Feedback on CP5.1/2025 Private Market Valuations and Amendments in Tracked Changes

SBai
Standards Board for Alternative Investments

1. Overview

This paper summarises the feedback received in response to Consultation Paper ('CP') 5.1/2025[1] and sets out resulting amendments to the Alternative Investment Standards ('Standards')[2].

Key Outcomes

CP5.1/2025 aimed to achieve two primary objectives:

1. **Simplification of existing Standards and Guidance language**

   To streamline language, reinforce a principles-based approach, and make the Standards more accessible to industry stakeholders.

2. **A thematic review of valuation Standards**

   Focused on concerns in the valuation of illiquid asset classes, particularly those held within closed-ended and hybrid liquidity ("evergreen") structures.

Following the conclusion of the consultation:

1. **Revisions to existing Standards and Guidance**

   The updates consist of minor clarifications and editorial improvements. These changes do not alter the structure, intent, or technical substance of the Standards. As a result, current Signatories are not expected to have major revision of their conformity status for Standards and Guidance provided in Section 4.

2. **New Standards arising from the valuation review**

   The review led to the creation of several new Standards relating to valuation practices for illiquid assets held in closed-ended and hybrid structures.

   - All Signatories will need to review their conformity with the new Standards and Guidance to ensure their operational processes, procedures, and governance remain aligned. These are provided in Section 3.
     - Managers of traditional liquid strategies (e.g., hedge funds) are not expected to be majorly affected by these new Standards and Guidance.
     - Managers with illiquid and hybrid structures (e.g., private equity, private credit) are expected to be impacted more so.

Consultation Process

The CP and proposed Standards were developed by a global working group of institutional investors and investment managers, with input from industry bodies, external valuation service

[1] https://www.sbai.org/resource/consultation-paper--5-1----private-market-valuations-2025.html
[2] https://www.sbai.org/resource/sbai-standards.html

providers, and auditors. Written feedback was received from investment managers, institutional investors, and regulators. Additional feedback was gathered through townhalls, in-person forums, roundtables, and other discussions with global stakeholders.

Effective Date for Implementation

To provide sufficient time for Signatories to review and implement the latest amendments, the deadline for implementation will be the later of:

- 6 months following the Signatory's next renewal date, or
- 12 months from the date of publication of these new Standards.

For further information see Section 5: Process for Incorporating the Standards.

2. Consultation

CP5.1 proposed amendments to the Standards with the goal of providing comfort to investors that key aspects of illiquid asset valuation including conflicts of interest, transparency and disclosure, and valuation subjectivity are appropriately addressed. We sought to achieve this through amendments covering a range of areas of concern.

The amendments include 20 new sub-standards within the existing Valuation Standards framework, detailed in Section 3.

- Standard 5: Segregation of Functions in Valuation – Governance Standards and Guidance
    - **New Standards 5.3 to 5.6: External valuation service providers**
    - **New Standards 5.7 to 5.9: Selection, appointment, and engagement with Auditors**
- Standard 6: Segregation of Functions in Valuation – Disclosure Standards and Guidance
    - **New Standard 6.3: Manager-led secondaries, crossed-investments, or related-party transactions**
    - **New Standards 6.4 to 6.8: Valuation methodology**
    - **New Standards 6.10 to 6.11: Financial statements**
- Standard 7: Hard-to-Value Assets – Governance Standards and Guidance
- Standard 8: Hard-to-Value Assets – Disclosure Standards and Guidance
    - **New Standard 8.5 to 8.7: Valuation process and procedure evaluation**
    - **New Standard 8.8: Liquidity considerations**

These amendments are again accompanied minor language updates to existing the Standards, detailed in Section 4.

2.1. General Consultative Questions & Summary Feedback

Several questions were posed in CP5.1 to assess the quality of the proposed changes to the Standards and their effectiveness in addressing the areas identified for review.

Consultation Question	Summarised Feedback & SBAI Response
Question 1: *Do you agree with the approach to widening the scope of the Standards to include valuation of private market assets? If not, please explain.*	All respondents agreed with the approach to widen the scope of the Standard.

Question 2: *Do you agree with each of the proposed new Standards and guidance as described? If not, please explain.*	The vast majority of respondents supported the substance of each proposed new Standard. Minor, non-material amendments were made to wording, primarily to enhance clarity, specificity, or precision. In one instance, there has been consolidation of two proposed standards into one. The most substantive development occurred within the accompanying Guidance, which plays a key role in translating the principles into practical application. The principles-based nature of the Standards ensures their applicability across firms regardless of size, scale, or complexity. The Guidance has therefore been expanded to provide greater detail on how adopters can implement the Standards within their valuation processes. This includes illustrative scenarios designed to reflect the diverse asset classes and valuation challenges present within private markets.
Question 3: *Do you believe these proposals to be a full and complete representation of topical issues related to valuation of private market assets? If not, please explain.*	Overall, respondents expressed broad support for the proposed approach and agreed that the revisions present a comprehensive representation of the key issues related to the valuation of private market assets. Feedback indicated strong alignment with the identified themes and the principles-based framework adopted. A number of respondents sought clarification on how the proposed Standards would interact with, or differ from, existing accounting and valuation frameworks (such as IFRS, US GAAP, or IVS). The SBAI Standards' purpose is as a complementary, governance-focused framework, intended to support and coexist alongside, rather than replace, technical accounting or valuation requirements. This feedback underscores the importance of clearly articulating the relationship between the SBAI Standards and existing professional and regulatory frameworks. The *Alternative Investment Standards* related to Valuation, focus primarily on the relationship between institutional investors and investment managers from a governance, transparency, and disclosure perspective.

Question 4: *What amendments should be made to the existing Standards to reflect industry change. Suggestions include adaptability of the Standards to:* *a. Closed ended investment vehicles* *b. Digital assets* *c. Separately managed accounts* *d. Regulatory change*	There was no substantive feedback received in relation to items (a) closed-ended investment vehicles, (b) digital assets, or (c) separately managed accounts. Respondents generally agreed that the current and proposed Standards, supported by accompanying Guidance, are sufficiently flexible to accommodate these structures and asset types without the need for further amendment. In relation to (d) regulatory change, the new Standards and Guidance were benchmarked against a broad range of regulatory frameworks globally. This comparative analysis reinforced our confidence that the proposals appropriately address the key themes and areas of focus identified by regulatory authorities across multiple jurisdictions. The principles-based nature of the Standards ensures their ongoing adaptability to evolving market practices and regulatory developments, while maintaining a consistent framework for sound governance and valuation integrity.
Question 5: *Are there any additional Standards which you would like to propose for consideration?*	No specific requests were received that would warrant the drafting of additional Standards beyond the proposed at this time. Respondents generally agreed that the proposed framework appropriately captures the key areas relevant to valuation governance and practice. Several constructive suggestions were provided that helped to refine and strengthen the existing proposals. Where feedback was considered to have merit, it has been incorporated into the relevant Standards and accompanying Guidance to enhance clarity, applicability, and practical implementation.
Question 6: *Are there any additional guidance summaries or other industry representative bodies who have produced guidance in this area which you would like to propose for consideration?*	In general, respondents did not identify any additional guidance summaries or industry representative bodies whose materials should be considered for inclusion. It is to be noted that as part of the development process, the SBAI conducted a comprehensive review of publications and materials issued by accounting and valuation standard setters and other relevant organisations. Where appropriate, and where alignment with the SBAI's principles-based framework was evident, elements of this external guidance

	have been reflected or referenced within the accompanying Guidance to enhance consistency and practical applicability.

3. Proposed New Valuation Standards and Guidance

The following sections assess the detailed feedback received. The original amendments proposed in CP5.1 are highlighted in red.

Standard 5: Segregation of Functions in Valuation – Governance Standards and Guidance

Functional Area: External Valuation Service Providers – Selection and Competency

New Standard 5.3: Managers should be prepared to provide evidence that appropriate due diligence and vendor selection has taken place before appointing an ~~independent~~ external valuation service provider.

Guidance

Managers should provide notice to the full partnership when the fund has engaged counsel or third parties to provide specialised advice, e.g., valuations experts.

Appropriate due diligence may include, but not be limited to:

- *Documenting any perceived or actual conflicts of interest between the manager and the independent valuation provider, such as:*
  - *Past or current relationships with the manager, fund, portfolio companies, or LPs.*
  - *Any economic incentives that might impair independence.*
- *Review and consideration of a range of possible providers*
- *Assessment of the provider to be able to provide accurate and timely valuations of the type of assets in scope*
- *The resources available to the provider in terms of staffing*
- *The experience of the provider's staff*
- *Industry references and feedback*
- *Whether the provider is a member of a standard setting body such as the International Valuation Standards Council*
- *Ensuring that vendor selection has been conducted independently of the investment team*

Where a manager engages and utilises more than one independent valuation provider, they should justify why and explain the process for selecting which to engage on each valuation/engagement and how to resolve differences in valuation outcomes.

Managers should be mindful that best practice requires ongoing performance monitoring of the outsourced provider. This could include:

- *Periodic peer review or benchmarking of valuation conclusions.*
- *Feedback loop from LPACs or audit findings.*
- *Reconfirmation of independence on an annual basis.*

New Standard 5.3: Summary of Feedback and Changes

Minor amendments were made to the proposed new Standard. The Guidance accompanying the Standard was amended to ensure managers give appropriate consideration to the identification and documentation of any potential or actual conflicts of interest, including prior relationships or economic incentives that could compromise independence. In addition, where more than one provider is engaged, managers must justify the approach, explain how providers are selected for specific valuations, and outline procedures for resolving any differences in valuation outcomes. Managers are encouraged to implement continuous monitoring mechanisms, including periodic peer reviews, benchmarking of valuation conclusions, obtaining LPAC or audit feedback, and annual reconfirmation of provider independence.

Functional Area: External Valuation Service Providers – Contractual Engagement

New Standard 5.4: Managers should disclose to Investors details of the service that will be delivered by any external valuation service provider such as externally calculated valuations, including what limitations in service provision may exist.

Guidance

This should include whether the independent valuation provider will, for example:

- *Value all portfolio positions, a sample of positions or materially large portfolio positions.*
- *Provide defined valuations, a range of possible values, or verification that they see no material issue with the managers calculated mark (e.g. positive assurance).*
- *Provide any verification of manager valuation models.*
- *Managers should be prepared to share any letter of engagement with investors as part of a due diligence process.*
- *IVSC's International Valuation Standards provide detailed guidance as to what an engagement letter should ideally contain:*
  The scope of work must state whether the valuation review is a valuation process review, a value review, or both.

  (a) A valuation process review addresses compliance with IVS.
  (b) A value review addresses the reasonableness of a value.

  The scope of work of an engagement that is either a valuation process review or a value review, or both, must include the following at a minimum:

  (a) The type of review being conducted,
  (b) The agreed scope as to whether the review is a valuation process review, a value review or both,
  (c) The asset(s) and/or liability(ies) being reviewed,
  (d) The identity of the valuation reviewer,
  (e) the identity of the client,
  (f) The intended use,
  (g) The intended users, if applicable,
  (h) Significant or special assumptions and/or limiting conditions pertaining to the valuation to be reviewed,

(i) *The use and role of a specialist or service provider, if used, as part of the valuation review,*

(j) *Procedures to be undertaken, and the documentation to be reviewed.*

The above examples are not intended to be an exhaustive list of possible disclosures.

New Standard 5.4: Summary of Feedback and Changes

Minor amendments were made to the proposed new Standard. The Guidance accompanying the Standard was amended to formalise expectations around transparency and disclosure of engagement terms between managers and independent valuation providers. Managers are now expected to share the engagement letter with investors as part of the due diligence process, providing clarity on the nature and scope of the independent valuation review. These letters should specify that engagement letters should clearly identify the type of review being undertaken and should explicitly set out key details of the type and scope of review.

Functional Area: External Valuation Service Providers – Obligation to Adopt or Implement Valuation Mark

New Standard 5.5: Managers should disclose to Investors the legal or contractual requirement to accept or implement, independent valuations, when provided by an external valuation service provider ~~third party~~. Managers should further disclose where independently derived valuations have been altered or ignored.

Guidance

Managers should document and maintain clear records, including an audit trail, where independently derived valuations have not been adopted. Justifications for such decisions should be prepared contemporaneously, outlining the rationale, supporting evidence, and governance steps taken. Managers should be prepared to engage with investors to explain these circumstances and provide transparency around the basis for exercising professional judgment.

New Standard 5.5: Summary of Feedback and Changes

Minor amendments were made to the proposed new Standard. The Guidance accompanying the Standard was amended to ensure decisions to ignore independently derived valuations are well-governed, properly documented, and clearly communicated to investors. Managers must maintain detailed records and an audit trail whenever an independent valuation is not adopted. The decision process should demonstrate appropriate internal review and oversight, reflecting the application of sound professional judgment and adherence to fiduciary duties.

Functional Area: External Valuation Service Providers – Conflicts of Interest

New Standard 5.6: ~~Managers should disclose to Investors the payment structure agreed with third party valuation agents and provide assurance that the individuals or groups determining the valuations are not unduly influenced by those who might benefit from a higher or lower valuation.~~ Upon appointment of an external valuation service provider, managers must ensure that valuation processes, decisions, and outcomes are free from actual or perceived conflicts of interest. Where potential

conflicts exist, they should be identified, disclosed, and appropriately managed to safeguard the independence, objectivity, and integrity of the valuation process.

Guidance

Conflicts of interest may arise in various forms, including but not limited to:

- *Economic interests, such as fee or payment structures for third-party valuation agents that are contingent on valuation outcomes or linked to assets under management. External valuers should be remunerated by fixed-fee compensation structures where possible, to reduce incentive bias.*
- *Ownership or affiliation conflicts, where a valuation service provider is wholly or partly owned by private market participants or related parties.*
- *Influence or governance conflicts, where individuals involved in determining valuations may be subject to pressure from those who stand to benefit from higher or lower valuation outcomes.*
- *Dual roles, where a third-party valuer or internal team performs both advisory and valuation functions on the same asset or entity.*

Managers should provide transparency around the nature of potential conflicts, including ownership structures, fee arrangements, and any other relevant relationships. Formal conflict of interest policies should be maintained. Conflicts should be recorded and documented, alongside any mitigating controls. Recusal procedures should be established in organisations where there are internal conflicts related to competing strategies.

~~**Standard: External Valuer – Conflicts of Interest**~~

~~**Managers should disclose to Investors where a valuation service provider is owned, partly or wholly, by private market investors. Disclosure of procedures to manage conflicts of interest related to such relationships should be made.**~~

New Standard 5.6: Summary of Feedback and Changes

The two proposed new Standards above, were combined to have one singular conflict of interest focused Standard. This approach streamlines the Standards and reduces complexity for those who implement them. The second proposed Standard has largely been integrated into the Guidance that supports the first proposed Standard, as ownership interests are one area where conflicts could be present, but does not require them to be segregated out from others. As a result, the Guidance accompanying the Standard has been materially amended.

This amended Guidance has been introduced to define and address conflicts of interest within valuation processes, establishing clear expectations for transparency, governance, and mitigation controls. The guidance outlines several common forms of conflict, including economic conflicts, such as compensation structures for valuation agents that are linked to valuation outcomes or assets under management. Ownership or affiliation conflicts, where valuation providers have ties to private market participants or related parties. Influence or governance conflicts, where individuals involved in valuations may be subject to pressure or duress. Dual-role conflicts, where a valuer or internal team performs both advisory and valuation functions on the same asset. Managers are expected to disclose potential conflicts to investors, including ownership structures, remuneration arrangements, and relevant relationships with valuation providers.

Formal conflict of interest policies should be maintained, with clear procedures for documentation, monitoring, and recusal where internal conflicts exist (e.g. across competing strategies).

Functional Area: Selection, Appointment, and Engagement with Auditors – Auditor Selection and Competency

Standard 5.7: Managers should select auditors who are competent, capable and with sufficient experience in the auditing of financial statements for funds which invest in illiquid or non-listed assets.

Guidance:

Managers should provide notice to the full partnership when the fund has engaged a new Auditor.

Appropriate due diligence may include, but not be limited to:

- *Documenting any perceived or actual conflicts of interest between the manager and the audit provider, such as:*
    - *Past or current relationships with the manager, fund, portfolio companies, or LPs.*
    - *Any economic incentives that might impair independence.*
- *Review and consideration of a range of possible providers*
- *Assessment of the provider to be able to provide appropriate accounting scrutiny of the fund*
- *The resources available to the provider in terms of staffing*
- *The experience of the provider's staff, including specialist internal teams that may review valuations*
- *Industry references and feedback*
- *Whether the provider is a member of a standard setting body such as the Association of International Professional Accounts*

New Standard 5.7: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was amended to ensure that conflicts of interest in the relationship between the manager and auditor are adequately documented as part of due diligence. This approach maintains consistency with the due diligence of external valuation service providers previously discussed.

Functional Area: Selection, Appointment, and Engagement with Auditors – Auditor Contractual Engagement

New Standard 5.8: Explanation of the role of external auditors in the valuation process should be provided to Investors, including to the extent the auditors will independently gather and assess underlying asset data and perform underwriting of asset valuations.

Guidance

Where auditors do not undertake independent underwriting of asset valuations, managers should disclose this limitation to ensure investors have clarity on the scope of auditor involvement. Managers should be prepared to discuss the level of assurance provided by audit procedures and how these interact with the manager's internal valuation governance framework.

Where an audit firm also offers dedicated valuation services, managers should disclose whether such services are used and explain the safeguards in place to preserve independence. Conflicts of interest should be assessed and documented, and managers should be prepared to confirm that individuals providing assurance services are separate from those providing valuation services. Any evaluation should focus on competence and capability, as well as value for money.

New Standard 5.8: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was introduced to enhance transparency and governance around the role of auditors in the valuation process. This guidance ensures that investors clearly understand the scope and limitations of auditor involvement, while reinforcing the importance of maintaining independence where audit and valuation services coexist. Managers should disclose to investors where auditors do not independently underwrite or verify asset valuations, clarifying the extent of audit assurance and its interaction with the manager's internal valuation governance framework. Where an audit firm also provides dedicated valuation services, managers must disclose whether these services are used and outline the safeguards in place to preserve independence. Managers are expected to assess and document potential conflicts of interest, confirming that individuals providing audit assurance are separate and independent from those delivering valuation services. Evaluations should also consider competence, capability, and value for money in the selection of audit-related valuation services.

Functional Area: Selection, Appointment, and Engagement with Auditors – Investor Disclosure

New Standard 5.9: Managers should disclose to Investors any qualifications, comments, or concerns raised by auditors regarding valuations in a timely manner.

Guidance

Such disclosure should explain the nature of the auditor's observations, their potential impact on fund reporting, and the steps the manager is taking to address or remediate the issues. Managers should ensure that these matters are documented and communicated consistently, with appropriate governance oversight, to maintain investor confidence in the valuation process.

Qualified audit opinions should be communicated to investors no later than 10 business days after receiving the auditor's formal communication. Other comments or concerns should be communicated at the next available reporting cycle, but not longer than three months.

New Standard 5.9: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was introduced to promote timely, transparent, and consistent communication of auditor observations or qualifications related to fund valuations and financial reporting. Managers are expected to disclose the nature of any auditor observations, including their potential impact on fund reporting and the actions being taken to address or remediate the issues. All audit-related matters should be formally documented and communicated under appropriate governance oversight, ensuring consistent handling and accountability throughout the valuation and reporting process.

Qualified audit opinions must be communicated to investors within 10 business days of the auditor's formal notification. Other audit comments or concerns should be shared at the next available reporting cycle, but no later than three months from receipt.

Standard 6: Segregation of Functions in Valuation – Disclosure Standards and Guidance

Functional Area: Manager-led secondaries, cross-investments, or related-party transactions

New Standard 6.3: Manager-led secondaries, crossed-investments, or related party transactions, i.e., assets bought and sold between two vehicles managed by the same manager or transacted between related party entities, should be executed in accordance with managers' fiduciary obligations, disclosures to regulators and investors, and compliance policies and procedures governing the transactions.

Managers ~~transacting in private market assets~~ engaging in such transactions as those described above should commission an independent valuation or fairness opinion prior to the deal closing.

Please note that the amendments made to the relevant Guidance was too extensive to reflect in tracked changes. The following reflects the final version of Guidance to be adopted.

Guidance

For the purpose of this Standard, 'related parties' refer to individuals or entities that have a direct or indirect pre-existing relationship (e.g., financial, managerial, or ownership-based) that could influence the terms, pricing, or governance of a transaction in the private markets.

In the context of private market valuation and cross trades, related parties typically include (but may not be limited to):

- *The manager's affiliated entities, and their employees*
- *Portfolio companies under common control or influence*
- *Funds managed by the same sponsor or firm*
- *Senior executives or board members who sit across multiple related entities*
- *Advisors or service providers with financial interests in the outcome of the transaction*

For the purpose of this Standard, an independent valuation service is a professional, third-party valuation provider that operates without any financial, operational, or advisory ties to *the asset being valued, its stakeholders, or any entity with a vested interest in the valuation outcome.*

Further, the provider of the valuation service should:

- *Be suitably qualified and experienced in valuation of the underlying asset*
- *Follow recognised valuation standards and be in compliance with global accounting standards, where applicable.*
- *Offer clearly documented assumptions, methodologies, and supporting data.*
- *Ensure appropriate information barriers are in place within its organisation to mitigate conflicts of interest and sharing of sensitive information.*

When Managers initiate a sale process, they should be mindful of the following:

1. Transparency & Disclosure
Focus: Ensuring investors are well-informed and conflicts are clearly communicated.

- *Managers should disclose to investors about the possibility of cross trades in their fund documents and provide transparency in regular communications.*
- *Managers should be transparent regarding any potential conflicts of interest.*
- *Investors should be given access to the independent valuation report and should be given time to engage with the external valuer.*

2. Governance & Investor Engagement
Focus: Involving investors and governance bodies appropriately and at the right time.

- *Where possible, managers should offer clear participation options to all investors in GP-led transactions, including the right to opt out of continuation vehicles. While some LPs may be contractually bound, efforts should be made to maximise investor choice and avoid coercive structures.*
- *Managers must disclose the motivations and economic interests in any proposed transaction, including whether the manager will commit new capital, roll over existing interests, or receive fees. This ensures investors can evaluate alignment of interests and assess potential conflicts.*
- *There should be a reasonable and plausible logic for the proposed transaction (for example, managers should be prepared to explain why a GP-led transaction is being proposed, rather than a secondary market sale).*
- *Investors should be engaged as soon as reasonably possible and have adequate time to consider the proposal. This should include a summary of planned valuation approach. The independent valuation report should be shared at least 10–30 business days (additional time should be provided to review documentation when deals are considered complex) before any decision or consent is required. Allow time for investors to review and, if desired, raise questions with the manager or independent valuation provider.*
- *Formal Investor consent, if required, should be sought.*
- *Limited Partner Advisory Committees (LPAC) should be engaged where any Limited Partner Agreement requires some form of affirmative action or approval.*
- *Investors may wish to engage on an arms-length basis so not to breach any contractual or regulatory presumption that they are a passive investor.*
- *Managers operating both Primary and Secondary strategies should ensure that investment decision-making structures (e.g., investment committees or forums) for buy-side and sell-side activities remain independent and clearly delineated.*

3. Process Integrity & Execution Standards

Focus: Structuring and executing transactions in a fair, competitive, and efficient manner.

- *The process should be efficient and transparent; consideration could be given to any additional external competitive bids or auctions.*
- *Managers should strive for best execution in all cases.*
- *Ongoing monitoring of cross trades should be conducted, and proper records should be maintained.*

4. Pricing & Valuation

Focus: Ensuring fair pricing and the use of independent valuation mechanisms.

- *Cross trades for listed securities should be executed at a fair market price (typically the last traded price or the midpoint of the bid-ask spread).*
- *For listed securities, if there is low liquidity or low trading volumes, there is a heightened risk that the cross trade could negatively affect market prices.*
- *Careful consideration should be given to how the trade is structured and executed in such cases.*
- *Managers should be clear who bears the cost of the valuation.*

New Standard 6.3: Summary of Feedback and Changes

The accompanying Guidance has been materiality revised following stakeholder feedback to enhance clarity, consistency, and practical applicability. The section was expanded to strengthen guidance on conflict disclosure and cross-trade transparency. Clearer direction is now provided on investor access to independent valuation reports and the time allowed for engagement with external valuers. Content was reordered to create a more logical flow from investor participation options through to consent and LPAC involvement. Guidance was refined to set clearer expectations for early engagement, the sharing of valuation summaries, and appropriate timeframes for investor review (10–30 business days). Language around arms-length engagement and decision-making independence between primary and secondary strategies was also clarified. References to monitoring and record-keeping obligations were consolidated and made more precise. In addition, steps were taken to ensure consistency and clarity with the principles of fair market pricing for listed and illiquid securities.

Functional Area: Valuation Methodology – Methodology Selection

New Standard 6.4: Managers should disclose in their Valuation Policy the valuation methodologies reasonably expected to be used during the life of the fund. Disclosure should be sufficiently detailed, wording such as 'any reasonable or justifiable methodology that the Managers chooses or sees fit' etc., should be avoided.

Guidance

The selection of methodologies should be driven by the facts and circumstances of the investment and the market in which it would be transacted. Managers should give consideration to the appropriateness of the selection, ensuring that is does not differ materially from market or industry norms without good reason.

Managers should determine an appropriate valuation methodology for an asset upon acquisition and if it is likely that a change in methodology will be required in the future, to indicate what those methodologies may be, ahead of time.

Potential future changes of methodologies could include venture capital investments whereby an option pricing model may be appropriate when the asset is not yet revenue generating. If the business then evolved to generate revenue, then transitioning to an income-based valuation technique may be appropriate. Similarly, some infrastructure investments may be valued at cost initially (representing costs of capital expenditure) before transitioning to a fair value valuation methodology when revenues are generated.

Another important consideration when selecting valuation methodologies is the differing requirements and flexibilities embedded in various accounting frameworks, which can materially influence the approaches applied. For example, under Lux-GAAP, both amortised cost and cost-less-impairment are permissible, two methods that are conceptually distinct yet often conflated (amortised cost involves effective interest rate adjustments, whereas cost-less-impairment does not). Unlike IFRS or US GAAP, which generally require amortised cost or fair value measurement for financial instruments, Lux-GAAP allows the simpler cost-less-impairment model, making it a common choice for private debt, real estate and infrastructure vehicles domiciled in Luxembourg. These variations underscore the need for GPs to align methodology selection not only with the asset's characteristics and the fund's investment strategy, but also with the applicable accounting rules, while ensuring that disclosures clearly articulate the implications for comparability across frameworks.

Examples of commonly utilised methodologies for various asset classes are provided below. This list should not be considered to be a complete representation of available methodologies, nor should it be construed that any particular methodology is being endorsed over another.

Asset Class	***Commonly Applied Valuation Methodologies***
Private Equity (Growth, Buyout)	- *Market Approach (Comparable Companies or Precedent Transactions)* - *Income Approach (DCF)*
Venture Capital	- *Price of Recent Investment (Early stages)* - *Option Pricing Models* - *VC Scenario Valuation Model* - *Weighted Expected Return Model* - *Venture Capital Method* - *Calibration to Market Approach* - *DCF (later rounds)*
Real Estate	- *Income Capitalization Approach* - *Sales Comparison Approach* - *Discounted Cash Flow* - *Depreciated Replacement Cost* - *Amortised Cost*
Infrastructure	- *Amortised Cost (Initially)* - *Discounted Cash Flow (DCF) (Income generating)*
Private Credit / Loans	- *Market Yield Approach* - *Discounted Cash Flows* - *Broker Quotes (for syndicated debt)* - *Amortised Cost*

Natural Resources and Energy	-	*DCF with Commodity Price Forecasts*
	-	*Replacement Cost Approach*
Distressed Assets	-	*Liquidation or Recovery Value Approach*
	-	*Scenario-Based DCF*

New Standard 6.4: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was amended to provide examples of the broad range of methodologies that are utilised in the valuation of various illiquid assets. The intention was not to endorse any specific approach but provide examples that stakeholders may use to help form their own view of the appropriateness of each approach.

Functional Area: Valuation Methodology – Methodology Change

New Standard 6.5: During the life of the fund, should the Manager depart from valuation methodologies outlined in the fund's Valuation Policy then Investors should be notified.

Guidance

Managers should be prepared to provide a rationale for the introduction of any new, or departure from an established methodology.

Managers should be prepared to provide scenarios or describe market conditions under which a change in methodology may be appropriate.

Managers are encouraged to keep investors informed of any changes to valuation methodologies previously outlined in the Valuation Policies, ideally through regular interactions such as periodic reports, update calls, or due diligence meetings.

This approach promotes transparency and consistency in valuation practices while maintaining a practical balance, ensuring investors are appropriately informed without creating unrealistic expectations for communication frequency or depth. The overarching objective is to safeguard against discretionary or selective changes in methodology that could be perceived as "cherry-picking" outcomes.

Changes should be reviewed by a valuation committee (if in place) or other governance mechanism, prior to implementation. This review should ensure consistency with fund documentation, industry standards, and fiduciary obligations.

Any change in methodology must be clearly justified, with rationale based on:

- *Material change in asset characteristics*
- *Evolving industry best practices or regulatory updates*
- *Better alignment with fair value principles under prevailing market conditions*

Decisions should be formally documented, including the rationale, timing, and expected impact on valuation outcomes. Investors should be notified with a clear explanation of the change and its rationale. If required, updated Valuation Policies should be issued to investors.

Where there are contractual obligations to notify investors, the manager should:

- *Notify the LPAC in advance of any material change.*
- *Seek LPAC feedback or approval if:*
    - *The change materially affects portfolio valuations or NAV*
    - *It introduces a new methodology not previously disclosed*
    - *There is potential for a conflict of interest (e.g., in a GP-led secondary or cross-trade)*
- *Provide sufficient time and information for LPAC members to assess the change.*

New Standard 6.5: Summary of Feedback and Changes

A minor amendment was made to the proposed new Standard. The Guidance accompanying the Standard was amended to provide additional focus on enhancing the transparency, governance, and accountability of valuation methodology changes. The additions establish clearer expectations for how managers communicate, justify, and govern any adjustments to established valuation practices.

Managers are now encouraged to proactively inform investors of any changes to valuation methodologies through appropriate channels such as periodic reports, update calls, or due diligence meetings. Proposed change must undergo prior review by a valuation committee or equivalent governance body to confirm alignment with fund documentation, industry standards, and fiduciary obligations. All changes must be formally justified and documented, with clear rationale linked to material asset changes, evolving best practices, regulatory developments, or fair value considerations. Where contractual obligations apply, managers are required to notify the LPAC in advance of material changes, seek feedback or approval where appropriate, and allow sufficient time for review.

Functional Area: Valuation Methodology – Methodology Aggregation

New Standard 6.6: Managers should be prepared to provide details where a valuation is reached that includes a weighting of several methodologies or valuation components. Managers should be prepared to explain the process to calculate and apply weightings to each selected methodology.

Guidance

Aggregation of valuation methodologies ~~should~~ may be considered to be an appropriate mechanism for valuing an asset.~~, as long as Managers are~~ However, managers should be transparent about the weightings ascribed to each methodology and the logic for methodology selection and aggregation.

If multiple valuation approaches create widely divergent valuation outcomes, simply averaging or weighting these outcomes to derive a valuation outcome should not be considered acceptable. Steps should be taken to understand why material differences exist and select the valuation approach which produces a value which is considered the most reliable.

New Standard 6.6: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was amended to highlight instances where multiple valuation approaches yield materially different results, managers should not rely on averaging or mechanically weighting the outcomes. Instead, they are expected to analyse and understand the causes of divergence and determine which approach produces the most reliable and supportable valuation outcome, consistent with fair value principles and governance expectations.

Functional Area: Valuation Methodology – Valuation Inputs, Adjustments, & Assumptions

New Standard 6.7: Managers should be prepared to provide details on significant inputs, adjustments and assumptions used in the valuation process that could have a material impact upon the outcome. i.e., discount factor, growth rate, EBITDA adjustments, future, or unrealized cash flows etc.

Please note that the amendments made to the relevant Guidance was too extensive to reflect in tracked changes. The following reflects the final version of Guidance to be adopted.

Guidance

1. Transparency & Disclosure
Managers should be prepared to provide transparency and disclosure related to key or material inputs, adjustments and assumptions used to reach an asset valuation. Managers should be prepared to engage with Investors on this topic and allow for discussion. Managers should set minimum expectations around how often valuation assumptions will be shared (e.g. monthly, quarterly etc.) and in which format they will be communicated (e.g. data room access, manager calls etc.).

2. Valuation Models
The International Valuation Standards Council defines a valuation model within its International Valuation Standards (General Standards: IVS 105 Valuation Models) as follows:

A valuation model is a tool used for the quantitative implementation of a valuation method in whole or in part. A valuation model converts inputs into outputs used in the development of a value, whereas a valuation method is a specific technique to develop a value.

Other important considerations raised by IVSC include:

- *Valuation models must be suitable for the intended use of the valuation and consistent with inputs.*
- *Valuation models can be developed internally or sourced externally from a specialist or service organisation.*
- *Valuation models used must be tested to ensure accuracy of the output is appropriate for the intended use, basis of value and the assets and/or liabilities being valued.*
- *In all cases the valuer must apply professional judgement and professional scepticism in the selection and use of valuation models and the application of inputs used in the valuation model.*

IVSC's Characteristics of Appropriate Valuation Models

The valuer must determine that the valuation model is appropriate, which for the purposes of IVS105 Valuation Models means 'fit for purpose' in terms of assets or liabilities being valued, the scope of work and the valuation method. The valuer must apply professional *judgement to balance the characteristics of a valuation model in order to choose the most appropriate valuation model. The characteristics of appropriate valuation models are shown below:*

- *A) Accuracy: The valuation model is free from error and functions in a manner consistent with the objectives of the valuation,*
- *B) Completeness: the valuation model addresses all the features of the asset and or liability to determine value,*
- *C) Timeliness: the valuation model reflects the market conditions as of the valuation date,*
- *D) Transparency: all persons preparing and relying on the valuation model must understand how the valuation model works and its inherent limitations.*

Some investors may wish to be given access to, or receive a demonstration of, valuation models. Investors may also wish to receive the underlying portfolio company or position level data to create their own proprietary model. Not all investors will have the sophistication to interpret this information, but there is a continuing trend of investors wishing to receive better transparency on the topic of valuation models. Managers should implement version-controlled models and audit trails of changes made to models or key assumptions over time. It is recognised that version controlled and auditable records of changes are easier to maintain in software or algorithmic based valuation models, however, even the most basic desktop-based models (such as excel) can be subject to basic principles of control and oversight. Appropriate oversight of models and the procedure around changes to how models operate or calculate outputs, should be given consideration also.

3. Evidence Based Assumptions and Inputs

Managers should be prepared to defend their assumptions and inputs and be able to provide evidence to back up their assertions. It is recommended that managers document and disclose changes to key assumptions or inputs between reporting periods and the rationale for those changes (e.g., market movements, company performance, external factors).

Professional judgement, and scepticism, should be applied at all times. Data and inputs should be based on factual information (such as measurements or published prices, if available) and managers should maximise the use of observable data where possible. When relying on listed market prices, managers should also assess the liquidity, depth, and activity of the underlying market to determine whether such prices are genuinely representative of fair value. Thinly traded or inactive markets may produce quoted prices that do not reflect achievable exit values and should therefore be treated with caution.

The process to select data and inputs should be consistent, transparent and fully documented. Departure from observable data should be justified and supported by appropriate analysis and governance review. Further, valuation models should be aligned with the life and characteristics of the asset. Short-dated models (>10 years) may not capture accurately the complexities of valuing assets with longer economic lives or cash-flow horizons (e.g. infrastructure assets).

Managers should be mindful that assumptions and inputs not grounded in any sense of commercial or economic reality, undermine the confidence in private market valuations and raise doubts about the subjectivity inherent in the process.

Asset Class	***Key Inputs and Assumptions Influencing Valuation Outcomes***

Private Equity (Growth, Buyout)	- *Selection of peer group and transaction comparables* - *Earnings base (EBITDA, revenue, etc.) and normalization adjustments - Market multiples (EV/EBITDA, P/E)* - *Discount rate or cost of capital (WACC)* - *Terminal value assumptions* - *Forecast growth rates and margins*
Venture Capital	- *Reliability and recency of last financing round* - *Probability weighting of scenarios (success/failure)* - *Expected time to exit and exit multiple* - *Discount rate or required rate of return* - *Volatility estimates (for option models)* - *Assumed dilution and follow-on funding rounds*
Real Estate	- *Market rents and rental growth assumptions* - *Capitalisation and discount rates* - *Vacancy and occupancy rates* - *Operating expenses and maintenance costs* - *Comparable transaction evidence* - *Remaining economic life and replacement cost estimates* - *Labour, materials and associated building costs*
Infrastructure	- *Cash flow projections (revenues, costs, inflation)* - *Discount rate or cost of equity* - *Concession length and residual value* - *Regulatory/tariff assumptions* - *Inflation and interest rate forecasts* - *Labour, materials and associated building costs*
Private Credit / Loans	- *Credit spreads and market yields for comparable instruments* - *Borrower credit quality and recovery assumptions* - *Prepayment and default probabilities* - *Discount rate and time to maturity* - *Quality and availability of broker quotes or secondary pricing* - *Collateral coverage and covenant terms*
Natural Resources and Energy	- *Commodity price curves and volatility* - *Production forecasts and decline rates* - *Capital expenditure and operating cost assumptions* - *Discount rate and cost of capital* - *Reserve estimates and depletion schedules* - *Replacement cost of reserves and infrastructure*
Distressed Assets	- *Recovery rate and liquidation value assumptions* - *Timing of recoveries and resolution scenarios* - *Discount rate (reflecting risk and illiquidity)* - *Legal or restructuring outcomes* - *Market appetite for distressed assets*

4. Materiality Thresholds

Defining materiality is an inherently challenging task given the broad range of fund types, strategies, and asset classes across the industry. While a single uniform threshold may not *be practical, thresholds should be determined using a consistent, principles-based framework that promotes fair investor treatment and sound governance.*

The International Standards on Auditing (ISA 320) define materiality from an auditing perspective which can be extrapolated into a valuation focused definition as follows:

"Materiality in the context of valuation refers to any misstatement, omission, or assumption that, whether individually or collectively, could reasonably be expected to influence the decisions of stakeholders relying on the valuation outcome, e.g., management, regulators, or other users of the valuation report."

Criteria that may be important in setting materiality thresholds may include:

- *Whether the fund is open-ended or closed-ended*
- *Risk and volatility profile of the fund*
- *Investment policy and strategy of the fund*
- *Regulatory expectations and guidance*
- *Materiality thresholds defined in legal or contractual materials*

We do not believe it is the role of the SBAI to define specific materiality thresholds. Instead, managers should define what constitutes 'material' inputs or assumptions, using quantitative or qualitative thresholds (e.g. inputs that would impact NAV by ≥X%, or have a ≥Y% impact on performance projections). Changes to inputs or assumptions that may be considered materially impactful, may include but are not limited to:

- *Fund level NAV sensitivity of ≥ 1% of total NAV*
- *Position level valuation impact of ≥ 5% change in position value due to a singular input*

Care should be given to portfolio level positions that have an outsized impact on NAV or are so significantly large that concentration is elevated.

New Standard 6.7: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was materially amended. This suite of new guidance introduces a more robust and structured framework for valuation transparency, model governance, evidence-based assumptions, and materiality assessment.

1. Transparency & Disclosure

Managers are now expected to provide greater transparency on key inputs, assumptions, and adjustments underpinning valuations. Clear expectations should be set regarding how and when valuation assumptions will be shared (e.g. monthly or quarterly) and through which communication channels (e.g. data rooms, investor calls). This promotes open dialogue with investors and consistency in information sharing.

2. Valuation Models

New guidance defines valuation models as structured tools used to estimate fair value where observable market data is limited. Managers are required to ensure models are documented, validated, independently reviewed, and version-controlled with appropriate audit trails. The guidance also recognises investor interest in understanding or reviewing valuation models and encourages transparency and demonstration where feasible, while acknowledging differences in investor sophistication.

3. Evidence-Based Assumptions and Inputs

Managers must apply professional judgement and scepticism in selecting and justifying valuation assumptions. Inputs should be grounded in observable, factual data wherever possible, with any departure from such data supported by analysis and governance review. The guidance also outlines key valuation inputs and assumptions by asset class, providing a detailed reference framework for private equity, venture capital, real estate, infrastructure, private credit, natural resources, and distressed assets.

4. Materiality Thresholds

Managers are encouraged to define what constitutes “material” inputs or assumptions based on their strategy, fund structure, and regulatory context. Examples of quantitative indicators are provided. This approach promotes consistency and structure, whilst acknowledging that a uniform materiality threshold across all fund types is impractical.

Functional Area: Valuation Methodology – Valuation Inputs, Adjustments, & Assumptions – Sensitivity Analysis

New Standard 6.8: Managers should be prepared to ~~provide details~~ disclose the results of any sensitivity ~~analysis undertaken regarding major~~ analyses performed on significant inputs, adjustments, ~~and~~ or assumptions used in the valuation ~~modelling process~~ of fund assets.

Guidance

~~Managers should be prepared to discuss the sensitivity analysis with Investors.~~ Sensitivity analysis should be undertaken where changes in such factors could reasonably be expected to have a material impact on the concluded value. The disclosure should include the range of scenarios tested and the corresponding impact on valuation outcomes.

Common examples may include, but are not limited to, adjusting discount rates (e.g. ±0.5% or ±1.0%), exit multiples (e.g. ±0.5x or ±1.0x), or growth rates (e.g. ±1%–2%), each of which can significantly impact valuations. Other typical scenarios include changes to liquidity discounts, holding periods, credit spreads (for debt), asset income generating ability (e.g. lease value, rental income, occupancy rates), or FX rates (for cross-border assets). These analyses help identify material inputs and ensure valuations remain transparent, supportable, and aligned with market participant expectations.

Sensitivity analysis should be performed at a frequency consistent with the fund’s dealing cycle and liquidity profile, and increased in frequency during periods of market stress or volatility.

New Standard 6.8: Summary of Feedback and Changes

Minor amendments were made to the proposed new Standard. The Guidance accompanying the Standard was amended to establish clear expectations around the use and disclosure of sensitivity analysis in the valuation process. Managers are now expected to perform sensitivity analyses on significant valuation inputs, adjustments, or assumptions, particularly where changes could have a material impact on asset or fund valuation outcomes. Managers should be prepared to disclose and discuss the results of sensitivity analyses with investors, including the range of scenarios tested and the corresponding impact on valuations. Illustrative examples are all provided. Sensitivity analysis should be conducted at a frequency aligned with the fund's dealing cycle and periods of wider market stress or volatility.

Functional Area: Financial Statements – Accounting Standards Implementation

New Standard 6.9: Managers should disclose to Investors at the point of establishment of the fund or vehicle the accounting standards to be followed.

Guidance

Managers should disclose to investors, at the outset of the fund or vehicle, the accounting standards to be applied (e.g., IFRS, US GAAP, local GAAP). Disclosure should include an explanation of why the chosen standard is appropriate given the fund's structure, jurisdiction, and investor base. Explanation ~~of~~ and justification for any deviations from ~~these standards~~ the previously adopted accounting standard over time should be explained to Investors with supporting evidence or materials provided.

New Standard 6.9: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was amended to promote transparency and consistency in the application of accounting standards across funds and vehicles. Managers are now expected to disclose to investors, at fund inception, the accounting standards that will be applied (e.g. IFRS, US GAAP, or local GAAP). The chosen accounting framework must be explained and justified in the context of the fund's structure, jurisdiction, and investor base, ensuring that it is appropriate and consistent with the fund's operational and reporting needs. Any deviations must be fully disclosed to investors and evidence should be provided to support the rationale for such changes.

Functional Area: Financial Statements – Accounting Standards Implementation – Divergence from Recognised Standards

New Standard 6.10: Managers should be prepared to provide justification for not valuing assets in line with an industry recognised accounting standard.

Guidance

~~Where a valuation process does diverge from recognised accounting standards,~~ Managers should maintain documentation to evidence and justify circumstances where asset valuations are not prepared in line with an industry-recognised accounting standard (e.g., IFRS, US GAAP). Such justifications should set out the reasons for divergence, the methodology applied, and the implications for comparability or transparency. Managers should be prepared to provide this information to investors upon request and be able to explain the rationale for applying an alternative approach. Managers should also provide guidance as to the circumstances or market conditions that would allow a recognised accounting standard to be implemented in the future.

New Standard 6.10: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was amended to strengthen accountability and transparency where asset valuations diverge from recognised accounting standards. Managers are required to maintain clear documentation evidencing and justifying circumstances where valuations are not prepared in accordance with industry-recognised accounting standards. The documentation should set out the reasons for divergence, describe the alternative methodology applied, and explain the implications for comparability, transparency, or investor understanding.

Functional Area: Financial Statements – Accounting Standards Implementation – Alternative Standards

New Standard 6.11: If Managers oversee an asset or a fund in a jurisdiction that does not recognise or require globally recognised accounting standards such as US GAAP or IFRS, then Managers should adopt alternative standards such as the International Valuation Standards maintained by the International Valuations Standards Council.

Guidance

Managers should provide transparency to investors regarding the framework selected, the rationale for its adoption, and how consistency of application will be maintained throughout the life of the fund. Where multiple frameworks could apply, managers should explain how conflicts or differences between standards are addressed to ensure that valuations remain reliable, comparable, and credible to investors.

New Standard 6.11: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was introduced to enhance clarity and consistency in the communication of valuation frameworks used by managers. Managers are expected to disclose to investors the valuation framework selected, explaining the rationale for its adoption and how it aligns with the fund's structure, strategy, and investor base. Managers must outline how consistency in applying the chosen framework will be maintained over time, ensuring valuations remain robust, transparent, and aligned with the fund's governing documents.

Standard 8: Hard-to-Value Assets – Disclosure Standards and Guidance

Functional Area: Valuation Process and Procedure Evaluation – Stress Testing

New Standard 8.5: Managers should conduct periodic stress testing and scenario analysis in relation to portfolio valuations.

~~*Guidance*~~

~~Managers should be prepared to provide a summary of stress tests or scenario analyses performed to understand potential changes in asset values under different market conditions.~~

~~Stress testing and scenario analysis is intended to be primarily a risk management exercise. Results of these reviews may or may not lead to a revaluation of a fund asset.~~

~~Stress testing of private market strategies may require specific scenario analysis to be considered for different asset classes. For example, liquidity stress testing may not be a useful measure to assess in a closed ended investment structure but may be relevant for hybrid structures which offer some limited form of liquidity to investors (e.g. evergreen structures). Private market managers may wish to consider scenarios which model changes in financing costs, margins and sales for leveraged buyout portfolio companies. Private credit managers may wish to understand how different scenarios may affect duration impact, debt recovery levels and impacts on the timings of debt repayments. Real estate managers may consider how changes in rental income could affect the value of the asset and cap rates. These examples are not intended to be exhaustive, and private market managers should consider a full range of scenarios that could be applicable to their strategy. We believe that managers and investors should discuss which scenarios and stress tests may be appropriate for implementation.~~

Guidance

Managers should be prepared to provide a summary of stress tests or scenario analyses performed to understand potential changes in asset values under different market conditions.

Stress testing and scenario analysis is intended to be primarily a risk management exercise, helping managers and investors assess vulnerabilities in the portfolio. Results of these reviews may or may not lead to a revaluation of a fund asset, but they should be documented, periodically reviewed, and considered by the manager's governance framework (e.g., valuation or risk committee).

Stress tests should be tailored to the strategy and asset class. For example:

- **Liquidity stress testing** may not be a useful measure to assess in a closed ended investment structure but may be relevant for hybrid structures which offer some limited form of liquidity to investors (e.g. evergreen structures).
- **Private market managers** may wish to consider scenarios which model changes in financing costs, margins and sales for leveraged buyout portfolio companies.
- **Private credit managers** may wish to understand how different scenarios may affect duration impact, debt recovery levels and impacts on the timings of debt repayments.
- **Real estate managers** may consider how changes in rental income and occupancy levels could affect the value of the asset and cap rates.
- **Venture capital managers** may consider how changes in revenue growth assumptions, market sentiment or cash burn rates could affect valuations or the ability to IPO or raise additional funding rounds.
- **Infrastructure managers** may consider how changes in financing rates, government subsidies or supports or construction/maintenance costs may impact asset values.

These examples are not intended to be exhaustive, and private market managers should consider a full range of scenarios that could be applicable to their strategy. Managers and investors should also engage in dialogue to agree which scenarios are most relevant and how results will be communicated, whether through reporting packs, LPAC discussions, or periodic investor updates.

During periods of heightened market volatility or material stress events, managers should consider conducting more frequent stress tests to assess portfolio valuation stability and to calibrate valuations. Further, managers should increase the frequency and depth of communications with investors during such periods. This may include providing interim updates on valuation impacts, liquidity conditions, and portfolio risk exposures outside of the normal reporting cycle. Managers should ensure that such communications are clear, timely, and proportionate to the level of volatility, and be prepared to engage with investors through ad hoc calls, written updates, or LPAC briefings as appropriate.

New Standard 8.5: Summary of Feedback and Changes

The accompanying Guidance has been materiality revised following stakeholder feedback to strengthen risk management, valuation governance, and investor transparency through the application of stress testing and scenario analysis within private market strategies.

Stress testing and scenario analysis are recognised as core risk management tools, helping managers and investors identify portfolio vulnerabilities and assess potential valuation impacts under different market conditions. While such exercises may not always trigger revaluations, they must be documented, periodically reviewed, and considered by relevant governance bodies (e.g. valuation or risk committees).

The guidance emphasises that stress testing should be appropriately tailored to the fund's strategy and asset class, with examples provided.

Managers are encouraged to engage with investors (e.g. via LPAC discussions or periodic reports) to determine relevant scenarios and agree how results will be communicated. During periods of heightened volatility or systemic stress, managers should increase the frequency and depth of stress testing and investor communication.

Valuation Process and Procedure Evaluation – Frequency of Valuation

New Standard 8.6: Managers should conduct valuations ~~regular valuation~~ of private market fund assets, ~~consummate~~ no less frequently than quarterly. Where the structure of the fund provides for investor liquidity, or market conditions warrant, managers should perform valuations on a more frequent basis to ensure that asset values remain aligned with the redemption rights and liquidity profile of the fund.

Guidance

Consideration should be given to the redemption rights of the fund; close-ended funds (whether valued internally or externally) should be valued at least ~~annually.~~ quarterly. More frequent valuations should be conducted if the manager has the resources to do so. Evergreen structures (those which offer some degree of limited redemption rights) should be valued more frequently, typically in line with the redemption cycle.

Managers should be mindful of ~~the~~ prevailing market and economic ~~environment and may consider implementing~~ conditions. It is good to establish valuation 'triggers' or thresholds (e.g. a material market dislocation, significant change in asset performance, or macroeconomic shock) which would ~~require~~ prompt an updated valuation to be conducted outside the normal valuation cycle. Such triggers should be documented in the fund's valuation policy.

~~It is common for managers to produce valuation 'estimates' in the interim period between official valuations are conducted, this should be considered a good practice to follow.~~

Between formal valuation dates, managers may produce interim valuation estimates. While these should not replace full valuations, they represent good practice for investor communication, provided the methodology is consistent, assumptions are clearly disclosed, and limitations are explained. For example, it may be the case that such interim valuations or indicative NAVs may be calculated by internal teams, with official quarterly valuations conducted by external valuation service providers.

New Standard 8.5: Summary of Feedback and Changes

The proposed new Standard was materially amended to reflect discussions within the working group regarding the expectations of investors about what is an acceptable cadence for valuation frequency. The proposed approach is supported by data to suggest that quarterly is in fact, the standard industry approach to valuation frequency.

The accompanying Guidance to the proposed new Standard was also materially amended to provide clearer guidance on valuation frequency and responsiveness across different fund structures, reinforcing the importance of timely, consistent, and transparent valuation practices. The guidance also introduces expectations around valuation triggers and how managers should consider market, economic, or asset-specific conditions that may warrant an out-of-cycle valuation. It is recommended that valuation “triggers” or thresholds (e.g. material market dislocations, significant changes in asset performance, or macroeconomic shocks) be established and formally documented in the fund’s valuation policy. Producing interim valuation estimates between formal valuation dates is recognised as good practice for investor transparency.

Valuation Process and Procedure Evaluation – Backtesting & Valuation Review Upon Asset Disposal

New Standard 8.7: Managers should be prepared to provide a comparison of prior valuation estimates to actual outcomes (e.g., subsequent sale prices) to evaluate the accuracy of valuation methodologies over time.

Guidance

These reviews should be documented and form part of the manager’s valuation governance framework, helping to identify biases, improve consistency, and strengthen investor confidence in the valuation process. Managers should be prepared to share summaries of these reviews with investors, highlighting key findings and any refinements to methodologies that result.

Investors may have differing views regarding the minimum amount of information they should receive. Some may require only confirmation of the valuation mark or disposal price, whilst others may wish to receive the median deviation between prior valuations and sale prices across a portfolio or vintage. Managers should avoid holding asset values at artificially low or conservative prices before asset sales, as this may distort performance measurement and misrepresent the true fair value of the portfolio. Similarly, Managers should avoid valuing asset values artificially above their fair value during periods of asset raising for new or follow on funds. Investors and managers should agree the exact information to be shared and the appropriate reporting frequency.

New Standard 8.7: Summary of Feedback and Changes

No changes were made to the proposed new Standard. The Guidance accompanying the Standard was introduced to strengthen valuation governance, consistency, and investor confidence through the formalisation of post-transaction valuation reviews. Managers are now expected to conduct and document post-transaction valuation reviews as part of their broader valuation governance framework. These reviews help identify potential valuation biases, improve methodological consistency, and reinforce investor trust in the valuation process.

Summaries of these reviews should be shared with investors, outlining key findings and any refinements to valuation methodologies that result. The level of disclosure may vary based on investor preference. The guidance explicitly cautions managers against artificially conservative or inflated valuations. Managers should avoid undervaluing assets prior to sale, as this may distort performance and misrepresent fund results. Managers should also avoid overstating valuations during fundraising or follow-on capital raises, to maintain fair and accurate representation of portfolio value.

Managers and investors are encouraged to agree on the scope, format, and frequency of information shared from post-transaction reviews.

Liquidity Considerations

New Standard 8.8: Managers should be prepared to discuss how liquidity (or lack thereof) impacts the valuation of specific assets. ~~Any special considerations or~~ This includes articulating whether and how a Discount for Lack of Marketability (DLOM) or similar adjustment has been applied, as well as the basis for selecting the size of such discounts.

Guidance

Managers should maintain documentation supporting these judgments, including references to market evidence, comparable transactions, or external valuation input where available. Investors should be provided with transparency on the rationale for liquidity adjustments and their impact on overall portfolio valuations.

New Standard 8.8: Summary of Feedback and Changes

Minor amendments were made to the proposed new Standard. The Guidance accompanying the Standard was introduced to ensure managers adequately document the decisions they make and have sufficient evidence to support the course of action taken. It is expected that investors would have transparency on the rationale for the approach taken.

4. Review of the Existing Valuation Standards and Proposed Wording Changes

The proposed wording changes to the existing valuation standards, aimed primarily at simplifying the language and improving overall accessibility, generated no material feedback from respondents. A small number of minor clarifications and editorial adjustments have been incorporated, but these do not alter the structure, intent, or technical substance of the standards. As a result, the framework remains fundamentally unchanged, with the revisions serving only to enhance readability and ease of application.

The volume of rewording which occurred makes it difficult to highlight each revision, instead the previous version of each Standard and its accompanying Guidance are presented side-by-side to allow for ease of comparison

5. Segregation of Functions in Valuation – Governance Standards and Guidance			
Standard 5.1	**Amended Standard 5.1**	**Guidance**	**Amended Guidance**
Valuation arrangements aimed at addressing and mitigating conflicts of interest in relation to asset valuation should be put in place.	Arrangements to address and mitigate conflicts of interest in the asset valuation process should be put in place.	The SBAI believes that the most satisfactory way to achieve this is the appointment of an independent and competent third-party valuation service provider. The SBAI acknowledges, however, that in some cases it will not be possible in practice to achieve both independence and the required level of competence by appointing a third-party valuation service provider, in which case the involvement of the fund manager in the asset valuation process will, to a greater or lesser extent, be unavoidable.	We believe appointment of an independent and competent third-party valuation service provider is the most satisfactory way to achieve this. The SBAI acknowledges, however, that in some cases it will not be possible in practice to achieve both independence and the required level of competence by appointing a third-party valuation service provider, in which case the involvement of the fund manager in the asset valuation process will, to a greater or lesser extent, be unavoidable.
Standard 5.2	**Amended Standard 5.2**	**Guidance**	**Amended Guidance**
Where a fund manager determines the value of any of the fund's assets (whether by performing valuations in-house or providing final prices to a valuation service provider), it should operate a valuation function which is segregated from the portfolio management function and should explain its approach to	Where a fund manager performs valuations in-house or provides final prices to a valuation service provider therefore determining the asset price, the valuation function should be segregated from the portfolio management function. This approach should be explained to investors. If smaller or start-up	It is envisaged that this will, amongst other things, entail: - ensuring that the relevant employees operate independently of the portfolio management team and that potential conflicts of interest are minimised;	This will involve amongst other things: - Relevant employees operating independently from the portfolio management team and minimising potential conflicts of interest, - Ensuring that remuneration for the valuation team is not

investors. If a smaller or start-up manager considers it impractical to do so, it should disclose this in its marketing documents. This should also be disclosed in the fund's offering documents.	managers consider this impractical this should be disclosed in marketing documents and the fund’s offering documents.	- ensuring that the remuneration of the valuation team is not directly linked to fund performance; - in instances where the portfolio management team has necessary expertise and understanding, ensure that information provided by that team in connection with the valuation process is properly documented and recorded; and - assisting fund governing bodies to satisfy themselves regularly that in-house valuations are handled appropriately. Ways to achieve this might include: - ensuring that valuation staff provide periodically a report on the valuation process to the fund governing body; - the formation of a designated “valuation committee” (no member of which is involved in investment decisions); and - employing the services of an appropriate external party to evaluate the effectiveness and robustness of the valuation procedures in place and report	directly linked to fund performance, - Where it is the case that the portfolio management team has necessary expertise and understanding required for asset valuation, information provided by that team should be properly documented and recorded, and - Assisting fund governing bodies to satisfy themselves regularly that in-house valuations are handled appropriately. Ways to achieve this might include: - Valuation staff providing periodic reporting on the valuation process to the fund governing body, - Forming a designated “valuation committee” (with non-investment personnel making up the majority of the committee's composition), and - Using an appropriate external party to evaluate the effectiveness and robustness of the valuation procedures and report to the fund governing

		to the fund governing body (or its valuation committee). Fund managers also could refer to The SBAI Toolbox Memos on Valuation for Alternative Credit and Insurance Linked Strategies, as well as publications by standard setters and regulators, including IOSCO's Principles for the Valuation of Collective Investment Schemes (2013) and IOSCO's Principles for the Valuation of Hedge Funds (2007) for further guidance in this area.	body or its valuation committee). Fund managers could also refer to SBAI Toolbox Memos on Valuation for Alternative Credit and Insurance Linked Strategies, as well as publications by standard setters and regulators, including IOSCO's Principles for the Valuation of Collective Investment Schemes (2013) and IOSCO's Principles for the Valuation of Hedge Funds (2007) for further guidance in this area. We acknowledge that in some cases it may not be practical to appoint a third-party valuation service provider. In these cases, the fund manager's involvement in the asset valuation process may be unavoidable.
6. Segregation of Functions in Valuation – Disclosure Standards and Guidance			
Standard 6.1	**Amended Standard 6.1**	**Guidance**	**Amended Guidance**
A document (a "Valuation Policy Document") covering all material aspects of the valuation process and valuation procedures and controls in respect of the fund should be prepared.	A Valuation Policy Document that covers all material aspects of valuation processes, procedures, and controls for the fund should be prepared.	The SBAI envisages that in most circumstances the Valuation Policy Document will describe: - the responsibilities of each of the parties involved in the valuation process;	In most circumstances the Valuation Policy Document should describe: - The responsibilities of all parties involved in the valuation process. This should include

The Valuation Policy Document (which it is acknowledged will contain information which is proprietary to the fund manager) should be reviewed regularly by the fund manager, in consultation with the fund governing body, and be made available to investors upon request on a confidential basis.	The Valuation Policy should be reviewed regularly by the fund manager and fund governing body and be made available to investors on request on a confidential information (acknowledging it will contain proprietary information).	- the processes and procedures in place that are designed to ensure that conflicts of interest are managed effectively; - the relevant material provisions of any service level agreements (SLAs) entered into with third parties responsible for or involved in the valuation process (excluding details of commercial aspects of any such SLAs); and - the controls and monitoring processes in place that are designed to ensure that the performance of any third party to whom the valuation function is outsourced is satisfactory.	defining who has responsibility for performing valuations from a functional perspective and how they interact with the firm's governance framework, - The processes and procedures in place for effectively managing conflicts of interest, - Relevant material provisions of any service level agreements (SLAs) with third parties responsible for or involved in the in the valuation process (excluding commercial provisions), and - Controls and monitoring processes to ensure satisfactory performance where the valuation function is outsourced to a third party. It is expected that the Valuation Policy should be formally reviewed at least annually to ensure it remains up to date and presents a true reflection of valuation processes and procedures.
Standard 6.2	**Amended Standard 6.2**	**Guidance**	**Amended Guidance**

Where a fund manager is involved in the valuation process, it should disclose in its own marketing materials any actual or likely material involvement of the portfolio management team in the valuation process. Such disclosure should also be included in the fund's offering documents. Investors should then be informed, for example via manager newsletters, of any material changes to such level of involvement.	A fund manager should disclose any material involvement of the portfolio management team, actual or likely, in the fund offering documents and its marketing materials. Investors should be informed, e.g., in manager newsletters, any material changes to this level of involvement.	This could be satisfied by disclosing an estimate of the percentage of the fund's assets which have been, or are expected to be, valued with some input from the portfolio management team or a description of components of the portfolio for which the portfolio management team usually makes a contribution to the valuation process.	Examples of this disclosure could include: - Who has functional responsibility for valuations, who contributes to the valuation process either through performing calculations or gathering data and who ultimately has responsibility from a governance perspective of deciding upon valuation marks. Communicating where any independence exists and explaining segregation of duties. - Percentage of the fund's assets which are (or are expected to be) valued with some input from the portfolio management team, or - A description of the types of assets where the portfolio management team would usually contribute to the valuation process.

7. Hard-to-Value Assets – Governance Standards and Guidance			
Standard 7.1	**Amended Standard 7.1**	**Guidance**	**Amended Guidance**

Where a fund manager performs in-house valuations of hard-to-value assets or is otherwise involved in providing final prices to the valuation service provider, valuation procedures for such assets which are aimed at ensuring a consistent approach to determining fair value should be adopted and such procedures should be set out in the Valuation Policy Document.	Procedures ensuring a consistent approach for determining fair value, where a fund manager performs in-house valuation or is involved in providing final prices to the valuation service provider for hard to value assets, should be adopted and included in the Valuation Policy Document.	The SBAI envisages that such procedures would in most circumstances include:
		- details of a hierarchy of pricing sources and models to be used for each asset type in a fund's portfolio (where relevant);
		- if using broker quotes:
		  - making reasonable efforts to identify and draw upon multiple (typically 2-3) price sources (where available);
		  - specifying the acceptable tolerance ranges when multiple pricing sources are used and the approach to handling "outliers";
		  - ensuring consistency and avoiding "cherry picking" of favourable price sources by using the same brokers at each valuation point; and
		  - where the fund manager arranges the provision of broker prices (as opposed to the administrator or other third-party valuation service provider), the fund manager
			These procedures could include:
			- A hierarchy of pricing sources and models (where relevant) for each asset type,
			- For broker quotes:
			  - Reasonable efforts to identify and use multiple (typically 2-3) price sources where available,
			  - Specifying acceptable tolerance ranges for these pricing sources and the approach for handling outliers,
			  - There should be some allowance for the use of professional judgement in the selection of broker quotes, not all available quotes may be suitable for valuation purposes.
			  - Being consistent to avoid "cherry picking" a favourable price source by using the same brokers at each valuation point, and
			  - Instructing that any broker quotes are sent directly to the fund administrator or

		should instruct brokers to send the prices directly to the administrator (or other third-party valuation service provider);
		- if using pricing models, a process specified in the Valuation Policy Document for:
		  - approving pricing models including back-testing, documentation and approval by the fund governing body or its valuation committee;
		  - monitoring and verification against observed market prices; and
		  - governing manual overrides of the model inputs or results, including approval, documentation and reporting to the fund governing body or its valuation committee.
			other third-party valuation service provider.
			- For pricing models:
			  - An approval process for pricing models including back-testing, documentation, and approval by the fund governing body or valuation committee,
			  - A monitoring and verification process to compare to observed market prices, and
			  - Governance of manual overrides of model inputs or results including approval, documentation, and reporting to the fund governing body or valuation committee

Standard 7.2	**Amended Standard 7.2**	**Guidance**	**Amended Guidance**
If using side pockets, a fund manager should ensure that the fund governing body has been consulted on, and consented to, the circumstances in which side-	When using side pockets, the fund manager should consult with the fund governing body and get its consent to the circumstances in which side pockets may be used.In addition:	Fund managers could also refer to the SBAI Toolbox Memos on Valuation for Alternative Credit and Insurance Linked Strategies as well as publications by industry associations and regulators for	Fund managers could also refer to the range of SBAI Toolbox Memos for further guidance on the valuation of hard-to-value assets,

pockets may be used. Furthermore; – The types of asset eligible for side pocketing should be described in the Valuation Policy Document and the side pocketing process should be disclosed in the fund's offering documents. – Side-pocketing should occur either on or about the time the relevant asset is purchased or on or about the point at which the relevant asset becomes hard-to-value. The initial valuation of an asset on entering a side-pocket should be at cost, the last available market price (as appropriate) or a lower number or nil. – Where a limit to the total amount of assets which may be included in side-pockets is disclosed in the fund's offering documents, such limit should not be breached. – Management fees, for the side pocketed assets, if charged, should be calculated on no more than the lower of cost (or last available market price in the case of a previously liquid asset) or fair value.	o The side pocketing process and eligible assets should be described in the Valuation Policy Document. o Side pockets should be created either at or around the time of purchase or at or around the time the asset becomes hard to value. o On being side pocketed an asset should be valued at cost, the last available market price or a lower number, or zero. o Any limit on total amount of assets that can be included in the side pocket disclosed in the fund's offering documents should not be breached. o Side pocket management fees, if charged, should be calculated on the lower of cost (or last available market price where the asset was previously liquid), or fair value. o Side pocket performance fees should be paid only at the point the asset is disposed of or a liquid market price is available. They should be accrued for the duration of the side pocket. Note: Side pocketing of assets is a common feature of insurance linked strategies and can occur for a number of valid reasons.	further guidance on the valuation of hard-to-value assets.	which can be found here: https://www.sbai.org/toolbox.html

– Any performance fees should accrue for the duration of the existence of the side pocket and should be paid only at the point at which the asset is finally disposed of, or a liquid market price is available.	Creation of a side pocket immediately upon a loss event may not occur as there may be additional criteria a manager needs to consider before doing so. Additional guidance can be found in the SBAI's memo 'Side-Pocketing in ILS Funds'.		
8. Hard-to-Value Assets – Disclosure Standards and Guidance			
Standard 8.1	**Amended Standard 8.1**	**Guidance**	**Amended Guidance**
The percentage of the fund's portfolio that falls into each of the three “levels” prescribed by ASC 820 or IFRS 7, or equivalent account standards or recognised definitions (and, where meaningful and applicable, the extent to which internal pricing models or assumptions are used to value certain components of the fund’s portfolio invested in hard-to-value assets) should be periodically disclosed (e.g. via newsletters).	The percentage of the fund’s portfolio that falls into each of the three levels prescribed by ASC 820, IFRS 13, or equivalent accounting standards or recognised definitions should be disclosed periodically e.g., via Administrator Transparency Reports (ATR). Where meaningful and applicable the extent that internal pricing models or assumptions are used in the valuation of hard to value assets should also be disclosed.	Fund managers should consult the SBAI’s ATR template which can be found here: https://www.sbai.org/toolbox/administrator-transparency-reporting-atr.html	
Standard 8.2	**Amended Standard 8.2**	**Guidance**	**Amended Guidance**
Notification of any material increase (as determined by the fund governing body) in the percentage of a fund's portfolio	Any material increases in the percentage of the fund’s portfolio invested in hard to value assets (as determined by the fund governing		

invested in hard-to-value assets should be disclosed to investors in a timely manner, e.g. via the manager's newsletters.	body) should be disclosed to investors in a timely manner e.g., in manager newsletters.		
Standard 8.3	**Amended Standard 8.3**	**Guidance**	**Amended Guidance**
The value of side pockets should be reported periodically in the fund's audited annual accounts in accordance with applicable accounting standards.	Side pocket values should be reported in the fund's audited annual accounts in accordance with applicable accounting standards.		
Standard 8.4	**Amended Standard 8.4**	**Guidance**	**Amended Guidance**
A fund manager conducting valuations in-house should discuss with the fund governing body any material issues in relation to the valuation of hard-to-value assets (e.g. unavailability of a sufficient number of pricing sources or dispersion of broker quotes beyond tolerance levels). Such material issues in relation to the valuation of hard-to-value assets should be disclosed to investors.	Material issues when valuing hard to value assets in-house (e.g., unavailability of sufficient number of pricing sources or broker quote ranges outside of tolerance levels) should be discussed with the fund governing body and disclosed to investors.		

5. Process for Incorporating These Standards

SBAI Signatories should review the new Standards and Guidance and work towards updating their Disclosure Statements accordingly. Depending upon the assets and liquidity terms of the funds managed by SBAI Signatories, these new Standards will require varying levels of effort to achieve conformity.

Signatories are expected to assess the applicability of the revised Standards to their investment strategies, governance arrangements, and operational practices, and to take such steps as are reasonably necessary to align their policies, procedures, and disclosures with the updated requirements.

To provide sufficient time for Signatories to review and implement the latest amendments, the deadline for implementation will be the later of:

- 6 months following the Signatory’s next renewal date, or
- 12 months from the date of publication of these new Standards.

During the transition period, Signatories should continue to comply with the Standards in effect at the time of their most recent renewal. Updated Disclosure Statements reflecting the revised Standards should be submitted as part of the Signatory’s next renewal or otherwise made available in accordance with SBAI requirements.