

BVCA Private Equity and Venture Capital Performance Measurement Survey 2007

A survey of independent UK-based funds which raise capital from third party investors

Summary of Results

Introduction

PricewaterhouseCoopers, in conjunction with Capital Dynamics and the BVCA – The British Private Equity and Venture Capital Association, is pleased to announce the summary of the 2007 survey, highlighting the performance of ‘independent’ UK private equity funds – funds raised from external investors for venture capital and private equity investment, but excluding quoted private equity investment trusts (PEITs)* and venture capital trusts (VCTs).

100% of BVCA member firms, which manage funds eligible for this report, responded to the survey. There are now 422 UK-managed funds included in the dataset and we believe this makes it the most complete country specific survey on the performance of private equity funds in the world.

Comparative statistics on UK pension funds, supplied by The WM Company (WM), have also been quoted, although care should be taken in comparing these with private equity results. The return quoted for private equity funds is the internal rate of return to investors, net of costs and fees. Returns for WM Pension Funds Assets and indices, however, are gross time-weighted returns.

Private equity is a long-term investment. The return since inception most accurately reflects the performance of private equity since it measures from the actual start of a fund. When comparing with other asset classes, emphasis should be placed on the long-term returns rather than those for the shorter term and for this reason, we do not include current year figures in this summary report.

Key Points

- 2007 was a very good year for the performance of UK private equity. Latest figures show that UK private equity has again significantly outperformed Total UK Pension Funds Assets** as well as the FTSE All-Share over the medium to long term.

	3 years (% p.a.)	5 years (% p.a.)	10 years (% p.a.)
Total UK Private Equity	38.8	27.3	20.1
Total Pension Funds Assets	12.4	13.1	7.1
FTSE All-Share	14.5	15.4	6.2

- UK private equity also continued to outperform the other principal FTSE indices over the medium to long term. These included, among others, the FTSE 100, 250 and SmallCap indices.
- The overall long-term net return to investors since inception now stands at 17.3% p.a. on funds raised between 1980 and 2003, measured to 31 December

2007. This compares to the 16.0% since inception return at 2006 and is the third year of continued improvement.

- 2007 showed very strong performance from all MBO funds – small through to large – over the three and five-year periods. This also applies to the Pan-European and Non-UK funds, which tend to be mainly MBO focussed.
- Venture and technology funds continue to face challenges with difficult exit markets and the overall performance numbers are still impacted by the distorting effect of the technology bubble period and the subsequent deep downturn.
- Improved performance continues for funds raised in 1999 and 2000 and early millennium vintages are also showing strong returns.

* PEITs are shown as a separate category for comparison purposes, although not included in the main analysis of independent funds.

** As shown in the WM All Funds Universe.

Medium to Long-Term Return – IRR (% p.a.)

Investment Stage and Subcategories

	No of funds	Three years	Five years	Ten years
Pre-1996 vintage funds				
Early Stage	24	-4.5	4.1	14.2
Development	35	11.4	5.5	25.1
Mid MBO	33	-4.8	12.0	17.9
Large MBO	26	36.5	17.3	32.2
Generalist	36	84.2	33.6	55.0
Subtotal pre-1996	154	44.7	21.4	32.8
1996 vintage funds onwards				
Venture	98	1.6	-1.4	-1.8
Small MBO*	22	26.3	16.5	9.1
Mid MBO	110	36.8	24.8	14.6
Large MBO	38	44.0	32.1	23.9
Subtotal 1996 onwards	268	38.8	27.4	19.0
Grand total all funds	422	38.8	27.3	20.1
Subcategories (all vintages)				
UK	303	27.2	19.6	15.1
Non-UK	119	41.6	29.6	22.4
Pan-European	111	43.5	30.6	24.3
Technology	117	2.0	-1.4	-2.5
Non-Technology	305	41.6	29.5	21.6
Investment Trusts**	20	22.0	16.4	11.3

*Includes development capital **Annualised weighted average total net asset value return, calculated by Fundamental Data, www.funddata.com

Vintage Year

	No of funds	Three years	Five years	Ten years
1980-84	13	n/a	n/a	34.9
1985-89	68	5.6	9.9	25.2
1990	13	51.7	-10.9	18.1
1991	14	n/a	81.8	24.8
1992	7	34.4	40.0	21.2
1993	10	110.2	23.7	15.1
1994	20	4.6	38.0	48.7
1995	9	63.8	19.2	28.6
1996	15	39.1	12.9	19.6
1997	25	30.8	20.9	16.4
1998	16	27.4	23.7	n/a
1999	28	55.4	29.1	n/a
2000	29	39.9	24.3	n/a
2001	29	49.6	34.5	n/a
2002	20	37.2	33.2	n/a
2003	20	42.4	n/a	n/a
2004	6	43.2	n/a	n/a
2005	21	n/a	n/a	n/a
2006	34	n/a	n/a	n/a
2007	25	n/a	n/a	n/a
Total	422	38.8	27.3	20.1

Note: Please see back page for Principal Comparators' Returns

Since Inception Return – IRR (% p.a.)

Investment Stage and Subcategories

	No of funds	To Dec '07	To Dec '06	To Dec '05	To Dec '04	To Dec '03	To Dec '02	To Dec '01	To Dec '00
Pre-1996 vintage funds									
Early Stage	24	9.2	9.3	8.8	8.9	8.9	9.0	9.1	9.3
Development	35	10.2	10.2	10.0	10.0	10.0	10.1	10.1	10.4
Mid MBO	33	15.8	15.8	15.8	15.9	15.9	15.9	16.0	16.1
Large MBO	26	18.2	18.2	18.2	18.1	18.1	18.2	18.1	18.7
Generalist	36	15.8	15.6	15.6	15.5	15.6	15.6	15.8	16.1
Subtotal pre-1996	154	15.6	15.5	15.5	15.5	15.5	15.5	15.5	15.9
1996 vintage funds onwards									
Venture	72	-1.6	-0.6	-1.9	-2.4	8.7	29.7	42.0	86.7
Small MBO*	16	7.3	3.2	1.9	0.3	3.2	1.3	2.6	-14.2
Mid MBO	73	14.9	13.2	9.3	5.9	4.3	3.6	8.0	17.6
Large MBO	21	23.7	21.0	18.0	13.9	14.3	16.5	30.6	25.2
Subtotal 1996 onwards	182	18.9	16.4	13.2	9.4	9.7	11.7	19.8	25.9
Grand total all funds	336	17.3	16.0	14.4	13.0	13.6	14.6	16.2	16.4

Subcategories (all vintages)

UK	252	14.6	14.4	14.0	13.6	14.1	14.5	15.4	16.2
Non-UK	84	20.2	17.9	14.9	11.8	12.6	15.1	18.7	17.5
Pan-European	77	21.6	19.7	17.4	14.0	14.9	16.9	20.9	20.4
Technology	95	-0.1	1.0	0.1	0.9	7.4	10.7	12.1	12.8
Non-Technology	241	18.7	17.3	15.7	14.2	14.5	15.3	17.0	17.3

*Includes development capital

Vintage Year

	No of funds	To Dec '07	To Dec '06	To Dec '05	To Dec '04	To Dec '03	To Dec '02	To Dec '01	To Dec '00
1980-84	13	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5
1985-89	68	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8
1990	13	11.3	11.3	11.1	11.1	11.1	11.6	11.5	11.8
1991	14	23.4	23.4	23.4	23.3	23.3	23.3	23.3	23.7
1992	7	20.3	20.3	20.3	20.3	20.2	20.1	20.0	19.7
1993	10	15.3	15.3	14.8	14.0	14.6	14.6	14.6	16.0
1994	20	34.3	34.3	34.4	34.4	34.3	34.3	34.9	36.9
1995	9	23.1	22.2	21.9	21.9	21.8	22.8	25.7	32.1
1996	15	18.7	18.7	18.6	18.5	19.0	20.1	22.0	26.3
1997	25	15.6	14.7	14.9	14.3	14.3	13.7	17.6	n/a
1998	16	12.5	12.2	10.8	10.6	9.3	6.3	n/a	n/a
1999	28	15.8	8.8	6.2	1.5	-2.0	n/a	n/a	n/a
2000	29	16.7	14.9	8.7	4.8	n/a	n/a	n/a	n/a
2001	29	29.1	28.3	23.4	n/a	n/a	n/a	n/a	n/a
2002	20	30.8	26.6	27.7*	n/a	n/a	n/a	n/a	n/a
2003	20	32.1	23.4*	22.2*	n/a	n/a	n/a	n/a	n/a
Total	336	17.3	16.0	14.4	13.0	13.6	14.6	16.2	16.4
2004	6	41.1	25.8	-5.8	n/a	n/a	n/a	n/a	n/a
2005	21	19.4	24.0	-8.0	n/a	n/a	n/a	n/a	n/a
2006	34	7.2	100.6	n/a	n/a	n/a	n/a	n/a	n/a
2007	25	24.7	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Subtotal 2004-2007	86	18.2	27.9	20.7	n/a	n/a	n/a	n/a	n/a

* Figures marked with an asterisk are not included in the 'Total' figure below.

Principal Comparators' Return (% p.a.)

UK Pension Funds (WM All Funds Universe)

	Three years	Five years	Ten years
UK Equities	14.1	15.2	6.3
Overseas Equities	15.6	16.3	7.6
UK Bonds	4.2	4.8	6.5
Overseas Bonds	4.0	4.3	5.5
Index-Linked	6.7	7.1	7.1
Cash	6.1	5.7	5.8
Alternatives	15.9	11.9	9.6
Property	11.7	12.9	11.8
Total Assets	12.4	13.1	7.1
FTSE Indices			
FTSE All-Share	14.5	15.4	6.2
FTSE 100	14.0	14.2	5.4
FTSE 250	14.6	15.4	6.2
FTSE SmallCap	9.7	16.0	6.6
techMARK All-Share*	10.4	16.0	n/a
FTSE World (ex-UK)	14.0	14.2	6.5
FTSE Europe (ex-UK)	19.9	20.6	9.1
Inflation Indices			
Retail Price Index	3.6	3.4	2.8
Average Earnings	4.0	4.0	4.1

Note: Source: The WM Company Annual Review of UK Pension Funds 2007 - all comparator figures with the exception of techMARK. N.B. 'Alternatives' was formerly known as 'Other'.

*Calculated using indices supplied by The London Stock Exchange which exclude dividends. No ten-year figure on index as only started in 1999.



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