

Newsletter

General Market Review February 2007

Economic Review

February was the slowest month of reported job creation in two years (97K increase in non-farm payrolls), but it appears to be largely attributable to poor winter weather. Construction jobs, for example, were down significantly (a 62K reduction) and construction hours were down substantially as well (-2.6%). The BLS (Bureau of Labor Statistics) reported that slightly over 500K workers did not report to work due to bad weather, which represents the largest total for any month in ten years. On the contrary, the BLS reported substantial upward revisions to the job count for past months including a 55K net upward revision for the months of December and January. This leaves the three-month average for payrolls at a solid 156K, in line with average monthly job gains of 162K over the last six months and 167K over the last twelve months.

Analysts predict retail sales to rise a modest 0.3% in February with the usual drivers, autos and gasoline prices, remaining relatively flat this month. Unit auto sales came in at 16.6 million in February versus 16.7 million in January, and gas prices at \$2.32 per gallon in February versus \$2.29 per gallon during the prior month. The University of Michigan Consumer Sentiment index dropped to 91.3 in February. While lower than the prior month's index at 96.9, the number was consistent with December's figure of 91.7.

Source: CS Research & Analytics

Absolute Private Equity Ltd.

Portfolio Description

Absolute Private Equity focuses its investment strategy mainly on the private equity market. Absolute Private Equity commits its money to private equity funds, which pursue investment strategies differing by industry, geographic region and stage of financing. The asset class of private equity is characterized by a long investment horizon. From the time of capital commitment, through the investment cycle and up to the realization period, between three to seven years elapse. In order to maximize the returns on capital invested for its shareholders, Absolute Private Equity employs a cash management strategy through a portfolio of absolute return strategies, which targets investments in non-traditional funds that

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can generate immediate returns. The capital within the absolute return part will be allocated to the private equity portion, as soon as the underlying private equity funds call committed capital for investments.

Investment Performance as of February 28, 2007

		Performance February 2007	Performance year to date	Performance since Inception
Absolute Private Equity NAV (USD)	USD 90.88	-0.51%	0.52%	70.83%
Share price (USD)	USD 90.75	0.83%	7.59%	60.56%
Premium (Discount)	-0.14%			
Morgan Stanley World Equity	1'490.44	-0.65%	0.46%	14.19%
JP Morgan Global Government Bond Index	364.48	1.07%	0.81%	32.71%

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

Private Equity Review

Historically, venture capital firms have exited companies and generated value for investors through initial public offerings ("IPO") or sales to strategic buyers. Although exit market conditions slowly improved toward the end of 2006, with a bump in both venture-backed IPO and venture-backed M&A activity, liquidity events for venture capital firms have been more difficult to come by as a general matter. This has resulted in lengthened holding periods throughout the venture capital industry, particularly for those funds raised in the late '90s.

As a consequence, venture capital firms are now thinking outside of the box, offering more creative solutions as a means to exit companies and return capital to investors. These innovative ideas, most of which were previously unheard of in the venture capital industry, include the following:

- Selling portfolio company investments to secondary investors who specialize in buying assets from the venture community. These relatively new firms, such as Saint Ventures of San Francisco and W Capital Partners of New York, often acquire the assets at a discount from investors looking to monetize these investments or eliminate the requirement for further investment or management. These firms will take over the ongoing management of the investments internally or in conjunction with members of the existing general partner or management team.
- Selling off partial stakes in portfolio companies to private equity firms, which typically invest in more mature businesses.
- Requesting that portfolio company boards agree to issue cash dividends as a form of return. While this is most unusual for venture capital, some firms have achieved a degree of success through this route. It allows the firm to take some capital off the table, while maintaining an ownership stake (albeit reduced) in the portfolio company for further upside.

While these options can result in healthy returns to investors, some Limited Partners might argue that they invest in venture capital for the opportunity to participate in higher beta, higher return deals that generate substantially more upside gained through traditional exits.

Source: Wall Street Journal

Private Equity Investments as of February 28, 2007

Private Equity Funds	Investment Focus	Commitments USD	Market Value of Investments USD	% of Commit ments	% of Absolute Private Equity Assets
Clarity Partners	Software & technology companies in telecom, media and internet	10'000'000	5'258'022	52.58%	0.57%
Bay Partners	Early stage investment in US technology companies	8'000'000	4'814'133	60.18%	0.52%
GRP II	Start-up and venture capital in the US and EU	15'000'000	12'689'105	84.59%	1.38%
AC Private Equity Invest	Private Equity with focus on Southern Europe	10'000'000	10'099'197	100.99%	1.10%
Warburg Pincus Int'l (d)	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	105'826'250	106'352'682	100.50%	11.58%
WPIP Co. LLC (d)	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	94'173'750	95'085'669	100.97%	10.35%
Warburg Pincus Private Equity VIII	Venture & growth capital and buyouts in a broad range of industries	25'000'000	25'718'150	102.87%	2.80%
PAI Europe III-B	Focus on buyouts, lesser extent growth capital, in Western Europe	12'426'848	13'381'283	107.68%	1.46%
PAI Europe III-B3	Focus on buyouts, lesser extent growth capital, in Western Europe	12'184'946	13'261'797	108.84%	1.44%
CSFB Fund VII Investor, LP	Venture & growth capital and buyouts in a broad range of industries	140'000'000	101'460'822	72.47%	11.05%
CSFB Middle Market Value Investor, LP	Focus on middle market buyouts in the US	74'925'000	61'484'481	82.06%	6.69%
DLJ Merchant Banking Partners III	Buyout in a broad range of industries mainly in the US	15'000'000	9'430'042	62.87%	1.03%
Matlin Patterson Global Opportunities Partners "	Investments into distressed companies world-wide	50'000'000	28'523'374	57.05%	3.11%
Terra Firma Capita Partners II	Heavy-asset based and out-of-favour European companies with a potential for active value creation	93'631'151	100'783'922	107.64%	10.97%
Terra Firma Capita Partners III	Heavy-asset based and out-of-favour European companies with a potential for active value creation	13'202'247	0	0.00%	0.00%

(Cont.)

	Investment Focus	Commitments USD	Market Value of Investments USD	% of Commitments	% of Absolute Private Equity Assets
DLJ Venture Partners II	Venture & growth capital in a broad range of industries world-wide	7'111'396	6'800'909	95.63%	0.74%
DLJ Offshore Partners IV, LP	Buyout in a broad range of industries mainly in the US and western Europe	10'000'000	3'376'698	33.77%	0.37%
ADM Maculus Fund, L.P	Distressed assets and undervalued situations in Asia	15'000'000	8'865'198	59.10%	0.97%
ADM Maculus Fund, L.P II	Distressed assets and undervalued situations in Asia	20'000'000	3'271'818	16.36%	0.36%
Lightyear Fund I L.P.	Private Equity with focus in the financial services industry	5'000'000	3'037'982	60.76%	0.33%
Lightyear Fund L.P.	Private Equity with focus in the financial services industry	1'000'000	177'145	17.71%	0.02%
Wayzata Opp. Fund	Private Equity, with focus in distressed debt	10'000'000	7'389'863	73.90%	0.80%
Apollo Investment Fund	Private Equity with focus in classic, distressed and corporate buyouts	8'325'000	1'690'761	20.31%	0.18%
VSS Communications	Private Equity with focus in the media industry in both North America and Europe	10'000'000	2'557'471	25.57%	0.28%
Blackstone Capital Partners	Focus on leveraged buyouts in a diverse group of industries	15'000'000	4'965'999	33.11%	0.54%
Nordic Capital Fund	Investments in many industry sectors in Nordic region.	11'960'023	4'355'062	36.41%	0.47%
Madison Dearborn	Buyout opportunities in specific industries in US avoiding hightech	15'000'000	3'188'795	21.26%	0.35%
TPG Biotechnology Partners	Focuses on early and late-stage venture capital investment in life sciences/biotechnology industry	5'000'000	1'088'481	21.77%	0.12%
TPG Partners V.LP	Large Buyout in operating companies	15'000'000	2'262'937	15.09%	0.25%
Blue Point Capital Partners II, LP	Focuses on leveraged buyouts transactions in the small-cap and mid-cap range	5'000'000	402'451	0.00%	0.00%
The Fourth Cinven Fund	Focuses on large European buyouts, typically being the lead investor in each transaction	16'635'402	2'304'300	13.85%	0.25%
Bain Capital IX Co-Investment	Participates in growth capital buyouts and restructurings	15'000'000	6'226'035	41.51%	0.68%

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	Investment Focus	Commitments USD	Market Value of Investments USD	% of Commitments	% of Absolute Private Equity Assets
Greenstone Capital Partners II, LP	Investments in established Small-Cap Businesses, co-invest in larger business in Australia and New Zealand	26'024'001	239'401	0.92%	0.03%
Centerbridge Capital Partners	Focuses on leveraged buyouts, corporate partnerships, recapitalizations, corporate buildups and distressed securities.	5'000'000	147'634	2.95%	0.02%
Permira IV, LP	Focuses on leveraged acquisitions of both private and publicly listed companies in TMT, chemicals and industrial products & services sectors.	8'095'652	629'180	7.77%	0.07%
Cerberus Insti. Partnership LP	Investments in debt securities that are senior in the capital structure and often secured.	5'000'000	500'000	10.00%	0.05%
Hellman & Friedman Capital Partners VI, LP	Invests in a variety of transactions ranging from buyouts to restructurings and various types of minority investments.	15'000'000	0	0.00%	0.00%
TPG Star L.P.	Investments in growth equity, small buyout, recap and venture deals in divers sectors across the world.	5'000'000	217'520	4.35%	0.02%
The Resolute Fund II, LP	The fund will make leveraged acquisitions of well managed and consistently profitable business in the middle market.	10'000'000	840'276	8.40%	0.09%
Trident IV, L.P.	Focuses in growth equity and buyout acquisitions of companies in the insurance/finance services industry	5'000'000	439'270	8.79%	0.05%
Total		943'521'666	653'317'863	69.24%	71.13%
	Total Net Assets Absolute Private Equity	918'539'687			

Overall Allocation Overview as of February 28, 2007

	Asset Value (USD)	In % of Total Assets
Private Equity Investments	653'317'816	71.13%
Absolute Return Strategies	210'464'403	22.91%
Cash	54'757'421	5.96%
Total Net Assets	918'539'687	100.00 %

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Private Equity Investments Review

Total commitments as of February 07 stands at USD 943.5 million, of which USD 653.3 million have been invested. This represents 69.24% of committed capital and 71.13% of total net assets. During February, USD 8 million was called for new investments. Unrealized gains of USD 7 million were attributable to Terra Firma Cap. Partners II, LP. Unrealized loss of USD 16.7 million came from ADM Maculus, Greenstone Capital Partners II LP and CSFB Fund VII. Distributions of USD 1.5 million came from CSFB MMV, DLJ MB III and Wayzata Opp. Fund.

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