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CAMBRIDGE ASSOCIATES TO POST QUARTERLY PERFORMANCE BENCHMARKS FOR "GROWTH EQUITY," WHICH HAS MATURED INTO A DISTINCT ASSET CLASS

Global Growth Equity Has Outperformed Venture Capital over One-, Five- and Ten-Year Periods, According to Cambridge Associates Report

BOSTON, MA (August 7, 2013) – Growth equity, an investment strategy sharing some characteristics of both late-stage venture capital and buyouts, has struggled with an identity problem for years. Today, according to a new Commentary from Cambridge Associates (link), growth equity has evolved into an asset class distinct from both venture capital and leveraged buyouts and can be an attractive alternative for certain investors. Cambridge Associates is a global investment advisor to institutional and private clients.

Accordingly, Cambridge Associates will begin publishing quarterly global growth equity performance benchmarks (U.S. and ex U.S.) on its web site (link). Heretofore Cambridge has made its private equity and venture capital benchmarks available on the site.

Defining Growth Equity

On the spectrum of private investment strategies, growth equity fits between late-stage venture capital and leveraged buyouts. Growth equity portfolio companies benefit from additional capital to accelerate growth. Most are founder-owned and have typically had no prior institutional investment. They also generally have a proven business model, i.e., established products, technologies and customers; substantial organic revenue growth, i.e., more than 10% and ideally 20% per year; and positive (or soon-to-be positive) EBITDA.

Growth equity investments are typically minority stakes that use little if any leverage. There are safeguards for investors; for instance, growth equity is typically placed in a more senior position than common equity.

Potential Appeal for Investors

"While growth equity shares some characteristics with other private investments, its potential appeal clearly derives from more than just 'splitting the difference' between VC and PE," said Peter Mooradian, managing director and senior venture capital research consultant at Cambridge Associates and coauthor of the Commentary "Growth Equity is

All Grown Up" (link). The Commentary delineates three key reasons for growth equity's appeal:

- **Secular growth focus.** Growth equity investors seek out companies with rapid organic growth, often in sectors growing faster than the overall economy, making it a potentially rewarding strategy in a low-growth macroeconomic environment.
- **Lower risk profile:** Growth equity investments involve no or low leverage; are senior to management's equity ownership; and have a full set of protective shareholder and governance provisions, all of which mitigates downside risk. Portfolio companies also tend to have lower technology and/or adoption risk than earlier stage VC-backed companies.
- **Strong performance.** Since 2000, growth equity funds have generated strong returns and have outperformed US venture capital. Moreover, conditions appear to be in place for them to replicate their success going forward.

"Investors should approach growth equity as a separate strategy with its own risk-reward profile. Simply put, growth equity offers a similar return profile to leveraged buyouts but without leverage – and could also be viewed as a low-octane venture proxy, with far less dispersion among company returns given the lower risk of loss, but also little chance for the fabled ten-baggers integral to VC's long-term success," said Mooradian.

Click here to watch a Privcap video on growth equity featuring Andrea Auerbach, head of global private equity research at Cambridge Associates.

About Cambridge Associates and the Indices

Founded in 1973, Cambridge Associates is a provider of independent investment advice and research to institutional investors and private clients worldwide. Today the firm serves over 950 global investors and delivers a range of services, including investment consulting, outsourced portfolio solutions, research services and tools (Research Navigator℠ and Benchmark Calculator), and performance monitoring, across all asset classes. The firm compiles the performance results for over 5,300 private partnerships and their more than 67,000 portfolio company investments to publish its proprietary private investments benchmarks, of which the *Cambridge Associates LLC U.S. Venture Capital Index®* and *Cambridge Associates LLC U.S. Private Equity Index®* are widely considered to be among the standard benchmark statistics for these asset classes. Cambridge Associates has more than 1,100 employees serving its client base globally and maintains offices in Arlington, VA; Boston; Dallas; Menlo Park, CA; London; Singapore; Sydney; and Beijing. Cambridge Associates consists of five global investment consulting affiliates that are all under common ownership and control. For more information about Cambridge Associates, please visit www.cambridgeassociates.com.