

Newsletter

General Market Review August 2007

Economic Review

The Federal Reserve cut the fed funds rate by half a percentage point to 4.75%, and the discount rate by an equivalent half a percentage point to 5.25%, in response to a weak August unemployment report and rapidly declining consumer sentiment. The August unemployment rate rose to 4.6% as the U.S. economy lost jobs for the first time in four years. Additionally, the University of Michigan Consumer Sentiment Index registered its lowest reading in a year during the month of August at 83.4. Moreover, the recent turmoil in the mortgage market represents a new and potentially more damaging phase to the housing correction. Housing starts for the month of August are likely to fall to a new cycle low.

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 August 31, 2007

		Performance August 2007	Performance year to date	Performance since Inception
Absolute Private Equity NAV (USD)	USD 120.16	4.70%	31.32%	125.86%
Share price (USD)	USD 105.00	-3.67%	24.48%	85.77%
Premium (Discount)	-12.62%			
Morgan Stanley World Equity	1'561.59	-0.27%	5.26%	19.64%
JP Morgan Global Government Bond Index	367.836	1.20%	1.74%	33.94%

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

Neither this document nor any copy hereof may be sent or taken or transmitted into the United States or distributed, directly or indirectly, in the United States or to any U.S. person. Any failure to comply with this restriction may constitute a violation of U.S. securities laws. The securities issued by Absolute Private Equity AG have not and will not be registered under the Securities Act of 1933 of the United States of America. This document is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities. This document does not constitute a prospectus in the sense of Art. 652a resp. Art. 1156 of the Swiss Code of Obligations.

Private Equity Review

While the magnitude has been surprising, the recent volatility in the credit market was not altogether unexpected by the private equity industry. Many private equity firms were more prepared for the downturn than initially anticipated due to structuring flexible debt packages and refinancing the leverage of older deals to help portfolio companies avert disaster. Moreover, many benefited from the rapid pace of dividend recapitalizations and exits earlier this year, which would have been more difficult to conduct in the current environment. This combination of factors has allowed some private equity firms to be better positioned to weather the tightening in the credit market and preserve returns to investors.

Many private equity firms regularly insist on covenant-lite debt, which eliminates many of the financial performance benchmarks that typically allow creditors to lay claim to collateral if a company falls short. These types of provisions, along with paid-in-kind structures, which allow companies to postpone interest payments, grant companies immunity from creditors.

The pace of dividend recaps in the market has been significant, with private equity firms executing \$22 billion of dividend recaps in 2006, up from \$9 billion the previous year, and \$24 billion as of late August 2007. Dividend recaps allow private equity firms to extract capital out of their portfolio companies (often more than the initial cost basis), while maintaining ownership stakes for potential upside. This practice helps to eliminate the possibility that a private equity firm will lose all its equity if a company goes under. Additionally, it helps to boost the manager's overall performance, as the IRR increases when a manager takes capital out of a company soon after the initial purchase. However, the practice of dividend recaps is not without its controversy. If a company fails, creditors may seek a lawsuit against the firm, claiming that the early extraction of dividends endangered the company's operations.

Similarly, the pace of exits increased early this year. M&A volume (sales to strategic buyers) as of late August 2007 totalled \$95.8 billion, exceeding 2006's full year total of \$74.8 billion. Initial public offerings also accounted for \$14.5 billion as of late August 2007. While an M&A exit secures returns to funds, an IPO exit poses more risk as the stock may subsequently trade down significantly given the current environment.

While it is unclear how long these market conditions will persist, private equity firms will remain active, with activity likely steered toward expanding networks and working with existing portfolios, rather than deal-making and harvesting companies.

Source: PE Interactive

Private Equity Investments as of August 31, 2007

Private Equity Funds	Investment Focus	Commit- ments 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	5'682'086	56.82%	0.47%
Bay Partners	Early stage investment in US technology companies	8'000'000	5'044'049	63.05%	0.42%
GRP II	Start-up and venture capital in the US and EU	15'000'000	17'047'396	113.65%	1.40%
PAI Europe III-B	Focus on buyouts, lesser extent growth capital, in Western Europe	12'426'848	12'692'300	102.14%	1.05%
PAI Europe III-B3	Focus on buyouts, lesser extent growth capital, in Western Europe	12'184'946	12'579'096	103.23%	1.04%
CSFB Middle Market Value Investor, L.P.	Focus on middle market buyouts in the US	74'925'000	62'303'066	83.15%	5.13%
Absolute Fiduciary Global Opportunities Partners, L.P.	Investments into distressed companies world-wide	50'000'000	33'152'873	66.31%	2.73%
DLJ Merchant Banking Partners III	Buyout in a broad range of industries mainly in the US	15'000'000	8'460'593	56.40%	0.70%
DLJ Venture Partners II	Venture & growth capital in a broad range of industries world-wide	7'111'396	5'661'887	79.62%	0.47%
AC Private Equity Invest	Private Equity with focus on Southern Europe	10'000'000	10'579'743	105.80%	0.87%
Warburg Pincus Int'l	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	105'826'250	144'231'615	136.29%	11.88%
WPIP Co. LLC	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	94'173'750	128'805'198	136.77%	10.61%
Warburg Pincus Private Equity VIII	Venture & growth capital and buyouts in a broad range of industries	25'000'000	31'604'575	126.42%	2.60%
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	130'015'054	138.86%	10.70%
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	3'040'126	23.03%	0.25%
DLJ Offshore Partners IV, L.P.	Buyout in a broad range of industries mainly in the US and western Europe	10'000'000	4'613'275	46.13%	0.38%
The ADM Maculus Fund, L.P.	Distressed assets and undervalued situations in Asia	15'000'000	5'819'879	38.80%	0.48%
ADM Maculus Fund III, L.P.	Distressed assets and undervalued situations in Asia	20'000'000	7'665'027	38.33%	0.63%
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	8'153'273	31.33%	0.67%
Beacon India Private Equity Fund, L.P.	Private Equity with focus on India	5'000'000	1'796'517	35.93%	0.15%
Arowana Capital Australasian Micro-Cap Private Equity Fund	Focus in micro-cap sector companies in Australia and NZ, Singapore and HK.	10'000'000	0	0.00%	0.00%
Pampa Agribusiness Fund, L.P.	Focus on agribusiness sectors of Brazil, Argentina and other Latin American countries.	15'000'000	0	0.00%	0.00%
Alpha CEE II, L.P.	Private Equity with focus on Central and Eastern Europe.	13'823'000	1'781'472	12.89%	0.15%

(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	100'060'963	71.47%	8.24%
The Lightyear Fund L.P.	Private Equity with focus in the financial services industry	5'000'000	2'992'143	59.84%	0.25%
Lightyear Fund II L.P.	Private Equity with focus in the financial services industry	1'000'000	257'887	25.79%	0.02%
Apollo Investment Fund, VI, L.P.	Private Equity with focus in classic, distressed and corporate buyouts	8'325'000	3'192'271	38.35%	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	4'959'574	49.60%	0.41%
Blackstone Capital Partners V, L.P.	Focus on leveraged buyouts in a diverse group of industries	15'000'000	8'032'431	53.55%	0.66%
Nordic Capital Fund VI	Investments in many industry sectors in Nordic region.	11'960'023	8'335'609	69.70%	0.69%
Wayzata Opportunities Fund LLC	Private Equity, with focus in distressed debt	10'000'000	10'792'992	107.93%	0.89%
Madison Dearborn Capital Partners V, L.P.	Buyout opportunities in specific industries in US avoiding hightech	15'000'000	7'001'609	46.68%	0.58%
CSFB CFGI SPV Investros II, LLC	Focuses on early and late-stage venture capital investment in life sciences/biotechnology industry	5'000'000	1'427'483	28.55%	0.12%
The Fourth Cinven Fund	Focuses on large European buyouts, typically being the lead investor in each transaction	16'635'402	5'695'334	34.24%	0.47%
Credit Suisse/CFI BP II SPV, LLC	Focuses on leveraged buyouts transactions in the small-cap and mid-cap range	5'000'000	1'562'264	0.00%	0.00%
Credit Suisse/ CFI TV SPV, L.P.	Large Buyout in operating companies	15'000'000	5'610'182	37.40%	0.46%
Credit Suisse/CFI BC IX SPV, LLC	Participates in growth capital buyouts and restructurings	15'000'000	10'562'165	70.41%	0.87%
Centerbridge Capital Partners	Focuses on leveraged buyouts, corporate partnerships, recapitalizations, corporate buildups and distressed securities.	5'000'000	265'802	5.32%	0.02%
Permira IV, L.P./CFI PIV SPV, LLC	Focuses on leveraged acquisitions of listed companies in TMT, chemicals and industrial products & services sectors.	8'095'652	2'046'264	25.28%	0.17%
Cerberus Institutional Partnership LP(series 4)	Investments in debt securities that are senior in the capital structure and often secured.	5'000'000	2'195'476	43.91%	0.18%
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	2'577'574	17.18%	0.21%
TPG Star L.P.	Investments in growth equity, small buyout, recap and venture deals in divers sectors across the world.	5'000'000	516'580	10.33%	0.04%

(Cont.)

Private Equity Funds	Investment Focus	Commitments USD	Market Value of Investments USD	% of Commitments	% 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	1'015'473	10.15%	0.08%
Trident IV, L.P.	Focuses on growth equity and buyout acquisitions of companies in the insurance/finance services industry	5'000'000	451'419	9.03%	0.04%
Providence Equity Partners VI, L.P.	Focuses on leveraged buyout, growth capital, consolidations and under-managed companies in the mediy/communications industries.	15'000'000	2'199'710	14.66%	0.18%
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	816'091	16.32%	0.07%
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 acuisitions, opportunistically growth capital investments and to an even lesser extent, PIPE transactions.	15'000'000	1'270'321	8.47%	0.10%
Matlin Patterson Global Opportunities Partners III, L.P.	Investments into distressed companies world-wide	10'000'000	939'778	9.40%	0.08%
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%
Total		1'074'746'969	825'937'466	76.85%	68.00%
Total Net Assets Absolute Private Equity		1'214'563'848			

Overall Allocation Overview as of August 31, 2007

	Asset Value (USD)	In % of Total Assets
Private Equity Investments	825'937'466	68.00%
Absolute Return Strategies	273'145'390	22.49%
Cash	115'480'992	9.15%
Total Net Assets	1'214'563'848	100.00 %

Neither this document nor any copy hereof may be sent or taken or transmitted into the United States or distributed, directly or indirectly, in the United States or to any U.S. person. Any failure to comply with this restriction may constitute a violation of U.S. securities laws. The securities issued by Absolute Private Equity AG have not and will not be registered under the Securities Act of 1933 of the United States of America. This document is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities. This document does not constitute a prospectus in the sense of Art. 652a resp. Art. 1156 of the Swiss Code of Obligations.

Private Equity Investments Review

Total commitments as of August 2008 stand at USD 1'075 million, of which USD 825.9 million have been invested. This represents 76.85% of committed capital and 68.00% of total net assets. During August, USD 39.9 million was called for new investments. Unrealized gains of USD 38.3 million were attributable to Bay Partners, Matlin Patterson GOP, DLJ MB III, Terra Firma Cap. Partners II, LP, Terra Firma Cap. Partners III, LP, WPIP, WPIP LLC, WP Private Equity VIII, The Lightyear Fund I, LP, Apollo Inv. Fund, VI, LP, Nordic Capital Fund VI and Apax Europe VII-A, LP. Unrealized loss of USD 2.82 Million came from GRP II, The Lightyear Fund I, LP, Lightyear Fund II, LP, VSS Comm. Paralle Partners IV, LP, Wayzata Opp. Fund LLC, Blackstone Capital Partners V, LP, Providence Equity Partners VI and Matlin Patterson GOP III, LP. Distributions of USD 2.61 million came from GRP II, CSFB MMV, Terra Firma Cap. Partners II, LP, WP Private Equity VIII and recallable ROC of US\$ 1.09 million came from Nordic Capital Fund VI, Madison Dearborn Capital Partners V, LP and CFG Blue Point Cap. Partners II, SPV, LLC.

Valor:	1111333
Bloomberg ticker:	ABSP SW <EQUITY>

Neither this document nor any copy hereof may be sent or taken or transmitted into the United States or distributed, directly or indirectly, in the United States or to any U.S. person. Any failure to comply with this restriction may constitute a violation of U.S. securities laws. The securities issued by Absolute Private Equity AG have not and will not be registered under the Securities Act of 1933 of the United States of America. This document is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document does not constitute an offer to sell, or a solicitation of an offer to purchase, any securities. This document does not constitute a prospectus in the sense of Art. 652a resp. Art. 1156 of the Swiss Code of Obligations.