



May 21, 2004

Dear CVCA Member:

Canadian Venture Capital and Private Equity Performance Data

The CVCA, working with Macdonald & Associates Limited, Thomson Venture Economics and Réseau Capital, has now completed the compilation of industry performance up to December 31, 2003. 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. aggregate industry investment returns for various periods ended December 31, 2003;
2. explanatory notes; and
3. a list of respondents who participated in the 2003 survey and provided 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.

As part of this effort, the CVCA has recently released guidelines to govern the valuation of unrealized venture capital and private equity investments. Performance data released by the CVCA in the future will be based on these guidelines.

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



Investment Returns for Periods ended December 31, 2003

Investment Category	<u>Annual Internal Rate of Return</u>						
	Periods in Years				Upper	Lower	
	(all periods ending 31-Dec-03)						
	One	Three	Five	Nine	Quartile*	Median*	Quartile*
Early Stage Venture Capital	-2.7	-17.9	3.1	5.4	11.1	0.0	-9.4
Balanced Venture Capital	-5.8	-10.3	1.7	4.9	10.5	-1.5	-10.4
All Venture Capital	-5.8	-12.8	1.8	4.7	11.9	0.0	-9.8
Buyout & Mezzanine	1.0	10.9	10.9	17.6	23.4	11.4	0.1
All Venture Capital and Private Equity	-4.5	-9.4	3.3	6.6	15.2	0.9	-9.2

Source: Macdonald & Associates Limited, Thomson Venture Economics and CVCA

* relates to 9 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	Nine
S&P TSX Total Return	26.7%	-1.0%	6.5%	9.6%
S&P 500 (US \$) Total Return	28.7%	-4.1%	-0.6%	12.2%
Nasdaq Composite (US \$)	50.0%	-6.8%	-1.8%	11.5%

See attached Explanatory Notes

Explanatory Notes

1. The Performance Data is based on information from respondents who (a) provided data on 93 segregated investment funds for various periods ended December 31, 2003; or (b) alternatively, had previously provided data on 47 additional segregated funds for the periods ended December 31, 2002.
2. The respondents referred to in category 1(b) above did not provide data for the 2003 year principally because they had ceased investment operations or declined participation in the 2003 survey.
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 140 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 nine-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 at least 11.9% 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.

Participating Funds to the 2003 Performance Survey

VC Funds

ACF Equity Atlantic Inc.
Altura Growth Fund
BDC Venture Capital
Brightspark Ventures Inc.
Canadian Science & Technology Growth Fund Inc.
Capital Alliance Ventures
Capital Regional & Cooperatif Desjardins
CDP Capital – Technology Ventures I
CDP Capital - Technology Ventures II
Covington Fund I
Covington Fund II
Crocus Investment Fund
Desjardins Venture Capital
Eagle One Ventures
ENSIS Growth Fund
First Ontario Labour Sponsored Investment Fund
Foragen Technologies L.P.
Greenstone Venture Partners
Growthworks Access Fund
Growthworks Pacific Ventures Fund
Growthworks Working Opportunity Fund
Growthworks WV Canadian Fund
Growthworks WV Opportunity Fund
GTI - Infosoft, Societe en Commandite
GTI - Logisoft, Societe en Commandite
GTI V
Innovatech Quebec Chaudiere & Appalache
Innovatech Sud Du Québec
J.L. Albright Funds
Jefferson Partners Fund IV LP
Jefferson Partners Technology Fund LP
JPTF Annex Fund LP
Manitoba Science & Technology Fund
McLean Watson Softech Fund
McLean Watson Ventures II, LP
MM Venture Partners
MSBI
New Generation Biotech (Equity) Fund
OMERS Fund
OPG Ventures
Pangaea Ventures
Primaxis Technology Ventures Fund
Priveq Financial Corporation
Priveq II, LP
Roynat Capital Inc.
Skypoint Telecom Fund I
Skypoint Telecom Fund II
SpringBank Tech Ventures
TD Capital Legacy (CDN)
TD Capital Legacy (USD)
Teachers' Merchant Bank - VC
TechnoCap
Telsoft Ventures Inc.
Trellis Capital Corporation
VenGrowth Advanced Life Sciences Fund

VenGrowth II Investment Fund
VenGrowth Investment Fund
VenGrowth V LP
VentureLink Brighter Fund (Balanced) Fund
VentureLink Brighter Fund (Equity) Fund
VentureLink Diversified Balance Fund
VentureLink Diversified Income Fund
VentureLink Financial Services Innovation Fund
VentureLink Fund
Ventures West B.C. Technology Investment Fund
Ventures West BMO Technology Investment Fund
Ventures West Eastern Technology Inv Fund
Ventures West III
Ventures West Technologies
Ventures West VI
Ventures West VII
Ventures West Western Technology Seed Fund
Waterloo Tech Capital
Waterloo Ventures
Western Life Sciences Venture Fund

Mezzanine Funds

CCFL Subordinated Debt Fund (II) LP
CCFL Subordinated Debt Fund (III) LP
MG Stratum Fund
MG Stratum Fund II
Norvest Mezzanine Fund LP
Penfund Mezzanine Fund I
TD Capital Mezzanine Partners (CDN)
TD Capital Mezzanine Partners (US)
VanCity Capital Corporation Fund

Buyout Funds

Canadian General Capital Limited
Clairvest Equity Partners LP
Clairvest Group Inc
Integrated Partners
Longitude Fund
Manvest Inc.
Schroders Canadian Buy-Out Fund III
TD Capital Canadian Private Equity Partners
TriWest Capital Partners Inc.