.28	+4.01	+3.39

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

†1st September 2005

COMMENT

Market volatility reached new lows in November reflecting high levels of investor confidence and an apparent indifference to risk. The stabilisation of the price of oil and muted inflation numbers on both sides of the Atlantic went a long way to promote this benign outlook and there is a general feeling that the world is in a 'Goldilocks' paradigm with major economies neither "too hot" nor "too cool". Most equity and bond markets had a buoyant month with the notable exception of the FTSE which fell by 1.6% and the Nikkei index which plunged 3% during the first two weeks of November on concerns over the impact of a weaker dollar before bouncing to close up on the month.

Absolute Focus had a mixed month with strong contributions from US and European equity long/short and Event-driven producing a combine return of over 1%, marred by aggregate losses of -0.87% in Japan equity long/short, short-bias strategies and, once again, distressed securities. These latter three strategies have caused several problems for Absolute Focus during 2006 and have been written about often. For each the story was little changed in November: Japan continues to suffer from a lack of market confidence and November's V-shaped performance (alluded to earlier) presents long/short managers with some of their greatest challenges. Short-bias funds were discussed in last month's report and November was a case of more of the same. However, these funds are a key element of Absolute Focus's defensive toolkit and represent one of the few ways in which capital can be protected when market confidence finally cracks. The negative contribution from distressed securities can be summed up in one word; DHY3, which fell by 13.2% in November. Despite this it has produced a return of 31% for Absolute Focus so far this year - precisely the reason it was added to the portfolio - and is capable of doing the same again in 2007.

OUTLOOK

The outlook is excellent. December results are very encouraging so far and the fund is now in great shape for 2007. Fine-tuning to the defensive part of the portfolio will reduce the drag on returns during strong market uptrends and we expect Japan long/short to contribute strongly next year now that small and mid-sized stock indices seem to have stabilised. Although Absolute Focus has returned only 6.7% since launch in September 2005 and 3.1% so far in 2006, we are now confident of resuming our targeted growth of "at least 10% p.a." during 2007 whilst maintaining strong defensive characteristics.

Finally, we would like to wish all our readers and investors a happy Christmas and a prosperous New Year.

STRATEGY	Contribution Nov 2006 %	Weighting Nov 2006 %
US Equity Long/Short	0.31	11.7
Japan Equity Long/Short	(0.14)	12.0
European Equity Long/Short	0.23	14.4
Event-driven	0.47	23.6
Convertible Bond Arbitrage	0.08	13.0
Distressed Debt (hedged)	(0.38)	9.8
Global Macro	0.09	5.0
Short-bias Equity & Credit	(0.35)	10.7

Best 3 Funds	%	Strategy	Nov	YTD
USLS3	5.7	US Equity L/S	+4.4	+11.3
ED7	5.9	Event-Driven	+3.1	+15.7
ELS2	5.7	European Equity L/S	+2.8	+13.5

Worst 3 Funds	%	Strategy	Nov	YTD
DHY3	3.5	Distressed Debt	(13.2)	+31.1
SBE3	5.6	Short Bias Equity	(3.7)	(12.1)
SBC2	4.7	Short Bias Credit	(2.7)	(4.0)

FUND DATA

Size of Fund: US\$16.6m
 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

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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		2.64
Annual Rate of Return			5.01	Sharpe Ratio (@ 5% risk free)				0.00	Biggest Monthly Loss				(1.61)
Standard Deviation			3.40	Correlation FT World Index (Local)				0.41	Biggest Peak-to-Trough Drawdown				(2.6)

Source: Absolute Fund Management

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