



# BVCA Private Equity and Venture Capital Performance Measurement Survey 2005

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

## Summary of Results

### Introduction

The BVCA, in conjunction with PricewaterhouseCoopers and Capital Dynamics, is pleased to announce the summary of the 2005 Performance Measurement Survey, highlighting the performance of 'independent' UK private equity funds – funds raised from external investors for investment at the venture capital (early stage and development) and private equity (MBO) stages, but excluding venture and development capital investment trusts (VCITs) and venture capital trusts (VCTs).

100% of BVCA member firms, which manage funds eligible for this report, responded to the survey. 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 The WM Pension Funds Assets and FTSE 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.

*N.B. To reflect changes in the market, vintage 1996 funds onwards have been reclassified into four new investment stage categories. Pre-1996 vintage funds remain in the previous stage categories. This is reflected in the tables accordingly.*

### Key Points

- 2005 results show that UK private equity has continued to outperform Total UK Pension Funds Assets\* and the FTSE 100 and FTSE All-Share over the medium to long term.
- The net returns of UK private equity funds raised between 1980 and 2005 measured to the end of December 2005 were:
  - Three year = 21.1% p.a.
  - Five year = 11.9% p.a.
  - Ten year = 16.4% p.a.
- UK private equity significantly outperformed Total UK Pension Funds Assets in 2005 and over three, five and ten-year periods.
- UK private equity also outperformed the FTSE 100 and the FTSE All-Share indices over three, five and ten years, and outperformed all other principal FTSE indices over five and ten years.
- The overall long-term net return to investors since inception now stands at 14.4% p.a. on funds raised between 1980 and 2001, measured to 31 December 2005. This is a marked improvement on the 13.0% since inception return at 2004.
- This strong performance by private equity funds has been mostly fuelled by MBO funds and pan-European funds in particular.
- Returns for Venture and Technology funds are still heavily influenced by the weight of funds raised in 1999/2000, the height of the internet/dot com era. Overall, performance continues to gradually improve.
- There has been significant improvement in returns from 1999 and 2000 vintage funds and early performance of 2001-2003 vintages is very encouraging at this stage.

\*As shown in the WM All Funds Universe.

## Medium to Long-Term Return – IRR (% pa)

### Investment Stage and Subcategories

	No of funds	Three years	Five years	Ten years
<b>Pre-1996 vintage funds</b>				
Early Stage	22	-0.9	-5.8	17.6
Development	37	3.2	-3.6	22.0
Mid MBO	33	15.8	10.3	20.2
Large MBO	26	14.0	5.6	28.1
Generalist	38	18.8	-1.8	35.4
<b>Subtotal pre-1996</b>	<b>156</b>	<b>14.6</b>	<b>3.3</b>	<b>27.8</b>
<b>1996 vintage funds onwards</b>				
Venture	77	-2.4	-11.5	-2.5
Small MBO*	19	11.3	2.2	4.6
Mid MBO	85	18.8	9.8	9.6
Large MBO	25	26.2	18.7	18.5
<b>Subtotal 1996 onwards</b>	<b>206</b>	<b>21.2</b>	<b>12.3</b>	<b>13.5</b>
<b>Grand total all funds</b>	<b>362</b>	<b>21.1</b>	<b>11.9</b>	<b>16.4</b>
<b>Subcategories (all vintages)</b>				
UK	267	16.7	7.8	16.1
Non-UK	95	22.8	13.8	16.6
Pan-European	89	24.1	14.7	20.1
Technology	97	-2.7	-11.4	-2.6
Non-Technology	265	23.2	14.4	17.8

\* Includes development capital

### Vintage Year

	No of funds	Three years	Five years	Ten years
1980-84	13	n/a	-64.6	38.5
1985-89	68	10.7	6.0	34.2
1990	14	-39.7	-22.7	9.3
1991	14	83.3	-8.2	26.7
1992	7	39.9	17.9	27.9
1993	10	17.9	4.6	17.4
1994	20	42.3	24.1	41.4
1995	10	-1.0	-14.3	23.4
1996	15	11.4	2.9	n/a
1997	25	19.2	5.7	n/a
1998	16	20.0	12.0	n/a
1999	27	17.0	7.3	n/a
2000	28	14.2	9.2	n/a
2001	30	29.9	n/a	n/a
2002	19	31.2	n/a	n/a
2003	19	n/a	n/a	n/a
2004	7	n/a	n/a	n/a
2005	20	n/a	n/a	n/a
<b>Total</b>	<b>362</b>	<b>21.1</b>	<b>11.9</b>	<b>16.4</b>

Note: Please see back page for Principal Comparators' Returns

## Since Inception Return – IRR (% pa)

### Investment Stage and Subcategories

	No of funds	To Dec '05	To Dec '04	To Dec '03	To Dec '02	To Dec '01	To Dec '00
<b>Pre-1996 vintage funds</b>							
Early Stage	22	8.8	8.9	8.9	9.0	9.1	9.3
Development	37	10.0	10.0	10.0	10.1	10.1	10.4
Mid MBO	33	15.8	15.9	15.9	15.9	16.0	16.1
Large MBO	26	18.2	18.1	18.1	18.2	18.1	18.7
Generalist	38	15.6	15.5	15.6	15.6	15.8	16.1
<b>Subtotal pre-1996</b>	<b>156</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.9</b>
<b>1996 vintage funds onwards</b>							
Venture	50	-1.9	-2.4	8.7	29.7	42.0	86.7
Small MBO*	14	1.9	0.3	3.2	1.3	2.6	-14.2
Mid MBO	60	9.3	5.9	4.3	3.6	8.0	17.6
Large MBO	17	18.0	13.9	14.3	16.5	30.6	25.2
<b>Subtotal 1996 onwards</b>	<b>141</b>	<b>13.2</b>	<b>9.4</b>	<b>9.7</b>	<b>11.7</b>	<b>19.8</b>	<b>25.9</b>
<b>Grand total all funds</b>	<b>297</b>	<b>14.4</b>	<b>13.0</b>	<b>13.6</b>	<b>14.6</b>	<b>16.2</b>	<b>16.4</b>
<b>Subcategories (all vintages)</b>							
UK	225	14.0	13.6	14.1	14.5	15.4	16.2
Non-UK	72	14.9	11.8	12.6	15.1	18.7	17.5
Pan-European	67	17.4	14.0	14.9	16.9	20.9	20.4
Technology	83	0.1	0.9	7.4	10.7	12.1	12.8
Non-Technology	214	15.7	14.2	14.5	15.3	17.0	17.3

\* Includes development capital

### Vintage Year

	No of funds	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
1985-89	68	13.8	13.8	13.8	13.8	13.8	13.8
1990	14	11.1	11.1	11.1	11.6	11.5	11.8
1991	14	23.4	23.3	23.3	23.3	23.3	23.7
1992	7	20.3	20.3	20.2	20.1	20.0	19.7
1993	10	14.8	14.0	14.6	14.6	14.6	16.0
1994	20	34.4	34.4	34.3	34.3	34.9	36.9
1995	10	21.9	21.9	21.8	22.8	25.7	32.1
1996	15	18.6	18.5	19.0	20.1	22.0	26.3
1997	25	14.9	14.3	14.3	13.7	17.6	n/a
1998	16	10.8	10.6	9.3	6.3	n/a	n/a
1999	27	6.2	1.5	-2.0	n/a	n/a	n/a
2000	28	8.7	4.8	n/a	n/a	n/a	n/a
2001	30	23.4	n/a	n/a	n/a	n/a	n/a
<b>Total</b>	<b>297</b>	<b>14.4</b>	<b>13.0</b>	<b>13.6</b>	<b>14.6</b>	<b>16.2</b>	<b>16.4</b>
2002	19	27.7	n/a	n/a	n/a	n/a	n/a
2003	19	22.2	n/a	n/a	n/a	n/a	n/a
2004	7	-5.8	n/a	n/a	n/a	n/a	n/a
2005	20	-8.0	n/a	n/a	n/a	n/a	n/a
<b>Subtotal 2002-2005</b>	<b>65</b>	<b>20.7</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

## Principal Comparators' Return (% pa)

UK Pension Funds (WM All Funds Universe)

	Three years	Five years	Ten years
UK Equities	18.5	2.4	8.0
Overseas Equities	21.0	2.7	6.7
UK Bonds	6.9	6.9	8.5
Overseas Bonds	6.8	6.9	5.4
UK Index-Linked	8.2	6.4	8.1
Cash/Other	7.3	5.3	6.5
Property	16.7	13.3	12.8
<b>Total Assets</b>	<b>16.0</b>	<b>4.2</b>	<b>8.0</b>
<b>FTSE Indices</b>			
FTSE All-Share	18.5	2.2	7.9
FTSE 100	16.6	1.2	7.5
FTSE 250	30.2	9.2	11.4
FTSE SmallCap	24.9	3.2	8.2
techMARK All-Share*	30.2	-11.0	n/a
FTSE World (ex-UK)	17.6	0.3	6.6
FTSE Europe (ex-UK)	22.4	1.3	9.3
<b>Inflation Indices</b>			
Retail Price Index	2.8	2.4	2.6
Average Earnings	4.1	3.7	4.3

Source: The WM Company Annual Review of UK Pension Funds 2005 - all comparator figures with the exception of techMARK.


\*Calculated using indices supplied by the London Stock Exchange which exclude dividends.

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