CAMBRIDGE ASSOCIATES LLC

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PRIVATE EQUITY ENDED Q2 WITH THE BEST QUARTERLY RESULTS IN TWO YEARS, THOUGH TIGHT CREDIT AND A SHORTAGE OF EXITS STILL CHALLENGED INVESTORS, SAYS CAMBRIDGE ASSOCIATES

Private Equity and Venture Capital Returns Trailed Public Markets in Q2, but Continued to Outperform the Markets over the Long Term

BOSTON (November 6, 2009) – The performance of private equity and venture capital investments improved in the quarter ending June 30, 2009, as compared to the recent past. Difficult economic conditions, however, continued to challenge both asset classes. The struggle to find adequate exit opportunities was one factor that contributed to their trailing public market returns in the second quarter, according to **Cambridge Associates LLC**, a provider of independent research and investment advice to institutional investors and private clients.

Cambridge Associates tracks, and publishes a quarterly commentary on, the performance of private equity and venture capital as measured by two indices: the **Cambridge Associates LLC U.S. Private Equity Index®** and the **Cambridge Associates LLC U.S. Venture Capital Index®**.

During the second quarter of 2009, the Cambridge Associates PE index earned its best return since the end of 2007. The quarter also marked the end of a string of three consecutive negative quarters for the VC index.

Though bettered by a number of public market indices during the first half of 2009, the long-term performance of private equity and venture capital continued to outstrip public equity performance, as measured by the Cambridge Associates indices and shown in the following tables:

U.S. Private Equity Index Returns (%) for the Periods ending June 30, 2009

For the periods ending	Qtr.	Six Months	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
June 30, 2009	4.3	1.1	-20.6	0.9	9.9	7.7	11.1	11.4
Other indices at June 30, 2009								
DJIA	12.0	-2.0	-23.0	-6.3	-1.7	-0.4	8.1	9.0
Russell 2000 Composite	20.7	2.6	-25.0	-16.6	-1.7	-2.4	6.5	7.3
S&P 500	15.9	3.2	-26.2	-8.2	-2.2	-2.2	6.9	7.8

Source: Cambridge Associates LLC

U.S. Venture Capital Index Returns (%) for the Periods ending June 30, 2009

For the periods ending	Qtr.	Six Months	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
June 30, 2009	0.2	-2.6	-17.1	1.3	5.7	14.3	36.3	22.7
Other indices at June 30, 2009								
NASDAQ Composite	20.1	16.4	-20.0	-5.5	-2.2	-3.7	6.6	7.5
Russell 2000 Composite	20.7	2.6	-25.0	-16.6	-1.7	-2.4	6.5	7.3
S&P 500	15.9	3.2	-26.2	-8.2	-2.2	-2.2	6.9	7.8

Source: Cambridge Associates LLC
Note: Because the U.S. Private Equity and Venture Capital indices are capital weighted, the largest vintage years are the primary drivers of the indices' performance.

"While the difficult economy continued to challenge investors in all asset classes, including alternative assets, the rebound of the public markets helped returns for both the PE and VC indices. Between the two, the PE index benefited more because its underlying companies are more mature than those in the VC index, and typically more closely resemble – and, in some cases, are – public companies. Some funds in the VC index also benefited from a slight uptick in IPOs in Q2. Of course, a recovery and improved returns for PE and VC funds ultimately depend on a healthier economy and increased liquidity in the forms of IPOs and mergers and acquisitions," said Andrea Auerbach, Managing Director at Cambridge Associates.

The Cambridge Associates LLC U.S. Private Equity Index is based on returns data compiled for institutional quality funds that represent nearly two-thirds of the capital raised by private equity partnerships between 1986 and 2009, while the Cambridge Associates LLC U.S. Venture Capital Index® is based on returns data compiled for institutional quality funds that represent more than three-fourths of the capital raised by venture capital partnerships between 1981 and 2009.

In the PE Index, Seven of the Eight Key Industry Sectors Earned Positive Results in Q2, with Healthcare Companies Topping the List

The PE index earned 4.3% in the quarter ending June 30, 2009. The index's gains were largely the result of improved valuations for companies in several of the industries hit hardest by the recession, including retail, financial services, and energy.

"It's worth noting that for the first time since the 'mark-to-market'-valuation methodology was adopted by funds at the end of 2008, public market performance positively impacted valuations for companies in the PE index," said Ms. Auerbach.

Seven of the eight industry sectors that collectively represented 90% of the PE index's value earned positive results in the second quarter. Media, the lone exception, fell only about 0.3%. The three largest industries by size – consumer, energy, and healthcare – together represented more than half of the PE benchmark's value; each sector rose between 3.4% and 4.4%, with healthcare performing best.

PE Capital Calls Up in Second Quarter, But Distributions on Par with Q1

Capital calls from PE managers increased during the second quarter, but there was little change in distributions to their investors. PE managers called roughly $7.4 billion in Q2, about $1.1 billion more than in Q1. New investments have required more equity than those made in recent years due largely to tight credit markets. The combination of the need to invest more equity into new deals and the shortage of near-term exit opportunities has contributed to the trend of capital calls outpacing distributions, according to Cambridge Associates.

Funds launched in 2000 distributed the most money to investors during the quarter – roughly 30% of total distributions. Investors in the 2004-2008 vintage funds paid in the most capital, contributing more than 90% of the capital called by PE fund managers.

VC Index Had First Positive Quarter Since Mid-2008, with Write-Ups for Healthcare, IT, and Software Companies Responsible for Most of the Increase in Valuations

The Cambridge Associates LLC U.S. Venture Capital Index rose modestly, 0.2%, in the second quarter – its first gain since the second quarter of 2008. The 1999 vintage year venture capital funds were the best performing, returning 3.5%, with earnings driven largely by increased valuations and realizations in IT and software. The 1999 vintage, along with five others – 2000, 2001, 2004, 2005 and 2006 – accounted for nearly 80% of the VC index's value.

Healthcare, IT, and software continued to represent nearly 75% of the index's value. All three sectors earned positive returns for the second quarter, with healthcare faring best with a 3.0% return, followed by software and IT. Virtually all of the 2006 vintage funds' return was earned through healthcare investments. The 2001 vintage funds were the worst performers of the six vintages listed above, losing 1.5%.

VC Capital Calls and Distributions in Second Quarter Were Similar to Q1; IT, Software, and Healthcare Companies Accounted for Most Distributions

The benchmark's VC fund managers called about $2.7 billion from investors in the second quarter, and returned roughly $950 million, both numbers closely mirroring the prior quarter. Several of the younger vintage years – 2004 through 2008, along with the 2000 funds – together called 92% or $2.5 billion of the funds called during the quarter.

Recession and Weak IPO Market Continued to Challenge VC Funds

While valuations for VC-backed companies benefited somewhat from the public market rally, the difficult economy and a poor IPO market continued to challenge venture funds.

"The recent shortage of profitable exit opportunities has caused managers of many of the more 'mature' funds, such as those raised in 2000, to hold companies longer, which reduces their internal rates of return," said Peter Mooradian, Managing Director at Cambridge Associates. "We believe, however, that the 2008 financial crisis could lead to a sustained and meaningful industry shakeout that should improve the competitive environment and entry valuations, other important components of the return equation."

According to the National Venture Capital Association, there were 5 initial public offerings and 64 mergers and acquisitions in the second quarter, many of which involved IT companies.

About Cambridge Associates

Founded in 1973, **Cambridge Associates** delivers investment consulting, independent research, and performance monitoring services to approximately 850 institutional investors and private clients worldwide. Cambridge Associates has advised its clients on alternative assets since the 1970s and today serves its clients with more than 180 professionals dedicated to consulting, research, operational due diligence, and performance reporting on these asset classes. The firm compiles the performance results for more than 3,900 private partnerships and their more than 56,000 portfolio company investments 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 these asset classes. The venture capital data is used by National Venture Capital Association (NVCA) for its quarterly benchmarks. Cambridge Associates has over 950 employees serving its client base globally and maintains offices in Arlington, VA; Boston, MA; Dallas, TX; Menlo Park, CA; London, England; Singapore, and Sydney, Australia. For more information about Cambridge Associates, please visit www.cambridgeassociates.com.