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Deloitte Valuation Conference

Fund Directors:
Valuation and
related risks

March 2015



Conference Agenda



2015 Valuation Conference Series

1. Valuation for AIFMs

10 February 2015

2. AIFMD valuation requirements for depositary banks & asset servicers

24 February 2015

3. Fund directors: valuation and related risks

12 March 2015

4. Valuation matters for conducting officers and risk managers

23 April 2015

5. Fair Value requirements under IFRS 10 and 13

21 May 2015

6. Sound valuation in credit institutions: more than a regulatory requirement

16 June 2015

7. Valuations for incentive plans

15 October 2015

8. Valuation and Tax considerations

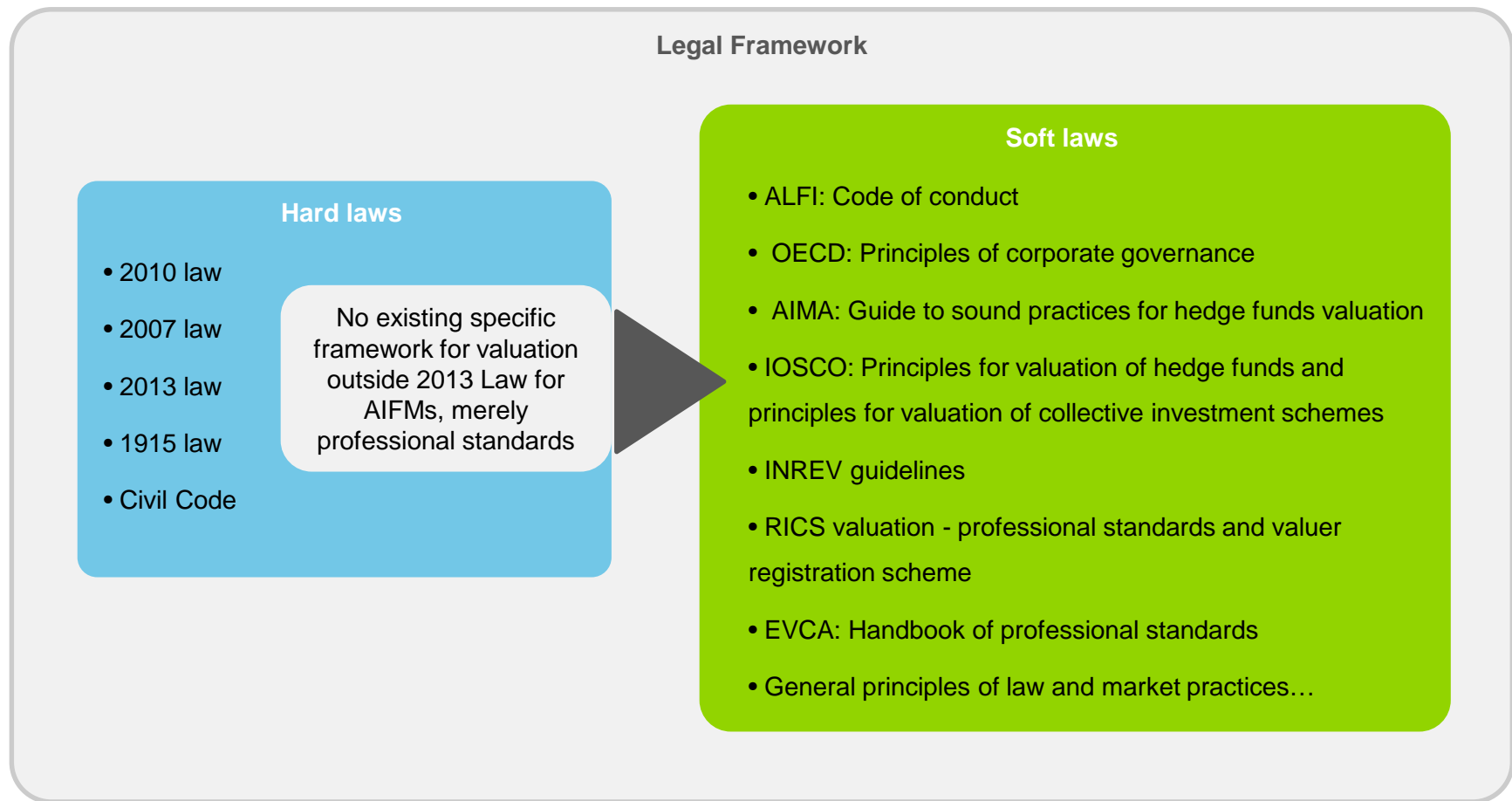
12 November 2015

9. Valuation: How to meet audit requirements

8 December 2015

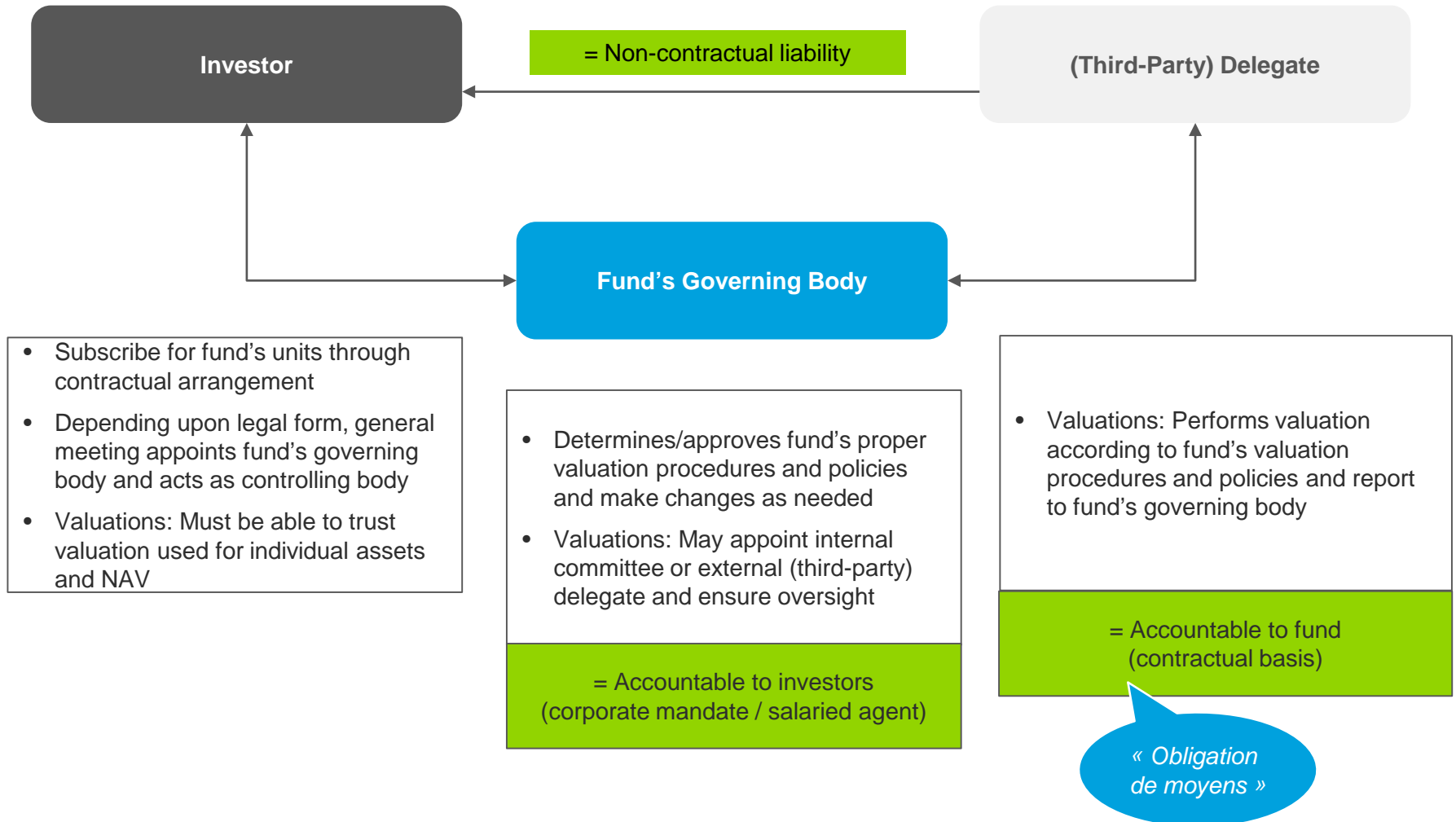
Fund's directors: General framework of valuation chain

What are the source of requirements regarding valuation duties?



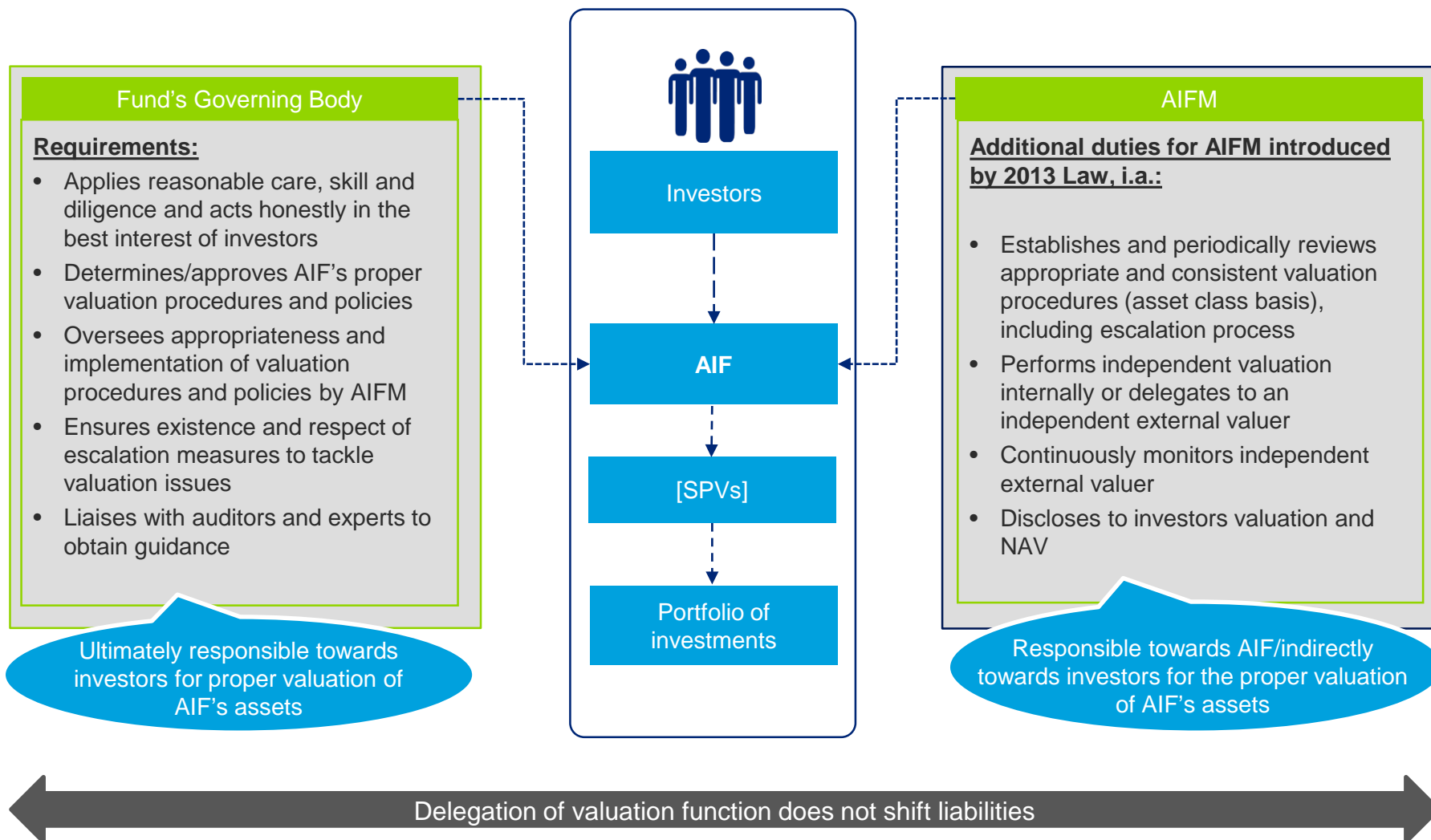
Fund's directors: General framework of valuation chain

Outline of general duty relating to valuation



Fund's directors: General framework of valuation chain

Outline of main valuation aspects for AIFs



Values for professional and proper behaviour

Understanding of valuation procedures and oversight on valuation chain

Fund's governing body = Ultimately responsible towards fund's investors

**Valuation
Procedures**

- Determines/approves general valuation framework / policies
- Ensure appropriateness and implementation of valuation procedures and policies



Delegation

- Day-to-day valuation to valuation experts:
 - Internal committees comprising valuation experts
 - External (third-party) delegate(s): third-party expert(s), AIFM (delegating or not to independent external valuer(s))



Due Diligence

- Carries out proper due diligence for selection of valuation experts, be it internal or external



Oversight

- Carries out proper and effective oversight on above valuation experts once appointed and their proper implementation of valuation procedures and policies



Approval

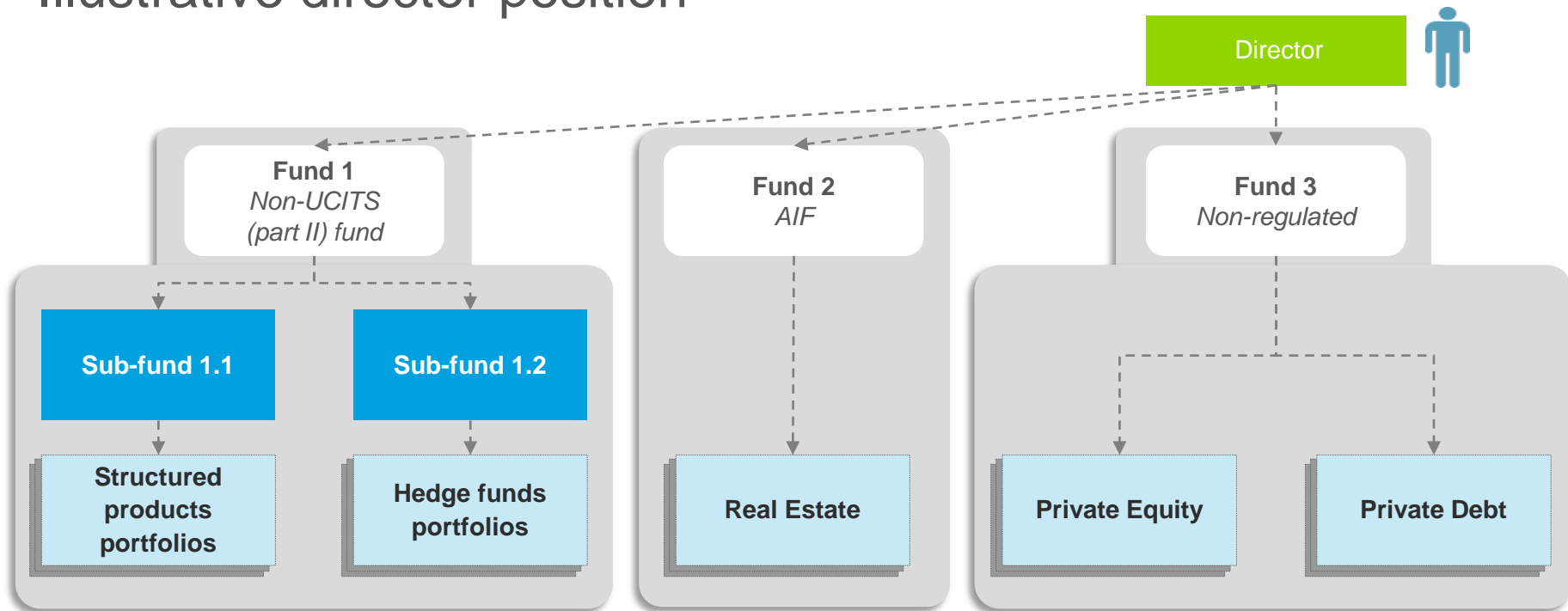
- Ensures valuation policies and procedures defined at fund's inception are adequate throughout the lifecycle of the fund depending upon assets under management
- Reviews valuations and approve/endorse results

Laws and industry guidelines remain quite broad in assessing how the to meet this responsibility in practice

Fund's governing body to determine granularity

Complexity of fund's directors function

Illustrative director position



Directors face many difficulties

- Different type of funds
- Different investment strategies
- Complex investment structures
- High volumes (number of lines)
- Diversity of products, methodologies, etc.

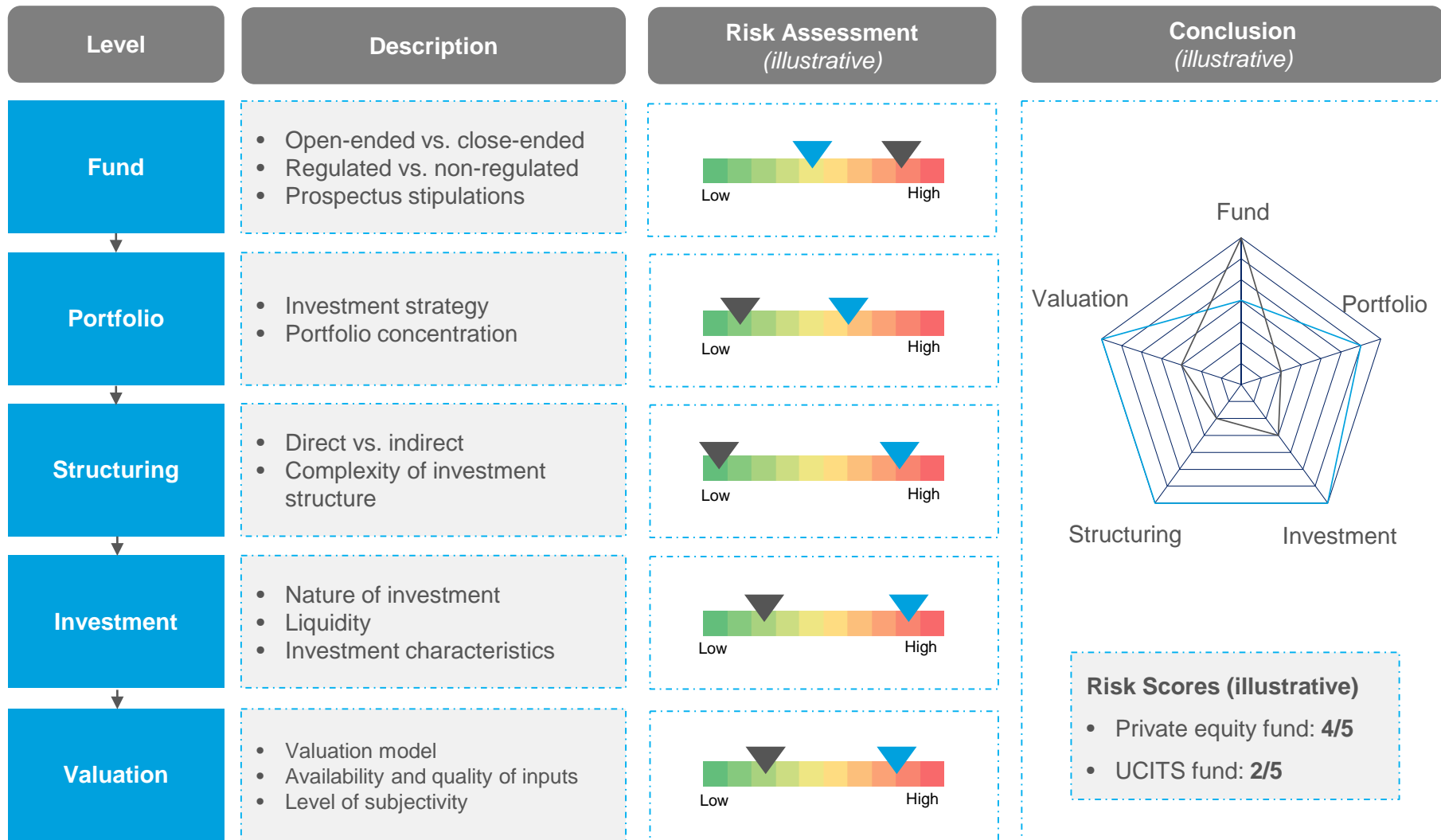
Directors should therefore ensure...

1. Major valuation risks are properly identified
2. Sound valuation governance is implemented
3. Controls to mitigate identified risks are designed
4. Valuation oversight is exercised
5. Actions are taken for escalated issues

Valuation Risks

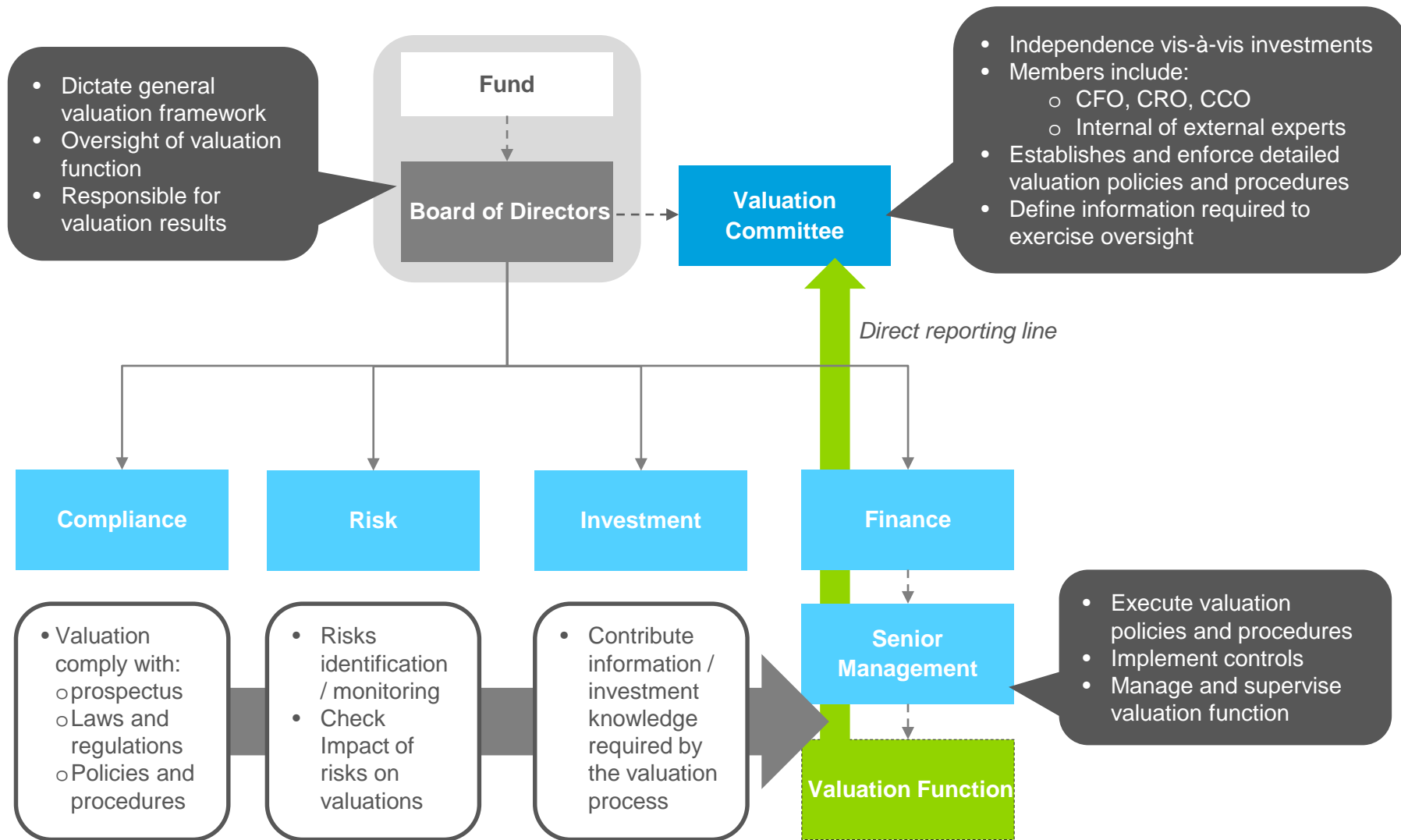
Risk identification framework

- ▼ Regulated close-ended private equity fund (minority stakes)
- ▼ Open-ended UCITS fund (listed equities)



Governance Framework

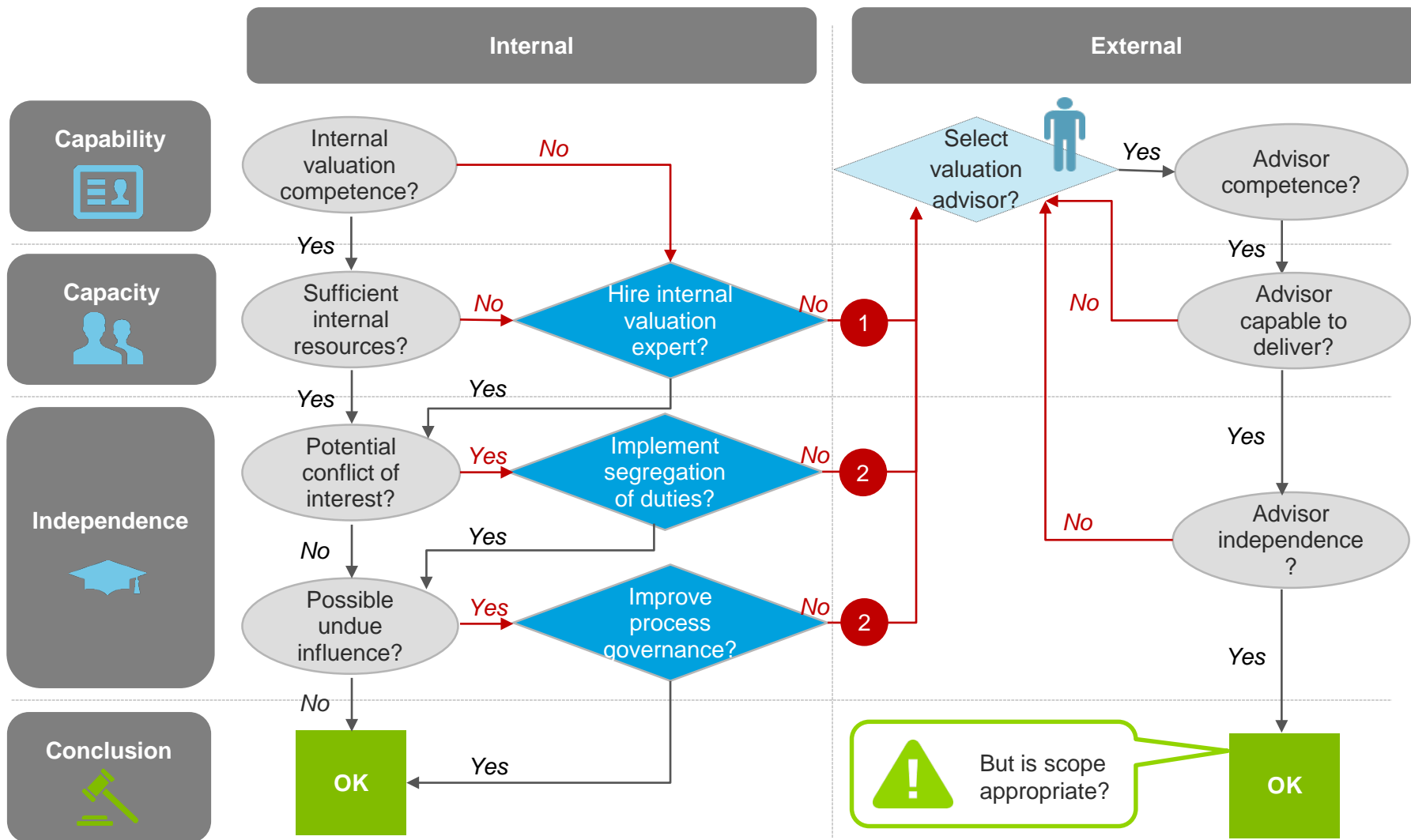
Oversight of the valuation Function



Governance Framework

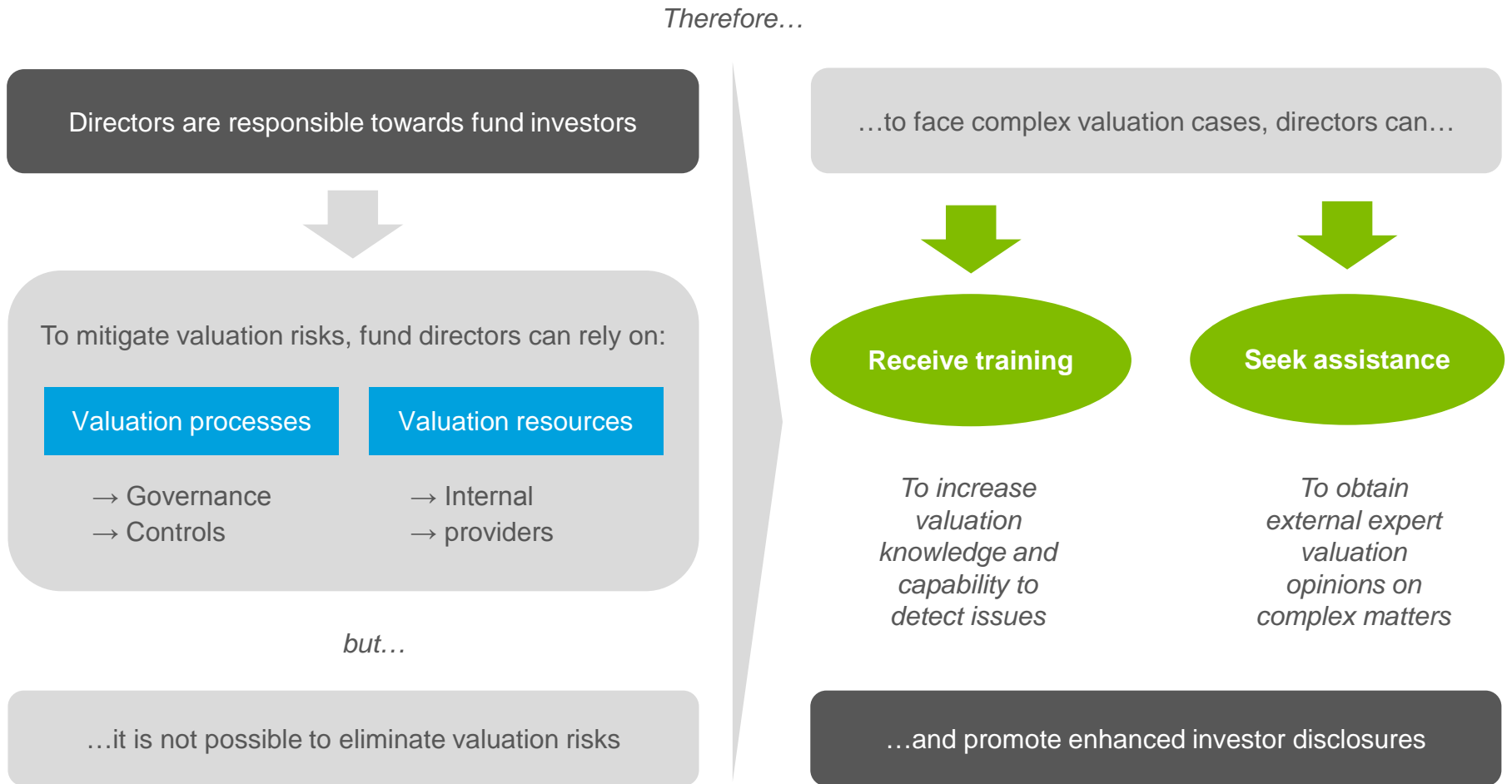
Key questions to set up a valuation function

- 1 Valuation preparation assistance
- 2 Independent valuation review



Conclusion

Directors responsibilities



Fund Directors – Valuation and Related Risks

Panelists



Jérôme Alméras
Managing Partner, Cube Infrastructure Fund



Jason Howard
Director, EQT Services UK Ltd.



Cliff Langford
Owner, Real Estate Director Services S.à.r.l.



Ingrid Dubourdieu
Partner, D. Law

Thank you for listening

If you have any questions or comments, please contact valuation@deloitte.lu

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