



National Venture Capital Association



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Venture Capital Short Term Performance Improves in Q2 2005
Long Term Private Equity Returns Continue to Outperform Public Markets

New York, NY, October 31st, 2005--- Short term venture capital performance showed signs of improvement at the close of the second quarter of 2005 with increases in the one and three year investment horizons, according to Thomson Venture Economics and the National Venture Capital Association (NVCA). The ten and twenty year horizons remain the strongest benchmark for the venture industry and are currently returning 25.8% and 16.0% respectively for the period ending 6/30/2005. For the same time horizon, buyout funds continued their sturdy performance with returns of 9.0% and 13.8%.

“Venture capital returns remain in line with expectations, both in the short and the long term,” said Mark Heesen, president of the NVCA. “To stay the course of outperforming the public markets, we will be looking for a widening of the IPO window in the coming months and the continued strength of the M&A market for the remainder of the year.”

Despite a weak IPO market during the second quarter with only ten venture backed companies going public, the venture-backed mergers and acquisitions market produced solid results with companies being acquired at high values. The mergers and acquisitions market provides another avenue for general partners to exit their investments and provide distributions back to limited partners. Five year performance for venture capital still is posting a negative return of -6.3% for the period ending 06/30/2005. This continued negative return is due to the remaining losses taken by firms that made investments in the closing stages of the Internet bubble era.

“Short term performance is always going to be volatile regardless of the period under review. What will be interesting to watch in the next few years is the five year performance return, as the bubble year vintage funds become fully realized. At that point we could very well see a jump in the five year return, reflecting the firms’ new investment strategies for the post-bubble era,” said Joshua Radler, Assistant Project Manager of Thomson Venture Economics.

Venture Economics' US Private Equity Performance Index (PEPI)

Investment Horizon Performance through 06/30/2005

Fund Type	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
Early/Seed VC	2.1	-2.4	-10.5	48.8	20.2
Balanced VC	11.7	7.6	-2.6	18.0	13.7
Later Stage VC	8.8	3.2	-6.8	14.1	13.8
All Venture	7.8	3.0	-6.3	25.8	16.0
Small Buyouts	51.3	8.1	2.4	8.5	25.7

Med Buyouts	29.3	6.4	-1.2	10.6	18.4
Large Buyouts	21.4	12.9	3.0	10.9	14.7
Mega Buyouts	26.9	11.1	3.6	8.1	11.0
All Buyouts	26.9	11.0	2.9	9.0	13.8
Mezzanine	9.7	4.2	3.2	6.6	9.1
All Private Equity	20.4	8.2	.10	12.7	13.8
NASDAQ	0.4	12.0	-12.3	8.2	11.3
S & P 500	4.4	6.4	-3.9	8.1	10.6

Source: Thomson Venture Economics/National Venture Capital Association

**The Private Equity Performance Index is based on the latest quarterly statistics from Thomson Venture Economics' Private Equity Performance Database analyzing the cashflows and returns for over 1750 US venture capital and private equity partnerships with a capitalization of \$585 billion. Sources are financial documents and schedules from Limited Partners investors and General Partners. All returns are calculated by Thomson Venture Economics from the underlying financial cashflows. Returns are net to investors after management fees and carried interest. Buyout funds sizes are defined as the following: Small: 0-250 \$Mil, Medium: 250-500 \$Mil, Large: 500-1000 \$Mil, Mega: 1 Bil +*

The **National Venture Capital Association (NVCA)** represents approximately 460 venture capital and private equity firms. NVCA's mission is to foster a greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2004 Global Insight study, venture-backed companies accounted for 10.1 million jobs and \$1.8 trillion in revenue in the U.S. in 2003. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.

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