A F M
ABSOLUTE
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STEWARDSHIP CODE – POLICY STATEMENT

Absolute Fund Managers LLP ("Absolute") manages two portfolios, the Absolute Fund and the Absolute Focus Fund. These funds offer investors a diversified risk exposure by investing in hedge funds with a range of target returns and volatility profiles.

As these funds are invested in funds run by external managers the responsibility for engaging with the companies in which Absolute has indirectly invested lies with the external manager concerned. This Policy Statement does not therefore address the manner in which these external managers engage with the companies in which they have invested on behalf Absolute and other clients or investors. Absolute will encourage all the managers of the funds in which it has invested to comply with the Principles contained in the Stewardship Code published by the Financial Reporting Council in July 2010 where applicable as set out below.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

For quoted investments, Absolute expects the managers of the funds in which it has invested (the "Manager(s)") to engage with investee boards when it is deemed to be in the interests of the investors in its funds to do so.
Absolute 's believes the Managers should vote at investee shareholder meetings as follows:

- In the case of quoted companies, the manager should vote where there is one or more items of business which it believes it is in the interest of the investors in its funds to do so; and
- for unquoted companies, the Managers should generally votes on all issues.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Absolute expects the Managers to maintain effective policies for managing all conflicts of interest that may arise in the course of managing the investment portfolios for which they are responsible. Such policies will ensure that decisions taken are always in the best interests of such firms' clients and fully in compliance with the Financial Services Authority's principles and rules.

Principle 3: Institutional investors should monitor their investee companies

Managers should ensure that both quoted and unquoted investees companies are monitored as a matter of course by a firm's investment analysts and portfolio managers. Any concerns coming to their attention will, if deemed of sufficient concern, be referred to the Manager's senior management and any action deemed necessary will be taken in full accordance with the FRC Stewardship Code.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

Managers should consider each voting issue on an individual basis in the light of the circumstances of the individual investee company. Managers should ensure that any escalation or action considered necessary is in the best interests of a fund's investor.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate

In the case of both quoted and unquoted investments, Managers should communicate with other investors when deemed appropriate.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity

In the case of quoted and unquoted companies Managers should generally vote where this is considered to be in the best interest of the investors in its funds to do so. This may include voting against management, or registering an abstention, where a Manager feels it is in a fund's investor interests to do so on an issue. The firm will seek to ensure that companies understand the rationale for any voting against a management proposal. The firm's voting record on behalf of a fund should be made available to a fund investor on request.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities

Managers should disclose, upon request, to an investor in one of its funds the manner in which the firm exercised any voting rights on behalf of the specific fund. Managers should not normally disclose their voting intentions or make public statements of the way they have voted to third parties.

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