

# Newsletter

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## General Market Review April 2006

### Economic Review

Analysts expect another solid month for retail sales in April (forecast 0.6% increase). While auto sales will likely not be a big factor, gasoline sales should be, given the substantial increase in prices at the pump (averaged \$2.79 per gallon in April, up from \$2.48 in March). Gasoline sales will probably account for a significant portion of the gain in retail sales. However, these higher gasoline prices have likely depleted consumers' purchasing power. The University of Michigan's Consumer Sentiment Index fell to 87.4 in April from 88.9 the previous month. Analysts believe that concerns over the sustained gasoline prices had a significant negative impact. In addition, the rise in employment was much lower than most analysts predicted for the month, with payroll jobs rising just 138,000 in April

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 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 April 30, 2006

		Performance April 2006	Performance year to date	Performance since Inception
Absolute Private Equity NAV (USD)	USD 73.78	0.70%	8.44%	38.68%
Share price (USD)	USD 71.85	2.86%	20.45%	27.12%
Premium (Discount)	-2.62%			
Morgan Stanley World Equity	1'373.38	2.87%	9.19%	5.22%
JP Morgan Global Government Bond Index	350.867	-0.72%	-2.17%	27.76%

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

Alternative energy sources, clean technology ("cleantech") in particular, have become an increasingly attractive segment of the private equity market. High energy demand, volatile oil and gas prices, geopolitical uncertainty and uncertainty of environmental warming pose a threat to global markets. Governments, institutions and private equity investors are becoming increasingly aware of these developments and have funded and supported investments in the cleantech space.

The cleantech sector can be broadly defined as technology that improves operational efficiency, while reducing costs, inputs, energy consumption or pollution. The cleantech sector has entered a critical development phase and is expected to grow from \$16.1 billion in 2004 to \$102.4 billion in 2014, representing an increase of over six times. The market for solar power is expected to grow from \$7.2 billion in 2004 to \$39.2 billion in 2014, while new wind power instalments and fuel cells are projected to grow to \$48.1 billion and \$15.1 billion in 2014, respectively.

Investment activity in the cleantech space spans across the energy value chain, from mining and exploration to distribution and transportation. For private equity investors, the drivers of opportunity in the cleantech space will include the following:

- § Increasing energy demand in established markets such as the U.S., as well as developing countries such as India and China.
- § The cost function for clean energy is increasingly sloping downwards as technologies evolve.
- § Weakness in the supply chain – need for distributed energy generation and a more reliable delivery infrastructure.
- § Geopolitical instability around oil supply – volatile oil and gas prices; production limit of crude oil; and energy security and reliability concerns.
- § Improved entrepreneur base with more compelling business plans.

Venture capitalists have been particularly active in the space with many pioneers, including Kleiner Perkins and Draper Fisher Jurvetson, placing bets on fuel cell makers and other alternative energy startups. In the early days of the movement, these VCs were spurred in part by large Limited Partners specifically looking for energy exposure. For example, in 2005, 24 pension funds from around the world (including CalPERS, which is regarded as one of the largest) committed to invest \$1.0 billion in cleantech companies. Expect fundamental demand, regulatory incentives, technological improvement and growing market acceptance to continue to make cleantech investments an attractive option for General Partners and Limited Partners alike.

Source: Private Equity Interactive

## Private Equity Investments as of April 30, 2006

Private Equity Funds	Investment Focus	Commitments	Market Value of	% of	% of
		USD	Investments USD	Commitments	Absolute Private Equity Assets
Clarity Partners	Software & technology companies in telecom, media and internet	10'000'000	4'610'976	46.11%	0.58%
Bay Partners	Early stage investment in US technology companies	8'000'000	4'290'885	53.64%	0.54%
GRP II	Start-up and venture capital in the US and EU	15'000'000	11'839'627	78.93%	1.50%
AC Private Equity Invest	Private Equity with focus on Southern Europe	10'000'000	9'154'932	91.55%	1.16%
Warburg Pincus International Partners, LP and affiliates	Venture capital, buyouts and recapitalizations in a broad range of industries world wide	200'000'000	165'148'417	82.57%	20.86%
Warburg Pincus Private Equity VIII	Venture & growth capital and buyouts in a broad range of industries	25'000'000	22'950'759	91.80%	2.90%
PAI III Europe	Focus on buyouts, lesser extent growth capital, in Western Europe	24435799	18'169'480	74.36%	2.29%
CSFB Fund VII Investor, LP	Venture & growth capital and buyouts in a broad range of industries	140'000'000	112'214'959	80.15%	14.17%
CSFB Middle Market Value Investor, LP	Focus on middle market buyouts in the US	74'925'000	58'997'343	78.74%	7.45%
DLJ Merchant Banking Partners III	Buyout in a broad range of industries mainly in the US	15'000'000	8'557'951	57.05%	1.08%
Matlin Patterson Global Opportunities Partners "	Investments into distressed companies world-wide	50'000'000	25'940'372	51.88%	3.28%
Terra Firma Capital Partners	Heavy-asset based and out-of-favour European companies with a potential for active value creation	89'956'932	67'398'781	74.92%	8.51%
DLJ Venture Partners II	Venture & growth capital in a broad range of industries world-wide	7'111'396	6'496'739	91.36%	0.82%
ADM Maculus Fund, L.P	Distressed assets and undervalued situations in Asia	15'000'000	15'091'358	100.61%	1.91%
Lightyear Fund I L.P.	Private Equity with focus in the financial services industry	5'000'000	4'896'160	97.92%	0.62%
Lightyear Fund L.P.	Private Equity with focus in the financial services industry	1'000'000	170'453	17.05%	0.02%
Apollo Investment Fund	Private Equity with focus in classic, distressed and corporate buyouts	8'325'000		0.00%	0.00%
VSS Communications	Private Equity with focus in the media industry in both North America and Europe	10'000'000	2'032'867	20.33%	0.26%
Blackstone Capital Partners	Focus on leveraged buyouts in a diverse group of industries	15'000'000		0.00%	0.00%
Nordic Capital Fund	Investments in many industry sectors in Nordic region.	11'000'000		0.00%	0.00%
Madison Dearborn	Buyout opportunities in specific industries in US avoiding hightech	15'000'000		0.00%	0.00%
Wayzata Opp. Fund	Private Equity, with focus in distressed debt	10'000'000	4'600'000	46.00%	0.58%

(Cont.)

Private Equity Funds	Investment Focus	Commitments	Market Value of	% of	% of
		USD	Investments USD	Commitments	Absolute Private Equity Assets
TGP Biotechnology Partners	Focuses on early and late-stage venture capital investment in life sciences/biotechnology industry	5'000'000		0.00%	0.00%
TGP Partners V.LP	Large Buyout in operating companies	15'000'000		0.00%	0.00%
Blue Point Capital Partners	Focuses on leveraged buyouts transactions in the small-cap and mid-cap range	5'000'000		0.00%	0.00%
The Fourth Cinven Fund	Focuses on large European buyouts, typically being the lead investor in each transaction	15'000'000		0.00%	0.00%
Bain Capital IX Co-Investment	Participates in growth capital buyouts and restructurings	15'000'000	375'000	2.50%	0.05%
<b>Total</b>		<b>814'754'127</b>	<b>542'937'059</b>	<b>66.64%</b>	<b>68.57%</b>

#### Overall Allocation Overview as of April 30, 2006

	Asset Value (USD)	In % of Total Assets
Private Equity Investments	542'937'059	68.57%
Absolute Return Strategies	214'870'827	27.14%
Cash	33'980'120	4.29%
<b>Total Net Assets</b>	<b>791'788'006</b>	<b>100.00 %</b>

#### Private Equity Investments Review

Total commitments as of April, 2006 stand at USD 814.8 million, of which USD 542.9 million have been invested. This represents 66.64% of committed capital and 68.57% of total net assets. During April USD 8.5 million were called for new investments. Unrealized gains of USD 5.2 million were attributable to GRP II, CSFB MMV, DLJ MB II, AC PE Invest and Lightyear fund I and unrealized loss of USD 3 million to GRP II and Matlin Patterson GOP. Distributions of USD 2.7 million came from PAI Europe III, CSFB MMV, DLJ MB III, DLJ VP II, ADM Maculus and CSFB Fund VII. Finally, USD 473'567 of recallable ROC was attributable to CSFB MMV.

Valor:

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Bloomberg ticker:

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