



CAMBRIDGE ASSOCIATES LLC



National Venture Capital Association

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VENTURE CAPITAL PERFORMANCE AS OF Q2 2009 IMPACTED BY POOR EXIT MARKET, ACCORDING TO CAMBRIDGE ASSOCIATES AND THE NVCA

10-Year Venture Returns Decline Significantly, as 1999 Activity Begins to “Roll Off” Calculation

October 27, 2009, Arlington VA – While venture capital performance remained largely unchanged for most time horizons for the period ending June 30, 2009, there was notable deterioration in the 10-year returns, according to the Cambridge Associates U.S. Venture Capital Index®, the performance benchmark of the National Venture Capital Association. The 10-year return fell to 14.3 percent from 26.2 percent in the previous quarter – and from 33.9 percent a year earlier. The reason for the drop: Returns for the first half of 1999, when the exit market was especially active and profitable, are no longer included in the 10-year calculation. The absence of late 1990 exit activity is expected to impact returns for subsequent quarters as well.

Despite the decline in 10-year returns, the venture capital index continued to outperform other major market indices during 2Q 2009 across all time horizons.

US Venture Capital Index Returns for the Periods ending 6/30/2009, 3/31/2009 and 6/30/2008

For the period ending	Qtr.	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
June 30, 2009	0.2	-17.1	1.3	5.7	14.3	36.3	22.7
March 31, 2009	-2.9	-17.5	1.3	5.8	26.2	34.2	22.5
June 30, 2008	0.4	4.7	13.3	11.5	33.9	33.4	21.9
Other indices at June 30, 2009							
DJIA	12.0	-23.0	-6.3	-1.7	-0.4	8.1	9.0
NASDAQ Composite	20.1	-20.0	-5.5	-2.2	-3.74	6.6	7.5
S&P 500	15.9	-26.2	-8.2	-2.2	-2.22	6.9	7.8

Source: Cambridge Associates LLC

Note: Because the US Venture Capital index is cap weighted, the largest vintage years mainly drive the index’s performance.

“We are now entering a period of time when the stark differences between today’s exit market and the exit market ten years ago will be manifested in the return numbers in a meaningful way,” said Mark Heesen, president of the NVCA. “Without a stronger IPO market, and by stronger I am suggesting a multiple of 8 to 10 times the current volume, these longer term performance numbers will continue to deteriorate over the next few years. Venture capital may still

outperform the other major market indices, but by far less than the industry did in the last decade.”

Said Peter D. Mooradian at Cambridge Associates, “The exit environment certainly needs to improve for the venture industry to generate strong returns for investors. But we believe that a sustained and meaningful industry shakeout emanating from the 2008 financial crisis will improve the competitive environment and entry valuations, another important component of the return equation.”

Vintage Year Return Ratios

The following chart illustrates the relationship between the dollars contributed to venture capital funds by limited partners and the dollars distributed back to them by vintage year. The chart also incorporates the Net Asset Value (NAV) of the portfolio at 6/30/09 for an overall ratio. For example, the 1998 vintage year funds have already returned in cash 1.29 times the amount of contributions received from LPs. If you account for the current NAV of existing portfolio, the ratio increases to 1.45 times. However, it is important that the NAV is unrealized and will change as companies exit the portfolio, are revalued, or are written off. The 1995 vintage year funds have the most positive ratio, returning 5.98 times the cash contributed by LPs, a number which rises to 6.06 should those funds realize the value of what is currently in the portfolio. Later vintage years have yet to return significant cash to LPs as most funds do not begin return dollars until after year 5.

Vintage Year Return Ratio Chart

Vintage Year	LP Distributions/ LP Contributions	Current NAV/ LP Contributions	LP Distributions and NAV/ LP Contribution
1981-1994	3.23	0.01	3.24
1995	5.98	0.07	6.06
1996	4.36	0.08	4.45
1997	2.79	0.10	2.89
1998	1.29	0.16	1.45
1999	0.62	0.26	0.88
2000	0.46	0.47	0.92
2001	0.37	0.61	0.98
2002	0.39	0.64	1.02
2003	0.31	0.78	1.09
2004	0.14	0.84	0.98
2005	0.09	0.83	0.92
2006	0.03	0.89	0.92
2007	0.00	0.84	0.84
2008	0.00	0.87	0.88
Overall	1.11	0.42	1.53



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Additional Performance Benchmarks

To view the full, comprehensive report, which includes tables on additional time horizons, vintage years and industry returns, please visit the Cambridge Associates or NVCA Websites.

Cambridge Associates derives its U.S. venture capital benchmarks from the financial information contained in its proprietary database of venture capital funds. As of June 30, 2009, the database is comprised of 1,281 venture funds formed from 1981 through 2009 with a value of approximately \$89.5 billion.

The **National Venture Capital Association (NVCA)** represents more than 400 venture capital firms in the United States. 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 2009 Global Insight study, venture-backed companies accounted for 12.1 million jobs and \$2.9 trillion in revenue in the U.S. in 2008. 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.

Founded in 1973, **Cambridge Associates** delivers a range of services, including investment consulting, outsourced portfolio solutions, independent research, and performance monitoring and tools across all asset classes, to approximately 850 institutional and private clients worldwide. The firm has advised clients on alternative assets since the 1970s and compiles the performance results for more than 2,000 private partnerships to publish the Cambridge Associates U.S. Venture Capital Index® and Cambridge Associates U.S. Private Equity Index®, which are widely considered to be the industry-standard benchmark statistics for those asset classes. In total, the firm has over 950 employees serving its client base globally and maintains offices in Arlington, VA; Boston; Dallas; Menlo Park, CA; London; Singapore, and Sydney, Australia. For more information about Cambridge Associates, please visit www.cambridgeassociates.com.