

An aerial photograph of a white speedboat moving across a deep blue ocean. The boat is positioned in the lower-left quadrant, leaving a large, circular, white wake that dominates the center of the image. The water's surface is textured with small waves and ripples.

**Deloitte.**

Fair valuation pricing survey,  
18th edition, executive summary

Waves of volatility put premium on fair valuation processes

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# Valuation processes put to the test

If we could use only one word to describe 2020 so far, surreal may be the best one. We've experienced a global pandemic, civil unrest, record heatwaves and raging, destructive fires, a turbulent economy, high unemployment, a volatile stock market, and falling interest rates. It's safe to say we are all hoping for a peaceful, safe, and healthy end to a year that has tested all of us.

It all started in March, which for many seemed like the longest month ever recorded in our history. Employees were sent home to work on a remote basis, creating a mass of empty office buildings in cities across the United States. The markets experienced unprecedented volatility and disruption, as the Dow fell 10,000 points, ending a 10-plus year run of a bull market. The US government and regulators took aggressive and proactive steps that froze the economy while scientists searched for answers and a cure and health professionals attended to an ever-increasing number of infected patients. The changes were swift and overwhelming.

Investment managers found themselves suddenly working remotely in the midst of unrelenting volumes of activity, transactions, and investor attention. But years of business continuity planning and advances in technology made for a relatively successful transition. Investment managers led the way by taking work-from-home action, which in many cases minimized the spread of the virus in their organizations. With the support of strong teams that had worked together for many years, the industry as a whole came through March with high marks and a renewed resiliency to challenge the norm going forward. The same was true for the many service providers that support the investment management industry—advisors, custodians, administrators, recordkeepers, and pricing services.

Throughout April and May, investment managers kept their eye on the ball and focused on the strategy and levers that were in play prior to March. Now we find ourselves closing out September, and while the weather may be changing, the pandemic is still forcing asset managers to primarily continue to work on a remote basis.



The 18th edition of the Fair Valuation Pricing Survey ("FV survey") was launched for participation in summer 2020, and it was just in time to capture how the myriad of challenges of this year have affected registered investment companies ("fund groups") as they valued their investments. It would be a cliché to say that the waters have been choppy, but it's a fitting description. Forty-eight percent of FV survey participants noted they had experienced delays in calculating their daily net asset values (NAV) per share due to the impact of the COVID-19 pandemic ("pandemic"). Many others reported difficulties in striking the NAV as a result of delays in receiving pricing data from an exchange or third-party pricing vendor or because of other matters, including market volatility and the turbulent oil pricing environment experienced earlier in the year.

Despite all of the challenges, the valuation process has not capsized. We will discuss in this executive summary how it has been able to remain resilient, as well as other matters of interest from the FV survey.

# Responding to an unanticipated risk

Many factors have contributed to delays in calculating NAVs since the pandemic began. Eighty-one percent of FV survey participants reported they had experienced at least one of the difficulties shown in figure 1.

**Figure 1. Fund groups experienced difficulties during the pandemic**

- 69% Security price from the primary pricing source unreliable, resulting in a need to utilize a second pricing source or use an internal model
- 58% Delays in pricing services replying to price challenge requests
- 57% Foreign equity exchanges suspended trading, resulting in securities without a publicly available market price
- 56% Prices from an external pricing source unsupported by transaction prices
- 41% Decreased effectiveness results of foreign equity fair value factors
- 30% Identification of market transactions that were determined to be disorderly and not reflective of fair value
- 29% A triggering event that required an update to the valuation of a private equity investment

Despite these factors, fund groups have continued to strike and publish NAVs throughout the pandemic. The FV survey results suggest two key reasons why the process remained buoyant, as described below.

### **Fund groups were prepared to work remotely**

Eighty-nine percent of FV survey participants indicated that some of their staff worked at least one day remotely during 2019 or a previous year, and 28% had done so three or more times. Fifteen percent of FV survey participants indicated that 100% of their employees worked remotely on business continuity testing days in the past. Many others indicated that a meaningful percentage (more than just a few) worked remotely during those testing periods.

This testing, as well as advancements in technology, made it much easier to transition to a remote working environment. Ninety-one percent of FV survey participants indicated that working from home had minimal impact on their daily valuation process.



That does not mean, of course, that the business continuity plan (BCP) process was perfect. Fourteen percent of FV survey participants made changes to their valuation function's BCP as a result of the pandemic, and 27% anticipate making changes to how they will test the BCP in the future.

### **Fund groups were willing to make real-time adjustments**

Fund groups often make changes to their valuation policies and procedures. Normally, they are small changes, such as points of clarification. Fifty-six percent of FV survey participants made changes to their policies and procedures over the last year, down slightly from the 63% making changes in the prior year's FV survey.

While in the past, many of those changes were likely planned or scheduled and went through a normal approval process, fund groups did not have that luxury as the pandemic emerged. They had to make real-time adjustments to cope with volatile markets and divergent prices based on different assumptions while facing significant time crunches as a result of needing to analyze lots of data quickly. Making real-time adjustments, including to control processes, likely prevented ongoing delays in publishing NAVs and the incurrence of additional time and costs. Fifty percent of FV survey participants made at least one of the changes depicted in figure 2.

**Figure 2. Real-time adjustments made by survey participants**

Changes implemented	Percentage of FV survey participants indicating that the change occurred	Percentage of FV survey participants indicating that change will likely be permanent
Changed materiality thresholds for investigating daily pricing differences	27%	1%
Instituted flexible/dynamic price tolerances as opposed to static tolerances	22%	4%
Instituted procedure with front office relative to the pricing process	16%	4%
Instituted a technology change (e.g., increased use of macros or some form of automation)	15%	14%
Changed general procedures for price challenge process	14%	3%
Instituted materiality thresholds for investigating daily pricing differences	13%	1%
Changed roles for certain tasks between internal valuation committee, other members of the investment adviser, and/or the fund accountant	6%	2%
Changed procedures for price challenge process when prices are reaffirmed by the pricing vendor	5%	2%
Changed back-testing procedures	5%	1%

These real-time adjustments were not always made in a vacuum. FV survey participants often enlisted and received support and approval of the board of directors or trustees. Sixty-five percent of FV survey participants held meetings with the entire board of directors or trustees (the “board”) in between regularly scheduled meetings.

One of the major themes, in figure 2, was that there were times when the volume of differences or exceptions identified was so large that not all of them could be investigated in a timely manner. In some instances, fund groups relied more heavily on materiality to determine which ones to investigate. In other instances, there was more focus on refining the exception identification process to reduce the number of false positives. While most FV survey participants do not expect all of these changes to remain in their arsenal, it still seems likely that there will be some permanent positive changes.

What the percentages also seem to suggest is that third-party pricing services were responsive. Yes, there were challenged prices, and, yes, there were some delays, but pricing services appear to have made adjustments along the way and were able to work with fund groups to keep information-sharing fluid and helpful.

The valuation process has evolved and improved significantly since the recession from 2007–2009, when some valuation challenges seemed nearly insurmountable. Perhaps part of the reason for the relative success is due to advances in technology and greater liquidity due to regulatory actions. Technology can accelerate the identification of potential issues, support analysis, and make it easier to communicate matters in real time and more seamlessly, allowing fund groups to incorporate the effects of events into their valuations.



# Using technology where it matters most

Over the past few years, the FV survey has been following the increased use of technology in the valuation function. As figure 2 shows, some fund groups introduced technological solutions over the past several months. It is notable that the implementation of new technology is the pandemic-induced change that most likely will remain a permanent part of the fund group's valuation process, as noted by 14% of FV survey participants.

All in all, 45% of FV survey participants made at least one of the technological changes in figure 3 below over the past year related to the valuation function—both for pandemic and nonpandemic reasons. This is on top of the 30% that made one of said changes in the previous year.

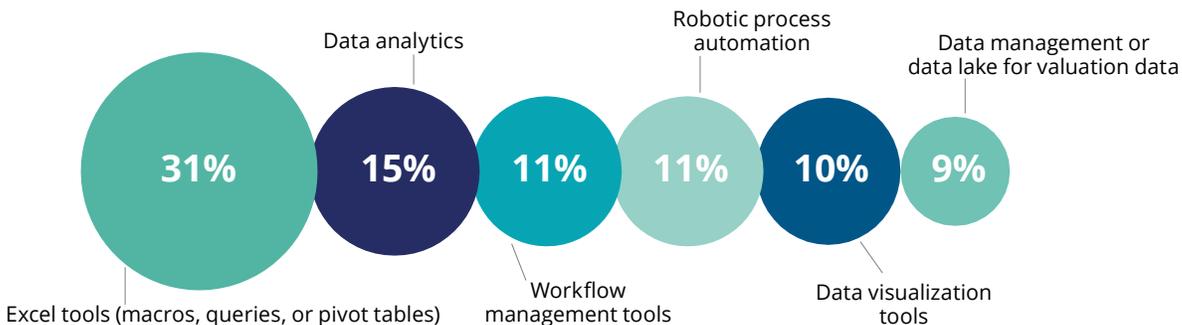
FV survey results over the past couple of years have demonstrated that the pace of technological change in the valuation function has been slow and measured, and the nature of changes has been modest and basic. Instead of rapid expansion into RPA or cognitive applications, the majority have worked toward implementing more sophisticated Excel-based enhancements that provide more immediate gains in efficiency. Eighty-three percent of FV survey participants indicated they currently use Excel-based tools in their valuation process.

Given the extended period of working from home, there may be an increased focus on workflow management tools. Workflow management tools can be used for certain aspects of many processes and controls, such as facilitating and securing approvals. However, about 15% of FV survey participants indicated their workflow tools are much broader, covering the full end-to-end valuation process. Perhaps, given the practical benefits of workflow management tools in a remote environment, we may see accelerated development in the near future.

Indeed, technology will become more prevalent in the valuation process going forward. Fifty-four percent of FV survey participants indicated they are exploring new valuation-related technology solutions. While exploration is different from implementation, we believe technological enhancements will continue in the form of quick-hit items that are lower-cost, easier to develop and implement, and based on increased industry use cases.

**Figure 3. Recent adoption of technological solutions**

Percentage of participants who said their firms began using these technologies in the past year



# Proposed regulatory rules will require change

At the forefront this year has been the pandemic and the market volatility it has created. Forty-seven percent of FV survey participants expect the pandemic will have the most significant impact and pose the biggest challenges over the next year. That is perhaps a surprise, given that it has been more than 50 years since the SEC proposed major fair valuation guidance. To this end, regulatory developments and the thought of implementing a new rule often cause fund groups to raise a flare of distress. In April 2020, the SEC issued a proposed valuation rule, and 37% of FV survey participants indicated that it could have a greater effect on the valuation process than those caused to date by the pandemic.

The SEC's proposed Rule 2a-5,<sup>1</sup> titled [Good Faith Determinations of Fair Value](#), "would involve assessing and managing material risks associated with fair value determinations; selecting, applying, and testing fair value methodologies; overseeing and evaluating any pricing services used; adopting and implementing policies and procedures; and maintaining certain records." The SEC has posted more than 50 [public comments](#),<sup>2</sup> many of which may have a significant impact on the shape and feel of any final rule that may emerge. How the final rule might read is anyone's best guess, but one thing is very clear: The requirements of proposed Rule 2a-5 exceed the current practices and procedures in place today, and implementation would require fund groups to spend additional time and resources to comply.

Take, for example, the proposed requirement to assess and manage material valuation risks. Only 28% of FV survey participants have determined today what a "material" valuation risk is. Even more broadly, only 11% reported they have put in writing the valuation risks for each asset class they manage. Additionally, 69% described the risks they have identified as "high-level risks" made up of five or fewer risks, and while proposed Rule 2a-5 does not specify the number of risks that a fund group must identify, a reading of it would likely suggest that they would need to identify more granular risks in order to comply. However, the resources and support may already reside in-house, as 68% of fund groups noted having a chief risk officer or risk committee, more than 73% focusing on valuation risk.



Proposed Rule 2a-5 also requires that a fund group identify material risks specifically related to conflicts of interest, and FV survey participants varied greatly in response to their preparedness relative to this proposed requirement, with 26% noting they identified conflicts of interest in writing with a description of procedures to address them and 21% noting they had not specifically identified any of them.

This is not to say that all aspects required in proposed Rule 2a-5 are foreign to most fund groups. For example, proposed Rule 2a-5 requires fund groups to establish objective criteria related to the circumstances under which price challenges typically would be initiated, and 63% of FV survey participants reported they have such in place. Additionally, proposed Rule 2a-5 would require fund groups to maintain certain records, both where the board itself determines the fair value of investments and where it assigns fair value determinations to the investment adviser. Fifty-two percent indicated the recordkeeping requirements are roughly the same as what they currently retain.

# Good governance equals active board oversight?

A main theme of proposed Rule 2a-5 is “active” board oversight. Current practices would change if the proposal is adopted as written. Some of the obvious examples were raised by many commenters, such as the required quarterly reporting and the in-between prompt reporting of certain matters associated with the investment adviser’s process. While 68% of FV survey participants provide quarterly reporting and 33% have requirements to report certain matters promptly to the board, the extent, form, and detail of the quarterly reporting and the form and timing of the prompt reporting may not perfectly align with proposed Rule 2a-5.

Proposed Rule 2a-5 also requires boards to “periodically review the financial resources, technology, staff, and expertise of the assigned adviser.” On the surface, this may seem easy enough to do, but in practice, there is much more subjectivity in determining what constitutes an appropriate review, especially since valuation resources may vary across fund groups. Sixty-three percent of the fund groups in the FV survey have an employee responsible for managing and overseeing the valuation process, but there is more to valuation resources than just that one person. The FV survey inquired of participants as to the number of full-time equivalents they had in the valuation function to determine whether an objective set of guidelines existed based on the size of the fund group, the number of investments held, and the asset class and nature of the investments held. The responses were extremely varied. While one might reasonably expect the number of valuation resources would correlate with the magnitude of positions held and the significance of less liquid investments, there are many other factors, including the use of other external parties and the extent of technological solutions in place, that can affect the valuation resources needed. Therefore, this aspect of

the proposal remains a very subjective judgment with potentially diverse interpretations on what valuation resources are needed and how to encourage a change in valuation resources, if deemed necessary.

Not everything contained in the rule text of proposed Rule 2a-5 relates to requirements. It also contains many suggestions, and some of those are aimed directly at boards. Many relate to information that boards might find helpful to review, and the FV survey results shown in figure 4 illustrate that many boards have been receiving these suggested items for quite some time.



What figure 4 illustrates is that board oversight contains many well-established practices and procedures that management and the board have crafted, refined, and feel are helpful in performing oversight, and it is not an area undergoing rapid change. The FV survey results support that, showing high consistency in responses from the prior year, with only minor modifications, mainly in the receipt of information relative to specific valuation analyses. For example, 11% of FV survey participants highlighted that their boards are now receiving additional reporting, most commonly related to back-testing of internally fair-valued investments or to vendor pricing for investments; one example focused on back-testing of foreign bonds.

Additionally, 22% of FV survey participants highlighted that their boards are now receiving certain information at a different level of detail than they were previously. Perhaps the information received was not enough to really help a board understand the subject at hand, and so the board requested a little more detail.

However, more may not always be better, as 8% felt like a reduction of detail was necessary. Some have been using summarized reporting highlighting key valuation indicators (KVIs). One FV survey participant replaced a

report showing all unchanged price holdings with one that shows only the positions falling outside the variance parameters defined by the board-approved valuation policy. Ninety-nine percent indicated that the board is receiving summarized reporting on valuation. As noted in figure 4, 46% of that oversight is in the form of dashboard reporting. This clearly indicates that boards and management are working collaboratively to focus on valuation risk through reporting of KVIs and indicators where price uncertainty has entered the market.

What all of this illustrates is that there is not a one-size-fits-all model for board oversight, and anything that suggests a prescribed way to perform such a responsibility is likely to be met with skepticism. Instead, the various board reports and dashboards with KVIs represent a body of risk-based indicators amassed from an ocean of data points that, on a collective basis, is designed to inform the intelligence of board members and allow them to carry out their responsibilities based on their respective skills and experiences. Rather than being formulaic and rigid, board oversight is iterative and agile, allowing board members to diffract crosscurrents before they become big waves—which is perhaps the ideal goal of sound, active governance.

**Figure 4. Board oversight reporting**

	2020	2019	2018
Dashboard reporting, including KVIs	46%	45%	44%
Summaries of price challenges	63%	74%	67%
Reports on the number of securities whose fair values were determined based on information provided by broker-dealers	59%	59%	60%
Reports regarding portfolio holdings for which there has been no change in price or for which investments have been held at cost for an extended period of time	68%	72%	69%
Back-testing of foreign equities	89%	87%	84%
Back-testing of broker prices	32%	23%	28%
Back-testing of level 3 investments	29%	23%	26%



# Additional key FV survey findings

The FV survey contained questions on many specific valuation matters and other findings as follows.

- Fifty-six percent of FV survey participants reported using zero triggers to determine when to adjust the prices of fair value equities that trade on foreign exchanges closing before 4 p.m. ET, compared with 59% last year. This seems to be a result of a slight change in composition of FV survey participants, as 5% indicated they had moved to a zero trigger, and none reported they had moved away from a zero trigger. However, 1% moved from a trigger above zero to a higher trigger percentage.
- Fifty-nine percent of FV survey participants whose firms offer both mutual funds and ETFs said their procedures for determining if a foreign equity price should be adjusted from its closing exchange price differed significantly between both product types. Only 23% indicated they were exactly the same. These percentages are nearly the same as those reported last year, continuing to show a clear divide in policies and procedures between fund types.
- Thirty-one percent of FV survey participants changed their primary source for certain fixed-income securities in the past 12 months, compared with 22% last year. Thirty-four percent added or changed secondary pricing sources for certain fixed-income securities, which is fairly consistent with the 32% who did so in the prior year.
- Sixty-three percent of FV survey participants use bid pricing exclusively when valuing fixed-income securities. Sixty-two percent of those using bid pricing as a default option noted that their traders had indicated the bid price is the most representative of actual selling prices, and 30% of those indicated they had performed a study and determined bid prices were closer to the actual

selling prices than the mean.

- Six percent of FV survey participants changed policies or procedures relating to non-institutional-sized lots ("odd-lots"). The SEC announced an [administrative proceeding](#) against an investment adviser in April 2020<sup>3</sup> that included discussion of purported inaccurate valuation of odd-lots.
- Thirty-one percent of FV survey participants reported their traders have identified differences in how they assessed liquidity versus how a pricing vendor had done so when valuing securities, up from 21% two years ago.
- Sixty-two percent of FV survey participants indicated that they hold private equities, most commonly representing 1% to 5% of their portfolios. Moreover, 21% of FV survey participants indicated that the volume of private equity positions has increased in the past 12 months.
- Ten percent of FV survey participants indicated they had made a change as a result of the release of the *AICPA Accounting and Valuation Guide: Valuation of Portfolio Company Investments of Venture Capital and Private Equity Funds and Other Investment Companies*, and 11% indicated they are considering making changes.



# Looking ahead

Based on the FV survey results and what we have observed anecdotally, as well as our perspectives of the current and future environment, we anticipate changes may occur in the future and will require attention in the following valuation-related areas.

## Consideration of valuation sources



### Real-time board involvement

As noted in proposed Rule 2a-5, active board governance is a primary focus. To this end, 51% of FV survey participants (a maturing trend) indicated their valuation policies and procedures identify situations in which they must either involve or notify one or more board members on a real-time basis relative to the pricing of an investment. While in most instances, the focus is on real-time notification and not on real-time involvement, the SEC's proposed Rule 2a-5 hints at the importance of the board's potential involvement in determining a valuation approach for new investments:

*"For example, the board or adviser, as applicable, generally should address, prior to the fund's investing in a new type of investment, whether readily available market quotations will be used or if the investment may need to be fair valued on occasion or at all times."*

*"The board or adviser generally should seek to identify sources of price inputs before the fund invests in such asset classes, if possible, in addition to determining an appropriate fair value methodology, and generally should document these decisions."*

Even if the board assigns such responsibilities to the investment adviser, it's possible that the board may still want to be involved in the process. If not already in place, some boards may wish to implement such a process to review and approve the valuation approach for any new investment types before they are first acquired.

### Third-party pricing due diligence

Thirty-six percent of FV survey participants indicated they have performed a site visit of third-party pricing vendors through virtual means. Even if offices open up such that in-person visits become possible, the transition to a new way of due diligence may already be underway. Perhaps due diligence will become narrower in scope. The social-distancing environment in which we have been living may have taught us that, for many service-oriented businesses, brick-and-mortar locations are less important than the people, processes, and systems in place. Thus, a resulting effect of the pandemic may be a fundamental shift in what people view as "good" due diligence. Internal pricing committees (IPCs) and boards may reconvene to collectively agree on a different due diligence model going forward—one that focuses on elements of reaction time, reliability, and business continuity during periods of disruption.

### Involvement of portfolio management

Proposed Rule 2a-5 would require the investment adviser to reasonably segregate the process of making fair value determinations from the portfolio management of a fund group. While many fund groups already have segregated these functions, some have not. For example, 10% of FV survey participants noted that portfolio management personnel are active members of the IPC, and 42% noted that portfolio management personnel determine the fair value of an investment when pricing from normal sources is unavailable or determined to be unreliable. These sorts of roles are not inherently wrong by any means, especially if effective internal controls are in place to mitigate any potential conflict of interest. However, given the language in the SEC's proposed rule, this may be an area in which fund groups may seek to create a clearer delineation of responsibilities.

## Streamlining daily operations



### Maturing technology use cases

It seems clear that there will continue to be technological developments affecting the valuation process. They may be quick fixes to solve an immediate problem or make something easier. They may improve workflow. Regardless of what they do, the work-from-home environment, even if it does not stay with us permanently, likely will cause at least a somewhat different approach and mindset to investment adviser operations, including the valuation function, and technology will likely be part of that evolution, just like it has been during the pandemic.

### Reconsidering current procedures

#### *Alignment of risks and procedures*

In response to a new FV survey question, 17% of FV survey participants noted they have documented not only key valuation risks they face, but also a description of procedures designed to address or mitigate each of them. That may not be a very high percentage, but it still may represent a valid concept. An entity's procedures ideally should address inherent risks, and it is possible that eliminating duplicative and unnecessary procedures may save time and, potentially, cost. To the extent that an investment adviser is looking to get leaner, this may be a natural time to explore this type of alignment exercise.

#### *Materiality thresholds*

Thirty percent of FV survey participants instituted a materiality threshold and/or changed existing materiality thresholds during the pandemic. Also, see below. Simply put, existing daily internal control procedures resulted in the identification of too many exceptions, and fund groups had to make risk-based decisions on which outliers to pursue.

While only 1% indicated they had any plans to make new materiality thresholds permanent, it's possible that investment advisers may reevaluate or refine the thresholds applied. When time is short, or when cost pressures exist, eliminating unnecessary work may be a priority. Using materiality thresholds to reduce analysis for insignificant matters may be a direction some may go. Perhaps the key to success in this area is reaching a consensus on a definition on how materiality is measured, and, in order to do so, board members may have an opinion. It is also possible that the materials boards receive may also be shaped more by materiality in the future to better focus their attention on what matters.

#### *Dynamic thresholds*

Similar to materiality thresholds, many fund groups have instituted flexible or dynamic price tolerances, as opposed to static tolerances used in the daily valuation process in order to eliminate price exceptions for positions where the price may have moved significantly, albeit consistently with other similar securities or proxies. While only 4% believe that such will become a permanent part of their model, part of the barrier to moving to dynamic thresholds in the past has perhaps been operational and technological limitations. To the extent that fund groups have identified more streamlined ways to accomplish this, setting more dynamic thresholds may prove to be a more economical, efficient, and potentially effective way to perform daily procedures.

## Impact of the pandemic



### Evaluating the pandemic period in trend analyses and in forecasting

Fund groups run many types of analyses that incorporate trend lines, whether they relate to the tracking of key valuation indicators for a dashboard or other more detailed analyses. Results during the pandemic have been volatile in many instances, representing anomalies in a data set. Whether and how to adjust analyses because of these anomalies will likely be a point of discussion and will certainly be more judgmental.

Many valuation models, especially for illiquid securities, may incorporate current financial results into the determination of fair value. How best to evaluate the most recent operating results into those models is also very judgmental, especially given that they may be skewed or not representative of what can be expected in the future. Ultimately, it will really depend on the fund group's determination of what a market participant would consider when determining how much to pay for the investment. When sales or exits occur, back-testing activities may help in assessing the appropriateness of the original assumptions made relative to such matters.

Regardless of the judgment involved, many fund groups are likely going to need to continue evaluating how to do this.

## Planning for the unexpected



### BCP and contingency planning

As noted on a previous page, 27% anticipate making changes to how they will test BCP in the future. And BCP testing may not be the only thing that evolves. For example, all of the matters associated with the pandemic, as identified in figure 1, represent potential risks that may continue in the future. In the same vein as some of the language within proposed Rule 2a-5, fund groups may now have an opportunity to identify valuation risks and consider how to manage them. In doing so, they can take what they have learned from the current pandemic and reassess whether new procedures should be developed, or existing processes modified, to improve their identification and response to similar challenges in the future. Management may want to seek preapproval from boards for certain planned responses, which could minimize the need for more detailed discussions on a real-time basis when time is of the essence. However, this type of planning takes time, and some fund groups may feel they do not have the ability to devote resources to such an endeavor.

Perhaps the key to success is the extent of testing performed up front. Many fund groups, based on the FV survey results, were prepared for remote working and had tested the ability to do so, likely making it easier to work effectively. However, there may be other opportunities to enhance testing for other potential scenarios. For example, only 13% of FV survey participants have tested their process for valuing US equities that primarily trade on the NYSE, but also trade on other exchanges, in the event that the NYSE stops trading. This may be irrelevant to some because the calculation of the NAV is tied to the NYSE being open, and perhaps for others, it may be viewed as purely a remote risk.

Although some may decide that it is unnecessary to test the example above, there may be other risks for which testing would be a prudent part of valuation risk management. For example, as technological solutions are introduced into the valuation function, those in oversight roles may want to also understand in advance how they will be periodically tested.

There is no doubt 2020 has been a challenging year and unlike any other we've experienced. Despite the human toll, we have learned, grown, and become more resilient as we uncovered strengths and weaknesses that will better inform our efforts to calm future storms. The strength of future storms will be unknown. However, good planning, risk management, leading technology, and data analytics, coupled with smart, talented humans leading the ship, will continue to be the best way to stay in control of the wheel and move in the right direction.

# Endnotes

1. The SEC's proposed Rule 2a-5, <https://www.sec.gov/rules/proposed/2020/ic-33845.pdf>.
2. SEC public comments, <https://www.sec.gov/comments/s7-07-20/s70720.htm>.
3. <https://www.sec.gov/litigation/admin/2020/ia-5489.pdf>.

## About the FV survey and its authors

We conducted the FV survey in summer 2020, and participants representing 101 registered investment company fund groups completed the FV survey. FV survey participants included small, midsized, and large fund groups. About 15% of them managed mainly equities, 6% managed mainly fixed-income securities, and the remaining managed a balanced array of strategies.

We appreciate the participation of all of these fund groups. More details on the matters addressed within this executive summary and full results were provided exclusively to participants in a separate document.

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Our insights can help you take advantage of change. If you're looking for fresh ideas to address your challenges, we should talk.

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