



National Venture Capital Association



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LONG TERM PRIVATE EQUITY PERFORMANCE CONSISTENT IN Q4 2005 Exit Markets Critical to Ongoing Outperformance

New York, NY, May 1st, 2006--- Despite a lackluster IPO market for venture-backed companies, private equity funds continued to outperform the S&P 500 in the fourth quarter of 2005, according to Thomson Financial and the National Venture Capital Association (NVCA). Long term performance in both venture capital and buyouts remained steadfast, enjoying 20 year returns of 16.5% and 13.3% respectively. For the ten year horizon, venture capital returned 23.7%; buyouts returned 9.2%.

Short term performance showed more quarter to quarter stability with one year venture capital returns slightly decreasing from 17.9% in Q3 2005 to 15.6 in Q4 2005. Buyout funds mirrored the venture capital market in the fourth quarter with a slight decrease in the one year return from 35.2% in the third quarter to 31.3% in Q4.

“We are pleased with the consistency of returns – both in the short and longer term performance numbers,” said Mark Heesen, president of the NVCA. “We are keeping our eyes firmly on the venture-backed exit markets in hopes that we will start to see a healthier IPO market in 2006. Otherwise, we could begin to see the impact in performance across the board.”

The venture-backed IPO market saw a volume and valuation drop off during the fourth quarter with 17 venture-backed companies going public. The venture-backed mergers and acquisitions market also saw a slight decline in the fourth quarter. Downward pressure was also placed on private equity performance as a result of a sharp correction in October 2005 after Federal Reserve policymakers disappointed investors hoping for an indication that there would be a pause in their short term interest hike campaign. An indication of this kind did not take place until 2006.

Five year performance for venture capital improved in the fourth quarter although still posted a negative return of -6.8%. This continued negative return is due to the remaining losses taken by firms that made investments in the final stages of the Internet bubble era and the beginning of the subsequent recovery period. Five year buyout returns remained in positive territory at 5.2%

“One year returns are always considered the most volatile and private equity is no exception. The public markets are looking to the Federal Reserve to see what will happen with interest rates in the coming quarters. For the long run venture capital and buyout funds remain a very attractive asset class since investors are looking for higher returns from what they’re receiving from equity and debt markets,” said Joshua Radler, assistant project manager of Thomson Financial.

Thomson Financials' US Private Equity Performance Index (PEPI)

Investment Horizon Performance through 12/31/2005

| Fund Type | 1 Yr | 3 Yr | 5 Yr | 10 Yr | 20 Yr |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| Early/Seed VC | 8.3 | 3.1 | -10.9 | 41.5 | 20.4 |
| Balanced VC | 24.3 | 11.7 | -3.5 | 18.9 | 14.6 |
| Later Stage VC | 6.9 | 8.6 | -4.1 | 11.3 | 13.5 |
| All Venture | 15.6 | 7.5 | -6.8 | 23.7 | 16.5 |
| Small Buyouts | 11.5 | 7.8 | 2.1 | 7.9 | 25.4 |
| Med Buyouts | 33.8 | 10.0 | 2.9 | 10.9 | 16.5 |
| Large Buyouts | 18.2 | 16.0 | 4.0 | 10.2 | 12.7 |
| Mega Buyouts | 35.7 | 17.8 | 6.0 | 8.8 | 11.4 |
| All Buyouts | 31.3 | 16.3 | 5.2 | 9.2 | 13.3 |
| Mezzanine | 12.2 | 4.8 | 2.2 | 6.4 | 8.9 |
| All Private Equity | 22.6 | 13.1 | 1.5 | 12.3 | 14.2 |
| NASDAQ | 5.2 | 14.2 | -2.2 | 7.7 | 12.4 |
| S & P 500 | 6.3 | 10.1 | -1.1 | 7.3 | 11.0 |

Source: Thomson Financial/National Venture Capital Association

**The Private Equity Performance Index is based on the latest quarterly statistics from Thomson Financials' Private Equity Performance Database analyzing the cashflows and returns for over 1814 US venture capital and private equity partnerships with a capitalization of \$657 billion. Sources are financial documents and schedules from Limited Partners investors and General Partners. All returns are calculated by Thomson Financial 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 +*

About Thomson Financial

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The National Venture Capital Association (NVCA) represents approximately 480 venture capital and private equity firms. NVCA's mission is to foster 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 United States 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.