



CAMBRIDGE ASSOCIATES LLC

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PRIVATE EQUITY AND VENTURE CAPITAL FUNDS CLOSED OUT FIRST HALF OF 2010 WITH 5TH CONSECUTIVE QUARTER OF POSITIVE RETURNS, SAYS CAMBRIDGE ASSOCIATES

Capital Calls and Distributions Increased over Prior Quarter for Both Fund Classes

BOSTON (Nov. 17, 2010) – The quarter ending June 30, 2010 marked the continuation of a five-quarter trend of positive returns in private equity and venture capital funds, according to **Cambridge Associates LLC**, a provider of independent research and investment advice to institutional investors and private clients. Earnings in both types of funds were down from the prior quarter, however, marking the third consecutive quarter-to-quarter decline for these alternative assets.

Cambridge Associates 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®**.

Private Equity and Venture Capital Beat out Public Equities in the Second Quarter, and First Half, of 2010

Private equity outperformed venture capital during the second quarter. Both earned better returns during the period than the major public market indices, which suffered their first negative quarter in a year. Funds in the private equity index returned 1.6% in the second quarter, down from 4.4% in the first quarter; funds in the VC index earned 0.4%, compared to 0.7% in the previous quarter. By comparison, the Dow Jones Industrial Average lost 9.4% in value during the second quarter, while the NASDAQ Composite index fell 12.0%.

Private equity and venture capital funds also both generated positive returns for the first half of 2010, as measured by Cambridge Associates' benchmark indices, in contrast with the major public market indices, which were negative for the first half. The private equity index returned 5.8% for the first two quarters; the venture capital index returned 1.0%. The Dow Jones Industrial Average and NASDAQ Composite indices lost 5.0% and 7.0%, respectively, over the same period.

The following table provides comparative returns for the second quarter and longer periods for private equity and venture capital vis-à-vis several key public market indices. Returns for periods of one year and longer are annualized.

U.S. Private Equity Index and Venture Capital Returns (%) for the Periods ending June 30, 2010

For the periods ending June 30, 2010	Qtr.	Six Months	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
U.S. Private Equity	1.6	5.8	18.7	-0.2	9.2	7.3	11.9	12.3
U.S. Venture Capital	0.4	1.0	6.4	-2.7	4.3	-4.2	38.1	24.3
Other indices								
DJIA	-9.4	-5.0	18.9	-7.4	1.7	1.7	7.5	8.9
Russell 2000 Composite	-9.9	-2.0	21.5	-8.6	0.4	3.0	6.6	8.2
S&P 500	-11.4	-6.7	14.4	-9.8	-0.8	-1.6	6.2	7.7
NASDAQ Composite	-12.0	-7.0	14.9	-6.8	0.5	-6.1	5.6	7.9

Sources: Cambridge Associates LLC, Dow Jones & Company, Inc., Frank Russell Company, Standard and Poor's, and Thomson Datastream. Note: Because the U.S. Private Equity and Venture Capital indices are capital weighted, the largest vintage years mainly drive the indices' performance.

With the exception of the one-year period ending June 30, 2010, the private equity benchmark outperformed U.S. public markets in all of the time periods provided in the table above. The venture capital index's results were mixed, but continued to far exceed public market indices over longer (e.g. 15-year and 20-year) time periods.

Private Equity and Venture Capital Funds Raised in 2004 Generated Best Returns Among Large Vintage Years

The best returns during the second quarter among top-size vintage years in both the private equity and venture capital indices were generated by funds raised in 2004.

Increased valuations in manufacturing, healthcare, IT, software and media investments drove the quarterly performance of that year's private equity funds, which returned 3.7%; for venture capital, the chief driver was higher valuations for IT companies. Venture capital funds from 2004 earned 4.9% for the quarter.

Private Equity Fund Distributions through Second Quarter Exceeded All of 2009

Managers of private equity and venture capital funds called and distributed more capital in the quarter ending June 30 than they did in the prior quarter. Fund managers in the private equity index distributed more capital in the first half of 2010 – just over \$13 billion – than they did in all of 2009. This represented a 43.0% increase over the prior quarter and the largest quarterly distribution total since the fourth quarter of 2007. Fund managers issued a little more than \$19 billion worth of capital calls during the second quarter, a 71.0% increase in contributions over the first quarter.

Almost half of the money invested by private equity funds in the index during the second quarter went into consumer and energy businesses – about 10.0% more than the long term averages for those sectors.

Widespread Positive Returns across Key PE Index Components – Software Was the Best Performer, Energy the Worst

Seven of the eight key sectors (i.e. those representing at least 5.0% of the value of the index) in the private equity index had positive returns for the second quarter, with software the top performer, earning 5.6%. Energy was the only sector from this group that generated a negative return, earning -0.6% for the period.

Said Andrea Auerbach, Managing Director and Head of U.S. Private Equity Research at Cambridge Associates:

“It was encouraging to see such a meaningful increase in private equity fund distributions along with the breadth of positive returns among the key sectors in our PE benchmark index. There has also been an increase in the volume of capital calls, reflecting the market's continued return to a more transactional state, further buoyed by the increased availability of leverage.”

IT Once Again on Top among Largest Sectors in Venture Capital Benchmark

The venture capital benchmark remained heavily concentrated among just five significantly sized sectors, with the top three – healthcare, IT, and software – comprising almost three-quarters of the index's value. IT was for the second quarter in a row the leading performer of this group, returning 6.9% during the period. The IT sector was also once again the leader in merger and acquisition (M&A) activity, accounting for 85% of the mergers and acquisitions during the quarter. In addition, of the 17 IPOs in the second quarter, 10 involved either IT or biotech companies.

On a dollar-weighted basis, the index's “big three” sectors (healthcare, IT, and software) earned a combined gross return of 2.6%, beating out the venture capital benchmark's company-level return of 1.8%.

The venture capital index's ten-year performance continued to decline in the second quarter, dipping to -4.2% for the period. The venture capital index's 10-year performance is expected to hit its trough during the second half of the year.

Said Theresa Hajer, Managing Director and Venture Capital Research Consultant at Cambridge Associates:

“During the second quarter we saw continued positive development in the venture investment environment, including an increase in the number of IPOs, a healthy pace of M&A activity, and the return of gradual growth in capital calls and

distributions. For really measurable improvement in the VC index's performance, however, we will need to see a higher level of profitable exits for funds invested in these assets, and it is still unclear when that will be."

During the second quarter, venture capital fund managers called almost \$3.5 billion from their investors, and distributed more than \$2.6 billion, representing increases of 17.0% and 7.3%, respectively, over capital calls and distributions in the prior quarter.

About Cambridge Associates and the Indices

Founded in 1973, **Cambridge Associates** delivers investment consulting, independent research, and performance monitoring services to approximately 800 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 its proprietary non-marketable alternative assets benchmarks, of which the Cambridge Associates U.S. Venture Capital Index® and Cambridge Associates U.S. Private Equity Index® 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.

Cambridge Associates LLC's proprietary databases provide independent statistics to the institutional investment industry and the National Venture Capital Association (NVCA). The Cambridge Associates LLC U.S. Venture Capital Index® is based on performance data compiled for funds that represent the majority of the institutional capital raised by venture capital partnerships from 1981 through 2010. Similarly, the Cambridge Associates LLC U.S. Private Equity Index® is based on returns data compiled for leveraged buyouts, subordinated debt, and special situations funds that represent the majority of institutional capital raised by private equity partnerships formed from 1986 through 2010. The pooled means represent the net end-to-end rates of return calculated on the aggregate of all cash flows and market values as reported to Cambridge Associates by the funds' general partners in their quarterly and annual audited financial reports. These returns are net of management fees, expenses, and performance fees that take the form of a carried interest.

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