Newsletter

General Market Review November 2005

After two straight months of mediocre job gains, job growth in November has reverted back to its pre-hurricane trend, which averaged 200,000 additional jobs per month for the three months prior to Hurricane Katrina. In line with this trend, non-farm payrolls in November increased by 215,000 jobs, representing an unemployment rate of 5.0%. Payroll gains were broad-based by industry group with the construction (post-Katrina), private service and government sectors supporting the growth.

The University of Michigan Consumer Sentiment Index for November (81.6 vs. 74.2 in October) has begun to regain strength and will likely reach pre-hurricane levels in December. Consumer confidence has been boosted, in part, by a continued fall in gasoline prices, as well as good news in the labour and stock markets. In addition, November showed no change in the outlook for Fed policy and the Federal Open Market Committee (“FOMC”) raised the Federal Funds rate another 25 basis points in December.

Source: CSFB 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 November 30, 2005

		Performance November 2005	Performance year to date	Performance since Inception
Absolute Private Equity NAV (USD)	USD 67.21	1.78%	12.99%	26.33%
Share price (USD)	USD 59.20	0.51%	37.67%	4.74%
Premium (Discount)	-11.91%			
Morgan Stanley World Equity	1'231.41	3.14%	5.31%	-5.66%
JP Morgan Global Government Bond Index	356.238	0.38%	2.98%	29.72%

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

The substantial increase in demand for private equity has made it extremely difficult for limited partners ("LPs"), especially those that are new to the asset class, to secure access to the best performing funds. The industry has witnessed this phenomenon in the venture capital market for some time. Recently, this trend is also occurring in the buyout market even as buyout firms increase their fund sizes considerably. This has been further extended to include Asian funds, which have benefited significantly from limited partners' recent interest in the region.

While fund sizes are growing, LPs' expectations for corresponding growth in the size of their commitments have typically not been well received. General Partners ("GPs") are paying particular attention to the diversity of their LP bases, making a conscious effort to attract new capital from investors in Asia and Australia. Moreover, an investor's longevity in the asset class has become a consideration for GPs. Fund managers want to ensure that LPs will continue to feel compelled to invest in the asset class over the long term. Endowments and foundations, for example, have a long investment history and generally invest in small amounts of capital compared to their institutional counterparts, which makes them more reliable sources of capital and can meet their commitment expectations from the GP perspective.

Faced with such access problems, LPs are employing a number of creative tactics. This includes buying a stake in a fund on the secondary market as a means of gaining access to a firm indirectly. While GPs welcome this strategy since it confirms an investors interest in a firm and the asset class in general, there are many challenges associated with the sourcing and valuation of secondaries. In addition, LPs are relying on their networks more than ever in an effort to gain an introduction to a fund. Many LPs have also determined that conducting the due diligence process quickly and early can make the difference of receiving a meaningful allocation. GPs encourage potential investors to make a commitment to a fund's first close in an effort to avoid allocation issues.

Rather than direct capital to less desirable groups, new entrants to the asset class have found fund of funds and advisory firms to be excellent means of accessing high quality managers. These groups typically have expansive networks and longstanding relationships with upper quartile funds throughout the industry.

Source: Venture Economics

Overall Allocation Overview as of November 30, 2005

	Asset Value (USD)	In % of Total Assets
Private Equity Investments	516'750'150	70.33%
Absolute Return Strategies	141'676'140	19.28%
Cash	76'284'328	10.38%
Total Net Assets Absolute Private Equity	**734'710'618**	**100.00 %**

Private Equity Investments as of November 30, 2005

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	5'111'868	51.12%	0.70%
Bay Partners	Early stage investment in US technology companies	8'000'000	3'330'544	41.63%	0.45%
GRP II	Start-up and venture capital in the US and EU	15'000'000	9'052'684	60.35%	1.23%
AC Private Equity Invest	Private Equity with focus on Southern Europe	10'000'000	8'356'447	83.56%	1.14%
Warburg Pincus International Partners, LP and affiliates	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	200'000'000	182'377'663	91.19%	24.82%
Warburg Pincus Private Equity VIII	Venture & growth capital and buyouts in a broad range of industries	25'000'000	21'269'118	85.08%	2.89%
PAI III Europe	Focus on buyouts, lesser extent growth capital, in Western Europe	24'450'558	19'870'013	81.27%	2.70%
CSFB Fund VII Investor, LP	Venture & growth capital and buyouts in a broad range of industries	140'000'000	96'607'925	69.01%	13.15%
CSFB Middle Market Value Investor, LP	Focus on middle market buyouts in the US	74'925'000	51'800'994	69.14%	7.05%
DLJ Merchant Banking Partners III	Buyout in a broad range of industries mainly in the US	15'000'000	9'731'800	64.88%	1.32%
Matlin Patterson Global Opportunities Partners "	Investments into distressed companies world-wide	50'000'000	42'639'317	85.28%	5.80%
Terra Firma Capital Partners	Heavy-asset based and out-of-favour European companies with a potential for active value creation	90'967'454	39'842'826	43.80%	5.42%
DLJ Venture Partners II	Venture & growth capital in a broad range of industries world-wide	7'111'396	6'373'452	89.62%	0.87%
ADM Maculus Fund, L.P.	Distressed assets and undervalued situations in Asia	15'000'000	15'968'799	106.46%	2.17%
Lightyear Fund I L.P.	Private Equity with focus in the financial services industry	5'000'000	4'416'700	88.33%	0.60%
	Total	**690'454'408**	**516'750'150**	**74.84%**	**70.33%**

absolute private equity

December 2005

Private Equity Investments Review

The total commitments as of November 30, 2005 stand at $690.5 million, of which $516.8 million have been invested. This represents 74.84% of committed capital and 70.33% of total net assets. During November $6.6 million were called for new investments. Unrealized gains of $ 13.1 million were attributable to Clarity Partners, PAI Europe III, ADM Maculus, WPIP, WPIP LLC and WP Private Equity VIII, unrealized losses to Bay Partners and DLJ VP II. Distributions of total $ 1.98 came from DLJ VP II, WP Private Equity VIII and CSFB Fund VII, recallable ROC from Clarity Partners for an amount of $ 491’183.

Valor:	1111333
Bloomberg ticker:	ABSP SW <EQUITY>