



National Venture Capital Association



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Venture Capital Short Term Performance Fluctuates in Q1 2005

Long Term Returns Remain Steady

New York, NY, August 1, 2005--- Short term venture capital performance showed signs of fluctuation at the close of the first quarter of 2005 with a decline in the one and five year investment horizons and an improvement in the three year horizon, according to Thomson Venture Economics and the National Venture Capital Association. Despite the short term swing, the ten and twenty year horizon returns remained constant for venture capital for the period ending 03/31/2005 at 25.4% and 15.6% respectively. For the same time horizon, buyout funds returned 8.7% and 13.0%. All private equity continued to outperform both the NASDAQ and the S&P 500 for the long term with a 12.5% ten year return.

“The short term venture capital return numbers are going to swing back and forth quarter to quarter as they can be affected positively or negatively by individual exits in a condensed time period,” said Mark Heesen, president of the National Venture Capital Association. “Investors in venture capital focus on the long term performance, which has remained steady and consistently outperforms the public markets.”

The lower one year returns for first quarter for the venture capital industry can be traced to a less active IPO market from previous quarters. Only ten venture backed companies went public in Q1 2005. Additionally, IPOs from previous quarters have been realized and valuations for these companies subsequently have been lowered from their previous levels. Five year performance for venture capital saw another negative return of -6.3% for the period ending 03/31/2004. This continued decline is due to the realized losses taken by firms at the end of the Internet bubble cycle.

Performance in the buyout market was steady in the long term with improvements in the short term horizons. Joshua Radler, assistant project manager of Thomson Venture Economics noted:

“Firms that manage the larger sized funds are still driving the marketplace in terms of notoriety and deal size. However, the smaller and medium market funds are staying competitive with their larger neighbors with regards to returns, thus providing an expanding avenue for limited partners to commit capital.”

Venture Economics' US Private Equity Performance Index (PEPI)

Investment Horizon Performance through 03/31/2005

Fund Type	1 Yr	3 Yr	5 Yr	10 Yr	20 Yr
Early/Seed VC	1.4	-5.5	-8.6	45.8	19.8
Balanced VC	5.8	1.2	-4.2	17.0	13.0
Later Stage VC	-0.4	0.6	-6.6	15.2	13.7
All Venture	3.6	-1.4	-6.3	25.4	15.6
Small Buyouts	24.1	5.4	1.6	8.7	26.7
Med Buyouts	17.8	4.3	-3.2	10.6	17.7
Large Buyouts	16.8	9.6	0.9	10.9	14.5
Mega Buyouts	20.6	9.0	2.7	7.7	9.7
All Buyouts	19.8	8.5	1.8	8.7	13.0
Mezzanine	8.5	3.7	1.8	6.9	9.2
All Private Equity	14.0	5.3	-0.5	12.5	13.8
NASDAQ	0.3	2.7	-15.3	9.4	11.4
S & P 500	4.8	1.0	-4.7	9.0	10.8

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 +

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.

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About NVCA

The National Venture Capital Association (NVCA) represents approximately 475 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 U.S. 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