



October 30, 2003

Dear CVCA Member:

Canadian Venture Capital and Private Equity Performance Data

The CVCA, working with Macdonald & Associates, Venture Economics and Réseau Capital, has now completed the measurement of industry performance up to December 31, 2002. This information will shortly be placed on the CVCA's web site and we take pleasure in providing it to you in advance.

Attached please find:

1. industry investment returns for various periods ended December 31, 2002;
2. explanatory notes; and
3. a list of respondents who provided the data incorporated into the aggregate results.

We hope that this information will be useful to you. The CVCA remains committed to the provision of performance data for the venture capital and private equity asset class and we are continuing to improve the frequency and comprehensiveness of the data we provide to investing institutions, our members and the general public. Our present focus is on the valuation of unrealized investments and you may be aware that we have recommended guidelines on this subject and have asked for comments from our members and others. We are gratified by the large number of comments we have received. Both our recommendations and the comments are set out on the CVCA web site www.cvca.ca.

Your comments and suggestions with respect to the attached data are very welcome. Please direct them either to me (at Ventures West (604) 891-3260 E-mail: rlouis@ventureswest.com) or to the Chairman of the Statistics Committee of the CVCA, John Bradlow (at Penfund, (416) 645-3799 E-mail: jbradlow@penfund.com.)

Sincerely,

Robin Louis
President

Attachments

CVCA Canada's Venture Capital and Private Equity Association

Investment Returns for Periods ended December 31, 2002

	<u>IRR% P.A.</u>						
	Periods in Years				Upper		Lower
Investment Category	One	Three	Five	Eight	Quartile*	Median*	Quartile*
Early Stage Venture Capital	-25.1	-5.8	2.3	4.3	9.9	-0.2	-15.7
Balanced Venture Capital	-26.5	-11.6	-5.4	4.0	13.1	0.8	-5.8
All Venture Capital	-25.0	-9.6	-3.1	6.1	12.9	0.9	-10.1
Buyout & Mezzanine	7.0	8.5	11.6	19.3	22.5	17.1	0.0
All Venture Capital and Private Equity	-21.3	-7.5	-1.3	9.5	16.5	2.4	-6.7

* relates to 8 year data

In order to provide some insight into the overall investment context, the performance of major public market indexes during the above periods is indicated below. The CVCA does not suggest that the components of these indexes are comparable to typical venture capital and private equity investments.

	Periods in Years			
	One	Three	Five	Eight
TSE 300 (Total Return)	-12.4%	-6.3%	1.3%	7.7%
S&P 500 (US \$)	-22.1%	-14.6%	-0.6%	10.3%
Nasdaq Composite (US \$)	-31.5%	-31.0%	-3.2%	7.4%

See attached Explanatory Notes

Explanatory Notes

1. The Performance Data is based on information from respondents who (a) provided data on 97 segregated investment funds for various periods ended December 31, 2002; or (b) alternatively, had previously provided data on 21 additional segregated funds for the periods ended December 31, 2001.
2. The respondents referred to in category 1(b) above did not provide data for the 2002 year principally because they had ceased investment operations.
3. All funds have been categorized according to the principal focus of their investment strategies. Venture capital funds have been distinguished from buyout and mezzanine funds. Venture capital funds have been further sub-divided into early stage funds (those which emphasize investment in start up and concept entities) and balanced or multi-stage funds (which invest in entities at varying stages of development).
4. Categorization of funds has been restricted to those categories containing a sufficiently large sample.
5. The indicated investment returns are annual percentage returns for the stated periods and categories calculated on an internal rate of return (IRR) basis.
6. The returns are provided on a “pooled basis” which involves the aggregation of data from respondents in a particular category and the treatment of the category as a single hypothetical ‘fund’. The category “All Venture Capital and Private Equity” represents the summation of data from all 118 funds and hence represents the best available performance information for the venture capital sector as a whole.
7. The investment returns for the indicated periods are based on portfolio market values at the beginning and end of each period and cash flows from investments during the respective periods.
8. Investment returns for the eight year period are further classified by quartile. This indicates the investment returns required for a fund to be included in a particular quartile. For example, in the All Venture Capital category, a fund must have generated an IRR of a least 12.9% p.a. to be included in the top quartile category.
9. The indicated investment returns are gross returns from portfolio investments before deduction of management costs and other expenses. The returns are based exclusively on portfolio investments and hence do not reflect the impact of cash holdings or other non-portfolio assets within an entity.

Investment returns are provided on a gross return basis because this basis provides a comparable indicator of investment performance of widely differing investing entities. Such entities include labour sponsored venture capital funds, private independent funds, pension funds, corporate investors, life insurance companies and the investing units of banks. These entities have differing objectives, sources of funds, management compensation approaches and regulatory constraints which significantly impact their operating cost structures. Consequently it is difficult to provide meaningful and comparable data on a net return basis (i.e. after deduction of management and other costs). The CVCA is working with other organizations to address this issue.