



National Venture Capital Association



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PRIVATE EQUITY PERFORMANCE REMAINS STEADY IN Q3 2006

New York, NY, January 29th, 2007—Private equity performance was extremely steady in both the short and long term horizons for the period ending September 30, 2006 according to Thomson Financial and the National Venture Capital Association (NVCA). Compared with the period ending Q2 2006, both the buyout and venture capital asset classes showed very little fluctuation across all time horizons and continued to outperform both the S&P 500 and NASDAQ markets in the long term.

For venture capital firms, short term performance showed a slight decrease with the one year venture capital returns posting a 10.8% return for Q3 2006, down from 13.7% in Q2 2006. Five year returns continued to improve and inch towards positive territory at -1.0% in Q3 2006, up from -3.7% in Q2 2006. This negative return continues to reflect the aftermath of the Internet bubble burst. Ten and twenty year returns remained steady at 20.5% and 16.5% respectively.

“Venture capital performance has remained very predictable for the last several quarters with the five year return numbers gradually improving and all other time horizons remaining extremely consistent,” said Mark Heesen, president of the NVCA. “As an industry, we appreciate this stability because the numbers continue to outperform the public markets. The next year should be very interesting as venture firms make decisions on companies that have been in their portfolios for some time now. Those decisions could very well impact this stability and send returns in either direction.”

One year buyout returns saw a very slight decrease as well, posting 23.6% for Q3 2006 compared to 26.2% for Q2 2006. Ten and twenty year buyout returns were relatively steady at 8.8% and 13.2% respectively.

“Short-term buyout returns are under increasing downward pressure. This pressure, coupled with the increase in five year and relative stability of ten and twenty year returns, indicate that competition within this asset class is causing turbulence in returns to investors,” said Darrell Pinto, director of Global PE Performance at Thomson Financial. “It is worth noting that this volatility in short-term rates is most pronounced for funds less than \$500 million in size which posted an aggregated 37.2% one year return in the quarter.”

Thomson Financials' US Private Equity Performance Index (PEPI)

Investment Horizon Performance through 09/30/2006

Fund Type	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
Early/Seed VC	2.90	5.50	-5.40	38.30	20.50
Balanced VC	10.70	12.80	1.80	16.80	14.60
Later Stage VC	27.80	10.50	2.70	9.40	13.90
All Venture	10.80	9.40	-1.00	20.50	16.50
Small Buyouts	11.30	9.40	5.00	6.00	25.20
Med Buyouts	37.20	12.30	6.10	10.90	15.30
Large Buyouts	23.10	16.40	8.30	8.30	12.40
Mega Buyouts	23.40	16.20	10.10	8.90	11.60
All Buyouts	23.60	15.60	9.20	8.80	13.20
Mezzanine	-8.10	4.70	2.90	5.90	8.40
All Private Equity	19.00	13.20	5.90	11.20	14.00
NASDAQ	5.50	7.80	8.70	7.10	11.40
S & P 500	9.70	9.90	5.20	7.50	9.70

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 1860 US venture capital and private equity partnerships with a capitalization of \$678 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.