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## VENTURE CAPITAL PERFORMANCE MIXED AS OF SECOND QUARTER OF 2012 Short Term Decline Balanced by Continued Improvement of 10-Year Return

Arlington, VA, October 29, 2012 – Venture capital performance declined across several time horizons as of June 30, 2012 but remained in positive territory overall, according to the Cambridge Associates LLC U.S. Venture Capital Index®, the performance benchmark of the National Venture Capital Association (NVCA). The lower returns in the short term reflected a decline in the asset value of public holdings in the second quarter. However there was continued improvement in the 10-year period as the strong down quarters of 2001-2002 continued to roll out of the calculation. Additionally, the venture capital index outperformed the DJIA, NASDAQ Composite and S&P 500 across most time horizons with the exception of the 3- and 10 –year periods.

US Venture Capital Index Returns for the Periods Ending 6/30/2012, 3/31/2012, 12/31/2011, 9/30/2011, 6/30/2011

Cambridge Associates LLC U.S.	Qtr.	1	3	5	10	15	20	
Venture Capital Index® for the	Qui.	_			-		-	
periods ending		Year	Years	Years	Years	Years	Years	
	0.6		10.7	4.0	<b>5</b> 2	25.5	25.0	
June 30, 2012	0.6	6.0	12.7	4.9	5.3	27.5	27.9	
March 31, 2012	4.7	12.8	12.6	5.9	4.4	31.0	26.3	
December 31, 2011	1.4	13.2	10.0	5.3	3.3	28.0	26.0	
September 30, 2011	-0.7	20.9	4.9	6.7	2.6	31.7	27.3	
June 30, 2011	7.0	26.3	4.3	7.4	1.3	30.9	27.4	
June 30, 2012								
U.S. Venture Capital - Early Stage Index <sup>1</sup>	1.1	6.2	13.0	4.7	3.9	45.9	34.3	
U.S. Venture Capital - Late & Expansion Stage Index <sup>1</sup>	-1.2	6.1	18.5	8.8	9.3	11.7	20.8	
U.S. Venture Capital - Multi-Stage Index <sup>1</sup>	0.5	5.6	10.2	3.6	6.4	16.6	20.9	
DJIA	-1.9	6.6	18.3	2.00	6.0	5.9	9.5	
NASDAQ Composite *	-5.1	5.8	16.9	2.4	7.2	4.9	8.6	
S&P 500	-2.8	5.4	16.4	0.2	5.3	4.8	8.3	

Sources: Cambridge Associates LLC, Dow Jones Indices, Standard & Poor's, and Thomson Reuters Datastream. The Cambridge Associates LLC U.S. Venture Capital Index® is an end-to-end calculation based on data compiled from 1,368 U.S. venture capital funds, including fully liquidated partnerships, formed between 1981 and 2012.

<sup>1.</sup> Pooled end-to-end return, net of fees, expenses, and carried interest.

<sup>\*</sup>Capital change only.

"The down public markets took their toll on venture capital performance in the short term putting valuation pressure on both later stage companies in portfolios and public companies that funds are obligated to retain for a certain period of time," said Mark Heesen, president of NVCA. "Yet despite these problems, the 10-year horizon number improved by nearly a full percentage point, demonstrating the growing strength of this time period compared to the early 2000s. And, we are seeing venture capitalists collectively distributing more money to LPs then they are taking in, which bodes well for future return numbers and fundraising prospects."

While the second quarter return was disappointing, we continue to see encouraging news with respect to the more meaningful 10-year return and liquidity within the industry," said Peter Mooradian, managing director and venture capital research consultant at Cambridge Associates. "Distributions from venture funds in the second quarter were the highest amount since the fourth quarter of 2010, and it was the fifth time in seven quarters that distributions outnumbered contributions by LPs."

### **Vintage Year Return Ratios**

The chart on the next page lists the ratio between the dollars paid into venture capital funds by limited partners (LPs) and the dollars distributed to them by vintage year. For example, the 2004 vintage year funds have distributed cash of 0.46 times the amount of capital paid in by LPs and the residual value is 0.97 times the paid-in capital; the total value multiple is therefore 1.43 times. It is important to note that the residual value is unrealized and will change as companies exit the portfolio, are re-valued, or are written off.

The 1996 vintage year funds continue to have the most positive ratio of the last three decades, returning 4.97 times the capital contributed by LPs, a number which rises to 5.01 should those funds realize the value of what remains in the portfolio. More recent vintage years have yet to return significant cash to LPs as most funds do not have the opportunity to begin returning capital until after year five.

# Vintage Year Multiples Analysis Pooled Mean Net to Limited Partners June 30, 2012

Vintage Year	Distribution to Paid in Capital (DPI)	Residual Value to Paid in Capital (RVPI)	Total Value to Paid in Capital (TVPI)
1981-1995	3.38	0.01	3.39
1996	4.97	0.04	5.01
1997	3.07	0.04	3.11
1998	1.38	0.10	1.49
1999	0.79	0.16	0.95
2000	0.67	0.34	1.01
2001	0.64	0.48	1.12
2002	0.58	0.43	1.01
2003	0.61	0.71	1.32
2004	0.46	0.97	1.43
2005	0.27	0.93	1.20
2006	0.23	1.02	1.25
2007	0.23	1.13	1.36
2008	0.11	1.14	1.25
2009	0.10	1.22	1.32
2010	0.02	1.14	1.16
2011	0.00	1.04	1.04
2012	0.00	0.93	0.93
All Vintage Years	1.05	0.51	1.56

Source: Cambridge Associates LLC

#### **Additional Performance Benchmarks**

To view the full, comprehensive report, which includes tables on additional time horizons, vintage years, and industry returns, please visit the <u>Cambridge Associates</u> or <u>NVCA</u> websites.

Cambridge Associates derives its U.S. venture capital benchmarks from the financial information contained in its proprietary database of venture capital funds. As of June 30, 2012, the database included 1,368 venture funds formed from 1981 through 2012.

### **About The National Venture Capital Association**

Venture capitalists are committed to funding America's most innovative entrepreneurs, working closely with them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. According to a 2011 Global Insight study, venture-backed companies accounted for 12 million jobs and \$3.1 trillion in revenue in the United States in 2010. As the voice of the U.S. venture capital community, **the National Venture Capital** 

**Association (NVCA)** empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community's preeminent trade association, NVCA serves as the definitive resource for venture capital data and unites nearly 400 members through a full range of professional services. For more information about the NVCA, please visit <a href="https://www.nvca.org">www.nvca.org</a>.

### **About Cambridge Associates**

Founded in 1973, Cambridge Associates is a provider of independent investment advice and research to institutional investors and private clients worldwide. Today the firm serves over 900 global investors and delivers a range of services, including investment consulting, outsourced portfolio solutions, research services and tools (Research Navigator<sup>sm</sup> and Benchmark Calculator), and performance monitoring, across all asset classes. The firm compiles the performance results for over 5,000 private partnerships and their more than 65,000 portfolio company investments to publish its proprietary private investments benchmarks, of which the Cambridge Associates LLC U.S. Venture Capital Index® and Cambridge Associates LLC U.S. Private Equity Index® are widely considered to be among the standard benchmark statistics for these asset classes. Cambridge Associates has been selected to provide data and to develop and maintain customized industry benchmarks for a number of prominent industry associations, including the National Venture Capital Association (NVCA); the Institutional Limited Partners Association (ILPA), Australian Private Equity & Venture Capital Association Limited (AVCAL); the African Venture Capital Association (AVCA); the Hong Kong Venture Capital and Private Equity Association (HKVCA); the Indian Private Equity and Venture Capital Association (IVCA); and the New Zealand Private Equity & Venture Capital Association Inc. (NZVCA). Cambridge Associates has more than 1,000 employees serving its client base globally and maintains offices in Arlington, VA; Boston; Dallas; Menlo Park, CA; London; Singapore; Sydney; and Beijing. Cambridge Associates consists of five global investment consulting affiliates that are all under common ownership and control. For more information about Cambridge Associates, please visit www.cambridgeassociates.com.