

Newsletter

General Market Review December 2005

After three months of strong industrial activity, the December ISM (Institute for Supply Management Composite Index) fell to 54.2, substantially below both the forecast of 57.5 and November's ISM of 58.1. Analysts attribute the reduction to a "multiple ordering" problem that likely inflated the ISM over the last three months, with purchasing managers doubling up on orders out of concern over supply shortages after hurricanes Katrina and Rita. While momentum has clearly slowed from the swift pace of the post-Katrina period, an ISM of 54.2 has been roughly consistent with the 3.0% real GDP growth in recent years. In line with this historical experience, analysts predict that a 3.0% growth in real GDP should be expected for the fourth quarter of 2005, revised downward from an earlier forecast of 3.7%.

The U.S. labour market continues to tighten as the unemployment rate fell to a cycle low of 4.9% in December. The U.S. payroll survey also points to a healthy job market with the two-month trend for job growth at 207,000. While December had a weaker than expected 108,000 rise in payrolls, this was offset by a substantial upward revision to November jobs (now 305,000, versus the 215,000 initially reported). Retail sales are expected to rise 1.0% for the month, driven by an incentive-induced gain in vehicle sales (17.2 million vehicles in December versus 15.7 million vehicles in November) and decent sales of general merchandise during the Christmas holiday.

Source: CSFB Research & Analytics

Absolute U.S. Ltd.

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.

Investment Performance as of December 31, 2005

		Monthly Return	Year to Date Return	Inception*) To Date (Nov 2000)	Average Annual Return	Annual Standard Deviation	Sharpe Ratio
Absolute U.S. NAV (USD)	274.30	0.79%	2.73%	22.85%	4.06%	5.54%	Neg.
Share price (USD)	239.30	-0.50%	4.82%	1.54%	0.19%	7.49%	Neg.
S&P 500 Index (USD)	1248.29	-0.10%	3.00%	-12.84%	-2.62%	14.97%	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

The overall portfolio generated a positive return of 0.79% for the month of December.

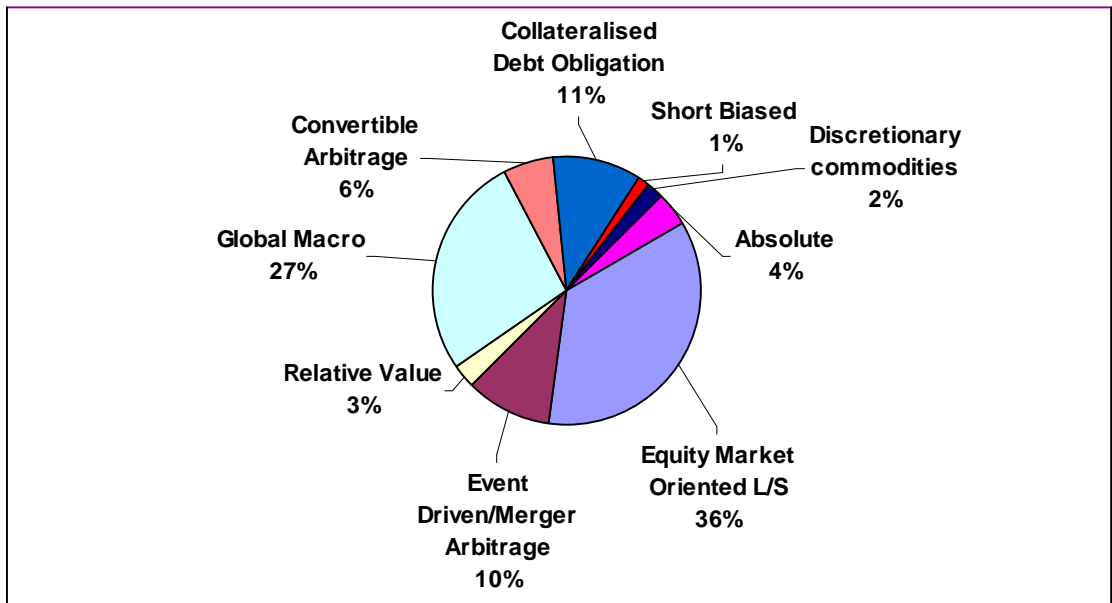
Long/short equity managers posted good returns for the month, ending the year on a strong note. Managers saw particular strength internationally and managers in Europe and Asia (particularly Japan) were able to take advantage of strong market performance. Markets in the US battled some headwinds, in the form of an inversion on the front end of the yield curve and strong appreciation in commodities prices. While the broad sector indices in the US posted muted gains, managers profited from good stock picking. On the short side, managers in the US lost money in December, as names, particularly in technology, drifted higher.

Global macro managers reported mixed but moderately positive returns for the month of December, despite sharp reversals in currencies and interest rates during the month. The most significant event was the whipsaw rally in the yen. The yen was trending in decline against most other currencies during most of 2005, but reversed sharply in December. Many systematic trend followers and carry traders have been building record short positions, as the yen has traded in a fairly consistent downward trend and has been a funding for carry trades.

Event driven managers generally posted positive returns for the month of December. Equity, multi-strategy, and distressed managers all posted gains with equity managers once again generally outperforming the rest. Strong global equity markets and rising oil and metals prices aided many event driven equity positions.

December proved a strong month for US credit, with a 6% and 4% tightening respectively in the investment grade and crossover indices. However, European indices lagged (investment-grade 5% wider; crossover flat), due, in part, to underperformance of some Telco's (KPN, Telefonica, Vodafone) and specific event risk relating to Hilton Group and VNU.

Strategy Allocation as of December 31, 2005



Bloomberg

ABSU SW <equity>

Swiss security number

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