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U.S. Private Equity and Venture Capital Investments Ended First Half of 2011 with Their Ninth Consecutive Quarter of Positive Returns

*All Major Sectors in both Asset Classes Generated Positive Returns for the Quarter, According to **Cambridge Associates***

BOSTON, MA (November 1, 2011) – Amidst a still challenging global macroeconomic environment, private equity and venture capital funds in the U.S. continued to generate positive returns for their investors during the quarter ending June 30, 2011 – the ninth consecutive quarter of positive earnings for each asset class. Both asset classes also closed the door on the first half of 2011 with quarterly and six-month returns that handily bested those of the public equity markets, according to benchmarks on the performance of private equity and venture capital funds published by **Cambridge Associates LLC**.

Solid second quarter results for private equity and venture capital bolstered their six-month returns and helped overcome a weaker relative showing during the first quarter, when both asset classes trailed the public markets. **Cambridge Associates LLC U.S. Private Equity Index®** returned 4.5% for the second quarter, which was down from the previous quarter's 5.4%, but which far exceeded the S&P 500's second-quarter return of just 0.1%. **Cambridge Associates LLC U.S. Venture Capital Index®** outperformed the NASDAQ Composite, earning 7.0% in the second quarter, versus the NASDAQ's essentially flat performance. The venture capital index's return improved by 2% over the prior quarter. Increased private company valuations and continued interest in initial public offerings (IPOs) and mergers and acquisitions (M&A) helped the returns of both Cambridge indices.

Private Equity Funds More Consistent across Multiple Time Horizons

While the venture capital index outperformed private equity during the second quarter, private equity was the more consistent performer across a wide variety of time periods, as measured against comparable public market indices. With the exception of the one-year period ending June 30, 2011, the private equity index outperformed large public companies in all of the time horizons listed in the table below. The performance of the venture capital benchmark was more mixed. The venture capital index outperformed the S&P 500 for all but two periods (one year and 10 years), and it underperformed small companies and the technology-heavy NASDAQ composite in the one-, three-, and 10-year periods.

The following table details the performance of the Cambridge benchmarks against several key market indices. Returns for periods of one year and longer are annualized.

U.S. Private Equity Index Returns (%) for Periods ending June 30, 2011

For the periods ending June 30, 2011	Qtr.	Year To Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
USPE	4.5	10.1	24.8	6.5	10.0	11.3	12.5	13.6
USVC	7.0	12.3	26.3	4.3	7.4	1.2	30.9	27.4
Other Indices								
DJIA	1.4	8.6	30.4	6.1	5.0	4.2	7.7	10.1
NASDAQ Composite*	-0.3	4.5	31.5	6.5	5.0	2.5	5.8	9.2
Russell 2000 Composite	-1.6	6.2	37.4	7.8	4.1	6.3	7.4	9.8
S&P 500	0.1	6.0	30.7	3.3	2.9	2.7	6.5	8.7

Sources: Cambridge Associates LLC, Dow Jones & Company, Inc., Frank Russell Company, Standard and Poor's, and Thomson Datastream.

* Capital Changes Only

Spread between Key 10-Year Returns for PE and VC Funds Shrank Again in 2nd Quarter

The 10-year return for the venture capital index edged back into positive territory after an almost two-year hiatus; the index returned 1.2% for the period. The gap between the private equity and venture capital benchmarks for the 10-year horizon decreased once again, to 10.1%, from a first quarter spread of 10.9%.

Private Equity Distributions in 2nd Quarter were among the Highest in the Benchmark's History

Private equity fund managers collectively called $14.7 billion and distributed $23.2 billion in the second quarter. While both figures were relatively similar to the previous quarter, distributions for the period were still among the highest in the history of the benchmark. However, the 1.2% increase in distributions was the lowest quarterly percentage increase in more than five years.

Managers of venture capital funds called $3.8 billion and distributed $4.4 billion during the quarter. Both amounts were similar to the previous quarter. Distributions increased 16% and it was the third quarter in a row that distributions outnumbered contributions.

All Significant Sectors of Both Benchmarks Again Yielded Positive Returns

For the fourth consecutive quarter, all of the meaningfully-sized sectors (i.e. those sectors representing at least 5% of the private equity index and at least 4% of the venture capital index) in both benchmarks produced positive results. In the private equity index, software, which had the lowest average weight of the index's meaningfully-sized sectors, had the largest return, 12.4%. The largest sector, consumer, which represented about one-fifth of the value of the index, returned 5.3%.

Media Sector's Performance Drops off Sharply in PE Index, but Leads VC Index

The greatest swing in terms of performance among the larger sectors in the private equity index was among media companies, which went from leading the pack in the first quarter, with a 7.8% return, to trailing it at the end of the second quarter, returning just 3.3%.

Media fared much better in the venture capital index, where it led all sectors with a 19.2% return, though the sector represented only 4.8% of the index's value. More than 75% of the index's market value during the quarter was represented by three sectors: information technology (IT), healthcare, and software. The largest was IT, which represented more than one-third of the index's value and returned 8.5%.

Three Vintage Years Continued to Dominate PE Index Activity

"The bolus of capital associated with the 2005-2007 vintage years continues to dominate activity and impact outcomes. These three vintage years accounted for nearly 63% of the index by weight, all delivering returns from 4.4% to 4.9%; they also represented 80% of the capital called in the quarter," said Andrea Auerbach, Managing Director and Head of U.S. Private Equity Research at Cambridge Associates.

IT and Healthcare Companies were Biggest Winners of Venture Capital

"IT and healthcare, the two largest sectors in the VC index, largely drove second quarter performance. These two sectors accounted for about 60% of the value of the index, and attracted approximately 62% of the fund managers' investment capital. In terms of top-sized vintages, the best performer was 2003, which returned 10.4%," said Theresa Sorrentino Hajer, Managing Director and Venture Capital Research Consultant at Cambridge Associates.

A copy of Cambridge Associates' commentary on the second-quarter performance of its U.S. private equity and venture capital benchmarks is available at www.cambridgeassociates.com/about_us/news/press_releases/index.html.

About Cambridge Associates and the Indices

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Cambridge Associates' proprietary databases provide independent statistics to the institutional investment industry, the National Venture Capital Association (NVCA), the Australian Private Equity & Venture Capital Association, Limited (AVCAL), and the African Venture Capital Association (AVCA). 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.

Both the *Cambridge Associates LLC U.S. Venture Capital Index®* and the *Cambridge Associates LLC U.S. Private Equity Index®* are reported each week in Barron's Market Laboratory section. In addition, complete historical data can be found on Standard & Poor's Micropal products and on our website, www.cambridgeassociates.com.

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