

Newsletter

General Market Review June 2006

Economic Review

Despite finishing in flat-to-positive territory, equity markets in June were as volatile as they were in May, if not more so. The month started in a similar fashion as mid-May, with investors selling off their most risky assets and sending the markets into free-fall. Concerns remained regarding higher inflation leading to higher global interest rates, which would subsequently choke off profits and economic growth. By mid-month, the Bloomberg 500 fell -5.4% and the energy-heavy OBX Index (Norway) fell -10.3%. However, markets bottomed around June 13th as stocks were oversold and investors acknowledged the M&A backdrop in Europe. Global equity markets got a further boost at month end when the US Fed raised interest rates by 25 bps but indicated that US growth was “moderating” which investors took as a sign of fewer future rate hikes. The Bloomberg 500 rallied 6.1% over the final two weeks to finish the month +0.32%, while the OBX Index (Norway) surged +10.8% over the second half of the month and finished -0.64%.

Europe remains an attractive investment arena which has only gotten more attractive over the past two months as valuations have plunged. There are pockets of strong growth (Germany, Eastern Europe), low base interest rates (recently raised to 2.75%), falling unemployment and improving domestic demand to drive stocks higher.

Source: ABS Investment Management

Absolute U.S. Ltd.

Portfolio Description

Absolute U.S. is an investment company, which invests in a variety of absolute return-oriented management styles. These investment strategies are focussing on globally diversified and industrialized financial markets. The investment company was established to respond to investors who desire an attractive, well-diversified portfolio of alternative investments in US Dollar values, which can be actively allocated across different investment styles and strategies throughout the universe of alternative investments.

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Investment Performance as of June 30, 2006

		Monthly Return	Year to Date Return	Inception*) To Date (Nov 2000)	Average Annual Return	Annual Standard Deviation	Sharpe Ratio
Absolute U.S. NAV (USD)	291.84	-0.49%	5.94%	30.70%	4.84%	5.59%	Neg.
Share price (USD)	266.25	0.57%	11.26%	12.98%	2.07%	7.55%	Neg.
S&P 500 Index (USD)	1270.20	0.01%	1.76%	-11.31%	-2.10%	14.42%	Neg.

Past performance is no guarantee of future results. Performance figures are estimated net of management and performance fees and are subject to change.

*) Absolute US has paid out Sfr. 9 (= US\$ 7.36 or ca. 2.70 %) on June 30, 2004 due to a par value repayment. This Special Dividend is not included in the above numbers.

Investment Review

Cadogan / Cadogan Conferre Fund

June was a difficult month for both portfolios with a 0.7% decline in the Absolutissimo Cadogan portfolio and a 0.6% decline in the Cadogan Conferre Fund. While the loss appears to be relatively modest, the interim month volatility was significant. Prior to the end of the month rally, the funds' were headed towards their worst month since inception. Correlation across global markets appeared to be significant during the period as the S&P, NASDAQ, Topix, Hang Seng, FTSE and DAX 100 all experienced a significant "V" pattern. Speculation regarding the Federal Reserve's policy had a significant impact on markets throughout the month. The Fed's early June statement that U.S. inflation was accelerating caused global concern that the Fed would overshoot on interest rates and dampen global economic growth. This led to the early weeks' equity market sell-off. The last half of the month was the mirror opposite of the first half. Bernanke said that the U.S. could withstand rising energy costs, signaling that further rate increases may not be needed, thus leading equity investors to plow back into the market. Considering that it was the end of the quarter, the late month rally may have also been a bit of "window dressing." July's early sell-off is further evidence the rally was not due entirely to fundamentals - macro or micro.

The fund's best performer was the short-biased Compass Holdings with a 9.2% return. Long/Short funds Defiance and Polestar also had relative success during the month, each with returns of 1.9%. The portfolio's major performance detractor for the month was Penta with an 8.1% loss. Compass generated significant alpha during the month primarily the result of a 30% decline in one of their largest short positions. The position, a consumer technology company, has been in the portfolio for the last several quarters and finally fell after running into a number of legal problems. Defiance's performance was attributable to their ability to successfully navigate the month's volatility entering the month with smaller-cap speculative shorts and covering them as they fell below price targets. Towards the middle of the month the manager began to actively buy shares in their higher conviction large cap names. The fund entered the month 41% net long with a beta adjusted exposure closer to neutral and ended the month 73% net long. Polestar benefited from their utilities and "croupiers" on the long side and shorts in home builders. Penta's decline came about as the manager conducted a review of the portfolio during the month and decided to cut some of the lower conviction names and add to a number the names where they had higher conviction. On a portfolio level, the fund's positioning did not change significantly: short Japan and long Asia. The manager has positioned the portfolio to profit in the event

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of a consumer slowdown in the U.S. This has led him to go long companies with more exposure to domestic demand and short companies reliant on exports to the U.S. The manager thinks that a US slowdown could encourage the Asian central banks to increase liquidity in order to offset the declines in exports – creating an attractive environment for the domestic demand plays. The fund's allocation to real estate plays has grown considerably over the last several months and most of these positions were relatively good performers for the period.

Conferre:

It's been nearly 1 year since we placed our first investment and we have just now taken in the last of available capital. While it took a little longer than we would have originally expected, we are happy with both the performance of the fund and our expected return of the portfolio holdings going forward. June was an interesting month in the markets as noted above. The market sell-off presented the Conferre managers the opportunity to increase allocations to some of the higher conviction names. During the month managers purchased shares of a cell phone handset maker, a hard disk drive manufacturer, a fertilizer company and a fiber optic telecom network. Most of the increases were done with previously committed capital. We took in additional capital to fund the increased allocation in the fiber optic telecom network. These trades worked well in the last part of the month and helped limit our monthly losses.

Performance highlights on the long side included our position in the U.S. securities exchange, up 14.5%, and our position in the REIT specialty finance company, up 7.0%. We took advantage of the price appreciation of the securities exchange position to liquidate the position at a total return of 24%. Because we only held this position for 6 months it exceeded our IRR hurdle. We continue to hold a related position but are currently reviewing the underlying business to as certain if it remains an attractive investment. The REIT specialty finance company that we are long through its 144a stock entered into a definitive merger agreement with another REIT. This merger is especially interesting considering that the CEO's of the two companies are mother and son. Due to the obvious potential conflicts of interest we were immediately skeptical of the suggested exchange ratio and the companies' approach at determining fair value. Thus far we have determined that the family has a significantly larger economic stake in the company that we own, whereby their interest should be inline with ours. The manager that suggested this position continues to review actions that could encourage management to move the exchange ratio in our favor, but nothing has materialized yet, and we put the chances of that occurring at close to zero. Performance was also strong in the two Hong-Kong based property developers, both up approximately 8%, largely based on positive news related to their Macau casino operations. Thus far in July, we have also taken in additional capital to fund an increase in one of the Hong Kong based property developers and have added a new full position in an Irish-based wind farm.

Performance for July is looking very similar to the first half of June.

Source: Cadogan Management, LLC

Usissimo Ltd.

Usissimo generated an overall negative return for the month of June. The event driven strategy was the only allocation to end the month with positive performance. The sole risk arbitrage and distressed event driven managers were able to recover some of their losses during the rally at month-end to end June in positive territory. The sole relative value credit manager also posted slightly positive performance. Managed futures managers experienced mixed performance; one manager.s negative returns offset positive performance from the allocation.s other two managers. Emerging markets managers posted flat to negative returns for the month. The market reversals in June proved difficult for long/short equity managers to navigate, with only technology and healthcare managers ending the month with positive performance. The US diversified substrategy exhibited the worst performance of

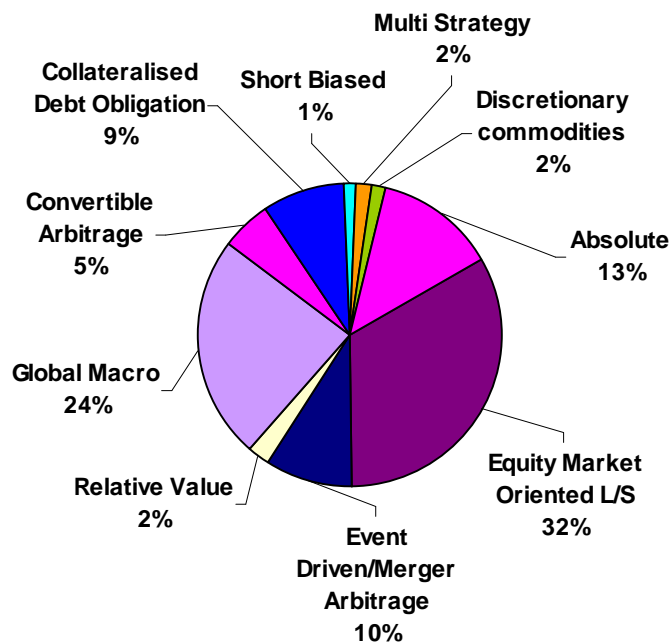
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the long/short equity allocation. The global macro strategy yielded the worst performance of the portfolio as negative performance from the sole quantitative manager offset the sole diversified manager.s positive performance.

Overall, ten of the portfolio.s managers posted positive returns for the month. The dispersion of returns ranged from .4.0% net from a Europe diversified long/short equity manager to +1.8% net from the sole commodities focus managed futures manager.

Source: Credit Suisse Funds & Alternative Solutions Group

Strategy Allocation as of June 30, 2006



Bloomberg	ABSU SW <equity>
Swiss security number	1'138'774

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