



Venture Capital Fundraising Activity Slows Considerably in 1Q2009

National Venture Capital Association (NVCA) and Thomson Reuters

Just 40 venture capital funds raised US\$4.3 billion in the first quarter of 2009, according to Thomson Reuters and the National Venture Capital Association (NVCA). This level represented the smallest number of venture funds raising money in a single quarter since the third quarter of 2003. Dollars commitments however, reflected a slight increase over the previous quarter when US\$3.5 billion was raised.

"The first quarter fundraising data suggests two distinct dynamics currently taking place during the economic downturn," said Mark Heesen, president of the NVCA. "First, the majority of venture firms are not actively fundraising at this time because they have either recently raised a fund and are investing those dollars, or are waiting until market conditions improve. Second, despite the recession, venture firms with solid track records continue to be able to secure sizable commitments from limited partners as there remains a great deal of promise for future returns from the venture capital asset class."

Table 1: Fundraising by Venture Funds

Year/Quarter	No of Funds	Venture Capital (\$ million)
2004	211	19,156.0
2005	236	28,747.5
2006	239	31,866.0
2007	249	35,649.4
2008	214	28,278.5
2009	40	4,316.0
1Q2007	81	6,485.5
2Q2007	85	8,660.6
3Q2007	77	8,595.8
4Q2007	85	11,907.5
1Q2008	71	7,120.1
2Q2008	78	9,246.7
3Q2008	62	8,393.3
4Q2008	47	3,518.4
1Q2009	40	4,316.0

Source: Thomson Reuters & National Venture Capital Association

Market circumstances nearly halted the formation of new venture capital funds in the first quarter of 2009. Just three new funds and 37 follow-on funds were raised in the first quarter, or a ratio of over 12 : 1 of follow-on to new funds, compared to 6 : 1 in the first quarter of 2008. A "new" fund is defined as the first fund at a newly established firm, although the general partner of that firm may have previous experience investing in venture capital.



Table 2: VC Funds – New vs Follow-on

Year/Quarter	No of New	No of follow-on	Total
2004	55	156	211
2005	63	173	236
2006	55	184	239
2007	61	188	249
2008	47	167	214
2009	3	37	40
1Q2007	21	60	81
2Q2007	17	68	85
3Q2007	15	62	77
4Q2007	26	59	85
1Q2008	10	61	71
2Q2008	23	55	78
3Q2008	13	49	62
4Q2008	11	36	47
1Q2009	3	37	40

Source: Thomson Reuters & National Venture Capital Association

The largest fund raised in the first quarter was August Capital V LP (balanced stage, US\$650 million) by firm August Capital Management followed by Bain Capital Venture Fund 2009 LP (balanced stage, US\$475 million) by Bain Capital Ventures.

The National Venture Capital Association (NVCA) represents approximately 450 venture capital firms in the US. NVCA's mission is to foster greater understanding of the importance of venture capital to the US economy, and support entrepreneurial activity and innovation. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.

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