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## Venture Capital Returns Showed Continued Improvement in Q3 2004

*Both Venture and Private Equity Long Term Performance Outperformed Nasdaq and S&P*

**NEW YORK, NY, January 19, 2004**—Venture capital performance showed continued positive growth at the close of the third quarter of 2004, posting double-digit returns for the long-term investment horizons, according to Thomson Venture Economics and the National Venture Capital Association (NVCA). The five-, ten- and twenty-year horizon returns for venture capital in the quarter were 10.5%, 26.9%, and 15.8%, respectively. Long-term returns for all private equity were 4.7%, 12.5%, and 13.7% for the same time period. Both asset classes continued to outperform both the NASDAQ and the S&P 500 for those time horizons as well.

### Venture Economics' US Private Equity Performance Index (PEPI)

Investment Horizon Performance through 09/30/2004

Fund Type	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
Early/Seed VC	-1.9	-11.8	16.6	41.5	19.3
Balanced VC	17.7	-4.6	11.1	21.3	13.7
Later Stage VC	12.9	-3.0	2.5	15.9	13.7
<b>All Venture</b>	<b>8.9</b>	<b>-7.4</b>	<b>10.5</b>	<b>26.9</b>	<b>15.8</b>
Small Buyouts	30.6	1.8	1.3	8.6	27.9
Med Buyouts	14.6	-0.2	1.0	9.2	17.3
Large Buyouts	17.7	6.6	4.0	11.2	14.7
Mega Buyouts	17.0	5.8	2.6	6.7	8.7
<b>All Buyouts</b>	<b>17.3</b>	<b>5.2</b>	<b>2.7</b>	<b>8.1</b>	<b>12.5</b>
Mezzanine	11.8	1.8	4.4	7.4	9.3
<b>All Private Equity</b>	<b>15.0</b>	<b>1.3</b>	<b>4.7</b>	<b>12.5</b>	<b>13.7</b>
<b>NASDAQ</b>	<b>6.2</b>	<b>8.2</b>	<b>-7.1</b>	<b>9.5</b>	<b>12.05</b>
<b>S&amp;P 500</b>	<b>11.9</b>	<b>2.3</b>	<b>-2.8</b>	<b>9.2</b>	<b>12.35</b>

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 past few quarters have shown a vast improvement over previous time periods as venture capital firms have already written down most of their valuations and are reaping the benefits of the improving exit markets," said Sandra Ribeiro, Research Director at Thomson Venture Economics. "Since the tech bubble, VC's have refocused their attention to later stage and balanced deals, which are now yielding the higher returns in the short-term."

The gradual improvement is reflective of a strengthening exit market for venture-backed companies. During the third quarter, there were 24 venture-backed IPOs, including Google, and 83 companies were acquired. Consequently, within the venture capital asset class, each time horizon through the third quarter showed improvement over the second quarter with the exception of the 5-year return. This decline was attributable to losses realized by certain funds that invested during the 1999-2000 tech bubble. The venture capital three year return continued to improve, but remained negative due to additional write-downs of investments made at the end of the tech bubble period. The three year return over the next few periods should continue towards the positive mark as post-bubble activities begin to overshadow the remaining troubled investments. The negative short term returns for early stage funds were not unexpected as many of the portfolio companies in these funds are still embryonic. The negative returns in the first few years of an early stage fund are the result of the J-curve effect.

"The last several quarters have told a very consistent story about what is happening in the venture capital asset class," said Mark Heesen, president of the NVCA. "The mistakes made during the tech bubble are working their way out of the system but are well-balanced by today's market which is getting healthier each quarter. Long term, venture capital will always be a tough asset class to beat as it consistently outperforms other investment options. We expect demand to participate will remain high."

#### About Thomson Venture Economics

Thomson Venture Economics, a Thomson Financial company, is the foremost information provider for equity professionals worldwide. Venture Economics offers an unparalleled range of products from directories to conferences, journals, newsletters, research reports, and the Venture Expert™ database. For over 35 years, Venture Economics has been tracking the venture capital and buyouts industry. Since 1961, it has been a recognized source for comprehensive analysis of investment activity and performance of the private equity industry. Venture Economics maintains a long-standing relationship within the private equity investment community, in-depth industry knowledge, and proprietary research techniques. Private equity managers and institutional investors alike consider Venture Economics information to be the industry standard. For more information about Venture Economics, please visit [www.ventureeconomics.com](http://www.ventureeconomics.com).

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#### About NVCA

The National Venture Capital Association (NVCA) represents approximately 450 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 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).