

Press release

Letter to Shareholders as of January 15, 2009

Dear Shareholders

It is not the normal policy of Absolute Private Equity to publish interim reports: we feel that our regulatory obligations as regards annual and semi-annual reports give more than enough detail to interested shareholders. Furthermore our technical monthly reports and weekly updates of the net asset value ensures that everybody can remain informed about the portfolio. But the markets in 2008 clearly warrant an exception.

Private equity transactions over the past 18 months relied on a very high level of leverage as well as over-commitments as part of a normal portfolio management approach and the pain is very real. In the space of a very few months the private equity industry has moved from a situation of too much capital chasing too few attractive deals to a situation of too many commitments based on far too rosy assumptions. In some cases secondary prices for private equity limited partnerships have moved from premiums to discounts to net asset value as deep as 70%; a rollercoaster indeed. In addition, we have entered a phase where distributions have slowed dramatically whilst cash calls have continued to come in causing investors further liquidity problems.

Financial markets have been turbulent and much more challenging than we had envisaged in last year's letter. For a company like ours, despite our defensive outlook for 2008, this turned out to be not defensive enough. The reality though is that a very distressed financial world has spilled over into the real economy and, in our view, we are experiencing the most difficult economic situation since World War II.

What made our situation even more frustrating is the daily liquidity of our shares. As we have mentioned many times, our permanent capital helps us tremendously in such times as we have been experiencing over the last 15 months. But we cannot escape the fact that our share price mirrors general movements in sentiment, triggered by the daily financial news, much more than the fundamental development of our net asset value. Whilst it is our declared policy to manage the difference between the share price and the net asset value, it has been impossible to stabilize the discount over the last few months given the large number of shares sold by shareholders in search of liquidity.

Of course there are many reasons why shareholders prefer liquidity over retaining their shares and far be it from me to question this. But I do find it surprising that shareholders are prepared to sell out at deep discounts, unaware that they are thereby foregoing the benefits of potential NAV increases and profits as ABSP executes its declared policy of buying back shares over a short period of time at a discount and booking them at NAV .

The net asset value of Absolute Private Equity has been declining over the year and the downward adjustments in the reported prices of the limited partnerships have not yet

come to an end. The last three months of 2008 caused further damage to the value of our portfolio, which is not yet reflected in today's net asset value. We will receive the end-year report and final net asset values from the general partners towards the end of February and in the course of March. It seems prudent to assume a further 15% decline in the value of our portfolio.

More important are the actions taken over the last six months: as soon as we realized that financial markets were even more at risk than we had anticipated, we stopped all further new commitments and moved to a most conservative investment policy. It is impossible at this stage to foresee when financial markets will start functioning more normally again and in these conditions we changed our cash flow model to a very few distributions over the next two years. At the same time we felt it was prudent to assume more capital calls from the general partners. Our aim was above all to be able to honour all our commitments even in the most bearish financial market scenario.

We have secured a credit line with our bankers, which has been partially drawn-down and have redeemed Paulson & Co.'s Credit Opportunity Fund. This investment has produced another 20% return in 2008 and made a profit of over USD 100 million for the company since investing in October 2006. The proceeds of this investment will be used at the end of January to pay down the outstanding credit. We will redeem and sell down other parts of our more liquid investments wherever possible thus ensuring that we will be liquid and flexible over the coming months and possibly years.

We will use all surplus cash to buy back our own shares: we will execute the share buy-back programme approved by last year's Annual General Meeting in a very prudent manner so as not to jeopardise the liquidity situation of the company. The Board believes that we have correctly adjusted the company's financial situation to reflect today's market environment. We are now positioned to weather a long period of distressed financial markets and should benefit greatly from any sudden and unexpected turnaround for the better should that occur sooner than we envisage.

In conclusion: the bad news is that the share price of Absolute Private Equity has suffered greatly and shareholders have experienced a most painful period, the good news is that the Board has steered a conservative course in 2008 and this gives us confidence for 2009. At today's share price almost all worst-case financial market scenarios are priced in. We are now so positioned that any financial market stabilization will generate more cash flow for the company and this will enable us to buy back more shares of Absolute Private Equity at these levels.

The Board of Directors would like to thank you for your interest and your continued support.

Sincerely,

Thomas Amstutz, Chairman

For further information please contact:

Absolute Private Equity Ltd.
Thomas Amstutz
Chairman of the Board of Directors
Tel. +41 (0)43 888 63 00
Email: thomas.amstutz@aiservices.ch