



National Venture Capital Association



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## **PRIVATE EQUITY PERFORMANCE SHOWS STABILITY IN Q2 2006**

### **Concerns Remain for Future Performance in Light of Weak IPO Market**

**New York, NY, October 30<sup>th</sup>, 2006**—Private equity performance showed stability in the short and long term for the period ending June 30, 2006 according to Thomson Financial and the National Venture Capital Association (NVCA). Compared with the period ending Q1 2006, both the buyout and venture capital asset classes experienced modest declines in the one year returns and moderate improvements in the five year returns. Long term performance private equity performance remained steady and continued to outperform both the S&P 500 and NASDAQ for the ten and twenty year horizons.

Short term performance showed a slight decrease with the one year venture capital returns posting a 16.2% return for Q2 2006 down from 19.2% in Q1 2006. Five year returns improved, but remained in negative territory at -3.5% up from -4.3% in Q1 2006. This negative return continues to reflect the aftermath of the tech bubble burst. Ten and twenty year returns remained steady at 20.8% and 16.5% respectively.

“Since the tech bubble burst the venture capital community has been on the road to slow recovery. We are starting to see this recovery clearly in the five year performance numbers,” said Mark Heesen, president of the NVCA. “For the last four quarters the five year return number has been steadily moving towards positive territory as the companies that survived and exited have begun to balance those that have failed. With this era largely behind us, our biggest concern now is the viability of the venture-backed IPO market, as long term performance for the venture capital industry is contingent upon a stronger, more receptive environment for taking these emerging companies public.”

One year buyout returns saw a very slight decrease as well posting 27.3% for Q2 2006 compared to 28.3% for Q1 2006. Ten and twenty year buyout returns were relatively steady at 8.9% and 13.4% respectively.

“The returns for this asset class are coming under increasing pressure created by the record commitments over the last two years. With no end in sight to the supply of new capital from institutional investors looking to diversify a larger percentage of their portfolios into alternative assets, time will tell if the short-term downward pressure on returns is an indication of a saturated market, or if indeed, opportunistic GPs can find a way to create a disruptive release that will continue to deliver long term returns well in excess of public markets” said Darrell Pinto, Director of Global Performance at Thomson Financial.

### Thomson Financials' US Private Equity Performance Index (PEPI)

Investment Horizon Performance through 06/30/2006

<b>Fund Type</b>	<b>1 Yr</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>	<b>20 Yr</b>
Early/Seed VC	11.20	5.40	-7.60	36.90	20.50
Balanced VC	20.50	12.50	-0.20	17.00	14.50
Later Stage VC	16.40	9.40	-1.10	9.50	13.70
<b>All Venture</b>	<b>16.20</b>	<b>9.00</b>	<b>-3.50</b>	<b>20.80</b>	<b>16.50</b>
Small Buyouts	12.10	9.60	3.70	7.10	25.90
Med Buyouts	21.50	11.80	5.00	11.10	16.10
Large Buyouts	26.80	15.80	6.30	8.60	12.50
Mega Buyouts	28.50	17.50	7.20	8.90	11.60
<b>All Buyouts</b>	<b>27.30</b>	<b>16.30</b>	<b>6.60</b>	<b>8.90</b>	<b>13.40</b>
Mezzanine	<b>9.70</b>	<b>5.30</b>	<b>2.60</b>	<b>6.20</b>	<b>8.70</b>
<b>All Private Equity</b>	<b>22.50</b>	<b>13.40</b>	<b>3.60</b>	<b>11.40</b>	<b>14.20</b>
<b>NASDAQ</b>	5.6	10.2	0.0	6.2	11.7
<b>S &amp; P 500</b>	6.6	9.2	0.7	6.6	9.79

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 1862 US venture capital and private equity partnerships with a capitalization of \$679 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 +

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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](http://www.nvca.org).