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PRIVATE EQUITY AND VENTURE CAPITAL RETURNS CONTINUED TO IMPROVE IN Q3 2009, THOUGH BOTH LAGGED PUBLIC EQUITIES FOR THE QUARTER, SAYS CAMBRIDGE ASSOCIATES

Private Equity Outperformed Venture Capital in Q3, but Both Asset Classes Again Faced Challenges

BOSTON (February 17, 2010) – During the quarter ending September 30, 2009, private equity and venture capital recovered some of the losses they had incurred in 2008 and early 2009, with each asset class logging its best performance since 2007. However, as in the previous quarter, public equity indices outperformed both, though for time horizons of three years and longer, private equity and venture capital returns continued to be significantly better than those of public equities, 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[®]**.

As measured by the Cambridge Associates' PE index, private equity returned 6.2% for last year's third quarter, marking that asset class' best performance since the second quarter of 2007. Venture capital in Q3, as measured by Cambridge Associates' VC index, showed its best results since the end of 2007, earning 2.3%. Private equity- and venture-backed companies both benefited from market-based valuation methodologies which, in Q3's climate of rising public markets, led to increases in private company valuations.

Private equity and venture funds each invested more in Q3 than in either of the two prior quarters, and contributions continued to outpace distributions. Exit opportunities were once again limited for both investment classes.

While private equity significantly outperformed venture capital for the quarter, PE and VC earned virtually identical returns (8.3% and 8.4%, respectively) for the 10-year period ending September 30, 2009. For the 20-year period ending on the same date, however, returns for venture capital were almost twice those for private equity – a gain of 23.1% vs. 11.8%, respectively – as measured by the Cambridge Associates' indices.

The following tables provide comparative returns for private equity and venture capital, based on Cambridge Associates' indices, vis-à-vis several key indices of public market equities.

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

For the periods ending	Qtr.	Nine Months	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
September 30, 2009	6.2	7.4	-8.9	2.3	11.1	8.3	11.6	11.8
Other indices at September 30, 2009								
DJIA	15.8	13.5	-7.4	-3.3	1.8	1.6	8.7	9.2
Russell 2000 Composite	19.3	22.4	-9.5	-4.6	2.4	4.9	7.3	7.9
S&P 500	15.6	19.3	-6.9	-5.4	1.0	-0.2	7.6	8.0

Source: Cambridge Associates LLC

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

For the periods ending	Qtr.	Nine Months	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
September 30, 2009	2.3	-0.3	-12.4	1.3	4.9	8.4	36.6	23.1
Other indices at September 30, 2009								
NASDAQ Composite	15.7	34.6	1.5	-2.0	2.3	-2.5	7.0	7.8
Russell 2000 Composite	19.3	22.4	-9.5	-4.6	2.4	4.9	7.3	7.9
S&P 500	15.6	19.3	-6.9	-5.4	1.0	-0.2	7.6	8.0

Source: Cambridge Associates LLC

Note: Because the U.S. Private Equity and Venture Capital indices are capital weighted, the largest vintage years mainly drive the indices' performance.

“The PE benchmark’s performance for Q3 was largely due to improved valuations for funds raised from 2000 to 2007. With just a single exception, each of these vintage years saw the value of its assets increase by at least \$1.0 billion during the quarter. The largest vintage year in the index, 2006, generated a quarterly return of 6.4%, driven mostly by increased valuations for retail, media, and healthcare investments,” said Andrea Auerbach, Managing Director and Private Equity Research Consultant at Cambridge Associates.

“For venture capital investments, the third quarter was encouraging in several respects. For example, Q3 saw the largest venture-backed IPO exit in more than two years, as well as a slight increase in the total number of mergers and acquisitions. On the downside, however, according to data from the National Venture Capital Association, the third quarter’s 22 M&A deals with publicly announced values were worth a combined \$1.3 billion, which was about half the value of the 13 deals in Q2 and far less than the \$3.1 billion of M&A value in Q3 2008,” said Peter Mooradian, Managing Director and Venture Capital Research Consultant at Cambridge Associates.

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

All Eight Key Components of PE Index Earned Positive Returns – Financial Services Led

Each of the eight industry sectors which collectively comprised 90% of the PE index's value earned a positive return for Q3. Of the eight, financial services generated the largest return, 11.9%. Healthcare, which earned an 8.5% return, was the best performer of the top three industries by size. Healthcare, combined with the other top two sectors by size, consumer and energy, accounted for more than half of the PE benchmark's value.

Public Market Valuation Methodology and Reduced Volatility of PE Returns

“One interesting effect we've seen in PE valuations, since the adoption of a mark-to-market valuation methodology, is that while the PE index moves directionally with the public markets, it doesn't swing up and down as widely as the public markets do. For example, when the S&P 500 dropped 30.5% between October 2008 and March 2009, the private equity index fell 21%, while the S&P's 34% rise between April and September 2009 was only partially reflected in the PE benchmark's return, an increase of 10.5%. So it appears that in general private equity fund managers base their valuations on a wider range of factors than just the public markets,” said Auerbach.

An exception to the rule included some funds in the PE index which held investments outside the U.S. According to Auerbach, some of the companies in these funds benefited both from strong public equity markets and from a weakened U.S. dollar, which resulted in higher values for dollar-denominated investments. Of the industry sectors in the PE benchmark, healthcare valuations were most affected by this currency movement.

For the first three quarters of 2009, the economic environment forced private equity funds to focus more on supporting and restructuring existing portfolio companies than on identifying new investments. The shortage of easily available credit, the lack of adequate exits, and the broader macroeconomic malaise, led once again to capital calls outstripping distributions.

Key Vintage Years in VC Index All Had Positive Returns; Technology and Healthcare Helped Boost Returns for 2000 Vintage, the Largest in the Benchmark

Six vintage years – 1999, 2000, 2001, 2004, 2005, and 2006 – accounted for nearly 80% of the index's value in the third quarter, and all had positive returns. The 2004 funds performed best, earning 4.2%. The 2000 vintage, the largest in the VC index, earned

2.0% for the quarter, due to realizations from and increased valuations for technology investments and rising values for healthcare companies.

Healthcare, information technology, and software continued to represent nearly 75% of the VC index's value, and all had positive returns in Q3. Manufacturing, energy, and media were the only three industries generating negative returns for the quarter.

Technology, Healthcare and Software Generated Bulk of VC Distributions

“The venture capital fund managers in our VC index called almost \$3 billion from their investors in the third quarter, roughly an 8% increase from capital calls in Q2. And they returned about \$1.1 billion, which was a nice jump percentage-wise – roughly a 19% increase over the prior quarter – for their investors. The bulk of these distributions resulted from investments in technology, healthcare, and software,” said Mooradian.

As a group, the funds from vintage years 2004 through 2008 called \$2.5 billion, or 85% of the capital called during the quarter. And the 1999 and 2000 vintage year funds combined to return \$682.9 million, or 60% of the quarter's distributions, according to Mooradian.

About Cambridge Associates

Founded in 1973, **Cambridge Associates** delivers investment consulting, independent research, and performance monitoring services to approximately 825 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 4,000 private partnerships and their more than 57,000 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 960 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.