

Shedding light on venture capital returns Why it pays for alpha hunters to take a closer look at statistics

The challenges confronting the management team of any entity that pools capital – be it an insurance company, pension fund or retirement provision plan – are every bit as difficult as squaring the circle. They must perform well enough to assure the institution's ability to finance beneficiaries' future claims. However, nominal returns on government bonds have never been lower, and not all government bonds are free of default risk – as demonstrated by the discussions surrounding EU periphery countries. Stringent Solvency II requirements are also changing the playing field.

Venture capital: The aftermath of the New Economy party

These circumstances make it all the more important that the budget available for allocation to alternative investment classes goes to the most attractive investments. Venture capital is presently playing virtually no role at all in this respect, which is presumably attributable to the fact that investments in this form of alternative asset tie up a large portion of the risk budget, even though the average return would not appear to be satisfactory. The attitude toward venture capital used to be different; during the New Economy party just prior to the turn of the millennium, German capital pools in particular once invested amazing amounts in this asset class. But the hangover was bound to come, and it still isn't over; the aftermath of the losses incurred as the hype came to a screeching halt was simply too severe.

Performance data: Selection offers return opportunities

The figures seem to make the initially cautious stance among investors under-

standable. At first glance, a study conducted by the European Venture Capital Association (EVCA) that was published in 2010 would appear to justify skepticism of venture capital investments. According to the EVCA study, the return on European venture capital over a 30-year horizon is a weak 1.6%. It's unlikely that this return will be able to recoup capital costs. For many, this is reason enough to not explore venture capital investments.

Yet a detailed analysis of the statistics cited in the EVCA study yields different and surprising findings. The top half of venture capital investments earns returns that can add significant value to institutional investors' portfolios. On a 30-year comparison, for example, the return in excess of 9% p.a. is attractive. And the top quarter's return of 13.6% p.a. certainly makes it a contender for any portfolio. So the key to successful returns would appear to be selection. This puts investors who either enter the market themselves or utilize the support of a consultant for market screening purposes at an advantage.

So how can an institutional investor go about making a promising selection? The market has already helped to make the first selection step. The membership numbers of private venture capital

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Finally getting down to brass tacks

Germany is the land of ideas; unfortunately, it is not yet a country that puts these ideas and innovations into action. Too many excellent ideas are not being transformed into jobs and added value – first and foremost due to a lack of seed capital. Some observers argue that the industrial laboratory is the dominant innovation mechanism in Germany, implying that start-ups aren't necessary. But those observers refuse to acknowledge that Germany has a history of missing opportunities to make good ideas an industrial reality – despite being well positioned to do so – and has done so in multiple key technologies. A policy that can afford to invest massively in basic research and idea generation, but then fails to consistently utilize start-ups as a vehicle to capitalize on the fruits of these investments is out of balance and ineffective. Since 2008, the Commission of Experts for Research and Innovation [Expertenkommission Forschung und Innovation (EFI)] has been publishing reports that put Germany near the bottom of the ranks among European countries in terms of the venture capital environment. That has to change. Putting the AIFM Directive into German law presents an opportunity to finally foster a competitive edge. This is an opportunity that should not be passed up.

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firms organized in the German Private Equity and Venture Capital Association [Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK)] show that the selection pressure that has persisted since 2000 has wiped out roughly three quarters of VC firms from the scene.

That means chances are good that the remaining market players got it right more than they got it wrong, and therefore justly remained in the market with their funds – often in the third or fourth generation – and continue to earn their investors' confidence. So this would seem to be a good prerequisite for taking a closer look at these venture capital managers.

If you seek alpha you'll find it

The search for alpha, i.e. for the excess return generated by active management relative to the return of a (passive) benchmark (beta), plays a crucial role, especially in the investment decisions made by institutional investors. Particularly in terms of equity and bond investments, this is a discussion that in recent years has prompted an increasing number of investors to take a rather passive approach by investing in the benchmark. More and more market players are realizing that it is virtually impossible to achieve alpha in highly liquid markets. This explains the run on passive strategies that mirror investments in exchange traded index funds (ETFs), for example. The situation is completely different when it comes to venture capital; aside from the fact that a passive strategy is simply not possible in this asset class, it is easier to find an alpha here. Relatively simple due diligence increases the likelihood of finding a firm that num-

bers among the top half of venture capital managers, i.e. among the top performers. Selection criteria such as a predecessor fund's performance, professionalism of existing investors (LPs), stability of the team, quality of investor relations and third-party references reliably distinguish the top half of venture capital firms from the bottom half. The databases of research firms like Thomson Reuters, Prequin or Dow Jones Venture Source aid investors in their initial assessments when looking to make a selection.

Net pooled IRR from inception to 31.12.2009 (Top-half funds formed 1980-2009)

Stage	No. of funds	Pooled IRR
Early-stage	209	6.3
Development	96	13.8
Balanced	80	7.7
All venture	390	9.1

Net pooled IRR from inception to 31.12.2009 (Top-quarter funds formed 1980-2009)

Stage	No. of funds	Pooled IRR
Early-stage	104	12.0
Development	49	18.0
Balanced	41	13.5
All venture	196	13.6

Source: Pan-European Private Equity Performance Benchmarks Study 2009

Ultimately by putting just a little effort into the selection process, an institutional investor can invest in venture capital and thus move into an asset class that holds the promise of absolute returns with additional diversification benefits.

Hubertus Leonhardt



Micropelt opens officially TE-Chip Fab in Halle/ Saale. From left to right: Oliver Keilhack (CFO Micropelt), Nils Sandvoß (Investitionsbank Saxony-Anhalt), Mathias Ressel (Goodvent Magdeburg), Fritz Volkert (CEO Micropelt), Dr. Christian Suttner (Board member); Chairman of the Board Hubertus Leonhardt (SHS) and Dr. Heinz Friedrich Franke (Head of Business Development Department Halle).

Micropelt inaugurates world's first thermoelectric chip production plant in Halle/Saale, Germany

On June 21, 2011, Freiburg-based Micropelt GmbH inaugurated the world's first automated industrial-scale production facility for thermoelectric chips in Halle / Saale, Germany. Housed on 400 square meters of production floor space with a custom-made cleanroom, Micropelt produces thin thermoelectric layers on silicon wafers and then processes them into microcoolers, sensors and thermogenerators that are no bigger than the head of a pin. With performance density that is unrivaled anywhere in the world, these thermogenerator chips, which are approximately 10 square millimeters in size, harvest electrical energy from freely available waste heat. Some € 15 million are being invested in order to translate the position that Micropelt has earned as an international market leader in technology into appropriate market success.

“Ramping up to volume production is an important milestone for us,” notes Micropelt Managing Director Fritz Volkert. “Moreover, we’re also laying a cornerstone here for transforming the way residential households, public-sector institutions and private-sector enterprises utilize energy and resources.” Volkert is thus targeting the new market for radio sensors and microactivators that are supplied with electricity by thermogenerators. Micropelt is convinced that processes and plants will very soon be equipped with cost-effective wireless sensor networks, thus enabling them to be monitored simultaneously. The processes and plants will then be operated and maintained on the basis of real-time data. This will lead, the company notes, to greater process efficiency as well as targeted maintenance with minimal risk with respect to parts, personnel and costs.

c-LEcta continues to sail expansion course: Exclusive alliances with major partners

c-LEcta and Uhde have entered into an exclusive alliance aimed at optimizing and commercializing the biotechnological production of lactic acid. Uhde is one of the world's leading manufacturers of these plants, with more than 2,000 of them already constructed. Together with Uhde, c-LEcta will develop scalable processes for the production of lactic acid based upon the fermentation of sugars.

The alliance unites Uhde's expertise in the field of fermentation and downstream processing in the field of lactic acid production and c-LEcta's knowledge of culture development and

optimization. The collaboration will enable the partners to efficiently optimize proprietary lactic acid production technologies and tailor them to customer needs.

This partnership, which was inaugurated in early 2010, has already enabled Uhde and c-LEcta to demonstrate just how complementary their technologies are, and the two are now fortifying their partnership with the new contract. Dr. Marc Struhalla, Managing Director of c-LEcta GmbH: “Chemical products that are produced using renewable raw materials number among our primary

strategic focuses. We are pleased about this opportunity to combine our molecular engineering expertise with Uhde's knowledge of lactic acid technologies and the field of planning and manufacturing chemical, refinery and other industrial plants.”

In addition, c-LEcta has entered into a further exclusive partnership with a large industrial biotechnology supplier to leverage its support to successfully bring to market one of the many products in its proprietary product portfolio.



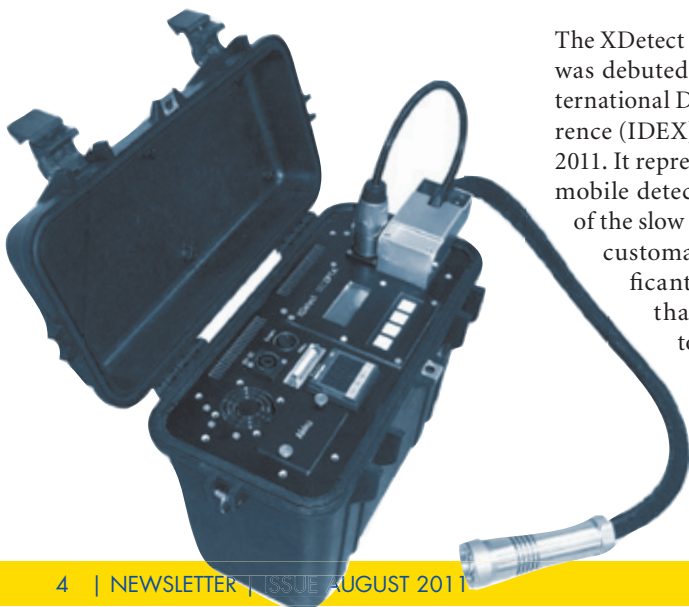
Epionics Medical: Standard study concluded – Grünenthal study begins

Epionics SPINE makes it possible to clearly distinguish the lumbar mobility patterns of healthy people from those who suffer from back pain. This was demonstrated by the results of the standard study that was concluded in November 2010, thus documenting the diagnostic and therapeutic relevance of the functional differentiation characteristics that can be evaluated with the system. Within the framework of this large-scale clinical study, Epionics Medical worked together with the Julius Wolff Institute at Charité Hospital in Berlin, as well

as with Charité’s Center for Musculoskeletal Surgery [Centrum für Muskuloskeletale Chirurgie (CMSC)], to evaluate a total of 360 healthy test subjects and 150 patients with back pain. Over the course of the study both defined short-duration choreographies as well as 24-hour dynamographies in daily life were conducted. Based on the results of the standard study, a partnership with pharmaceutical company Grünenthal GmbH was initiated. Within the framework of a multi-center study to be conducted at a total of seven German pain clinics, Epionics SPINE

will be employed to objectively quantify the day-to-day mobility patterns of patients who suffer from back pain. To do so, each of some 200 patients will be evaluated four times during the course of the therapy. The efficacy of a new drug will thus be assessed on the basis of the functional outcome parameters. Meanwhile, initial test measurements indicate that the functional parameters are also suitable for differentiating between different causes of pain. This means that, for the first time, it may be possible to objectively classify pain patients for diagnostic purposes.

Secopta: XDetect – A quantum leap in mobile explosives detection



The XDetect system from Secopta GmbH was debuted to professionals at the International Defence Exhibition & Conference (IDEX) in Abu Dhabi in February 2011. It represents a quantum leap in the mobile detection of explosives. Instead of the slow wipe tests that are presently customary, XDetect offers a significantly higher throughput rate than existing systems thanks to continuous sampling with

XDetect’s Pulsed Laser Fragmentation enables all nitro-based explosives to be captured.

a flexible measurement head. Secopta’s patented measurement process, Pulsed Laser Fragmentation (PLF), enables all nitro-based explosives to be captured in cumulative parameters with extremely low cross-sensitivity. The result is high sensitivity and selectivity, and thus a low false-alarm rate. Moreover, XDetect has been designed right from the outset to be highly portable. The system is housed in a handy carrying case and can be operated by means of an integrated rechargeable battery. Once the field tests that are currently underway have been

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concluded, Secopta plans to produce and deliver the first series systems in fall 2011. Based on the extremely positive response at IDEX, Secopta anticipates strong demand. Secopta is presently working on expanding its target catalog to include biological applications as well. In addition to potential bioterrorist threats, the E-coli outbreaks in recent weeks have demonstrated the urgent need for mobile, selective biosensor technology, including use for food inspections.

AMW: Applications filed for approval of oncological pharmaceuticals

In the second quarter of 2011, Arzneimittelwerk Warngau (AMW) filed two new applications for the approval of LHRH analogs for the treatment of prostate cancer. Two clinical studies demonstrated that the AMW drugs lowered the testosterone level of prostate cancer patients below castration level. This stops or retards tumor growth. AMW is now hoping to receive approval in the second quarter of 2012. The development of a CNS patch is the focus of the collaboration between AMW and a SME pharma company. The partnership was entered into in the second quarter of 2011.

SHS and CatCap support Venture Lounge and broaden their collaboration

SHS Gesellschaft für Beteiligungsmanagement mbH and CatCap GmbH have been collaborating on strategic financing measures in Life Sciences and Medical Technology for many years: SHS as an investor, CatCap as a corporate finance advisor. On the basis of this long-standing collaboration founded on trust, the two companies have expanded their collaboration to include the Venture Lounge (www.venturelounge.de). The Venture Lounge, an event that has been in place for years now, brings together young entrepreneurs in need of equity with business angels and representatives of leading venture capital firms. 75% of all relevant VCs and private investors from various fields of technology regularly take part in the Venture Lounge. The last Venture Lounge was held in Munich on June 30, 2011.

SHS CEO Day: Information exchange and get together at Haigerloch Castle

Upper-level management of SHS Life Sciences portfolio companies will be meeting for an informational exchange at Haigerloch Castle October 21-22, 2011. In addition to getting to know each other personally and sharing experiences, the SHS CEO Day will also offer an informative supporting program providing managers with practical tips relating to their day-to-day business. Items on the agenda range from optimizing clinical studies and obtaining FDA approval to structuring distribution agreements and exit processes. Dr. Harald F. Stock, CEO of Grüenthal GmbH, will be the dinner speaker.

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For an investment project, we are seeking a **Manager Clinic Support & Studies (Orthopedics)**

Your responsibilities

Your responsibilities will include managing clinical studies and registries, especially the documentation relating to operative cases as well as training and product support for physicians, clinics and centers involved as well as the company's employees. As part of business development, your responsibilities will also include the identification and recruitment of new study centers and physicians, as well as the development of concepts for target sales numbers for the various centers.

Your profile

Candidates should ideally possess at least five years of relevant professional experience.

Please submit applications to:

SHS Gesellschaft für Beteiligungsmanagement mbH,
Mr. Hubertus Leonhardt
Bismarckstraße 12, D-72076 Tuebingen, Germany
E-Mail: hl@shsvc.net



Micropelt GmbH (Freiburg, Germany) develops, manufactures and markets miniaturized thermogenerators, Peltier coolers and TE sensors.

For our continued growth, we are seeking a **Business Unit Manager with experience in establishing new business units**

Your responsibilities

Your responsibilities will include establishing a business unit for room control solutions for industrial and residential markets. The products are based on remote-controlled, energy-autonomous heating valves, which can be augmented to create a complete room air conditioning system. Your role will also include implementing the business process for systems business, organizational structure, recruiting, key account management and production management (in-house and at suppliers).

Your profile

You should ideally possess at least ten years of professional experience and market knowledge in the fields of building automation and/or individual room control systems.

Please e-mail applications to:

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Further information: Tel. +49 761 156 33 777 and
www.micropelt.de



TNI medical AG, a high-tech company headquartered in Wuerzburg, Germany, develops, manufactures and markets innovative diagnostics and therapeutic devices in the field of respiratory support. In particular, our High Flow Therapy products make life at home easier for patients.

We are seeking a **Development Manager (full time)**
Posting Number 11/0404

Your responsibilities

You will oversee the development of our medical technology devices all the way through to interfacing with OEM suppliers and coordinate our work with external development partners. You will be responsible for complying with and documenting medical-legal requirements, including product certification. You will be responsible for personnel management and resource planning for R & D.

Your profile

You have an academic degree and multiple years of professional and management experience in device development, as well as in collaborating with external partners. You possess an outstanding knowledge of control engineering, mechanical development and electronics. Project management tools, experience with systems simulation and design would be desirable.

Please submit applications to:

TNI medical AG, Hofmannstraße 8, D-97084 Wuerzburg,
or by e-mail to Ms. Tina Preuss: tina.preuss@tni-medical.de
Further information: www.tni-medical.de



LipoFIT Analytic GmbH (Regensburg, Germany) is one of Europe's leading service providers for NMR analytics. We view ourselves as a competent partner to our customers, work with the world's most modern equipment as well as with our own, patented analysis methods.

We are seeking a

Director of Sales in Life Sciences

Your responsibilities

Sales and profitability responsibility; growing the customer portfolio in the segments of human diagnostics, plant cultivation and biogas analytics, as well as establishing and managing key opinion leader network; developing and implementing pricing strategies; overseeing and developing sales representatives and marketing operations.

Your profile

Multiple years of successful field work in medical technology / diagnostics; marketing experience; academic degree in biology, biochemistry or pharmacy; project management experience and experience with CRM solutions; experience with managing personnel and international customers would be desirable; negotiating skills and assertiveness; outstanding communication skills.

We are seeking a

Field Sales Manager Life Sciences

Your responsibilities

Point of contact for existing customers who are active in Life Sciences; acquiring new customers; opening up new lines of business and developing new products for and with customers; defining, planning and implementing sales strategies; monitoring the market and identifying opportunities.

Your profile

Academic degree; multiple years of professional experience in biology or medicine; clear service and advisory orientation; conscientious, reliable, self-directed work ethic; quickly grasps and can explain difficult subject matter in an interesting and easy-to-understand manner.

Please e-mail applications to:

LipoFIT Analytic GmbH, Mr. Peter Boehnert
Josef-Engert-Straße 9, D-93053 Regensburg, Germany

E-Mail: peter.boehnert@lipofit.de

Further information: www.lipofit.de



4a medicom GmbH (Traboch, Austria) is a technology-driven development and production company specializing in medical technology. We are developing a new technology for measuring blood glucose concentration.

To support our development and production projects, we are seeking a

Head of Development Team in the field of clinical chemistry, pharmacy and test strip production (permanent or temporary management position)

Your responsibilities

Developing and implementing test procedures to assure the efficacy and stability of products; developing drugs; heading up and overseeing in-house studies as well as clinical systems evaluations; support in building the quality assurance procedure for test strip production; support in ramping up production.

Your profile

Pertinent education in the field of pharmacy, chemistry or biochemistry; professional experience in test strip development or production and/or in the field of pharmaceutical development; an in-depth understanding of the physical and chemical principles of the operation of dry-chemical test systems; experience in the development of testing procedures for product efficacy and stability; experience in building product-specific quality assurance procedures; analytical, structured thinking; ability to work well within a team.

To strengthen our device development team, we are also seeking a

Head of Device Development Hardware/ Software

Your responsibilities

Heading up the development team and industry implementation of a medical device for the end-user; project manager and point of contact for the procurement market; interface to external development/production partners; implementation and analysis of algorithms in the real-time architecture of measurement devices, as well as software validation.

Your profile

Degree in electrical engineering, information technology or similar concentration; at least five years of project experience; a knowledge of real-time programming would be a plus.

Please send your applications to:

4a medicom GmbH, Ms. Gabriele Wuitz, Industriepark 1, A-8772 Traboch, Austria

E-Mail: wuitz@4a.co.at

Further information: Tel. +43 3842 45106 616

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