Retail Alternatives

Valuation Benchmarking Survey

October 2026

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SECTION 1

Overview

PwC and the Investment Company Institute (ICI) conducted the Retail Alternatives Valuation Benchmarking Survey to provide descriptive benchmarking insights into valuation practices across retail alternative investment products. The survey includes responses from investment management organizations representing a range of business models, product structures, asset classes, and operating frameworks.

The survey captures perspectives across a broad range of asset classes, including private equity, private credit, fund of funds, and real estate and infrastructure (REIT), as well as across interval funds, tender offer funds, business development companies, and other less-liquid retail investment vehicles. The results provide insight into how participating firms are adapting valuation frameworks, governance structures, third-party valuation support, monitoring practices, and technology capabilities as the retail alternatives market continues to evolve.

Respondent Profile Consideration

Survey respondents represented a range of retail alternative market participants; however, the respondent population was weighted toward traditional asset managers and insurance-affiliated organizations. Results should therefore be interpreted as benchmarking observations from participating firms rather than as representative of all retail alternative market segments. Results describe practices reported by participating firms. They are not intended to represent the entire market, establish a prevailing market practice, or prescribe a best practice. A practice reported by a majority of respondents is not, by itself, evidence that the practice is appropriate for every firm. Rather, the findings show where approaches converge or differ and provide a basis for further discussion, benchmarking, research, or guidance. Additional information regarding respondent characteristics is provided in the **Appendix**.

Audience Considerations

This report is intended for readers with varying backgrounds across traditional registered funds and private market investment structures. Readers may wish to focus on the sections most relevant to their role and product experience. Traditional registered fund managers may find **Section 5, Valuation Methodology and Process**, especially relevant, while private-fund and alternatives-focused readers may wish to refer to **Section 4, Valuation Governance and Oversight**.

Relationship to GAAP Reporting Requirements and Rule 2a-5

Rule 2a-5 provides a principles-based framework for fair value determinations and oversight. The survey does not suggest a single operating model. It illustrates how practices may vary—and continue to evolve—based on product terms, asset characteristics, information availability, and each firm's governance structure.

This report presents descriptive survey results regarding practices reported by participating firms. The inclusion of a reported practice, regardless of the number of respondents reporting it, does not indicate that PwC or ICI considers or endorses the practice as compliant with US GAAP, SEC Rule 2a-5, or other applicable legal or regulatory requirements. The survey was not designed to evaluate compliance, and the results should not be interpreted as accounting, legal, or regulatory guidance. Each organization should evaluate its practices based on its particular facts and circumstances and applicable requirements.

Data Presentation

- To our knowledge, this is the first survey to examine these practices across product structures and asset classes while connecting valuation governance, operating processes, third-party support, monitoring, back-testing, and technology.
- For questions allowing multiple selections, percentages represent the percentage of respondents selecting each option and therefore may total more than 100%.
- Base sizes may vary by question depending on respondent eligibility and the asset classes or products managed by respondents.
- n = X represents the number of respondents included in the calculation for a given chart, question, or subgroup analysis. Where charts are segmented by asset class or product type, the reported n-value reflects only respondents applicable to that category.

We thank all survey participants for their contributions and insights to this first baseline of retail alternative valuation practices. PwC and ICI hope this report provides valuable perspective as organizations continue to enhance their valuation frameworks, governance structures, and operational capabilities in support of the growing retail alternatives market.

SECTION 2

Executive Summary

Market Context and Strategic Themes

Retail alternatives continue to expand as asset managers seek scalable access to private markets.

The continued expansion of retail alternatives is broadening access to private markets and increasing the importance of valuation transparency, governance under Rule 2a-5, and reporting. As less-liquid strategies move further into retail-oriented structures, adviser confidence and investor understanding depend on valuation practices that support reliable NAV reporting, transparent subscription and redemption processes, and consistent oversight.

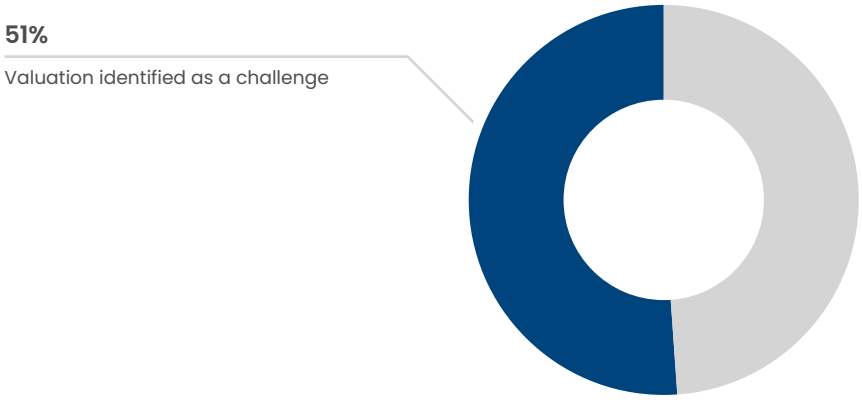
Market Context

Retail alternatives are continuing to gain prominence as asset managers seek scalable vehicles for less-liquid investments and investors seek broader access to private market exposures. As these products grow, valuation practices are becoming increasingly important to support NAV reporting, adviser communication, governance oversight, and investor confidence.

Among respondents, interval funds appear to be a particularly important growth structure, with 92% having launched or actively exploring interval funds. This reinforces the need for valuation practices that can support adviser confidence, more frequent NAV reporting, and scalable oversight as retail access to private markets expands.

Rule 2a-5 provides a principles-based framework for fair value determinations and oversight. Rather than prescribing one operating model, the survey illustrates how firms are using that flexibility to tailor governance, monitoring, challenge, and escalation to their products and assets.

Why Valuation Matters in Retail Alternatives



51% of traditional registered fund asset managers **identified valuation as a challenge** when broadening their product offerings.

Valuation is central to how retail alternative products are operated, overseen, and understood. Because these products often include less-liquid investments, valuation frameworks help support NAV reporting, subscription and redemption activity, board oversight, third-party provider engagement, and consistency across registered and nonregistered fund structures.

As product complexity increases, survey findings suggest that valuation information is being communicated to a broader range of stakeholders, with reporting frameworks evolving to provide boards with back-testing results, valuation exceptions and overrides, and changes in vendors or experts.

Key Strategic Themes

Taken together, the findings establish a baseline for member discussion. They do not define best practice; instead, they show where approaches converge or differ and where additional benchmarking, research, or guidance may be useful.

Product Expansion: Interval funds are emerging as a leading structure for broadening retail access to private markets.

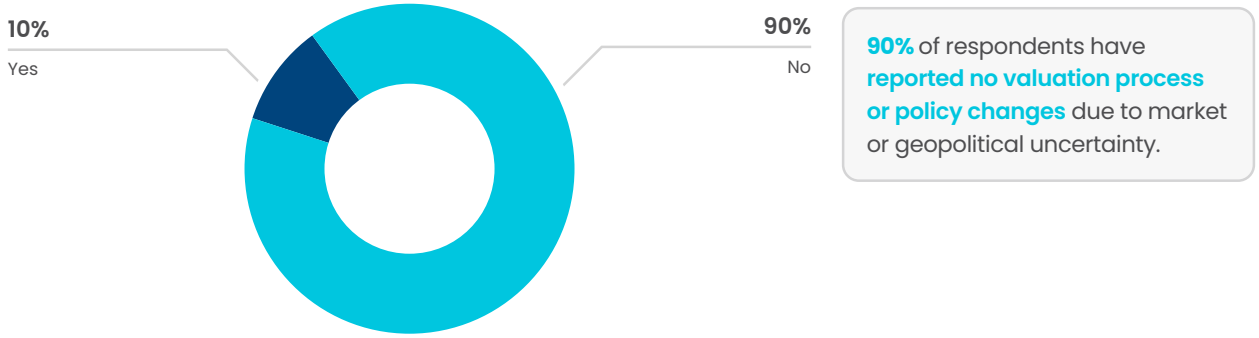
Valuation Governance: Survey results point to continued focus on valuation committees, board reporting, oversight, and documentation.

Operating Scalability, Reporting, and Process: Greater complexity across asset classes and product structures places added emphasis on process, data, and technology enablement.

Noteworthy Survey Findings

The findings show established practices, some evolution and variation, and areas for continued benchmarking and evolution.

Have recent market conditions (including credit market dynamics and geopolitical developments) prompted any changes to your internal investment processes or policies?



n= 39 respondents

Existing valuation frameworks generally remained in place despite recent market and geopolitical volatility.

Only 25% of respondents reported formal written procedures addressing discounts and premiums on NAV for fund of funds and secondaries valuations, highlighting a potential opportunity for greater consistency as these strategies continue to grow within retail alternatives.

Adoption of Third-Party Valuation Experts

Third-party valuation experts remain a core component of retail alternatives valuation frameworks, with adoption highest among private credit (86%), private equity (85%), and REITs (82%) respondents. Fund of funds managers report lower utilization, reflecting the nature of fund of funds structures, which often rely on valuations provided by underlying investment managers.

However, across the industry and asset types, the use of third-party valuation experts continues to increase to address a range of business, operational, and governance considerations, often leading to firms seeking assistance for more than just valuation opinions as managers scale operations.

Specialized Expertise: The primary driver of third-party engagement, complemented by board, investor, and governance expectations, highlighting the role of independent valuation support in strengthening valuation oversight and credibility.

Frequency of Utilization of Third-Party Valuation Experts by Asset Type: Daily use of third-party valuation experts is most prevalent among private credit respondents, while REIT managers most commonly engage external providers on a quarterly basis. Private equity and fund of funds managers show a more balanced distribution across daily, monthly, and quarterly valuation frequencies.

Rare Management Overrides: Management overrides of third-party valuation inputs are uncommon, with most respondents reporting overrides occurred rarely or never. When adjustments are made, they are typically driven by more current internal information rather than disagreement with valuation methodologies.

SECTION 3

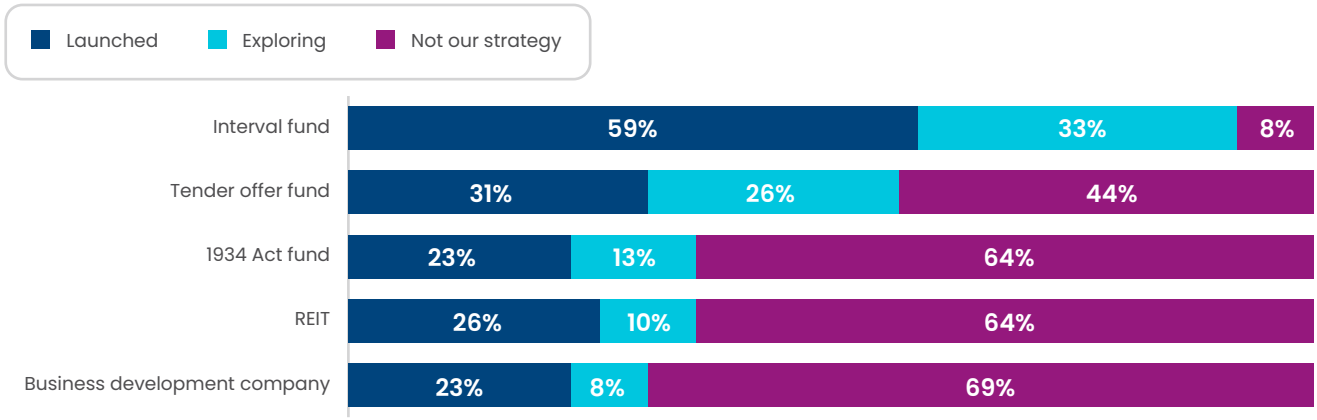
Retail Alternatives Summary

Survey participants represent a diverse group of investment management organizations with varying geographic footprints, product offerings, assets under management, and experience managing retail alternative investment vehicles. This section highlights key characteristics that may influence valuation practices, governance structures, and operating models across the survey results.

Retail Alternative Product Adoption

Which types of retail funds with less-liquid fund structures have you launched or are you contemplating launching in the near future?

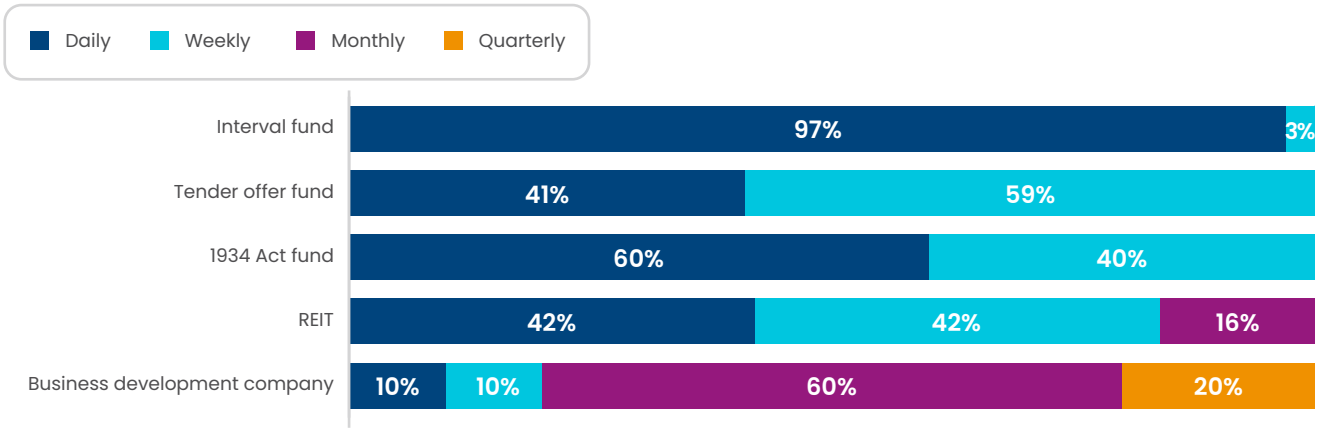
Ninety-two percent of respondents have either launched or are actively exploring interval funds, highlighting strong industry momentum toward expanding retail access to private markets. Retail alternative investment structures often create expectations around more frequent valuation reporting and greater transparency. As these products continue to grow, organizations are increasingly focused on ensuring valuation processes can support the information needs of advisers, boards, investors, and other stakeholders.



n= 39 respondents

For this primary vehicle, how frequently is NAV formally calculated?

Formal NAV calculation practices differ across retail alternative product structures, reflecting the characteristics and operational requirements of each vehicle. Survey participants reported the frequency at which NAV is typically determined for their primary fund structures.

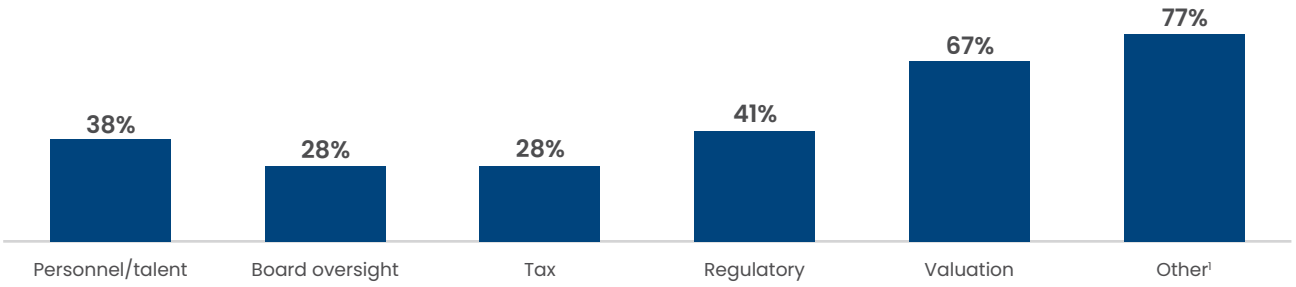


n= 39 respondents

Challenges Launching Product Types

If you are historically an alternative funds asset manager, what challenges have you faced launching registered funds for retail investors?

Survey participants with a historical focus on alternative funds were asked to identify the key challenges they encountered when expanding into registered fund structures for retail investors.



[1] Key themes from "other" responses include operational challenges, asset servicing/provider considerations, and internal expertise in private product management.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 39 respondents

Valuation and regulatory considerations remain key focus areas when expanding product offerings. Unlike many traditional fund structures, retail alternative products often require firms to address less-liquid investments, more complex valuation methodologies, enhanced governance expectations, and evolving regulatory considerations. As a result, organizations must establish valuation frameworks and oversight processes capable of supporting both operational requirements and stakeholder expectations as retail access to private markets continues to expand.

SECTION 4

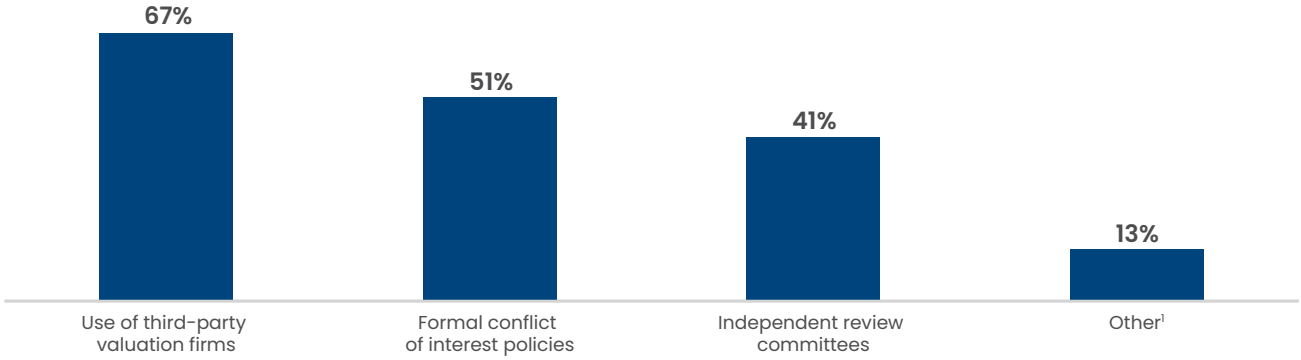
Valuation Governance and Oversight

Effective valuation governance is fundamental to maintaining consistency, transparency, and independence within the valuation process. This section explores how firms structure oversight responsibilities, manage conflicts of interest, establish valuation committees, and report valuation matters to boards and other governance bodies. The findings provide insight into the frameworks, controls, and oversight practices organizations use to support fair value determinations and strengthen confidence in valuation outcomes.

Most Common Tool Used to Mitigate Conflicts of Interest

How does your valuation governance framework address conflicts of interest?

Survey responses indicate that external valuation support and formalized policies are the most commonly cited approaches for mitigating valuation-related conflicts of interest.



[1] "Other" responses included non-voting conflicted parties, separation of duties, committee independence from portfolio management, internal conflict registrars, vendor attestations during quarterly diligence, and compliance/non-voting protocols.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 39 respondents

Internal Valuation Committee

How many professionals sit on the internal valuation committee?

Internal valuation committees are generally structured to provide broad oversight while maintaining operational efficiency. Nearly half of respondents (46%) reported committees consisting of seven to 10 members, making it the most common committee size.



n= 39 respondents

Who is on the internal valuation committee?

Internal valuation committees are predominantly composed of finance, compliance, accounting, and valuation professionals.

Committee Roles	Yes - Voting	Yes - Non-Voting	No - No Seat Held
Treasurer/Chief Financial Officer	85%	3%	13%
Member of Risk and Compliance Team	72%	28%	0%
Member of Accounting Team	69%	5%	26%
Valuation Manager	62%	15%	23%
Legal Counsel	36%	38%	26%
Controller	31%	5%	64%
Investment Analysts	26%	3%	72%
Traders	18%	5%	77%
Portfolio Manager	15%	23%	62%
Chief Investment Officer	13%	8%	79%

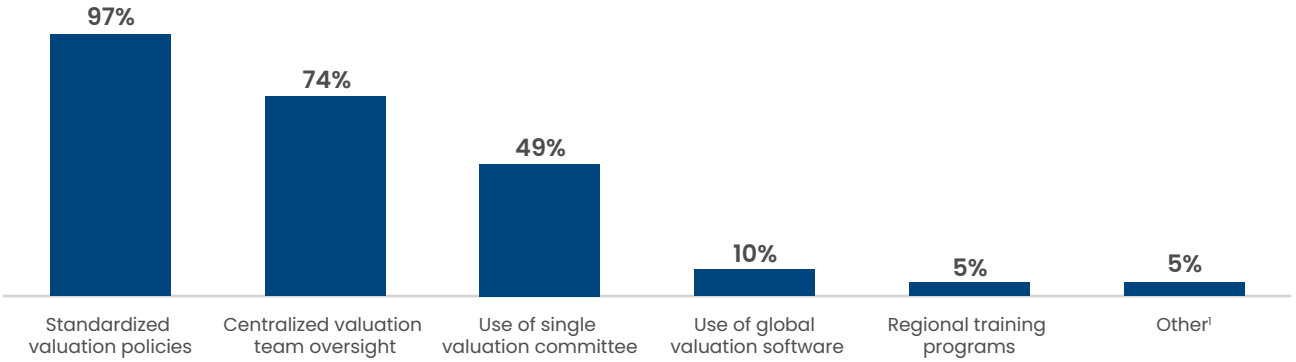
n= 39 respondents
Percentages may not total 100% due to rounding

The findings suggest firms prioritize independent oversight by emphasizing finance, accounting, compliance, and valuation expertise while limiting direct participation from investment decisionmakers.

Approaches to Maintaining Consistent Valuation Practices

For registered funds, how do you ensure consistency in valuation procedures across different parts of your business such as different business units or different geographic regions/offices?

Organizations most commonly rely on structured governance and decision-making frameworks to promote valuation consistency. The prevalence of standardized policies, centralized oversight, and valuation committee involvement suggests a preference for formalized controls over technology- or training-driven solutions.

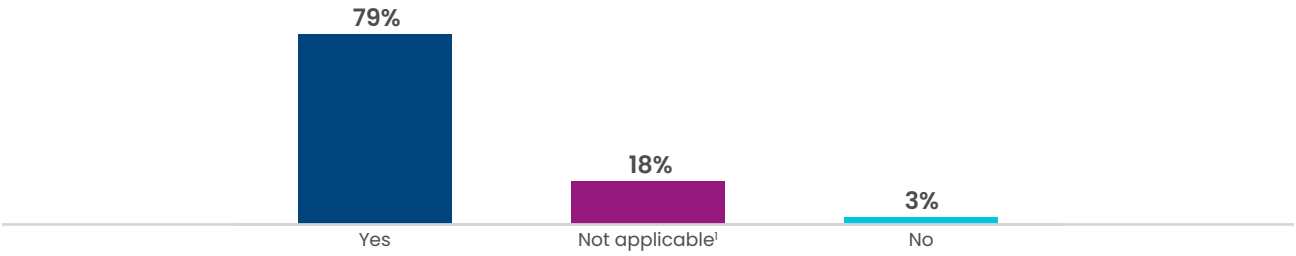


[1] Responses categorized as "other" primarily represented firms indicating the question was not applicable to their organization. Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
n= 39 respondents

Valuation Consistency Across Registered and Non-Registered Funds

If you have registered and non-registered funds, do you hold the fair value mark consistent between the fund types?

Most respondents report consistent fair value marks across registered and non-registered funds (79%). Only 3% of respondents reported applying different fair value marks across registered and non-registered fund structures. While such differences were reported, it is worth noting and ensuring that governance structures incorporate review of these differences and the factors creating them.

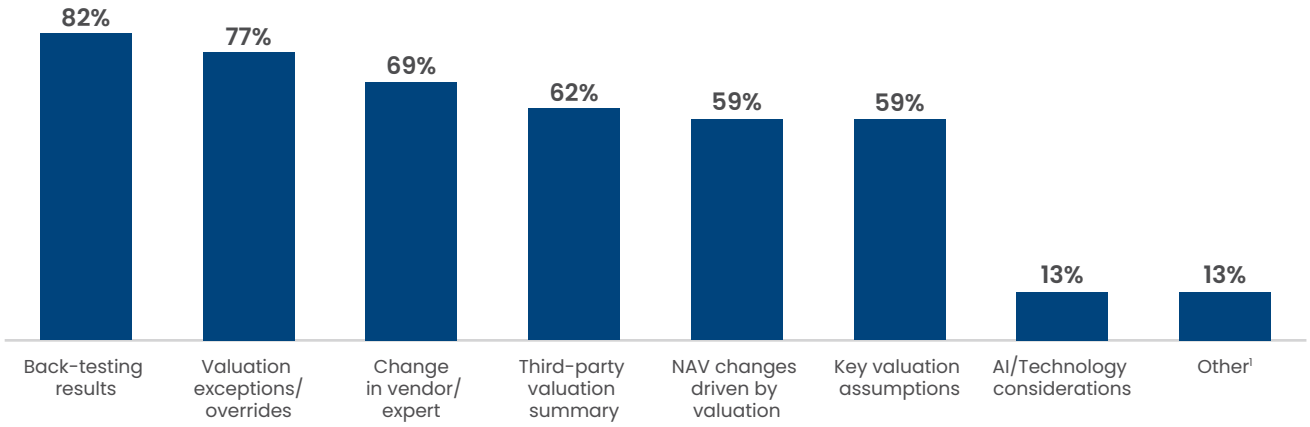


[1] Respondents who selected "not applicable" do not manage non-registered funds.
n= 39 respondents

Valuation Information Reported to Boards and Oversight Committees

What valuation-related information is regularly reported to the board or audit / external valuation committee?
Valuation information is increasingly being consumed by a broader range of stakeholders beyond valuation teams. Organizations are enhancing reporting frameworks to support board oversight, investor communications, governance requirements, and overall transparency objectives.

Board reporting is heavily focused on valuation oversight activities, with back-testing results (82%), valuation exceptions and overrides (77%), and vendor changes (69%) representing the most frequently reported information.



[1] "Other" responses primarily focused on governance and exception monitoring, including conflicts of interest, fund risk metrics, Level 3 security exposure, material valuation changes, vendor pricing exceptions, and internally developed valuation reporting tools.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 39 respondents

Valuation Oversight Reporting Frequency

How frequently is valuation information reported to the board or audit/external valuation committee?
Organizations primarily communicate valuation information to boards and audit/external valuation committees through established reporting cycles. Quarterly reporting (82%) is the most common approach, followed by monthly reporting (18%). A limited number of respondents reported other reporting frequencies (5%) or ad hoc reporting only (3%).

These findings suggest that firms generally incorporate valuation oversight into regular governance processes while retaining flexibility to address material valuation matters as needed. Consistent with SEC Rule 2a-5, certain material valuation matters may also require communication to the board outside of established reporting cycles, including notifications within five business days when specified valuation events occur.

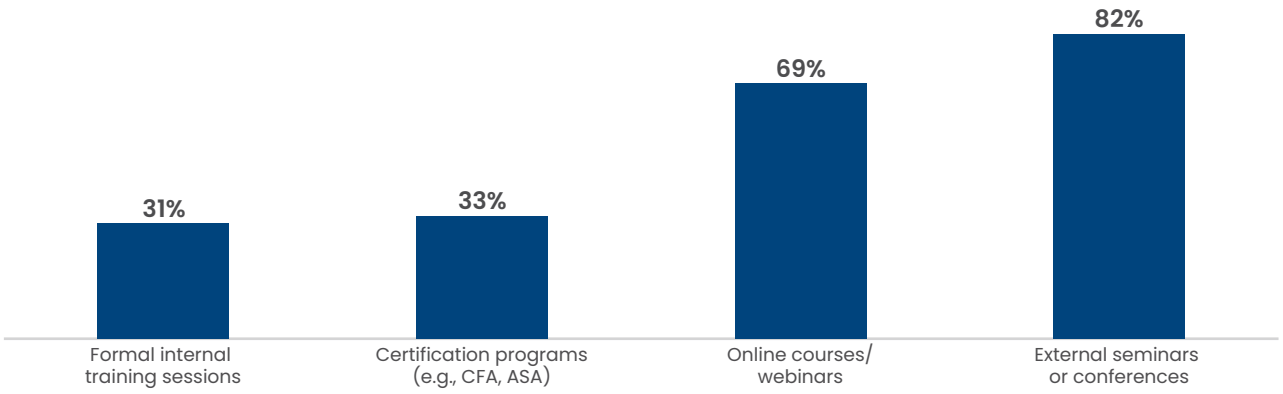
SECTION 5

Valuation Methodology and Process

Valuation methodology and process are central to supporting consistent and timely fair value determinations across retail alternative products. This section examines how firms prepare valuations, maintain valuation expertise, use standardized models, apply methodologies across asset classes, and address process considerations such as valuation timing, liquidity adjustments, materiality thresholds, and NAV differences.

Current Approaches to Valuation Training

What training programs does your team participate in to stay current on valuation techniques?



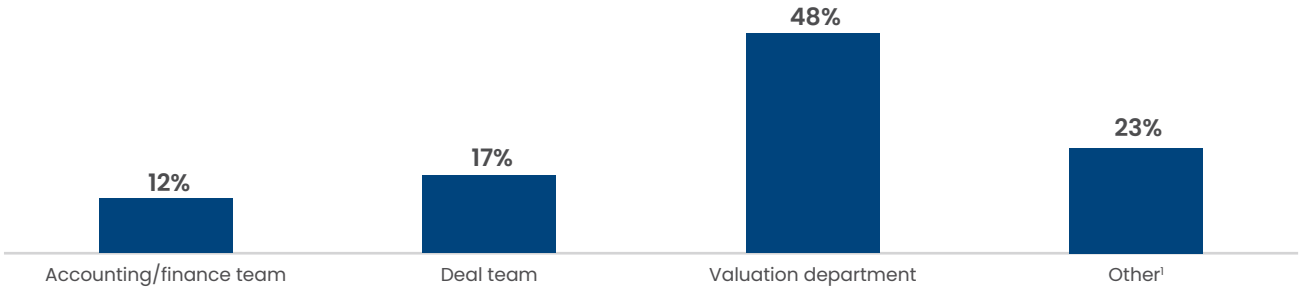
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
n= 39 respondents

Survey responses indicate that external seminars, conferences, and online courses/webinars account for the majority of valuation training activities utilized by respondents.

In-House Valuations

For valuations prepared in-house, who is responsible for preparing investment valuations?

In-house valuations are most commonly prepared by dedicated valuation teams; however, the data below show that some asset managers do not have a dedicated valuation department.

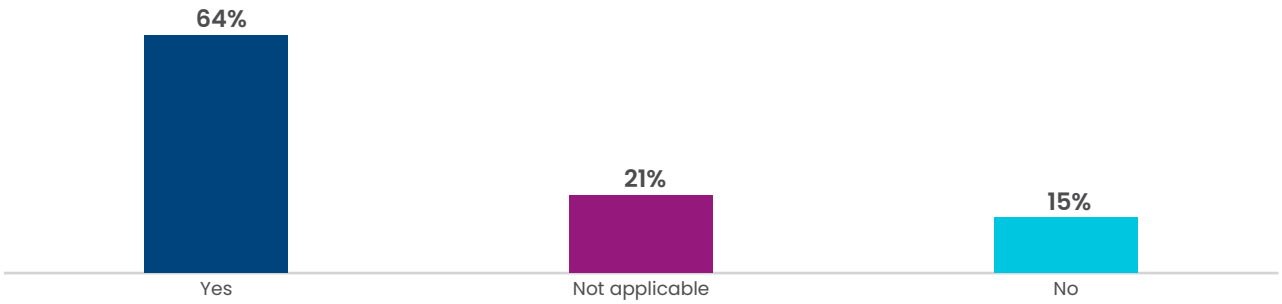


[1] "Other" responses referenced valuation designees, operations, risk teams, external providers, and sub-advisers as participants in the valuation process.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 39 respondents

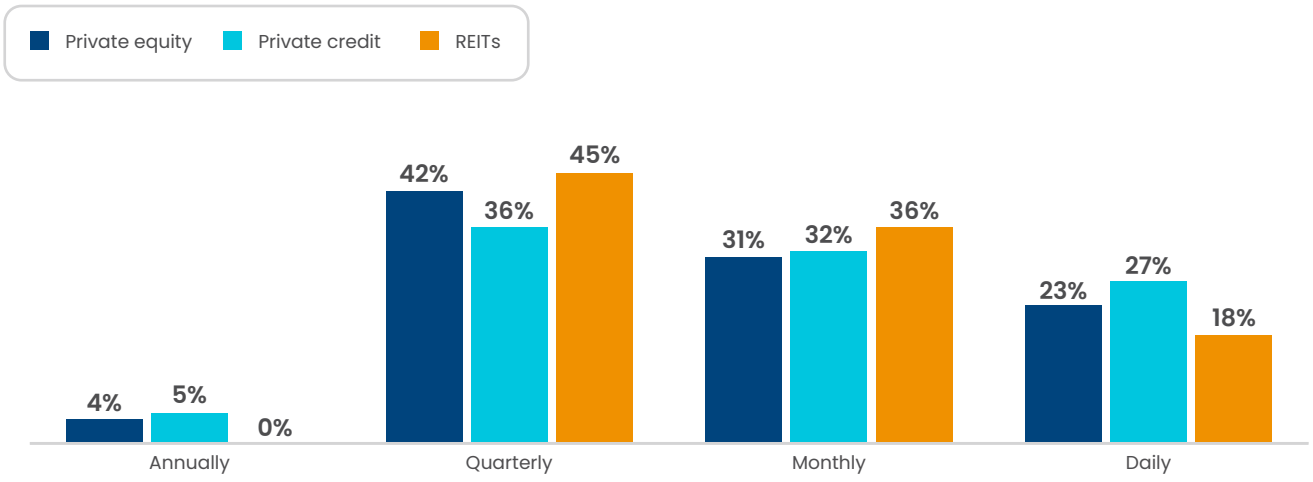
For valuations prepared in-house, are standardized models generally used for investment valuations?
These processes are typically supported by the use of standardized valuation models:



n= 39 respondents

Valuation Practices Across Level 3 Asset Classes

For valuations, including Level 3 models or comparable analysis - how frequently are they prepared?
Across Level 3 models and comparable analyses, quarterly and monthly valuation preparation are the most common. While respondents had the option to select semiannual or weekly valuation frequencies, neither was utilized. Valuation frequency is influenced not only by asset class characteristics, but also by product-specific NAV calculation requirements and broader valuation governance practices established under Rule 2a-5.



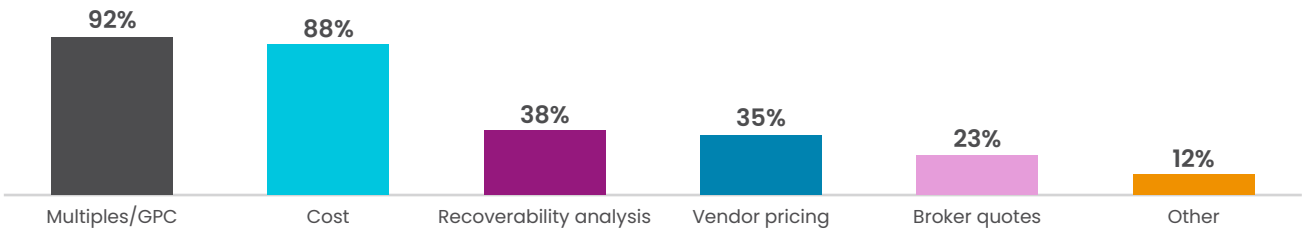
Base varies by asset class: private equity (n=26), private credit (n=22), REITs (n=11).

Valuation Practices Across Asset Classes

What method do you use to value each asset class noted below?

Valuation methodologies vary meaningfully by asset class, reflecting differences in underlying investment characteristics, data availability, and market practices.

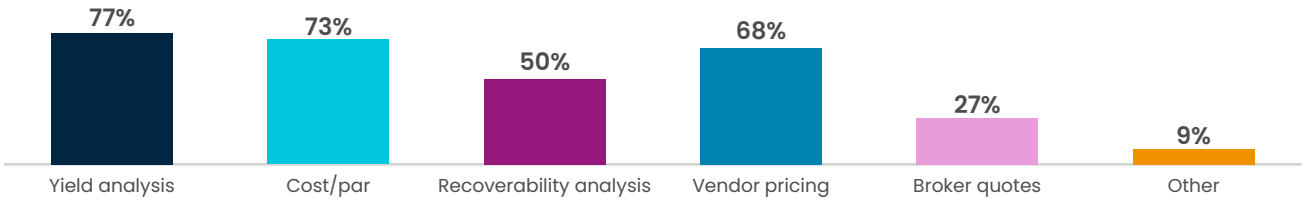
Asset managers who hold private equity most commonly use...



Additional Methodologies: We asked respondents if there were any other methodologies used to value private equity other than those identified above. Respondents indicated market-based methodologies, company-specific adjustments, discounted cash flow analysis, and transaction evidence.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
n= 26 respondents

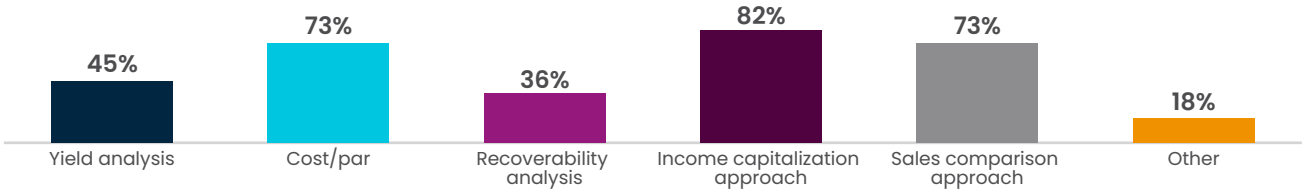
Asset managers who hold private credit most commonly use...



Additional Methodologies: We asked respondents if there were any other methodologies used to value private credit other than those identified above. Respondents indicated security-specific adjustments, market-based methodologies, credit- or risk-based approaches, discounted cash flow analysis, and transaction evidence.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
n= 22 respondents

Asset managers who hold REITs most commonly use...



Additional Methodologies: We asked respondents if there were any other methodologies used to value REITs other than those identified above. Responses included the use of valuation models, market-based multiples, and discounted cash flow analyses.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
n= 11 respondents

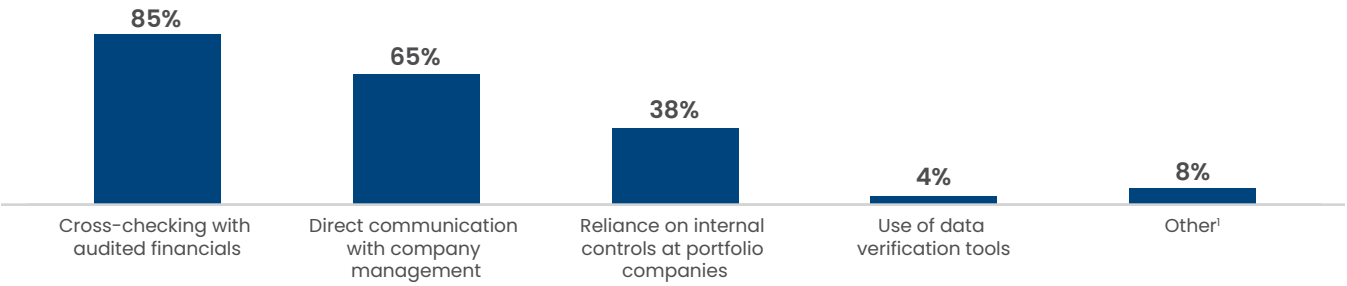
Fund of Funds

Most respondents used NAV as a practical expedient to value fund of funds investments. Additional methodologies included adjustments for investment-specific events, cited by 18% of respondents; manager validation or benchmarking, cited by 12%; and market-based adjustments, cited by 6%.

Private Equity Methods Used to Validate Portfolio Company Data

What processes are used to validate data quality from portfolio companies?

Reliable valuation outcomes depend on the quality and completeness of information received from portfolio companies. Survey participants identified the processes used to verify and validate portfolio company data.



[1] "Other" validation practices included periodic reporting and ongoing communication with advisers, sub-advisers, and portfolio company management.

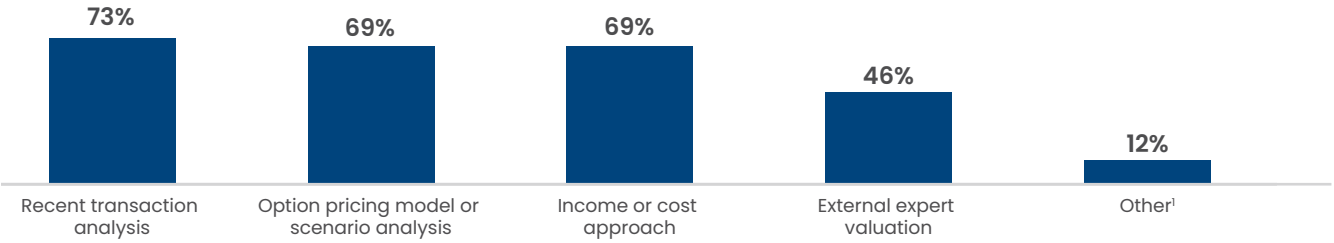
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 26 respondents

Private Equity Approaches Applied to Assets Lacking Market Comparables

What approach is typically applied for assets lacking market comparables or pre-revenue generating?

Certain private equity investments may have limited observable market inputs, particularly early-stage or pre-revenue assets. Survey participants identified the valuation approaches typically used for private equity assets lacking observable market comparables or pre-revenue assets.



[1] "Other" responses indicated that market comparables were available or that the question was not applicable.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

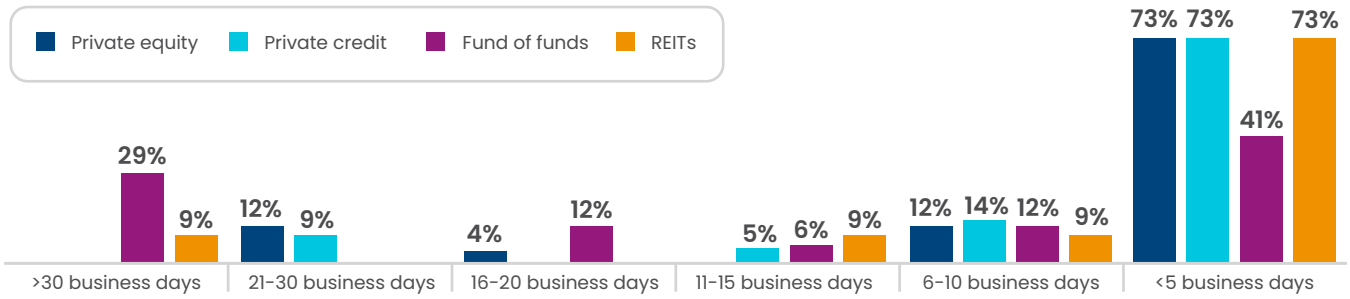
n= 26 respondents

Access to valuation-related information continues to improve across the market; however, firms increasingly face challenges around data quality, consistency, and validation. As valuation processes become more data-driven, organizations are placing greater emphasis on verifying information received from portfolio companies and other external sources before incorporating it into valuation conclusions.

Valuation Completion Following Activity

How many business days after the subscription date (assuming monthly subscriptions) is the valuation process finalized?

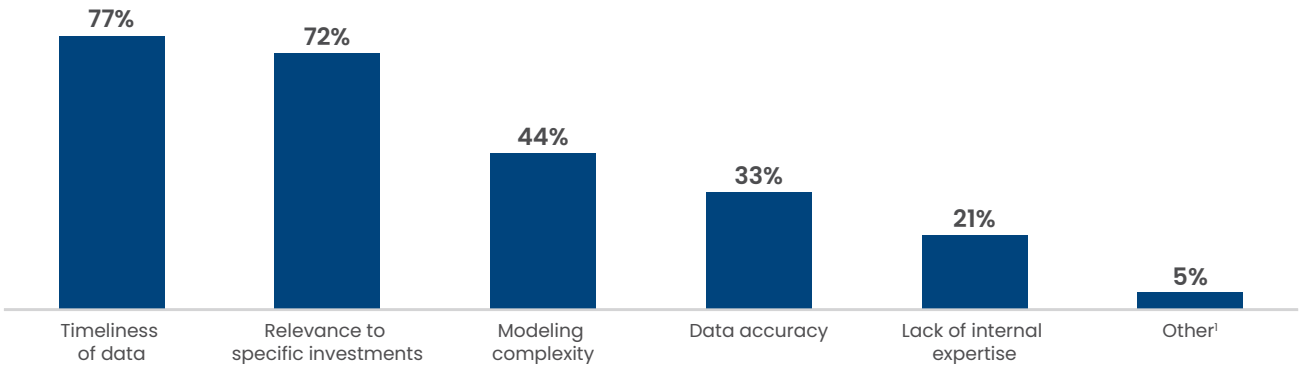
Valuation completion timelines are relatively consistent across private equity, private credit, and REIT investments, with approximately 73% of respondents in each asset class completing valuations within five business days after a subscription date. Fund of funds timelines vary more: 41% of respondents complete valuations within five business days, while 29% require more than 30 business days. This wider distribution may reflect the additional time needed to receive and assess information from underlying investment managers, including partner capital account statements and other fund reporting packages. The results highlight that valuation completion timelines may be influenced by firms' internal processes, the availability of underlying investment information, and the broader valuation framework established under Rule 2a-5, which requires ongoing assessment of valuation inputs and circumstances affecting fair value determinations. The results reflect the time required to finalize transaction NAV calculations after a subscription date and should not be interpreted as indicating how frequently firms determine NAV.



Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11).

Challenges Incorporating Macroeconomic Data Into Asset Valuations

What are the primary challenges your team faces when incorporating macroeconomic data into asset valuations?



[1] "Other" responses were infrequent and related to a lack of challenges and system infrastructure.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

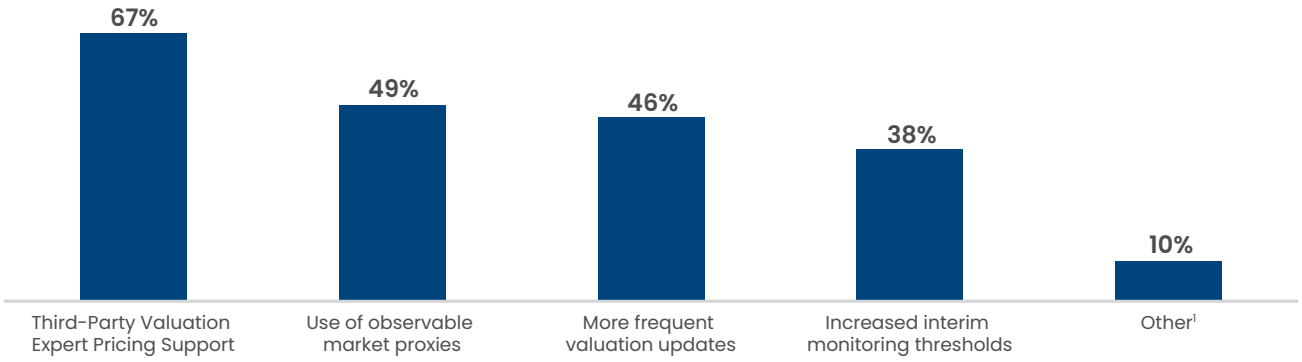
n= 39 respondents

Survey responses suggest that practical application challenges, particularly obtaining timely data and assessing relevance to individual investments, present greater obstacles than technical or resource-related considerations when incorporating macroeconomic information into valuation processes.

Valuation Practices Employed on Redemption Dates

How does your valuation process account for frequent subscriptions and redemptions to ensure NAV appropriateness?

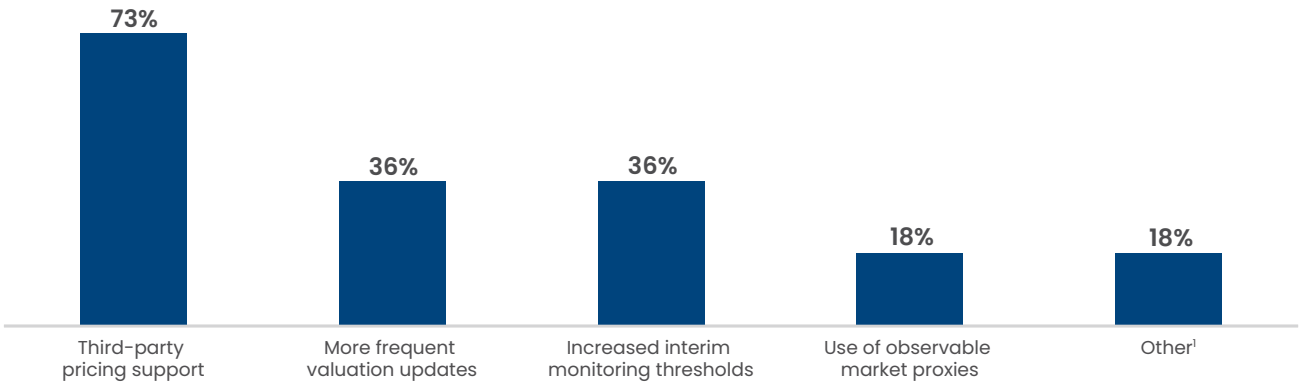
Across retail alternatives, excluding REITs, respondents generally rely on pricing support from third-party valuation experts (67%), observable market data (49%), and more frequent valuation updates (46%) to ensure NAV appropriateness when it comes to frequent subscriptions and redemptions.



[1] "Other" responses were infrequent and primarily related to daily pricing practices or a lack of formalized procedures.
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
n= 39 respondents

REIT: How does your valuation process account for frequent subscriptions and redemptions to ensure NAV appropriateness?

Among REIT managers, third-party pricing support represents the most frequently used approach for managing subscription and redemption activity.



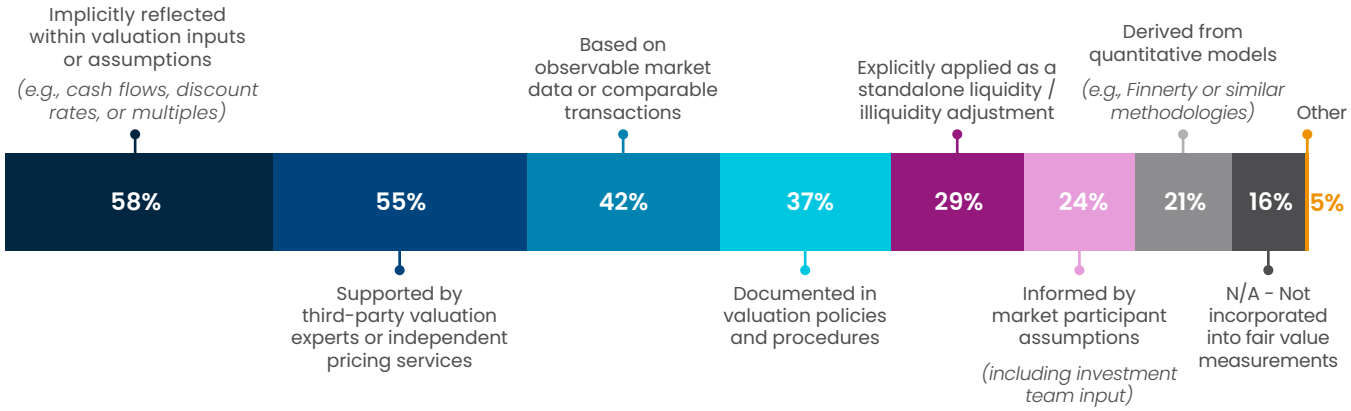
[1] "Other" responses were infrequent and related to a lack of formalized procedures.
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
n= 11 respondents

Although organizations have access to an expanding universe of market, economic, and portfolio-level information, the challenge increasingly lies in determining which data are most relevant to a specific investment and how quickly they can be incorporated into valuation processes. As retail alternatives continue to grow, timely, decision-useful data are becoming as important as valuation methodology.

Incorporating Liquidity Considerations Into Fair Value Measurements

Are liquidity-related adjustments (e.g. illiquidity discounts) incorporated into the fair value measurement of private investments?

Respondents most often incorporate liquidity considerations into valuation methodologies and assumptions rather than applying standalone adjustments.



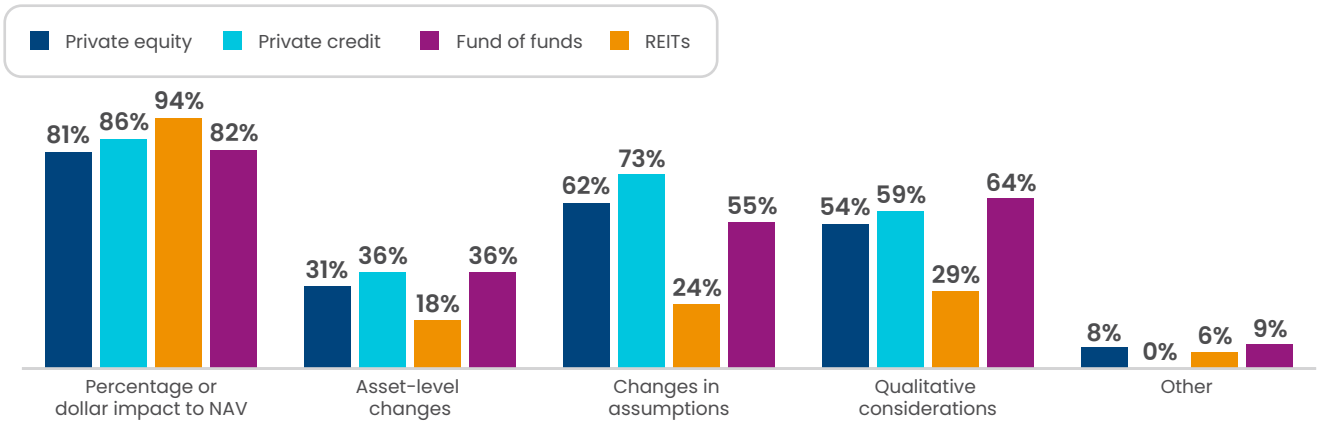
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
n= 39 respondents

Materiality Thresholds and Valuation Escalation Practices

For this investment product, please describe the threshold(s) used to determine when valuation movements are considered material and require further investigation or re-valuation.

Organizations generally assess valuation materiality using quantitative measures such as NAV impact and also consider changes in assumptions and qualitative factors. When material events are identified, firms most commonly initiate immediate model reviews or ad hoc assessments through valuation committees.

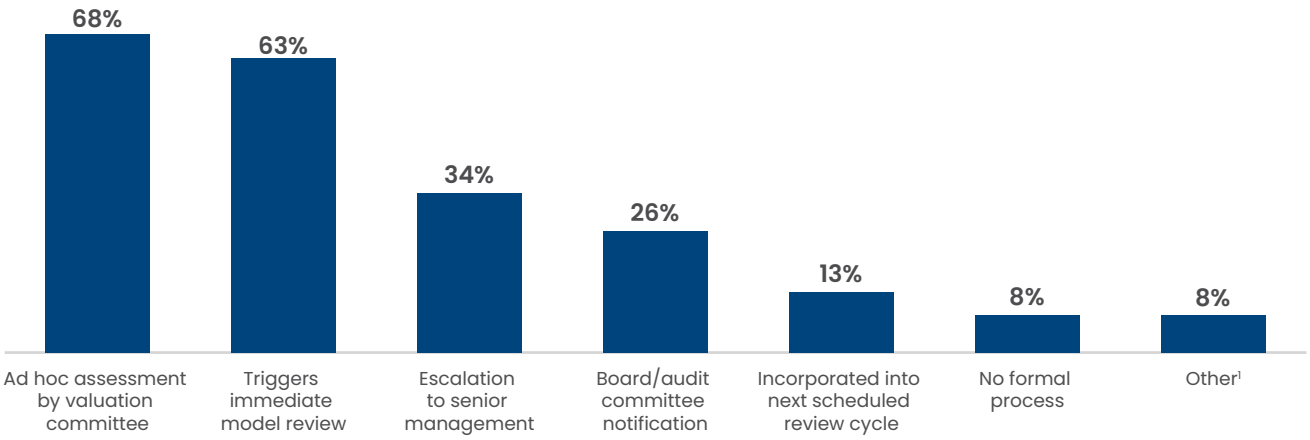
Percentage or dollar impact on NAV is the most commonly used measure for identifying material valuation movements across asset classes.



Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

How does the identification of distressed events or covenant breaches that have a material impact on NAV (e.g. exceeding 50 bps) affect your valuation methodology review cycle?

Among retail alternative products, material valuation events most commonly trigger immediate model reviews or ad hoc valuation committee assessments, while other asset managers opt for a different response as outlined in the data below.



[1] "Other" responses noted valuation is assessed and updated if required per policy and not applicable.

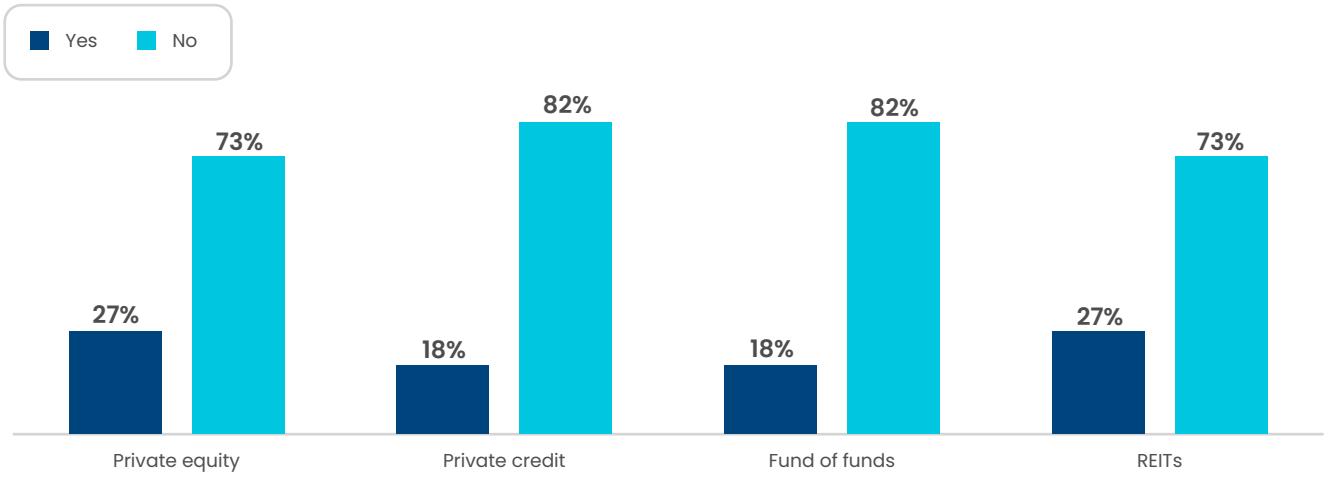
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 39 respondents

Transaction NAV and GAAP NAV Alignment

For this investment product, do you typically have differences between your transaction NAV and GAAP NAV for financial reporting periods?

Across all asset classes, most respondents report no difference between transaction NAV and GAAP NAV for financial reporting periods. Differences are uncommon, with roughly 10% to 25% respondents reporting them.



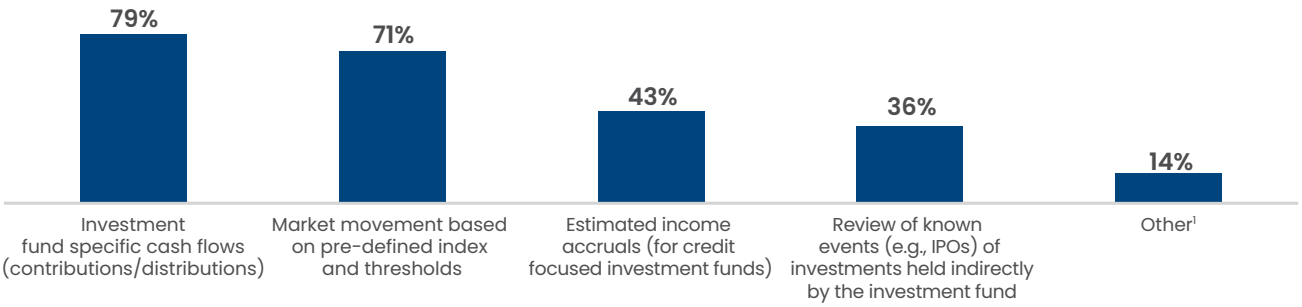
Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

Fund of Funds

Cash Flows and Market Adjustments Lead NAV Bridging Approaches

For NAV determinations that use the practical expedient, what information is utilized to bridge the last available partner capital statement (PCAP) to the current NAV date?

Among fund of funds respondents using NAV as the practical expedient where the latest PCAP is not available as of the current valuation date, cash flow updates tied to underlying investments and market movement adjustments were the most frequently cited approaches.



[1] "Other" responses included manager-provided return estimates, portfolio updates, and preliminary flash reports.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 17 respondents

Most Firms Lack Formal Procedures on Secondary-Interest Discounts and Premiums

When acquiring a secondary interest at a discount or premium to the most recently reported NAV, does your firm's valuation policy currently address how to account for discounts/premiums on secondary interests?

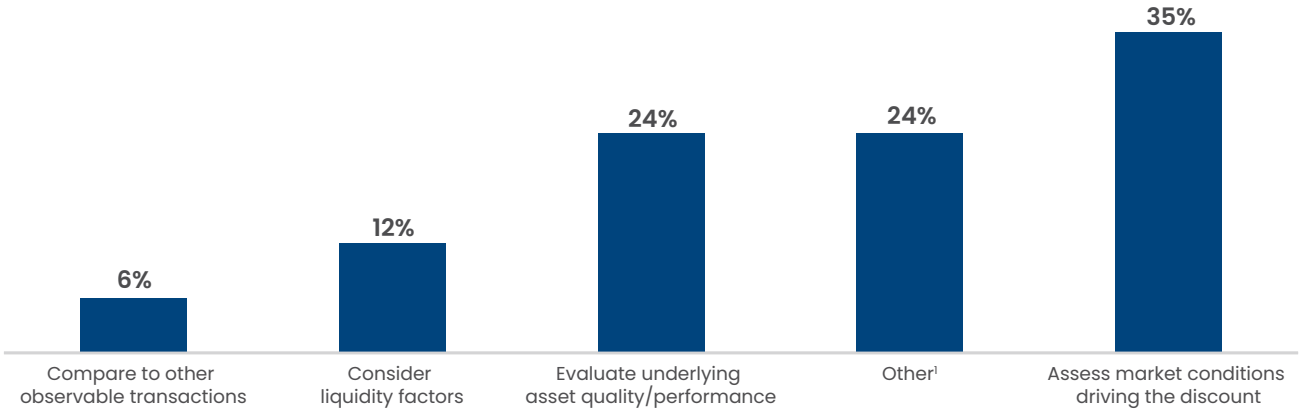
Only 25% of respondents report having formal written procedures addressing discounts and premiums to NAV for fund of funds and secondaries valuations. This is an area where industry practices are less standardized and greater consistency and more guidance may be beneficial, particularly as these strategies become more prevalent in retail alternatives.



n= 17 respondents

If a secondary interest is acquired at a discount or premium to the most recently reported NAV, how does your firm determine whether NAV remains an appropriate measure of fair value?

When evaluating whether NAV remains an appropriate measure of fair value following a discounted secondary purchase, respondents most commonly assess the market conditions driving the discount and the quality and performance of the underlying assets. Liquidity considerations and comparisons to other observable transactions are used less frequently.



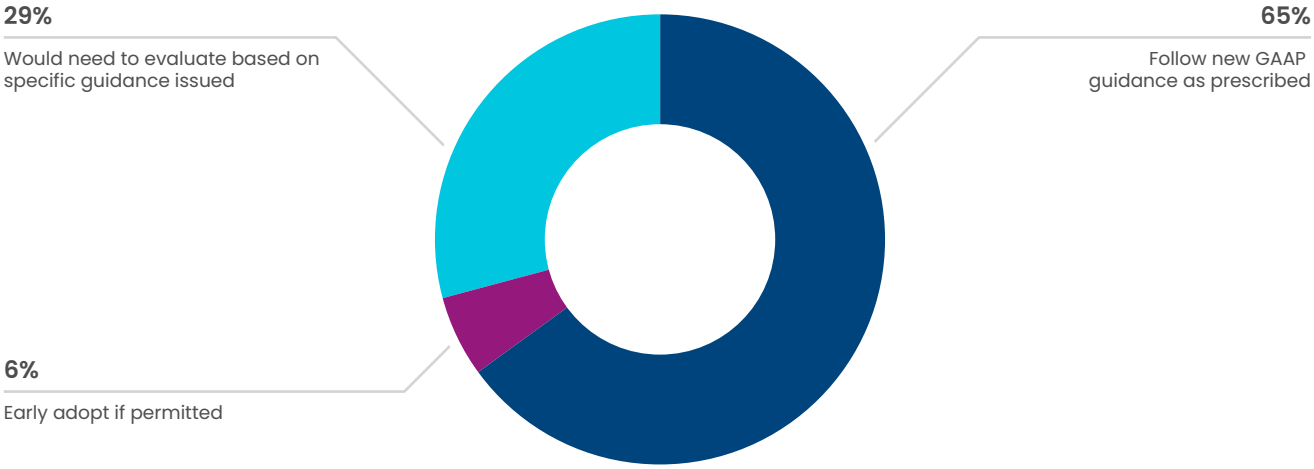
[1] "Other" respondents indicated they use a combination of factors rather than a single approach, an estimated partner capital statement (PCAP) as of the acquisition date to anchor the entry valuation, and one respondent notes that no formal process is in place.

n= 17 respondents

Firms Favor a Measured Approach to Potential GAAP Changes

When acquiring a secondary interest at a discount or premium to the most recently reported NAV, how would your firm account for the discount or premium if GAAP requirements for this treatment were to change?

Should GAAP guidance for fund of funds change, most respondents (65%) would wait to implement the new requirements as prescribed rather than adopt early. This cautious approach suggests firms prefer regulatory certainty and clear implementation guidance before altering existing accounting practices.



n= 14 respondents

SECTION 6

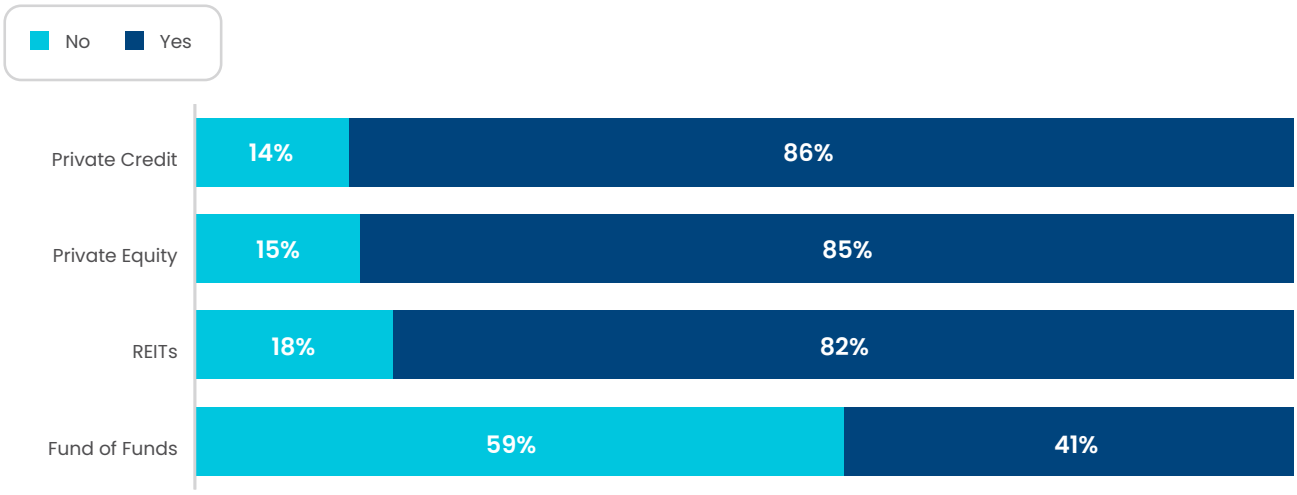
Third-Party Valuation Experts

Third-party valuation experts strengthen valuation frameworks by providing specialized knowledge, independent perspectives, and support for fair value determinations. This section explores how firms engage and oversee third-party valuation providers, the types of valuation services received, and the extent to which external valuation inputs influence valuation outcomes. The findings provide insight into the role independent valuation support plays within broader valuation governance and oversight frameworks.

Industry practices suggest that the role of third-party valuation providers continues to evolve alongside advances in data availability, pricing services, and technology-enabled workflows. What was once viewed primarily as a source of specialized valuation expertise has expanded to include data validation, market intelligence, price verification, and operational support. As a result, many organizations increasingly incorporate third-party providers into recurring valuation, monitoring, and governance activities, making external valuation support a more common component of valuation frameworks across retail alternatives.

Use of Third-Party Valuation Experts Varies by Asset Class

For this investment product, do you use a third-party valuation expert to support your valuation process?
Across most asset classes, respondents indicated that third-party valuation experts play a significant role in supporting the valuation process, with utilization rates ranging from 82% to 86% among private equity, private credit, and REIT respondents. Fund of funds respondents reported considerably lower usage, reflecting the nature of their structures, which often require valuations provided by underlying investment managers and partner capital statements.

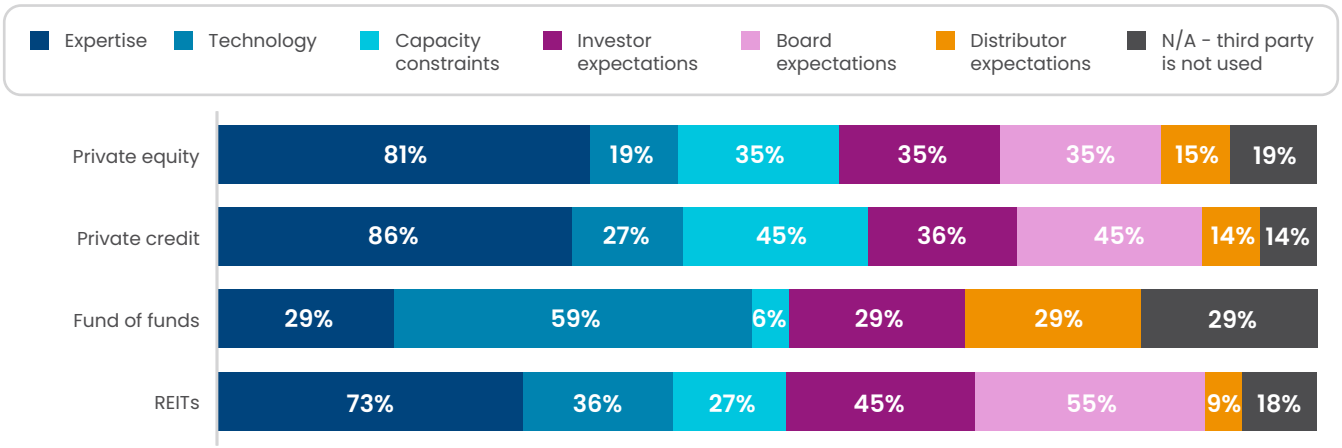


Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

Factors Influencing the Use of Third-Party Valuation Experts

If you use a third-party valuation expert, what is the reason for their use?

Between 73% and 86% of private equity, private credit, and REIT respondents cite expertise as a factor in their use of third-party valuation experts, while fund of funds respondents more commonly cite technology. Respondents also frequently cite investor expectations (29%–45%) and board expectations (35%–55%), while fewer cite capacity constraints or distributor expectations.



Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

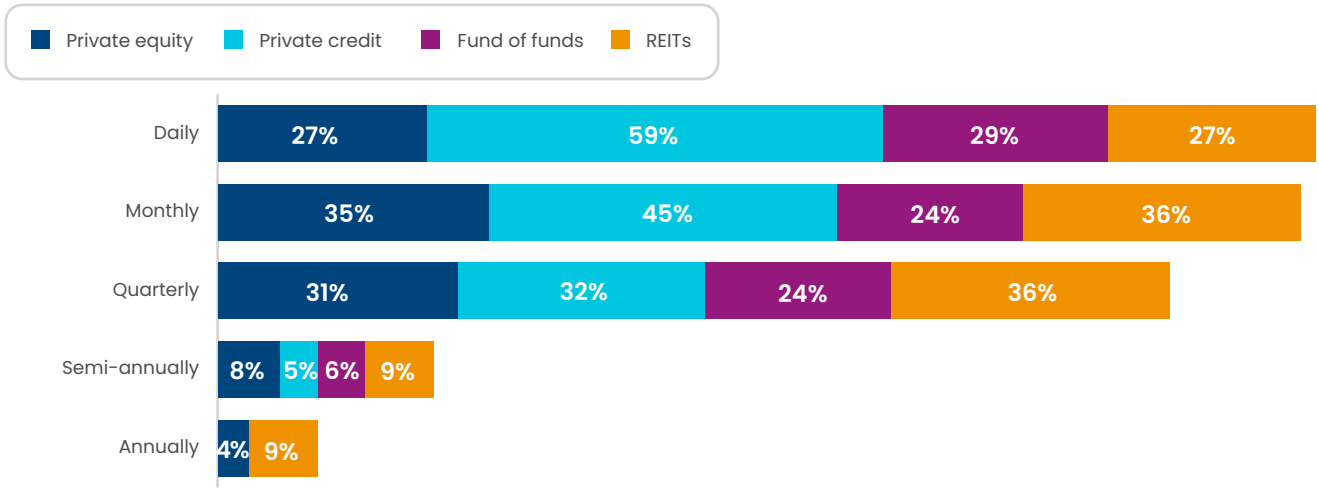
Percentages presented in this chart are based on the respondents eligible for and answering the specific survey question. As a result, percentages may not be directly comparable to those shown in other charts.

Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

Frequency of Third-Party Use

For this investment product, what is the frequency at which third-party valuation experts are used?

Respondents that use third-party valuation experts most commonly do so daily, monthly, or quarterly. While private credit respondents most frequently reported daily usage, the remaining asset classes reported a more even distribution across these frequencies. Semi-annual and annual use was relatively uncommon.



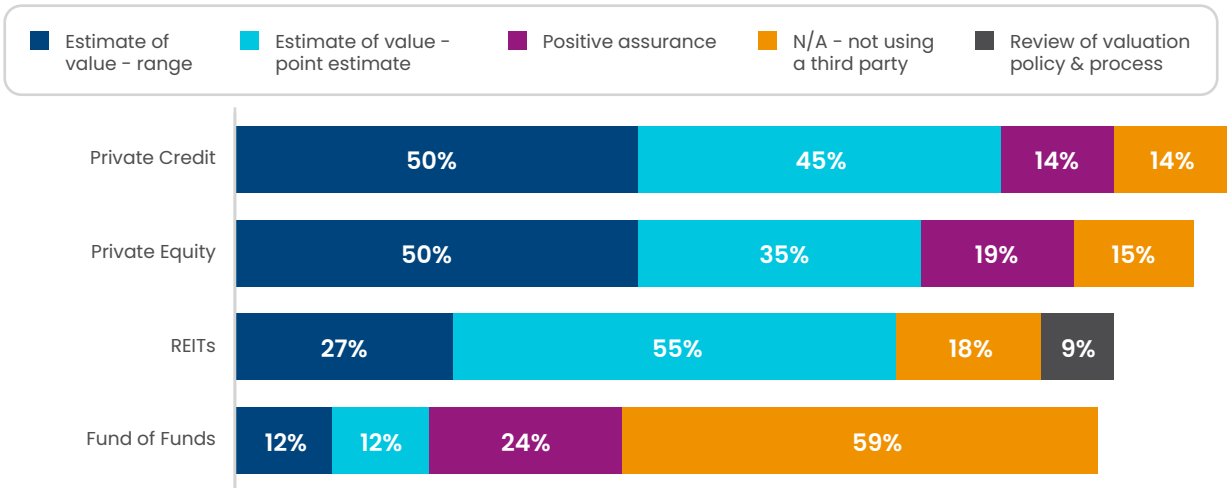
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

Nature of Third-Party Valuation Reports Varies by Asset Class

If third-party valuation experts are used, what type of valuation report do they provide?

Survey responses indicate that third-party valuation providers most frequently issue valuation ranges and point estimates. Private equity and private credit respondents most commonly receive valuation ranges, while REIT respondents more frequently receive point estimates.

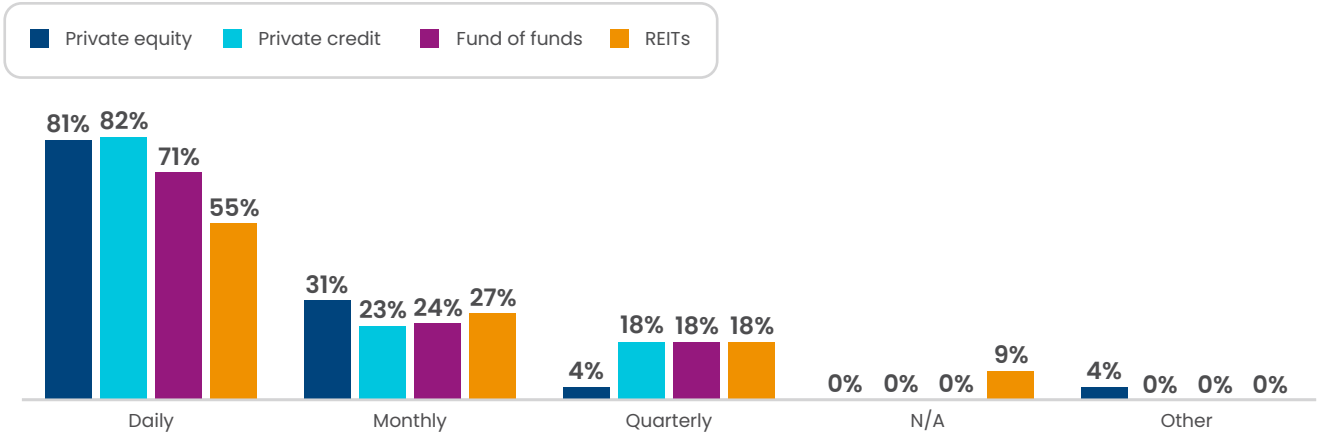


Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

Frequent Opportunities Remain the Market Standard

What are the subscription terms (e.g. how often are subscriptions permitted) for the funds holding this asset class?

Survey responses indicate that daily subscription terms are the prevailing approach across private equity, private credit, fund of funds, and REIT fund products. Monthly terms also remain common, while quarterly terms are used more selectively.

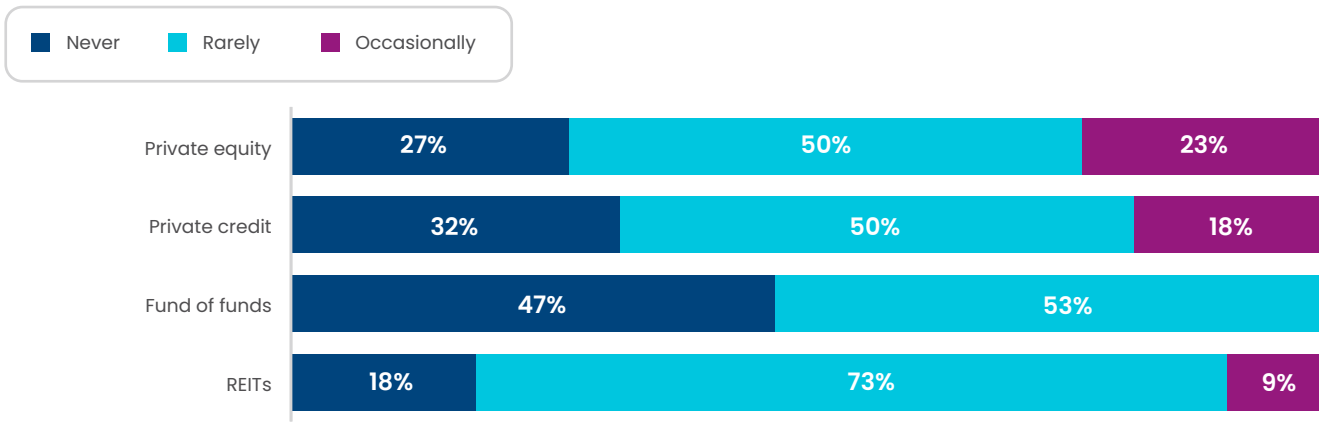


Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
Respondents had the option to select semi-annual or annual valuation frequencies; neither was utilized.
Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

Management Review of Third-Party Valuation Inputs

When third-party valuation inputs are used, how frequently are those values overridden or adjusted by management?
Survey responses indicate that third-party valuation inputs are generally incorporated into the valuation process without significant modification. When adjustments are made, they are most commonly driven by more current internal information, while model differences and market dislocations are cited less frequently as reasons for management overrides.

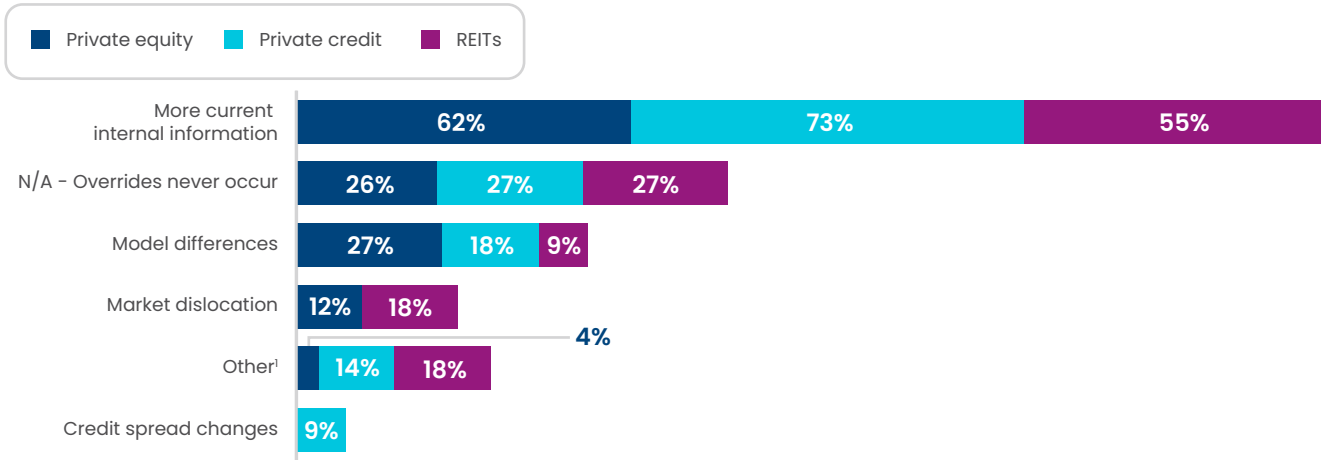
Frequency of Management Overrides



Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

Primary Drivers of Valuation Overrides

If overrides occur, what are the most common reasons?
While overrides are generally infrequent, the chart below shows the factors that may prompt an override when one occurs.



[1] "Other" responses cited infrequent override activity, and in some cases, delays related to obtaining information from external parties or completing independent reviews.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

Percentages presented in this chart are based on the respondents eligible for and answering the specific survey question. As a result, percentages may not be directly comparable to those shown in other charts.

Private equity (n=26), private credit (n=22), REITs (n=11)

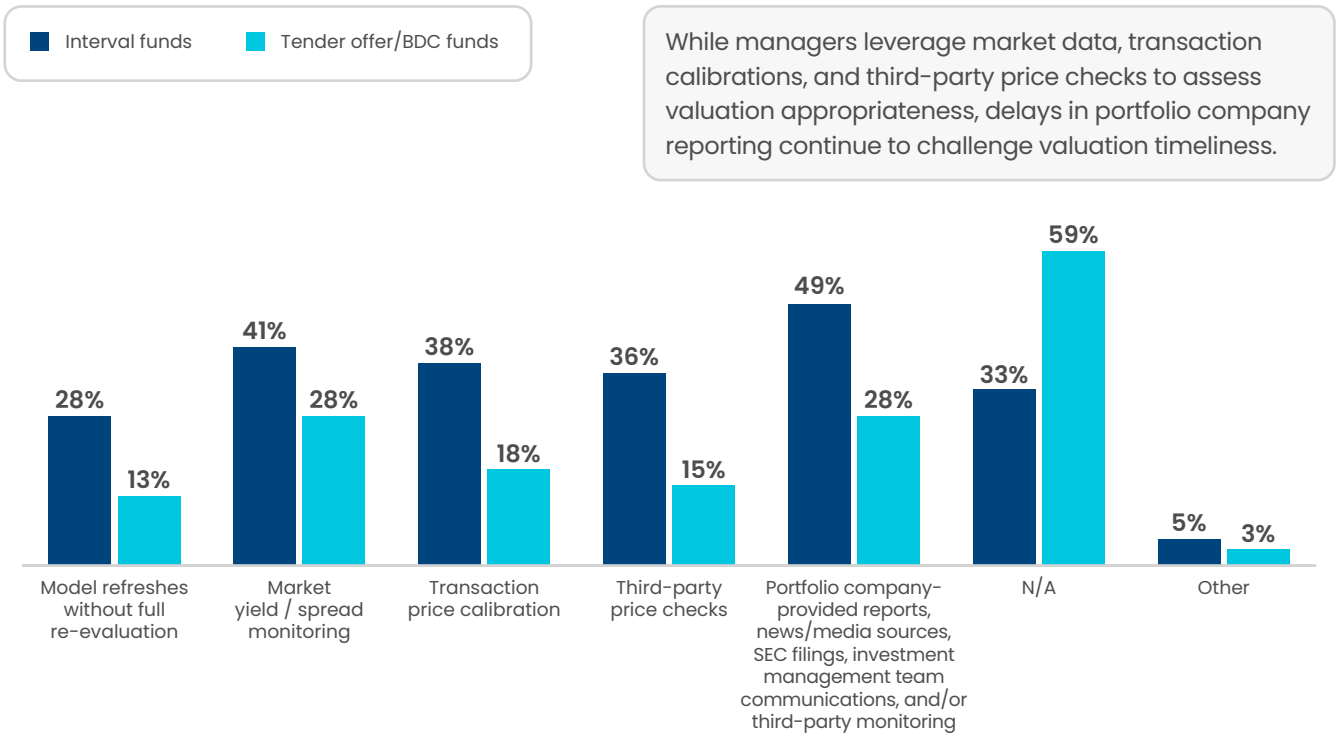
SECTION 7

Monitoring, Back-Testing, and Model Calibration

Monitoring, back-testing, and model calibration are important components of maintaining valuation accuracy and supporting effective valuation oversight. This section examines how firms monitor valuation appropriateness, conduct back-testing activities, identify sources of valuation lag, report outcomes, and calibrate valuation models over time. The findings provide insight into the processes and controls organizations use to assess valuation performance, refine valuation methodologies, and support ongoing confidence in fair value determinations. Differences in underlying asset liquidity and data availability can influence valuation monitoring practices, with private credit generally incorporating more frequent market-based information than private equity investments.

How Firms Monitor Valuation Appropriateness

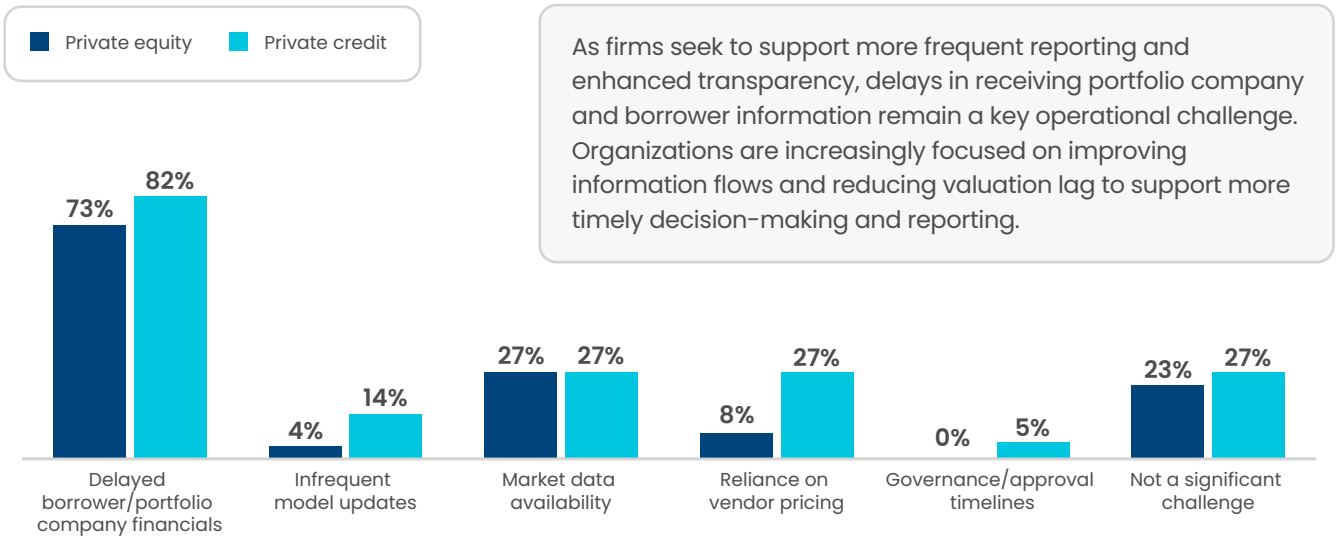
For tender offer/BDC funds, between periodic NAV dates and formal model/fair value mark updates, how does your firm monitor valuation appropriateness?



Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
n= 39 respondents

Primary Sources of Valuation Lag

What are the primary sources of valuation lag or staleness in your process?



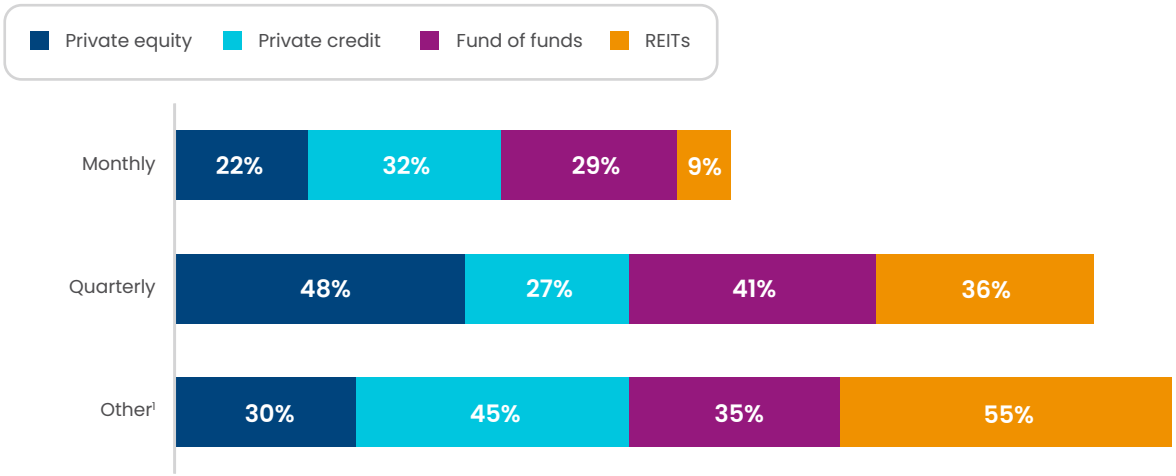
As firms seek to support more frequent reporting and enhanced transparency, delays in receiving portfolio company and borrower information remain a key operational challenge. Organizations are increasingly focused on improving information flows and reducing valuation lag to support more timely decision-making and reporting.

Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
Private equity (n=26), private credit (n=22)

Back-Testing Frequency

How often do you perform back-testing?

Respondents generally conduct back-testing on an ongoing basis, most frequently on a quarterly cadence, reflecting a disciplined approach to valuation oversight.



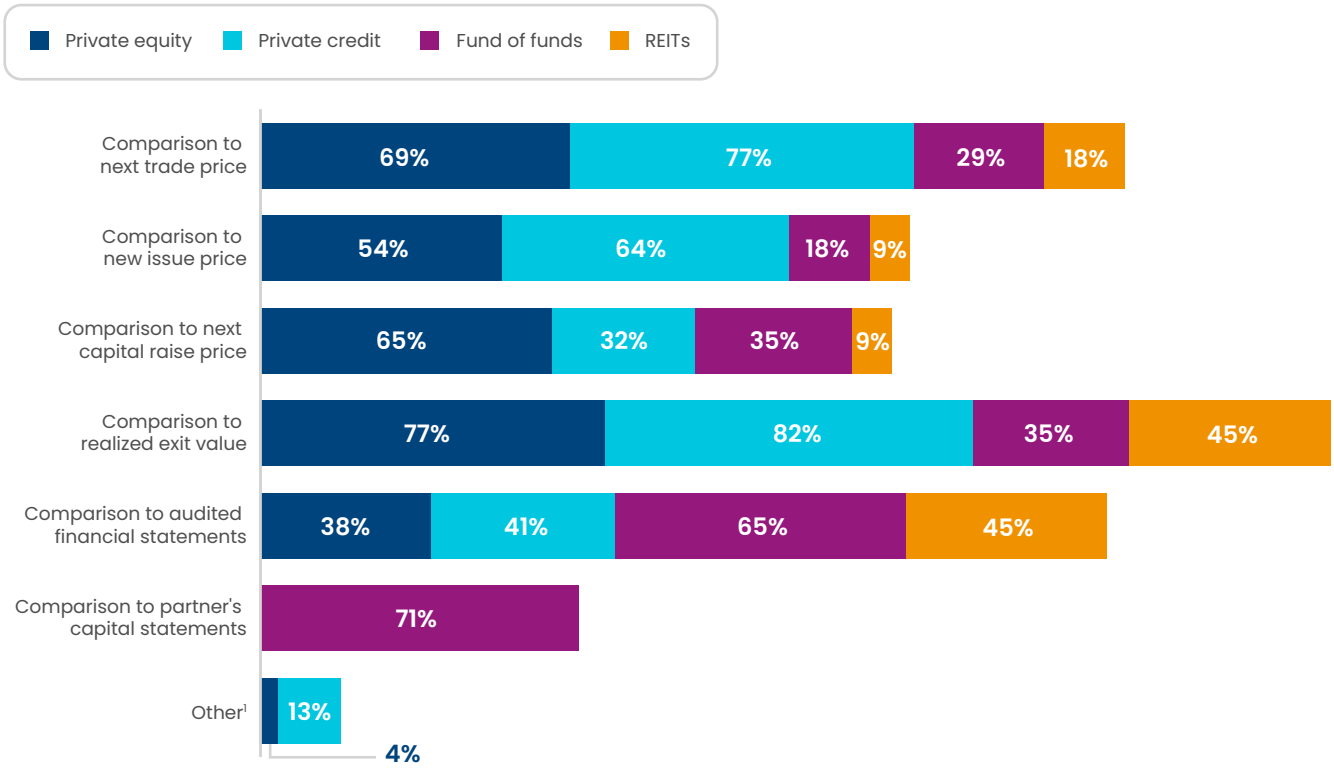
[1] "Other" responses included a variety of event-driven back-testing triggers, including liquidation or recalibration events, annual audited financial statements, sale transactions, secondary round pricing, and other relevant market transactions.

Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

Types of Back-Testing Performed

What type of back-testing is performed?

Back-testing efforts are concentrated on comparing fair values against observable market events and financial outcomes, helping firms assess valuation accuracy and strengthen governance frameworks.



[1] Key themes from "other" responses include Level 3 assumptions, changes in empirical data, investor statements, credit spreads, and covenant analysis.

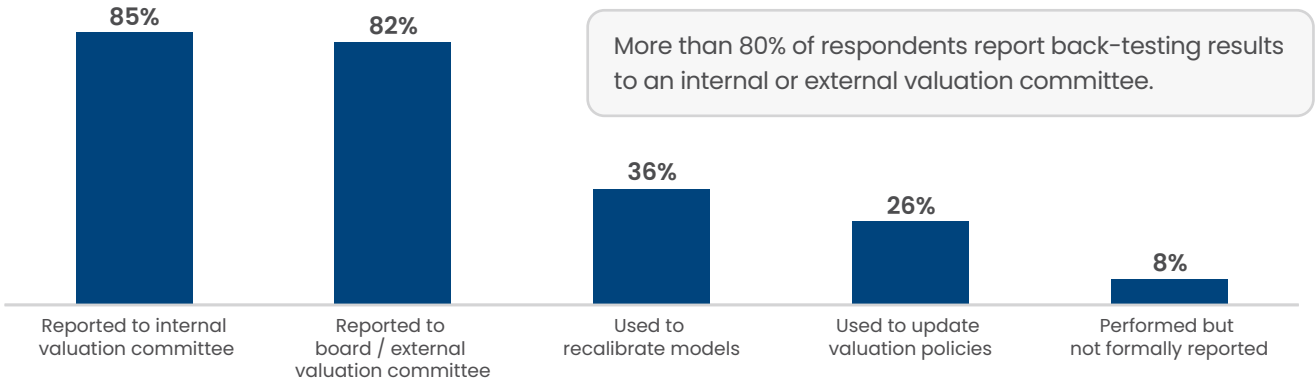
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

Private equity (n=26), private credit (n=22), fund of funds (n=17), REITs (n=11)

Use of Back-Testing Results

How are back-testing results reported and used?

Back-testing results are most frequently reported to internal and external valuation committees, underscoring the role of governance and oversight in the valuation process. A smaller percentage of firms use findings to recalibrate models or update valuation policies.



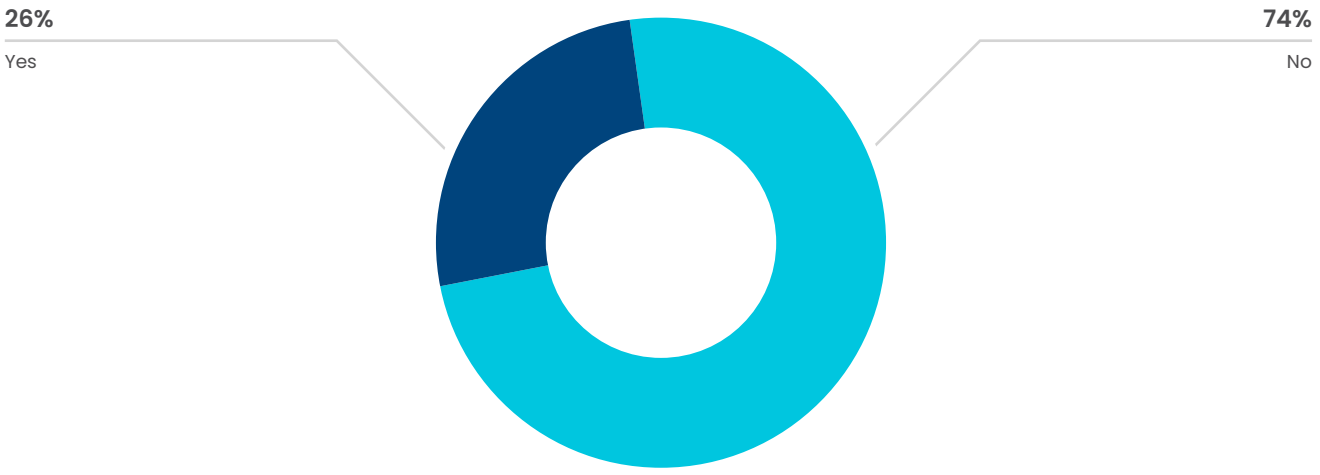
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 39 respondents

Impact of Back-Testing Results

Have back-testing results led to modifying your valuation policies, procedures, or methodology?

Despite widespread reporting, only one-quarter of respondents indicated that back-testing results have led to modifications to valuation policies, procedures, or methodologies.

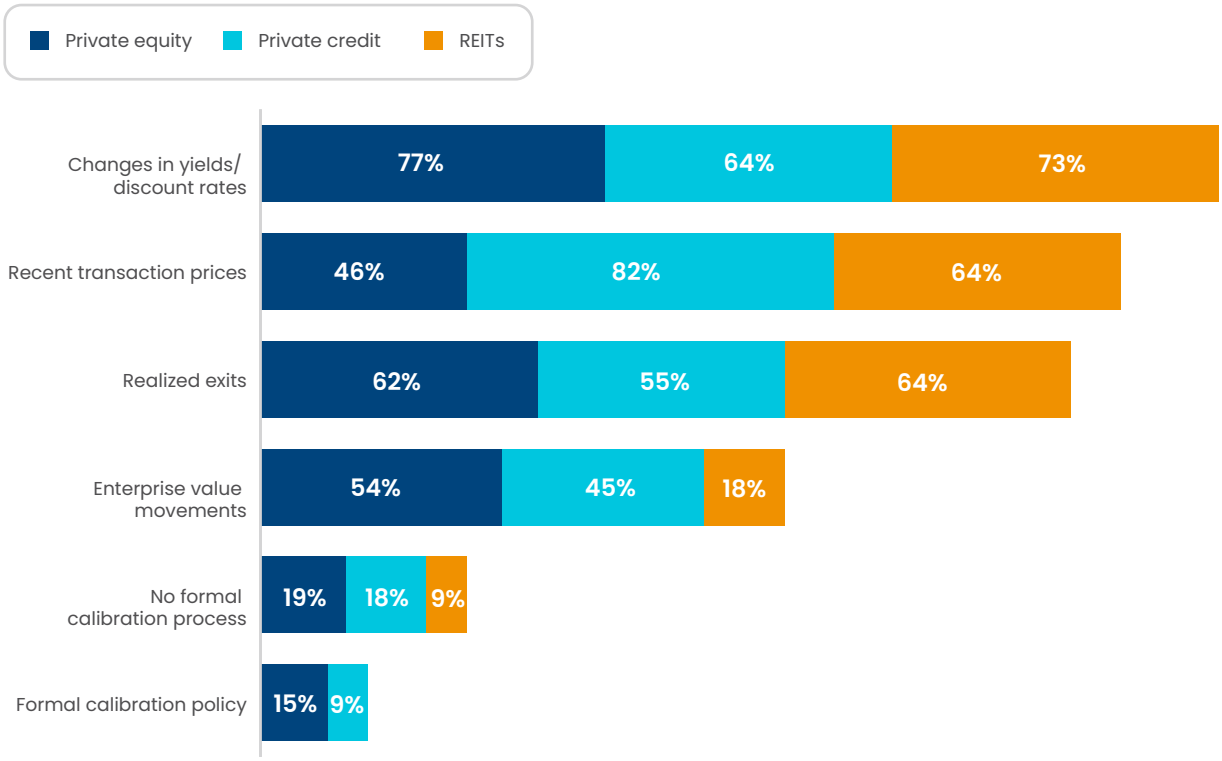


n= 39 respondents

Model Calibration

How does your firm calibrate valuation models over time?

Firms primarily calibrate valuation models using market-based inputs, with recent transaction prices and changes in yields/discount rates serving as the most common calibration triggers.



Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.
Private equity (n=26), private credit (n=22), REITs (n=11)

While both measures provide market-based validation, recent transaction prices reflect interim pricing observations, whereas realized exits represent the ultimate value achieved upon disposition of an investment.

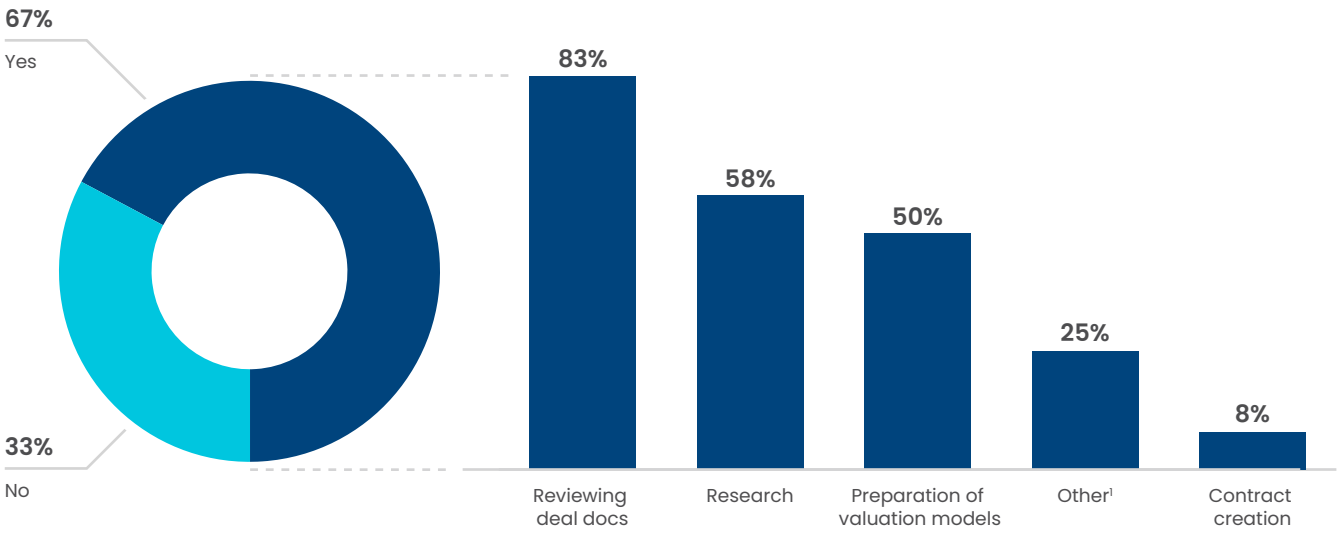
SECTION 8

Technology, AI, and Future Readiness

As valuation processes become increasingly data-driven and organizations evaluate new technological capabilities, firms are exploring how emerging technologies can support operational efficiency, oversight, and decision-making. This section examines the current use of AI within valuation processes, challenges to adoption, future technology investment priorities, and preparedness for evolving regulatory expectations. The findings provide insight into how organizations are approaching technology enablement and future readiness across the retail alternatives landscape.

AI Incorporation and Uses

Have you incorporated AI into the valuation process? How is your firm using technology and AI in the investment and valuation process?



[1] "Other" uses cited by respondents included news scraping, support for fair value methodology documentation, and internally developed AI tools used to facilitate valuation review workflows and related controls.

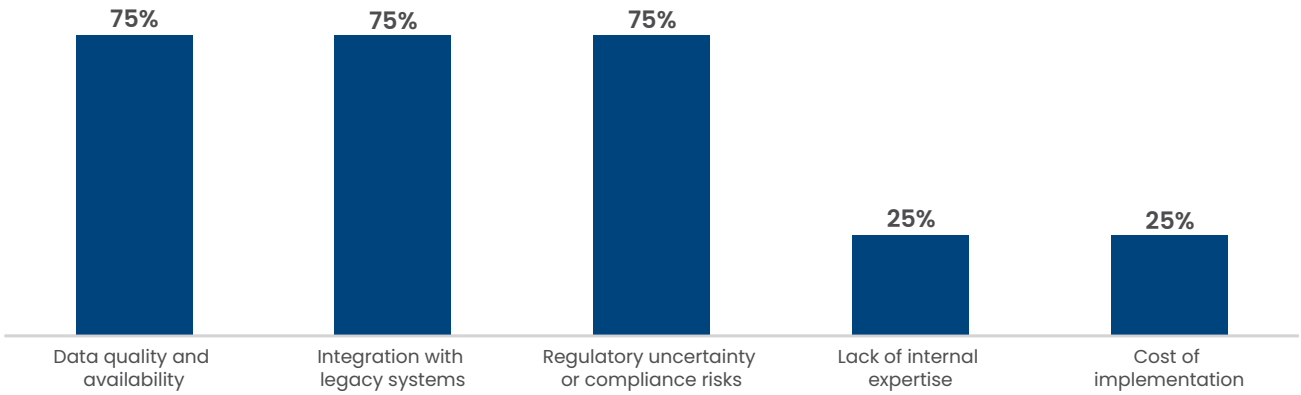
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 13 respondents

AI Challenges

What are the key challenges your firm faces or expects to face when adopting AI-related technologies?

Data quality and availability, integration with legacy systems, and regulatory uncertainty emerged as the most frequently cited barriers to AI adoption. These findings suggest that operational and governance considerations remain more significant obstacles than cost or internal expertise as firms evaluate the use of AI in valuation processes.



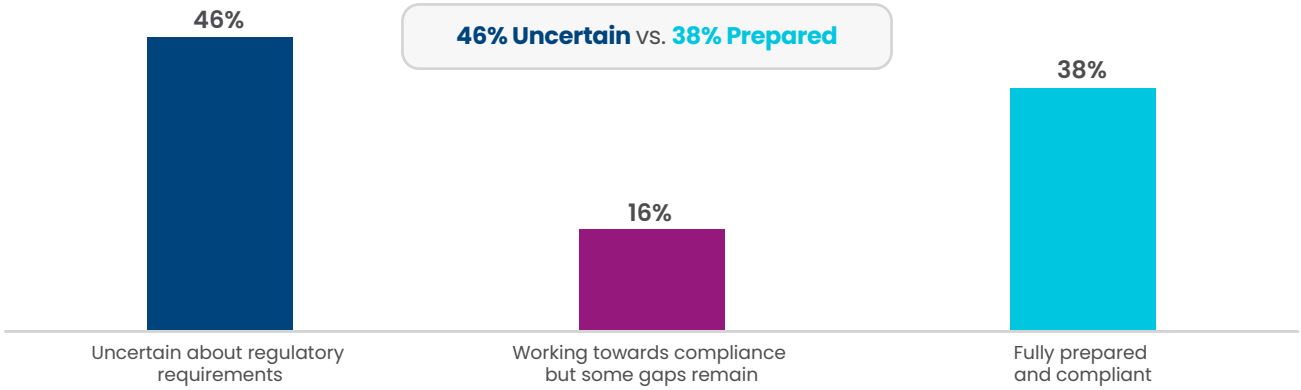
Respondents could select more than one option. Percentages indicate the share of respondents selecting each option.

n= 12 respondents

AI Regulation Readiness

How would you describe your firm's readiness to comply with existing or forthcoming regulations related to the use of AI in investment management?

AI governance frameworks are still evolving across the industry. While 38% of respondents reported being fully prepared to comply with AI-related regulations, nearly half remain uncertain about applicable requirements, highlighting the challenges firms face as regulatory expectations continue to develop.



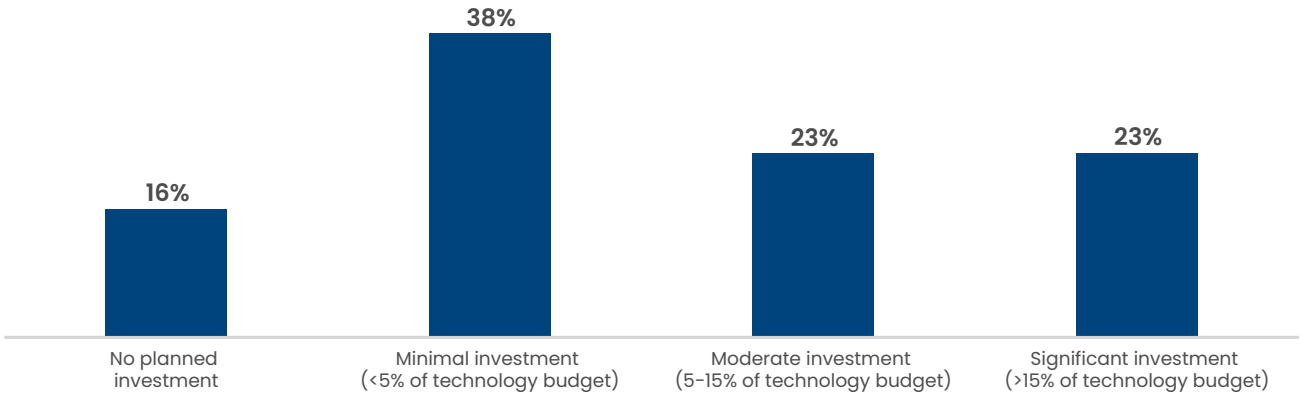
Respondents had the option to select unprepared; however, it was not utilized

n= 13 respondents

AI in the Next Two Years

Over the next 12-24 months, how much does your firm plan to invest in AI-related technologies and talent to support registered investment companies?

Despite ongoing concerns around regulatory uncertainty, data quality, and integration with legacy systems, respondents generally expect AI investment to increase over the next 12 to 24 months. Among the 13 respondents who provided projected AI investment allocations, 84% indicated plans to dedicate at least a portion of their technology budget to AI-related valuation initiatives, signaling a cautious but growing commitment to leveraging AI in support of investment management and valuation activities.



n= 13 respondents

SECTION 9

Looking Ahead

Convergence

- **Retail alternatives continue to gain momentum.** Interval funds have emerged as a leading vehicle for expanding retail access to private markets.
- **Formal governance is a common foundation.** Standardized policies, centralized oversight, valuation committees, regular board reporting, and back-testing are widely used to support fair value determinations.
- **Technology investment remains a strategic priority.** Organizations continue to invest in automation, data management, and AI to support valuation operations and scalability.
- **Third-party expertise is widely used for direct private assets.** External valuation support is common for private credit, private equity, and REITs, supplementing—but not replacing—the adviser's oversight and responsibility for fair value determinations.

Divergence

- **Valuation approaches continue to vary.** Methodologies, valuation frequency, oversight structures, and use of third-party valuation support differ significantly across firms and asset classes. This variation can be appropriate within Rule 2a-5's principles-based framework.
- **AI adoption and readiness remain uneven.** While interest is growing, firms are progressing at different speeds and applying AI in a wide range of ways.
- **Regulatory preparedness is still developing.** Readiness for emerging AI and valuation-related regulations varies considerably across respondents.
- **Timeliness and availability of valuation information.** Delayed portfolio-company and borrower information remain an important constraint as firms seek to support more frequent valuation and reporting expectations.

What to Watch

The Growth and Evolution of Product Structures Within Retail Alternatives

As demand for alternatives grows, firms are expanding the ways these strategies are packaged and delivered to retail investors. The use of model portfolios, managed accounts, CITs, target date funds, and other structures accelerates innovation and increases accessibility across wealth and defined contribution channels.

Increasing Demand for Valuation Transparency

Investors, advisers, and regulators are placing greater emphasis on transparency, consistency, and valuation oversight.

Evolution of Third-Party Valuation Support

The role of external providers may continue to expand across valuation, data validation, price verification, market intelligence, and operational support.

AI-Enabled Valuation Processes

Firms are exploring opportunities to leverage AI across research, document review, and valuation support activities.

Technology-Enabled Scale

Automation, data management, and AI may help firms scale research, document review, monitoring, and valuation support activities, subject to appropriate controls and governance.

Scaling for Future Growth

Organizations will need operating models, governance frameworks, and technology capabilities that can support continued market expansion.

> The findings establish an initial baseline—not a definition of best practice—and identify areas where further benchmarking, member discussion, or guidance may be useful.

SECTION 10

Key Definitions

Retail alternatives: Investment products designed for individual investors that provide exposure to alternative asset classes such as private equity, private credit, real estate, infrastructure, and other less-liquid investments.

Interval fund: A type of registered closed-end fund that is permitted to continually offer their shares at net asset value (NAV) and provides investor liquidity through periodic repurchase offers at NAV.

Tender offer fund: A type of registered closed-end fund that is permitted to continually offer their shares at NAV and provides investor liquidity through periodic tender offers, at the manager's discretion, to repurchase shares.

Business development company (BDC): A type of closed-end investment fund that primarily invests in small and developing businesses, including private companies.

Real estate investment trust (REIT): A company that owns and typically operates income-producing real estate or real estate-related assets, such as mortgages or loans.

Fair value: The price that would be received to sell an asset in an orderly transaction between market participants on the measurement date.

Net asset value (NAV): The value of a fund's assets minus liabilities, divided by the number of shares outstanding.

GAAP NAV: Net asset value calculated in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for financial reporting purposes.

Level 1, Level 2, and Level 3 Investments: Under ASC 820, Fair Value Measurement, the fair value hierarchy is used to classify the inputs used in valuation techniques:

- **Level 1:** Quoted market prices in active markets.
- **Level 2:** Observable market inputs other than quoted prices.
- **Level 3:** Significant unobservable inputs requiring management judgment.

Third-party valuation expert: An independent firm engaged to provide valuation analyses, pricing support, or valuation-related expertise.

Third-party valuation expert pricing support: The documentation, analyses, and pricing opinions provided by an independent external valuation firm or specialist that serve as evidence or a reference file to assist a fund in determining the fair value of its investments. This support includes detailed reports, pricing models, market data, and valuation methodologies that add context and justification for the asset values reported by the fund, especially in cases where market prices are not readily available or reliable.

Back-testing: The process of comparing prior valuation estimates to subsequent market transactions, realized exits, or other observable outcomes to assess valuation accuracy.

Model calibration: The process of adjusting valuation models using market data, transaction information, and other relevant inputs to improve accuracy over time.

Valuation override: An adjustment made by management to a value generated by a valuation model or third-party valuation provider.

1934 Act fund: A fund or investment vehicle that is not registered under the Investment Company Act of 1940 but registers its securities under the Securities Exchange Act of 1934 and is subject to periodic public reporting requirements.

Non-registered investment company: An investment vehicle that is not registered under the Investment Company Act of 1940 and is generally available only to qualified or accredited investors. These structures often include private funds, private equity funds, hedge funds, and other privately offered investment vehicles.

Private equity: Investments in privately held companies that are not publicly traded on an exchange. Private equity strategies typically seek to create value through ownership, operational improvements, strategic initiatives, and eventual exit transactions such as sales, mergers, or public offerings.

Private credit: Privately negotiated debt investments that are directly originated or acquired outside of publicly traded credit markets. Private credit investments may include direct lending, mezzanine debt, asset-based lending, specialty finance, and other non-bank lending strategies.

Fund of funds: An investment strategy that achieves exposure to underlying investments primarily through investments in other private funds, partnerships, or pooled investment vehicles rather than through direct ownership of portfolio companies or assets.

Real estate and infrastructure: Investments in income-producing real estate, real estate-related assets, infrastructure assets, and infrastructure-related businesses. These investments may include commercial real estate, residential real estate, transportation assets, utilities, energy infrastructure, telecommunications infrastructure, and similar long-term physical assets.

Secondaries: Investments acquired through the purchase of an existing interest in a private fund, partnership, or other privately held investment vehicle from a current investor rather than directly from the issuer. Secondary transactions provide investors with access to existing private market portfolios and may occur at a premium or discount to the reported Net Asset Value (NAV).

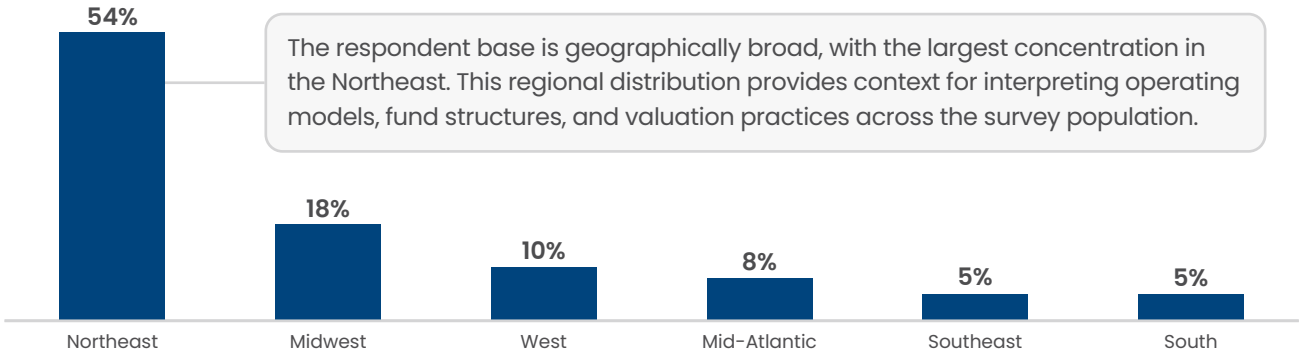
Vendor pricing: The market prices or valuation data provided by third-party pricing vendors or data providers. These vendors supply independent, validated pricing information for financial instruments, securities, or assets held within a portfolio.

SECTION 11

Appendix

This section provides an overview of the survey respondent population and serves as contextual background for the findings and analyses presented throughout this report.

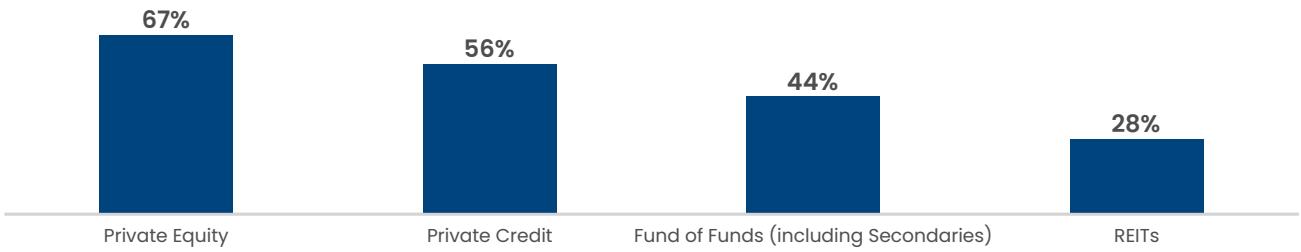
Participant Locations



The respondent base is geographically broad, with the largest concentration in the Northeast. This regional distribution provides context for interpreting operating models, fund structures, and valuation practices across the survey population.

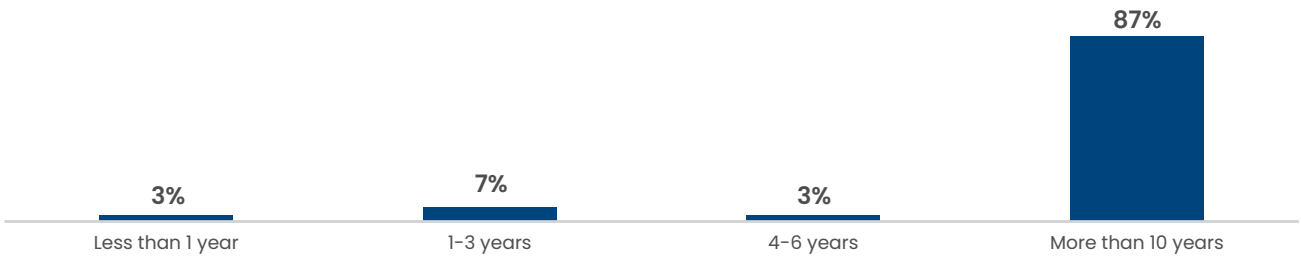
n= 39 respondents

Investment Types Held



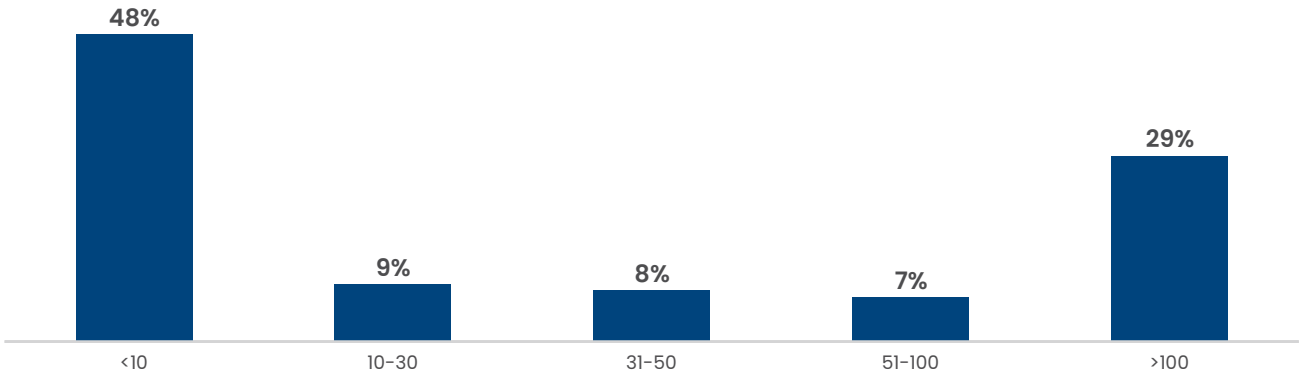
n= 39 respondents

Years of Experience Managing Traditional Registered Funds

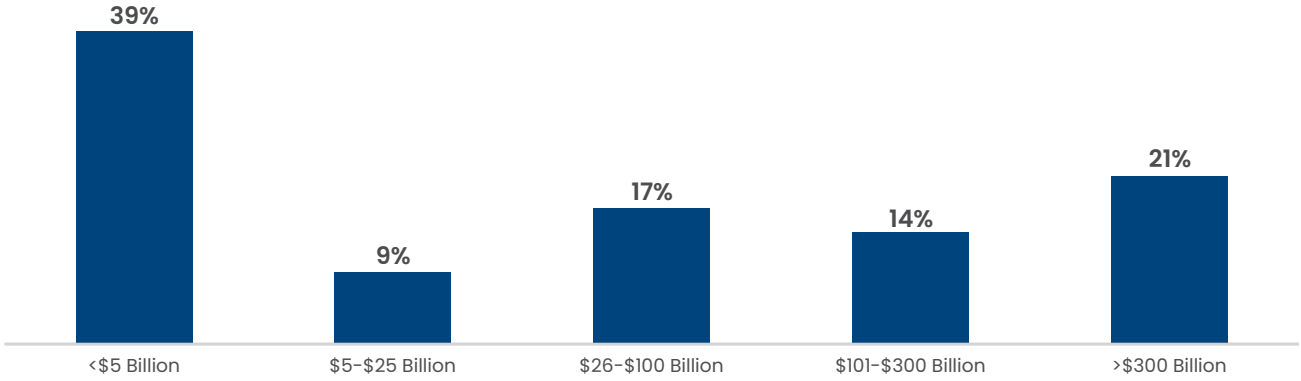


No selections were recorded for the "7-10 years" or "N/A - No traditional registered funds" response options.
n= 39 respondents

Number of Funds Managed by Respondent Type



Assets Under Management





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