



CAMBRIDGE ASSOCIATES LLC

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Private Equity and Venture Capital Funds Closed 2010 with Seventh Consecutive Quarter of Positive Returns, According to Cambridge Associates' Benchmarks

Private Equity Outperformed Venture Capital and the Public Markets over the Last 10 Years, While Venture Capital Maintained a Dominant Lead Over All other Asset Classes for Longer Time Periods

BOSTON (June 7, 2011) – Returns for private equity and venture capital funds ended 2010 in solid positive territory, buoyed by strong public markets, a robust technology sector, and rising commodity prices, among other factors. Both alternative asset classes marked their seventh consecutive quarter of positive returns, with returns for venture capital funds reaching levels not seen since before the recession, according to benchmark indices published by **Cambridge Associates LLC**, a provider of independent research and investment advice to institutional investors and private clients.

Cambridge Associates publishes a quarterly commentary on the performance of private equity and venture capital as measured by the **Cambridge Associates LLC U.S. Private Equity Index®** and the **Cambridge Associates LLC U.S. Venture Capital Index®**. The indices represent the majority of the institutional capital raised by private equity partnerships between 1986 and 2010 and venture capital partnerships between 1981 and 2010.

Both private equity and venture capital funds underperformed the public markets during the quarter ending December 31, 2010.

Private equity funds returned 7.6% for the quarter, compared with the S&P 500's return of 10.8% for the same period. Venture capital funds outperformed private equity, earning a somewhat better 8.4% for the period, though they lagged the NASDAQ Composite's 12.0% return. Private equity earned 19.9% for all of 2010, putting the category comfortably ahead of venture capital's 13.5% for the same period, as well as besting the S&P 500's 15.1% return.

Private equity maintained a healthy lead over venture capital and the public market indices over the five- and 10-year periods ending December 31, 2010, earning 9.5% and 9.7%, respectively, for these time horizons. However, over the 20-year period ending on the same date, venture capital dominated private and public equity, earning a 26.3% return.

The following table provides comparative returns for the fourth 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 U.S. Venture Capital Index Returns (%) for the Periods ending December 31, 2010

For the periods ending December 31, 2010	Qtr.	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
U.S. Private Equity	7.6	19.9	2.8	9.5	9.7	12.2	13.1
U.S. Venture Capital	8.4	13.5	-0.3	5.7	-2.0	34.7	26.3
Other Indices							
DJIA	8.0	14.1	-1.6	4.3	3.1	7.9	10.3
Russell 2000 Composite	16.3	26.9	2.2	4.5	6.3	7.6	10.8
S&P 500	10.8	15.1	-2.9	2.3	1.4	6.8	9.1
NASDAQ Composite	12.0	16.9	0.0	3.8	0.7	6.4	10.3

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.

Among the top-sized vintages, the 2003 private equity and the 2004 venture capital funds were the best performers in their respective indices for the fourth quarter, earning 10.5% and 18.3%, respectively. Among meaningfully-sized sectors (those whose average weight in an index is at least 5%), information technology was the leader for the quarter in both benchmarks, earning, respectively, 11.3% and 21.9% in the private equity and venture capital indices.

Private Equity Fund Insights

The private equity index's almost 20% return for 2010 made the year its best year since 2006. Portfolio company valuations during the fourth quarter increased across all vintage years from 2000 to 2009, with funds launched in the seven vintages representing at least 5% of the index seeing asset values improve by at least \$1.5 billion. In dollar terms, company valuations grew most for energy, consumer, and financial services businesses.

Distributions increased significantly in the 4th quarter while capital calls fell

Private equity fund managers distributed more capital to their investors in 2010 than they had over the two previous years combined. Distributions for the fourth quarter were also up, increasing by roughly \$11.1 billion over the third quarter to slightly more than \$27.9 billion. Limited partner contributions, however, were down some \$890 million compared to the prior quarter, to nearly \$19.2 billion. The gap between contributions and distributions in 2010 was the smallest it had been in six years: roughly \$2.6 billion.

Key Vintage Year and Sector Returns were both up over prior quarter

“All eight of the meaningfully sized sectors in the private equity benchmark earned positive returns, marking the second quarter in a row that we’ve seen this happen. What’s more, sector results for the fourth quarter were better than they were in the third, which is a positive sign, and paralleled what we saw when looking at the vintage years in the index, where each of the seven largest vintages earned better returns for the fourth quarter than they had in the third. An active M&A environment helped drive results, though unrealized valuation increases also contributed,” said Andrea Auerbach, Managing Director and Head of U.S. Private Equity Research at Cambridge Associates.

The largest vintage year in the private equity index, 2006, representing almost a quarter of the index’s value, earned 6.8% for the quarter, driven by realizations as well as unrealized valuation increases in consumer, energy, manufacturing, IT, and healthcare.

Three largest sectors in index posted solid positive returns for the quarter

Consumer, healthcare, and energy comprise the three largest sectors in the private equity index, representing nearly half of the index’s total value. All three earned positive fourth quarter returns, energy performing best, returning 10.8%, followed by consumer and healthcare, both of which earned about 5.8%. On a dollar-weighted basis, the three sectors earned a gross return of 7.3%.

Venture Capital Fund Insights

With its 8.4% return, the venture capital index posted its best quarterly performance since the same quarter of 2006. Last year also marked the best year for the index since 2007. Contributing to these results were the strongest quarter for IPOs (initial public offerings) since 2000 and another healthy quarter of M&A activity.

Active IPO and M&A Markets Helped Drive Solid VC Fund Performance and a Huge Jump in Calls and Distributions over the Prior Quarter

“The offering prices for IPOs during the fourth quarter were up over the prior quarter, as were the number of deals and the average disclosed deal size. This activity, along with an improvement in most industry fundamentals, was helpful in driving the performance of the VC benchmark. Further, we saw increased liquidity for LPs with distributions roughly equal to contributions during 2010, the first time that has happened since 2007,” said Peter Mooradian, Managing Director and Venture Capital Research Consultant at Cambridge Associates.

Managers of VC funds called just over \$3.9 billion during the fourth quarter, an increase of 42.4% over the previous quarter and the highest level of contributions since the second quarter of 2008. Fund managers distributed \$5.6 billion during the quarter – the highest quarterly distribution since the first quarter of 2001 – an increase of 137.5% over the third quarter.

Two of the Three Largest Sectors in VC Index had Double-digit Positive Returns during the Fourth Quarter

As with the private equity index, all of the meaningfully-sized sectors in the venture capital index earned positive returns during the fourth quarter. Three sectors – IT, healthcare, and software – comprised nearly 75% of the index’s value. Two of these sectors, IT and software, earned double-digit returns for the quarter: 21.9% and 10.0%, respectively. Electronics was the poorest performer of the meaningfully-sized sectors, though still earning a positive 1.3%. The big three sectors also performed well for the full year, returning 24.5% in 2010.

Weight of Largest Vintage Year in VC Index Falls

The average weight in the index of the 2000 vintage, the largest in the index, fell to 18.5%, a decrease of more than 5% from one year earlier. The top four vintage years by size accounted for 56.5% of the VC benchmark’s total value.

About Cambridge Associates and the Indices

Founded in 1973, **Cambridge Associates** delivers investment consulting, independent research, performance reporting services, and outsourced portfolio solutions to over 900 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 4,400 private partnerships and their more than 61,000 portfolio company investments to publish its proprietary private investments 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 firm also compiles benchmark statistics for global private equity and venture capital, real estate, natural resources, distressed securities, and funds of funds and secondaries. Cambridge Associates has over 1,000 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. Cambridge Associates is recognized as a thought leader, innovator and advocate for institutional investors. 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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