

Newsletter

General Market Review June 2007

Economic Review

The U.S. economy grew at an annual rate of 0.7% in the first quarter representing the weakest quarter of growth since the fourth quarter of 2002. The increase in real GDP in the first quarter primarily reflected positive contributions from personal consumption expenditures and state and local government spending that were partly offset by negative contributions from private inventory investment, residential fixed investment and federal government spending. The deceleration in first-quarter GDP growth primarily reflected a downturn in net exports. Imports, which are a subtraction in the calculation of GDP, increased. The economy rebounded in the second quarter, expanding at a pace of approximately 3.0%. The higher projected GDP growth in Q2 2007 was driven by robust sales data and lean inventory. The real GDP growth for the whole year is projected to be in the range of 2.0%-2.3%.

The rising concerns over economic growth, a weak U.S. housing market, and the sub-prime mortgage market, in particular, has made the Federal Reserve maintain the Fed rate at 5.25%. The Fed rate was increased from 4.25% at the beginning of 2006 to 5.25% at the end of 2006. Long term rates have risen as U.S. and global economies have strengthened. The rise in bond yields in June drove investors to bid share prices back to near-record highs. The U.S. Dow Jones Industrial Average moved to 13,408 from 12,300 in first half of 2007, an increase of 9.0%. The Standard & Poor's 500 index closed June 2007 at 1,503.0, an increase of 7.0% from the start of the year. NASDAQ closed in the first half of 2007 up 8.2% compared to 2,430.0 at the start of 2007. The expected decline in energy prices and inflation is expected to improve the overall economy in the coming months.

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

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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 June 2007

		Performance June 2007	Performance year to date	Performance since Inception
Absolute Private Equity NAV (USD)	USD 110.77	2.23%	21.06%	108.21%
Share price (USD)	USD 106.70	7.02%	26.50%	88.78%
Premium (Discount)	-3.67%			
Morgan Stanley World Equity	1'602.36	-0.90%	8.01%	22.76%
JP Morgan Global Government Bond Index	358.707	-0.51%	-0.78%	30.61%

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

Private equity and corporate buyers are increasingly finding it mutually beneficial to pursue industry targets together through new joint venture vehicles. Corporate partners bring deep industry knowledge, the potential for synergistic growth and an additional avenue for sharing risk to these relationships. For their part, private equity firms offer more flexible financial arrangements than traditional sources, expertise in enhancing the corporate development function, and motivation and capacity to improve the acquired business. Pension funds are increasing participating in co-investments with private equity firms and are beginning to invest directly, while hedge funds are finding many ways to participate. These include forming private equity side pockets, co-investing with other acquirers, buying out owners who do not receive their target price in an auction, and investing in distressed debt and equity tranches of collateralized debt obligations. Along with new acquisition vehicles, private equity firms are relying on other capital structures that could provide some shock absorption should the economy soften. These include lighter covenants, longer grace periods, and more flexible debt structures such as Payment in Kind options and toggle notes, which allow a cash-constrained borrower to roll the monthly payment into the principal and thus buy more time.

In addition to tax concerns, the beginning trend of private equity firms raising money by going public has drawn scrutiny due to the high degree of risk inherent in the business. Questions are being raised as to whether the industry can continue to successfully invest in the huge deals that have fueled its breakneck growth. The biggest threat that has arisen from the debt markets, which has been providing leverage to the sector. Rising interest rates have boosted the cost of doing deals, while the sub-prime mortgage market's collapse has increased concern about risk in general.

Private equity firms are expected to continue to be a large and permanent fixture in the M&A landscape on both the buy side and sell side. Private equity accounted for 48% of M&A value and 20% of volume during the first five months of 2007, compared with 32% and 17%, respectively, for all of 2006. Since

the current recovery began in 2003, private equity's share of the U.S. deal value rose from 20% to 48%, while its share of deal volume increased from 17% to 20%. The accelerated rate of growth in deal value reflects private equity's capacity to do bigger deals as competitive lending practices and infusions of capital from institutional and overseas investors have pushed liquidity to new heights. Capital funding for deals is pouring in from more diverse sources than in previous cycles with hedge funds, mezzanine and pension funds providing an increasing portion of M&A capital along with high yield and leveraged loans. Furthermore, lenders are bearing less risk, as some 60% of buyout loans made last year were packaged and sold as collateralized loan obligations. While private equity's deal-making engine continues to remain vibrant, a potential softening seems increasingly likely.

Public to private deals continue to fuel the market. The level of activity is expected to depend on the amount of liquidity available to finance deals and the availability of targets that offer sufficient upside potential relative to purchase price. Furthermore, public to private opportunities exist in many sectors, including defense, software, financial services, and telecommunications and media.

Private equity deals have helped drive the stock market by lifting sentiment and reducing the supply of shares available to the public. However, going forward, this benefit may begin to fade as cheap credit becomes less available. In addition to tougher market conditions, private equity has come under a harsh spotlight. In the U.S. and U.K., concerns have been raised over unfair tax advantages, which buyout firms enjoy. For a confluence of reasons, ranging from rising prices for target companies to shareholder activism, private equity firms are expected to buy more subsidiaries than entire companies, resulting in a number of spin-offs in the future. The current pace of M&A activity is expected to continue, driven by a variety of factors, including historically low interest rates and an extremely liquid debt financing market, record private equity funds available for investment, a stable economy and higher stock prices. These factors have been driving M&A volume for the last several years and show no signs of a near-term reversal.

In Asia, India is emerging as one of the largest centers of attention for private equity players. Large private equity firms such as The Blackstone Group, The Carlyle Group, and Kohlberg Kravis Roberts, have all announced that India will be significant in their Asia plans. More than 100 private equity firms are already in India and the size of the India private equity market in 2007 is expected to hit \$10 billion. China has already announced its intention to deploy a part of its trillion-dollar-plus reserves into equity buyouts, through its recently formed State Investment Corporation (SIC).

Sources: CS Research & Analytics

Private Equity Investments as of June 30, 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	5'450'084	54.50%	0.49%
Bay Partners	Early stage investment in US technology companies	8'000'000	4'822'599	60.28%	0.43%
GRP II	Start-up and venture capital in the US and EU	15'000'000	14'606'149	97.37%	1.30%
PAI Europe III-B	Focus on buyouts, lesser extent growth capital, in Western Europe	12'426'848	12'692'300	102.14%	1.13%
PAI Europe III-B3	Focus on buyouts, lesser extent growth capital, in Western Europe	12'184'946	12'579'096	103.23%	1.12%
CSFB Middle Market Value Investor, L.P.	Focus on middle market buyouts in the US	74'925'000	62'590'844	83.54%	5.59%
Absolute Fiduciary Global Opportunities Partners, L.P.	Investments into distressed companies world-wide	50'000'000	28'082'570	56.17%	2.51%
DLJ Merchant Banking Partners III	Buyout in a broad range of industries mainly in the US	15'000'000	8'219'461	54.80%	0.73%
DLJ Venture Partners II	Venture & growth capital in a broad range of industries world-wide	7'111'396	5'661'887	79.62%	0.51%
AC Private Equity Invest	Private Equity with focus on Southern Europe	10'000'000	10'641'818	106.42%	0.95%
Warburg Pincus Int'l	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	105'826'250	139'069'923	131.41%	12.42%
WPIP Co. LLC	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	94'173'750	124'200'370	131.88%	11.09%
Warburg Pincus Private Equity VIII	Venture & growth capital and buyouts in a broad range of industries	25'000'000	31'513'464	126.05%	2.81%
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	90'081'853	96.21%	8.05%
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	262'717	1.99%	0.02%
DLJ Offshore Partners IV, L.P.	Buyout in a broad range of industries mainly in the US and western Europe	10'000'000	4'646'099	46.46%	0.41%
The ADM Maculus Fund, L.P.	Distressed assets and undervalued situations in Asia	15'000'000	5'479'679	36.53%	0.49%
ADM Maculus Fund III, L.P.	Distressed assets and undervalued situations in Asia	20'000'000	5'921'818	29.61%	0.53%
Greenstone Capital Partners I, L.P.	Investments in established Small-Cap Businesses, co-invest in larger business in Australia and New Zealand	26'024'001	4'308'230	16.55%	0.38%
Beacon India Private Equity Fund, L.P.	Private Equity with focus on India	5'000'000	696'517	13.93%	0.06%

(Cont.)

Private Equity Funds	Investment Focus	Commit- ments USD	Market Value of Investments USD	% of Commit- ments	% of Absolute Private Equity Assets
CSFB Fund Investments VII Holdings, L.P.	Venture & growth capital and buyouts in a broad range of industries	140'000'000	98'297'267	70.21%	8.78%
The Lightyear Fund L.P.	Private Equity with focus in the financial services industry	5'000'000	2'863'916	57.28%	0.26%
Lightyear Fund II L.P.	Private Equity with focus in the financial services industry	1'000'000	293'989	29.40%	0.03%
Apollo Investment Fund, VI, L.P.	Private Equity with focus in classic, distressed and corporate buyouts	8'325'000	2'962'241	35.58%	0.26%
VSS Communications Parallel Partners IV, L.P.	Private Equity with focus in the media industry in both North America and Europe	10'000'000	4'219'452	42.19%	0.38%
Blackstone Capital Partners V, L.P.	Focus on leveraged buyouts in a diverse group of industries	15'000'000	6'787'536	45.25%	0.61%
Nordic Capital Fund VI	Investments in many industry sectors in Nordic region.	11'960'023	4'523'281	37.82%	0.40%
Wayzata Opportunities Fund LLC	Private Equity, with focus in distressed debt	10'000'000	9'603'692	96.04%	0.86%
Madison Dearborn Capital Partners V, L.P.	Buyout opportunities in specific industries in US avoiding hightech	15'000'000	7'919'002	52.79%	0.71%
CSFB CFGI SPV Investros II, LLC	Focuses on early and late-stage venture capital investment in life sciences/biotechnology industry	5'000'000	1'278'508	25.57%	0.11%
The Fourth Cinven Fund	Focuses on large European buyouts, typically being the lead investor in each transaction	16'635'402	3'874'552	23.29%	0.35%
Credit Suisse/CFG BP II SPV, LLC	Focuses on leveraged buyouts transactions in the small-cap and mid-cap range	5'000'000	1'267'531	0.00%	0.00%
Credit Suisse/ CFGI TV SPV, L.P.	Large Buyout in operating companies	15'000'000	4'263'604	28.42%	0.38%
Credit Suisse/CFG BC IX SPV, LLC	Participates in growth capital buyouts and restructurings	15'000'000	9'000'519	60.00%	0.80%
Centerbridge Capital Partners	Focuses on leveraged buyouts, corporate partnerships, recapitalizations, corporate buildups and distressed securities.	5'000'000	148'178	2.96%	0.01%
Permira IV, L.P.	Focuses on leveraged acquisitions of listed companies in TMT, chemicals and industrial products & services sectors.	8'095'652	2'111'577	26.08%	0.19%
Cerberus Institutional Partnership LP(series 4)	Investments in debt securities that are senior in the capital structure and often secured.	5'000'000	1'317'448	26.35%	0.12%
Hellman & Friedman Capital Partners VI, L.P.	Invests in a variety of transactions ranging from buyouts to restructurings and various types of minority investments.	15'000'000	2'606'905	17.38%	0.23%
TPG Star L.P.	Investments in growth equity, small buyout, recap and venture deals in divers sectors across the world.	5'000'000	302'171	6.04%	0.03%

(Cont.)

Private Equity Funds	Investment Focus	Commit- ments USD	Market Value of Investments USD	% of Commit- ments	% of Absolute Private Equity Assets
The Resolute Fund II, L.P.	The fund will make leveraged acquisitions of well managed and consistently profitable business in the middle market.	10'000'000	305'460	3.05%	0.03%
Trident IV, L.P.	Focuses on growth equity and buyout acquisitions of companies in the insurance/finance services industry	5'000'000	484'669	9.69%	0.04%
Providence Equity Partners VI, L.P.	Focuses on leveraged buyout, growth capital, consolidations and under-managed companies in the medi/communications industries.	15'000'000	1'952'073	13.01%	0.17%
Point 406 Ventures I, L.P.	The Fund will invest in IT Security and IT Infrastructure; Technology-enable Business Services; and Next Generation Software	5'000'000	843'750	16.88%	0.08%
Silver Lake Partners III, L.P.	Focuses on Technology, technology-enabled and related growth industries.	15'000'000	0	0.00%	0.00%
Apax Europe VII-A, L.P.	Focuses on buyout acquisitions, opportunistically growth capital investments and to an even lesser extent, PIPE transactions.	15'000'000	1'173'594	7.82%	0.10%
Matlin Patterson Global Opportunities Partners III, L.P.	Investments into distressed companies world-wide	10'000'000	200'000	2.00%	0.02%
Silver Lake Sumeru Fund L.P.	Focuses primarily on investing in middle market companies in the technology, technology-enabled and related growth industries.	10'000'000	0	0.00%	0.00%
The Bay City Capital Fund V, L.P.	Investments into Biopharmaceutical, drug discovery, medical device and medical diagnostic industries	5'000'000	0	0.00%	0.00%
HIG Europe Capital Partners IV, L.P.	Focuses on private equity, growth capital and other equity-related investments in lower middle-market companies primarily in Europe.	12'402'303	430'970	3.47%	0.04%
Arowana Capital Australasian Micro-Cap Private Equity Fund	Focuses on Private Equity listed and unlisted growth companies, micro-cap sector, in Australia and NZ, Singapore and HK.	10'000'000			
Total		1'045'923'969	740'559'361	70.80%	66.14%
Total Net Assets Absolute Private Equity		1'119'607'116			

Overall Allocation Overview as of June 30, 2007

	Asset Value (USD)	In % of Total Assets
Private Equity Investments	740'559'361	67.90%
Absolute Return Strategies	215'700'756	19.57%
Cash	166'346'999	12.53%
Total Net Assets	1'119'607'116	100.00 %

Private Equity Investments Review

Total commitments as of June 2007 stand at USD 1'045 million, of which USD 740.6 million have been invested. This represents 70.80% of committed capital and 66.14% of total net assets. During June, USD 14.9 million was called for new investments. Unrealized gains of USD 17.7 million were attributable to CSFB MMV, Matlin Patterson GOP, DLJ MB III, Arch Capital, Terra Firma Cap. Partners III, CSFB Fund VII, Wayzata Opp. Fund LLC and TPG Partners V, LP. Unrealized loss of USD 16.9 million came from PAI Europe III, Arch Capital, WPIP, WPIP LLC, WP Private Equity VIII, Blackstone Capital Partners V, LP, CFG Blue Point Capital Partners II, SPV, LLC and CSFB CFG SPV Investor II, LLC. Distributions of USD 18.2 million came from CSFB MMV, Matlin Patterson GOP, DLJ MB III, Arch Capital, ADM Maculus, Terra Firma Cap. Partners II, LP, WPIP, WPIP LLC, WP Private Equity VIII, CSFB Fund VII, The Lightyear Fund II, LP, Wayzata Opp. Fund LLC, Hellman&Friedman Cap. Partners VI, LP and Trident IV, LP and callable ROC of US\$ 481'459 CSFB MMV, Matlin Patterson GOP and DLJ Offshore.

Valor:	1111333
Bloomberg ticker:	ABSP SW <EQUITY>

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