

# Newsletter

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## General Market Review March 2007

### Economic Review

Analysts expected the PPI (Producer Price Index) to advance by 0.7% in March, which was likely driven by the energy sector as wholesale gasoline prices surged in the energy markets. Food prices, up sharply in each of the past three months, provided a further boost. For example, prices received by farmers, which track the PPI for food, rose for the fifth straight month. The gain in March represents the largest in nine months. The University of Michigan's Consumer Sentiment Index declined in March from the prior month's levels (88.4 vs. 91.3 in February). The decline was primarily caused by poor performance in the stock market. Analysts believe that consumers were more sensitive to the drop in the stock market in March than in recent years. In addition, analysts are revising first quarter GDP forecasts downward to roughly 2% based on softer than expected retail sales and an increase in non-auto inventories.

Sources: 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 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 March 31, 2007

		Performance March 2007	Performance year to date	Performance since Inception
Absolute Private Equity NAV (USD)	USD 96.48	6.16%	5.44%	81.35%
Share price (USD)	USD 93.85	3.42%	11.26%	66.05%
Premium (Discount)	-2.73%			
Morgan Stanley World Equity	1'514.18	1.59%	2.06%	16.01%
JP Morgan Global Government Bond Index	363.491	-0.27%	0.54%	32.36%

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

Recently released preliminary data by the EVCA (European Venture Capital Association) points to a landmark year in 2006 for European private equity fundraising and investment activity. The strong 2006 performance has driven an increased interest and allocation towards private equity in Europe. Pension funds continue to consistently support private equity in the region, accounting for 26% of total capital commitments (compared to 25% in 2005), while fund of funds contributed a record €18 billion (representing 21% of the total and double that of 2005).

European fundraising activity achieved a new record of €90 billion in 2006, representing a 25% increase over the previous 2005 record. Of the €90 billion total, nearly €71 billion was allocated to buyout fundraising (versus €58 billion in 2005). Similar to the U.S. market, the allocated capital was managed by only a handful of players with consistently increasing fund sizes. For example, 10 buyout funds over €1 billion in size raised an aggregate €42 billion, or roughly 59% of the total buyout capital raised. Despite the overwhelming performance in the buyout sector, venture capital fundraising was not to be overshadowed. Venture capital fundraising was up by nearly half since 2005, reaching €16 billion in 2006. This represents the second highest fundraising level since the all time record in 2000 and demonstrates a resurgent interest in this segment of the European private equity market.

2006 figures illustrate a significant increase in investment activity by European private equity firms, across both the buyout and venture capital sectors. Of the total €50 billion of capital invested, 78% is attributable to buyouts by total value, while venture capital represents 73% by total number of deals. Approximately 8,500 buyout deals were completed at an average size of €17 million, underscoring a preference for small and medium size companies.

While European IPO levels remained low in 2006, funds were able to return capital to investors through other means, including exit via trade sales. This accounted for the majority of all divestment activity at 25.7%, or roughly €5 billion. Despite a more unpredictable exit market, performance figures reveal another strong year for European private equity. According to Thomson Financial, average top quartile funds have delivered strong returns since inception at 29.1% for all private equity and 23.5% and 37.6% for venture capital and buyout funds, respectively.

Sources: AltAssets

Private Equity Investments as of March 31, 2007

Private Equity Funds	Investment Focus	Commitments USD	Market Value of Investments USD	% of Commitments	% of Absolute Private Equity Assets
Clarity Partners	Software & technology companies in telecom, media and internet	10'000'000	5'434'199	54.34%	0.56%
Bay Partners	Early stage investment in US technology companies	8'000'000	4'771'730	59.65%	0.49%
GRP II	Start-up and venture capital in the US and EU	15'000'000	14'346'353	95.64%	1.47%
AC Private Equity Invest	Private Equity with focus on Southern Europe	10'000'000	11'412'487	114.12%	1.17%
Warburg Pincus Int'l	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	105'826'250	121'951'141	115.24%	12.51%
WPIP Co. LLC	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	94'173'750	108'966'490	115.71%	11.17%
Warburg Pincus Private Equity VIII	Venture & growth capital and buyouts in a broad range of industries	25'000'000	28'554'501	114.22%	2.93%
PAI Europe III-B	Focus on buyouts, lesser extent growth capital, in Western Europe	12'426'848	12'857'561	103.47%	1.32%
PAI Europe III-B3	Focus on buyouts, lesser extent growth capital, in Western Europe	12'184'946	12'742'794	104.58%	1.31%
CSFB Fund Investments VII Holdings, L.P.	Venture & growth capital and buyouts in a broad range of industries	140'000'000	100'746'940	71.96%	10.33%
CSFB Middle Market Value Investor, L.P.	Focus on middle market buyouts in the US	74'925'000	62'427'766	83.32%	6.40%
DLJ Merchant Banking Partners III	Buyout in a broad range of industries mainly in the US	15'000'000	9'491'509	63.28%	0.97%
Absolute Fiduciary Global Opportunities Partners, L.P.	Investments into distressed companies world-wide	50'000'000	28'523'374	57.05%	2.93%
Terra Firma Capita Partners II, L.P.	Heavy-asset based and out-of-favour European companies with a potential for active value creation	93'631'151	93'931'809	100.32%	9.63%
Terra Firma Capita Partners III, L.P.	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
<b>DLJ Venture Partners II</b>	Venture & growth capital in a broad range of industries world-wide	7'111'396	6'645'267	93.45%	0.68%
<b>DLJ Offshore Partners IV, L.P.</b>	Buyout in a broad range of industries mainly in the US and western Europe	10'000'000	3'599'991	36.00%	0.37%
<b>The ADM Maculus Fund, L.P.</b>	Distressed assets and undervalued situations in Asia	15'000'000	8'347'408	55.65%	0.86%
<b>ADM Maculus Fund III, L.P.</b>	Distressed assets and undervalued situations in Asia	20'000'000	3'271'818	16.36%	0.34%
<b>The Lightyear Fund L.P.</b>	Private Equity with focus in the financial services industry	5'000'000	3'037'982	60.76%	0.31%
<b>Lightyear Fund II L.P.</b>	Private Equity with focus in the financial services industry	1'000'000	166'156	16.62%	0.02%
<b>Wayzata Opportunities Fund LLC</b>	Private Equity, with focus in distressed debt	10'000'000	7'389'863	73.90%	0.76%
<b>Apollo Investment Fund, VI, L.P.</b>	Private Equity with focus in classic, distressed and corporate buyouts	8'325'000	1'561'287	18.75%	0.16%
<b>VSS Communications Parallel Partners IV, L.P.</b>	Private Equity with focus in the media industry in both North America and Europe	10'000'000	2'557'471	25.57%	0.26%
<b>Blackstone Capital Partners V, L.P.</b>	Focus on leveraged buyouts in a diverse group of industries	15'000'000	5'827'310	38.85%	0.60%
<b>Nordic Capital Fund VI</b>	Investments in many industry sectors in Nordic region.	11'960'023	4'355'062	36.41%	0.45%
<b>Madison Dearborn Capital Partners V, L.P.</b>	Buyout opportunities in specific industries in US avoiding hightech	15'000'000	3'966'799	26.45%	0.41%
<b>CSFB CFGI SPV Investros II, LLC</b>	Focuses on early and late-stage venture capital investment in life sciences/biotechnology industry	5'000'000	1'071'757	21.44%	0.11%
<b>Credit Suisse/ CFGI TV SPV, L.P.</b>	Large Buyout in operating companies	15'000'000	3'765'492	25.10%	0.39%
<b>Credit Suisse/CFGI BP II SPV, LLC</b>	Focuses on leveraged buyouts transactions in the small-cap and mid-cap range	5'000'000	402'451	0.00%	0.00%
<b>The Fourth Cinven Fund</b>	Focuses on large European buyouts, typically being the lead investor in each transaction	16'635'402	3'874'552	23.29%	0.40%
<b>Credit Suisse/CFGI BC IX SPV, LLC</b>	Participates in growth capital buyouts and restructurings	15'000'000	6'226'035	41.51%	0.64%

(Cont.)

	Investment Focus	Commitments USD	Market Value of Investments USD	% of Commitments	% of Absolute Private Equity Assets
<b>Greenstone Capital Partners I, L.P.</b>	Investments in established Small-Cap Businesses, co-invest in larger business in Australia and New Zealand	26'024'001	239'401	0.92%	0.02%
<b>Centerbridge Capital Partners</b>	Focuses on leveraged buyouts, corporate partnerships, recapitalizations, corporate buildups and distressed securities.	5'000'000	147'634	2.95%	0.02%
<b>Permira IV, L.P.</b>	Focuses on leveraged acquisitions of both private and publicly listed companies in TMT, chemicals and industrial products & services sectors.	8'095'652	1'526'674	18.86%	0.16%
<b>Cerberus Institutional Partnership LP(series 4)</b>	Investments in debt securities that are senior in the capital structure and often secured.	5'000'000	500'000	10.00%	0.05%
<b>Hellman &amp; Friedman Capital Partners VI, L.P.</b>	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%
<b>TPG Star L.P.</b>	Investments in growth equity, small buyout, recap and venture deals in diverse sectors across the world.	5'000'000	739'568	14.79%	0.08%
<b>The Resolute Fund II, L.P.</b>	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%
<b>Trident IV, L.P.</b>	Focuses on growth equity and buyout acquisitions of companies in the insurance/finance services industry	5'000'000	1'018'679	20.37%	0.10%
<b>Providence Equity Partners VI, L.P.</b>	Focuses on leveraged buyout, growth capital, consolidations and under-managed companies in the media/communications industries.	15'000'000	644'670	4.30%	0.07%
<b>Point 406 Ventures I, L.P.</b>	The Fund will invest in IT Security and IT Infrastructure; Technology-enabled Business Services; and Next Generation Software	5'000'000	625'000	12.50%	0.06%
<b>Silver Lake Partners III, L.P.</b>	Focuses on Technology, technology-enabled and related growth industries.	15'000'000	0	0.00%	0.00%
<b>Apax Europe VII-A, L.P.</b>	The fund will primarily make buyout acquisitions, opportunistically growth capital investments and to an even lesser extent, PIPE transactions.	15'000'000	0	0.00%	0.00%
<b>Matlin Patterson Global Opportunities Partners III, L.P.</b>	Investments into distressed companies world-wide	10'000'000	0	0.00%	0.00%
<b>Beacon India Private Equity Fund, L.P.</b>	Private Equity with focus on India	5'000'000	1'071'757	21.44%	0.11%
<b>Total</b>		<b>1'003'521'666</b>	<b>688'507'259</b>	<b>68.61%</b>	<b>70.61%</b>
<b>Total Net Assets Absolute Private Equity</b>		<b>975'135'807</b>			

**Overall Allocation Overview as of March 31, 2007**

	Asset Value (USD)	In % of Total Assets
Private Equity Investments	688'507'259	70.61%
Absolute Return Strategies	217'335'041	22.29%
Cash	69'293'507	7.11%
<b>Total Net Assets</b>	<b>975'135'807</b>	<b>100.00 %</b>

**Private Equity Investments Review**

Total commitments as of March 2007 stands at USD 1'003 million, of which USD 688 million have been invested. This represents 68.61% of committed capital and 70.61% of total net assets. During March, USD 10 million was called for new investments. Unrealized gains of USD 36.5 million were attributable to GRP II, DLJ MB III, AC PE Invest, DLJ Offshore, WPIP, WPIP LLC, WP Private Equity VII and Blackstone Capital Partners V. Unrealized loss of USD 7 million came from Terra Firma Cap. Partners II, LP. Distributions of USD 3.1 million came from PAI Europe III, DLJ MB III, DLJ VP II, ADM Maculus and CSFB Fund VII, recallable ROC of 600'000 from DLJ VP II, Lightyear Fund II, Apollo Inv. Fund VI, Madison Dearborn Capital Partners V and Trident IV.

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