



Share Class (Principal series)	NAV	September 2007		Last 12 Months	
		Fund (%)	Cash (%)*	Fund (%)	Cash (%)*
Class A – US\$	US\$116.11	+0.62	+0.45	+8.71	+5.47
Class B - £	£115.68	+0.66	+0.50	+8.73	+5.54
Class C - €	€112.11	+0.48	+0.36	+7.36	+3.87

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

After the losses of the previous two months, equity market and hedge fund indices bounced back in September, the FT World Share Index rallying by 3.2% and the HFR Fund of Hedge Fund Index by 2.1%. Compared with these benchmarks, we have to be disappointed that the £ share class of Absolute Focus returned just +0.66%. By the same measure, however, Absolute Focus was down by just 0.1% in August when the HFR Index fell by 2.2% (its biggest monthly loss in more than seven years) and also made money in July when the FT World Share Index fell by 2.6%. As a concentrated fund in which individual funds can have a big impact on overall performance, monthly returns are bound to be more lumpy and sometimes unpredictable than in the sister Absolute Fund. Investors should therefore not focus too much on monthly returns but judge performance over longer time frames. Accordingly, in what was a very challenging third quarter Absolute Focus provided superior returns to either the FT World Share or HFR indices. Over the last twelve months, Absolute Focus achieved net performance of 8.6% (£ share class). Whilst we regard this as satisfactory, we are confident that the changes we made to the investment portfolio mainly in the first quarter of 2007 will yield significantly higher returns in future years.

Of the 19 investments in Absolute Focus at month-end, 13 were profitable in September. DHY4 Distressed Fund headed the Top 3 Funds list for the fifth time this year, a feat even more remarkable given its US\$11bn size. As a result of its extraordinary year-to-date performance, DHY4 has become disproportionately large within Absolute Focus's portfolio and we have taken steps to address this on the next dealing date. DHY4 apart, however, only three other underlying investments made more than 2% which is surprising given market conditions. It was also anomalous that 6 funds were down last month. In rising markets, we expected to lose money on the two short-bias investments recently introduced as portfolio insurance but the other four included some of Absolute Focus's most dependable performers.

We are particularly excited about two investments we added on 1st October, both in the US Equity Long/Short sub-strategy. Dallas-based USLS8 identifies long investment opportunities in companies which are generally too small to attract institutional interest whilst shorting the shares of other companies whose share prices have been ramped by unwarranted hype or, sometimes, even fraud. The manager of San Francisco-based USLS9 Fund has proved himself to be every bit as proficient at short-selling the shares of failing companies as finding winners amongst technology companies. Year-to-date to the end of September, AWH was up by 17% and Harvest by 20% and we hope for more of the same!

Charles Hovenden & Andrew Wheeler  
25<sup>th</sup> October 2007

STRATEGY	Contribution Sep 2007 %	Weighting Sep 2007 %
US Equity Long/Short	0.18	11.8
Japan Equity Long/Short	0.03	7.2
European Equity Long/Short	0.15	18.3
Event-driven	0.12	26.9
Convertible Bond Arbitrage	0.10	12.6
Fixed Income and Credit Arb	(0.23)	6.3
Distressed Securities	0.49	9.2
Portfolio Insurance	(0.09)	7.5

Best 3 Funds (Size)	Strategy	Aug	YTD
DHY4 (9.2%)	Distressed Securities	+5.5	+65.2
ED9 (3.3%)	Event-Driven	+2.8	+9.7
USLS3 (6.7%)	US Equity L/S	+2.4	+11.1

Worst 3 Funds (Size)	Strategy	Aug	YTD
CBA3 (6.3%)	Fixed Income	(3.5)	(0.5)
SBC1 (2.3%)	Short Bias Credit	(3.1)	+3.0
ED8 (6.4%)	Event-Driven	(0.9)	+25.7

### FUND DATA

Size of Fund: US\$15.8m  
 No. of Holdings: 19  
 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	(0.11)	+0.66				6.81
Annual Rate of Return			7.23	Sharpe Ratio (@ 5% risk free)			0.73	Biggest Monthly Loss					(1.61)
Standard Deviation			3.04	Correlation FT World Index (Local)			0.37	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.