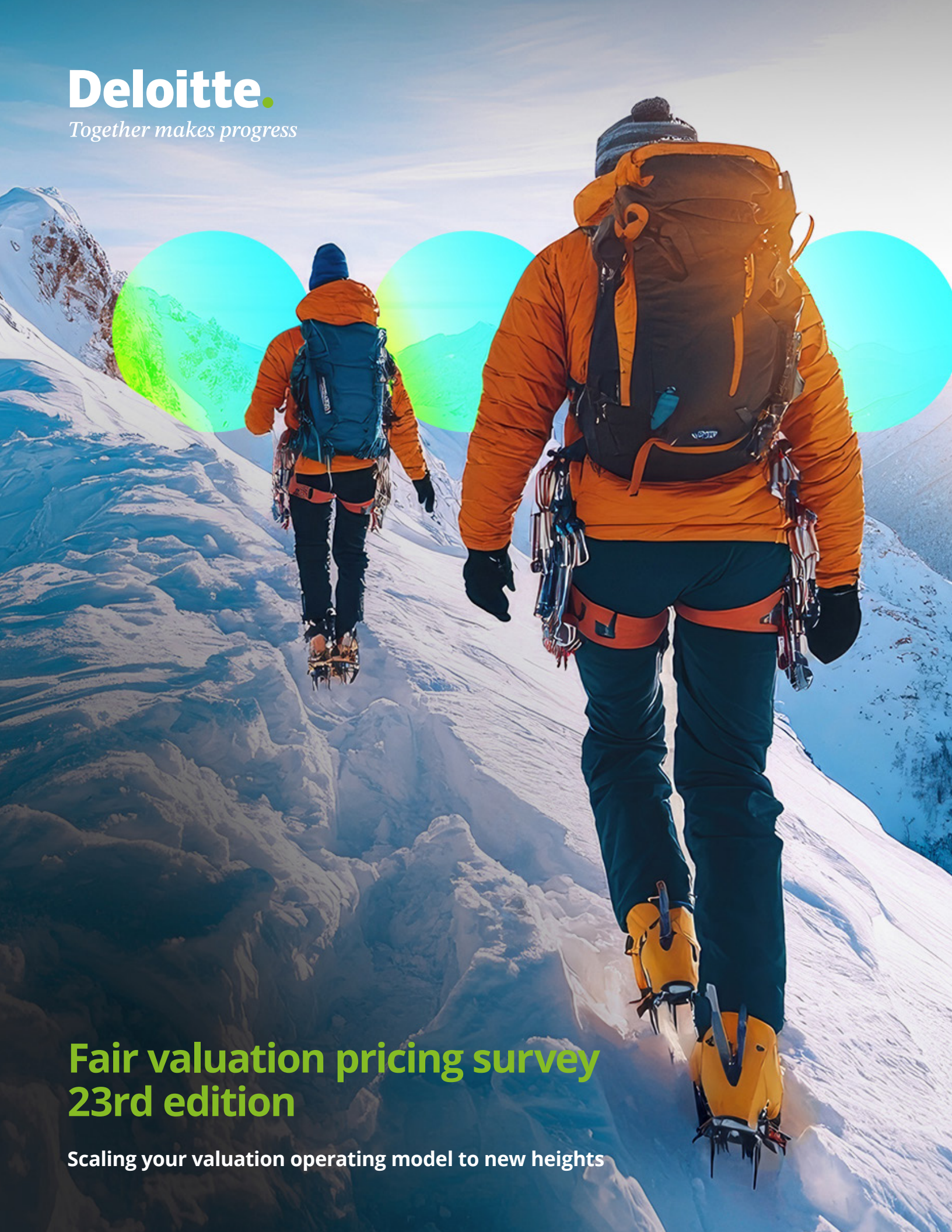




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Fair valuation pricing survey 23rd edition

Scaling your valuation operating model to new heights

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Introduction

The 23rd edition of Deloitte’s Annual Fair Valuation Pricing Survey (“FV survey”) underscores that valuation remains a central focus for the investment management industry. More than 100 fund groups once again participated, reflecting the industry’s ongoing commitment to benchmarking practices and sharing insights at a time of heightened complexity. Registered investment companies, business development companies (collectively, “fund groups”), their boards of directors/trustees (“Boards”), and regulators remain united in their objective of ensuring a valuation process that is accurate and reliable, with an operating model and accompanying valuation policies that are resilient in today’s environment.

This year’s findings reveal that the valuation operating model continues to evolve in response to several key forces. The continued growth and investment in illiquid investments has intensified the challenges to valuation practices, while rapid advances in technology—particularly the emergence of Generative Artificial Intelligence (“AI” or “Generative AI”)—are introducing new opportunities for efficiency and oversight. At the same time, the implementation of the US Securities and Exchange Commission’s (SEC) Rule 2a-5 (“Rule 2a-5” or “the Rule”)¹ is stabilizing, marking a shift from initial adoption to steady-state operations. Finally, Board oversight of valuations has largely settled into a mature “business as usual” model, balancing the regulatory expectations of Rule 2a-5 with practical governance reporting. However, has the SEC’s goal of active oversight been achieved as an outcome? Together, these themes highlight an industry at an inflection point—scaling its valuation operating model to new heights while preparing for the demands of an increasingly complex environment.

The valuation operating model is under greater strain than ever before, as illiquid investments play a larger role in fund group portfolios. Private credit and private equity have grown rapidly, fueled both by institutional appetite and by new distribution pathways that bring these asset classes into the retail market. This democratization of access presents opportunities for investors but also raises significant valuation challenges. Unlike traditional exchange-traded securities, these instruments often lack observable market prices, may rely on bespoke deal structures, and can be highly sensitive to assumptions about cash flows or broader market conditions.

FV survey participants consistently pointed to these factors as drivers of increased risk and uncertainty in valuations. The pressure is heightened by investor demand for timely, accurate valuations and by regulators’ focus on protecting retail investors from potential mispricing. This environment requires fund groups to adopt more robust risk assessment frameworks, increase their use of external specialists while third-party pricing solutions become available, and maintain a governance structure that can support difficult valuation judgments.

The expansion of illiquid asset classes underscores a broader trend: The valuation operating model is not static. It must continually evolve to address the complexities of modern investment strategies. As the FV survey shows, fund groups are responding by refining policies, strengthening documentation, and placing greater emphasis on oversight and controls—steps that are essential to maintaining confidence in valuations as the industry adapts to new frontiers in investing.

Technology remains a cornerstone of the industry’s efforts to enhance valuation practices and the valuation operating model. This year’s FV survey highlights a continued shift: While traditional tools such as data analytics, workflow platforms, and visualization dashboards remain widely used, fund groups are increasingly experimenting with emerging technologies like Generative AI. Early adopters report deploying Generative AI to streamline tasks such as drafting valuation memos, synthesizing market information, and supporting the documentation required for fair value determinations. These use cases demonstrate AI’s potential to improve efficiency, reduce administrative burden, and provide valuation teams with richer insights at scale and strengthen the overall valuation operating model.

Yet, enthusiasm is tempered by a recognition that technology is not a substitute for judgment. Human oversight remains critical to ensuring that AI-generated outputs reflect the facts and circumstances of each valuation decision. Regulators have also made clear that the use of advanced technology does not diminish accountability—fund groups and their Boards remain responsible for the accuracy and integrity of valuations, regardless of the tools employed. This creates a dual imperative: Embrace innovation while maintaining strong governance, controls, and testing around technology-enabled processes.

The rise of Generative AI may also signal an inflection point for the valuation operating model. After years of incremental adoption of technology, FV survey results suggest that Generative AI could catalyze a new phase of transformation. If applied responsibly, these tools have the potential to not only enhance efficiency but also strengthen resilience by allowing valuation teams to focus more on judgment and oversight, and less on routine tasks. In this sense, Generative AI represents both an opportunity and a challenge: an opportunity to scale the operating model to new heights, and a challenge to ensure it is integrated in a way that preserves accuracy, reliability, and regulatory compliance.

Three years after the adoption of SEC Rule 2a-5, the industry has entered a new phase. The early years were marked by intensive efforts to formalize, document, and (in some cases) redesign policies; implement new reporting structures; and align governance with regulatory requirements. Today, the pace of change has slowed. FV survey results indicate that fund groups have largely completed the “heavy lifting” of compliance and are now focused on fine-tuning and optimizing their frameworks. It should be noted that many of the divergent industry valuation practices discussed in prior annual FV surveys have been memorialized by fund groups’ responses.

This winding down of implementation does not signal complacency. Rather, it reflects a natural progression: Rule 2a-5 has moved from being a project of adoption to becoming an embedded part of the valuation operating model. Fund groups are now benchmarking their practices against peers, refining risk assessment processes, and strengthening documentation to ensure consistency and sustainability. Thus, over time we could still see convergence of industry valuation practices. For many, the focus has shifted to efficiency—streamlining reporting, clarifying roles, and aligning oversight with the practical realities of the ongoing fund valuation operating model.

The FV survey suggests that this steady-state environment provides a degree of stability, but it also raises the question of what comes next. Regulators have made clear that Rule 2a-5 will remain a focus of examinations, and the diversity of approach observed across the industry indicates that practices may continue to converge over time. For now, however, Rule 2a-5 has transitioned from a source of disruption to a foundational element of the valuation landscape—one that underpins the resilience and integrity of fund group practices.

For Boards, the story this year is one of stability. After adapting to the heightened requirements of Rule 2a-5 and navigating years of evolving expectations, FV survey data suggests that most Boards have settled into a consistent oversight role. The frequency of reporting, the level of detail provided, and the scope of engagement have largely remained steady. In short, valuation oversight has become “business as usual.” The question remains if this is what the SEC intended when Rule 2a-5 references governance through active oversight.

Many Boards are relying on management-prepared, streamlined dashboard reporting and established key valuation indicators (KVIs), which provide visibility into risk areas without requiring exhaustive detail. This maturing trend reflects both confidence in fund group management and an understanding of where Board oversight adds the most value.

The implication is that the governance model around valuations has reached a new equilibrium. Boards, management, and regulators appear aligned in their expectations—especially around annual, quarterly, and prompt Board reporting. Boards will remain actively involved and focused on valuation risks that impact investors, but the days of continual expansion of oversight duties may be over. Instead, the emphasis is on consistency, clarity, and sustainability. In this sense, “business as usual” may not be a sign of stagnation, but rather of maturity—a sign that valuation oversight has become a stable and reliable pillar of the industry’s governance framework.

As the 23rd edition of the FV survey demonstrates, the valuation operating model is at a crossroads. The industry faces growing complexity from illiquid investments and continued opportunities to implement technology, including cautiously embracing Generative AI. This has largely stabilized its Rule 2a-5 implementation and has settled into industry trends and mature patterns of Board reporting and oversight. Each of these valuation themes reflects a sector that is both resilient and adaptive—continuing to build on its foundations while preparing for the uncertainties of the future. The combination of these themes will provide fund groups the opportunity to take their valuation operating model to new heights.

Increasing complexity and challenging the valuation operating model

The valuation operating model is facing mounting pressure as the investment landscape becomes more complex and diverse. Traditional exchange-traded securities are now accompanied by an expanding array of new asset types and product structures, including cryptocurrencies, private equity, and private credit. Each of these introduces unique valuation challenges, requiring fund groups to adapt policies, methodologies, and oversight frameworks to ensure accuracy and reliability. Cryptocurrencies, for example, bring volatility, limited market transparency, and evolving infrastructure risks, while illiquid investments such as private equity and private credit lack observable pricing and often depend heavily on assumptions and judgment.

At the same time, the regulatory environment is shifting in ways that further complicate valuation practices. Regulators are increasingly focused on ensuring that investors—particularly retail investors—have confidence in the fair valuation of complex securities. Expanded retail access to alternative products, such as interval funds and tender-offer funds, has created new distribution channels for private investments, intensifying the need for robust oversight. In parallel, the evolving legislative and regulatory dialogue around digital assets highlights the heightened attention being placed on cryptocurrencies, underscoring the need for fund groups to remain agile in adapting valuation policies to reflect new rules and market practices.

Private investment valuations

Similar to past years, the FV survey provides insights into the current practices and trends of fund groups investing in illiquid or alternative investments. Valuation remains challenging, as these positions are complex, involve significant judgment, and often do not have observable market data. As a result, the FV survey measures how participants tackle these issues through the following:

- The valuation approaches and methods used;
- The frequency and format of valuations;
- The use of external specialists; and
- The oversight and due diligence procedures over external valuation providers.

Private equity remains at the forefront and one of the more common alternative asset classes. At a high level, the FV survey shows that the amount of FV survey participants investing in private equity is steady, ranging between 50% and 52% (figure 1). There is an emerging trend where the number of fund groups who report that at least 5% of their registered investment companies (“RICs”) invest in private equity has increased, moving from 31% in the prior year compared to 36% in the current year. Further, among these fund groups/funds with private equity holdings, the amount invested has remained steady or increased: 62% indicated no change from year to year, while 26% reported an increase, and only 12% noted a decrease. All signs point toward private equity continuing to stay in demand and there being a role within the investment strategy of FV survey participants.

Figure 1. Does your fund complex invest in private equity?

	23rd edition	22nd edition	21st edition	20th edition
Yes	50%	50%	50%	52%
No	50%	50%	50%	48%

On the private equity valuation front, 61% of fund groups use multiple valuation techniques to value private equity positions. The most common methodology continues to be comparable company analysis, including the use of market multiples, which is utilized by 65% of participants, as shown in Figure 2.

Figure 2. Methodology used for the majority of private equity investments

Valuation methodology	23rd edition	22nd edition	21st edition
Discounted cash flow analysis	6%	9%	11%
Comparable company analysis	65%	64%	65%
Precedent transaction analysis	8%	9%	11%
Cannot generalize	21%	18%	13%

Figure 3. Do you invest in private credit?

	23rd edition	22nd edition	21st edition	20th edition
Yes	35%	32%	21%	20%
No	65%	68%	79%	80%

Private credit represents one of the most significant areas of growth and complexity in today's investment landscape. Business development companies (BDCs), collateralized loan obligations, and other private credit products are becoming increasingly common in fund portfolios. These products offer investors access to attractive returns and diversification, but their illiquid nature and bespoke structures create valuation challenges. As private credit has grown into a mainstream allocation for many fund groups, valuation teams must contend with incomplete data, inconsistent market references, and the need for careful monitoring of assumptions in underlying models.

FV survey participants highlighted that the rise of private credit is a maturing trend impacting how portfolios are constructed. As shown in figure 3, 35% of FV survey participants now invest in private credit, a large increase from the 20% of respondents just four years ago. The complexity of these assets requires enhanced risk assessment, potential use of third-party valuation experts, and tighter documentation and governance practices. The valuation operating model must evolve accordingly, with processes and resources scaled to address the growing demands of illiquid and alternative investments.

Use of third-party valuation experts

Considering the uptick in illiquid investments and the constant battle to find adequate resources, another avenue that has gained traction is the use of third-party valuation experts. A third-party valuation expert is an independent specialist engaged by fund groups to provide objective pricing or valuation support—most often for complex or illiquid assets such as private equity or private credit—helping ensure accuracy, consistency, and credibility in the valuation process.

The FV survey focuses on the use of experts in both the private equity and private credit space, where private equity remains relatively consistent with the prior year. Sixty-three percent of FV survey participants use valuation specialists as part of their valuation process for private equities, compared to 62% last year. There is some diversity in practice in how these specialists

are utilized, where 25% of the aforementioned respondents use them as a primary valuation for all private equity investments, 43% use them on some private equity investments, and 32% use them to periodically reaffirm the internally modeled private equity investment valuations.

When such external experts are used, we continue to see an emerging trend with how frequently external experts provide valuations. Results indicate that most fund groups appraise their private equity holdings on a monthly basis (39%), with quarterly evaluations coming in second (18%). Nine percent of respondents value them on a semi-annual or annual basis.

Figure 4. Pricing of private credit investments

Valuation methodology	23rd edition	22nd edition	21st edition	20th edition
Receive a price from a third-party provider	37%	39%	27%	41%
Receive a range of prices from a third-party provider	29%	13%	5%	0%
Use a price from an internal model by itself	17%	23%	32%	18%
Use a price from an internal model price, if it falls within a price range provided by a third-party provider	11%	10%	18%	18%
Other	6%	15%	18%	23%

When isolating the use of third-party valuation experts specific to private credit, there is an industry trend toward using them in some capacity. Figure 4 illustrates how fund groups obtain pricing for private credit holdings, with this trend toward reliance on third-party providers—either for a single price or a range of prices (66%). This is up from 52% in the prior survey, evidencing the continued emphasis of having the right expertise (in-house or not) to perform these complex valuations. Looking ahead, continued evolution in the valuation of private credit will be critical, as managers seek to refine their operating models by incorporating multiple valuation techniques, applying calibration more broadly, and engaging third-party specialists to enhance consistency and oversight.

Cryptocurrency as an asset class

Cryptocurrencies have emerged as a niche but growing component of investment fund portfolios, reflecting investor interest in digital assets as both a diversification tool and a potential source of return. Six percent of FV survey participants report their firm investing in cryptocurrencies/digital assets, which is consistent with the 6% of respondents in the prior year. While only a minority of fund groups currently report exposure, some are beginning to incorporate cryptocurrencies into their investment strategies, either directly or through related products. These holdings introduce new considerations into the valuation process, as digital assets are characterized by extreme price volatility, fragmented trading venues, and evolving custody and infrastructure practices.

For fund groups, establishing fair value requires careful assessment of data sources, price feeds, and methodologies that can withstand both market fluctuations and regulatory scrutiny. There is a maturing trend regarding the price source for cryptocurrencies/digital assets, in which 50% of respondents used the aggregate price (a price that considers multiple exchanges), compared to 33% using the principal market/exchange.



Sharper focus by the regulator on the valuation process

Overlaying these developments is a regulatory environment that is not standing still. The SEC’s ongoing focus on Rule 2a-5 compliance, combined with new guidance and potential legislation targeting private funds and digital assets, means that valuation practices are under sustained scrutiny. Fund groups must therefore not only manage the technical challenges of valuing complex assets but also demonstrate to Boards and regulators that their frameworks are resilient, transparent, and responsive to change.

In September 2025, the SEC released its bi-annual “Reg Flex Agenda”² that lists its planned regulatory and deregulatory actions for the next 12 months, in accordance with the Regulatory Flexibility Act. Based on the agenda, there seem to be three top priorities: a focus on crypto/digital assets and workable regulatory regime, providing greater retail access to private funds/markets, and innovation/capital formation such as with the ETF share class/dual share class for mutual funds.

Together, these dynamics—expanding asset classes, increased retail access, and regulatory focus—illustrate why complexity is now one of the defining challenges for the valuation operating model. As investment strategies grow more sophisticated, the ability of fund groups to value these assets consistently, defend methodologies, and maintain investor confidence will be a central test of both their operational and governance frameworks.

In recent years, SEC examinations have increasingly included reviews of newly adopted rules shortly after their compliance dates, rather than allowing for an extended adjustment period. Notable examples include the marketing rule and liquidity risk management rule, both of which remain ongoing areas of focus. The SEC has also issued multiple risk alerts after identifying deficiencies in firms’ compliance programs, signaling a broader trend toward heightened and immediate oversight of regulatory changes. As the industry has implemented Rule 2a-5, this same approach is evident.

Indeed, the FV survey indicates that this is already underway. Among FV survey participants whose fund groups were subject to an SEC examination or sweep, 47% reported that questions on Rule 2a-5 compliance were included (figure 5). These inquiries underscore the SEC’s ongoing emphasis on monitoring valuation practices and ensuring that investment managers maintain a robust, transparent, and well-documented process. The data suggests that Rule 2a-5 examinations are no longer a future possibility but an established reality, reinforcing the need for fund groups to demonstrate readiness and consistency in their valuation operating models.

Figure 5. SEC examinations in last 12 months
For respondents in which the SEC conducted an examination of the fund complex or who were involved in a sweep examination, was your fund complex valuation process part of the visit, and what areas did the SEC’s Division of Examinations focus upon?

	23rd edition	22nd edition	21st edition
Yes, there were questions on our valuation policies and procedures	58%	39%	40%
Yes, there were questions on our fund governance and Board reporting process over the valuation process	29%	22%	20%
Yes, there were questions on Rule 2a-5 compliance	47%	22%	0%

Technology taking the valuation operating model to new heights

The FV survey results highlight that technology continues to reshape valuation practices and the valuation operating model, though the contours of adoption are shifting. While the industry has broadly embraced digital tools, some categories appear to have plateaued, and others—particularly artificial intelligence—are emerging as the next frontier.

Figure 6 depicts the technologies and the percentage of FV survey participants who indicated an increase in use of multiple technologies. Overall, there is a maturing trend regarding increased use of various technologies—spreadsheet tools, data analytics, data management, data visualization, workflow management tools, etc. This suggests that respondents are investing time and resources into enhancing their technology and infrastructure, and supporting their valuation model outside of just artificial intelligence. This aligns with the industry's continuous goal of increased efficiency and streamlining efforts. This allows respondents to focus their time on more complex or inherently riskier valuation areas, such as new investment types or adapting to the changing regulatory environment.

Figure 6. Areas in which the use of technology began or increased in the past 12 months

Technology	Percentage reporting increase in use			
	23rd edition	22nd edition	21st edition	20th edition
Spreadsheet tools (i.e., macros/queries/pivot tables)	52%	32%	36%	36%
Data analytics	31%	20%	23%	21%
Data management/data lake for valuation data	35%	18%	22%	16%
Data visualization tools	25%	18%	23%	22%
Workflow management tools	32%	16%	17%	19%
Robotic process automation	8%	3%	10%	10%
Software programming language	12%	0%	10%	11%

Despite these shifts, spreadsheet-based tools remain the foundation of the valuation operating model. As shown in figure 7, in this year's FV survey, 97% of participants reported using spreadsheets for valuation-related tasks. This industry trend underscores their enduring role as flexible, accessible, and auditable tools—particularly for smaller and midsize fund groups. While spreadsheets are not new, their ubiquity reflects the industry's need for practical solutions that balance efficiency with governance expectations.

Figure 8. Technology in use today

Technology	Percentage reporting use			
	23rd edition	22nd edition	21st edition	20th edition
Spreadsheet tools (i.e., macros/queries/pivot tables)	97%	95%	90%	97%
Data analytics	40%	38%	36%	38%
Data management/data lake for valuation data	43%	35%	34%	34%
Data visualization tools	32%	38%	32%	28%
Workflow management tools	41%	31%	27%	29%
Robotic process automation	9%	12%	15%	19%
Software programming language	14%	17%	14%	11%

This year's FV survey suggests that the momentum around traditional automation may have peaked. Reported use of robotic process automation (RPA) and software programming languages (e.g., Python scripting) both declined year over year, from 12% to 9% for RPA, and from 17% to 14% for software programming languages. This can be driven by a number of factors, such as high maintenance costs, limited scalability, and challenges in auditability. Automated scripts, while useful for repetitive tasks, can be opaque to Boards and auditors, who are increasingly demanding transparency over efficiency. As a result, use has slowed or decreased.

Artificial intelligence

AI broadly refers to the use of machines and software to perform tasks that traditionally require human intelligence, such as pattern recognition, problem-solving, and decision-making. Within the family of AI technologies, Generative AI represents a rapidly advancing subset that can produce new content—text, images, code, and more—based on patterns learned from vast amounts of data. Well-known examples outside of the valuation context include AI chatbots capable of drafting business correspondence, image generation platforms that create original artwork, and coding assistants that help developers accelerate programming tasks. In the valuation space, Generative AI offers the potential to assist with documentation, analysis, exception identification, price comparisons, and reporting processes that are traditionally resource-intensive and time-consuming.

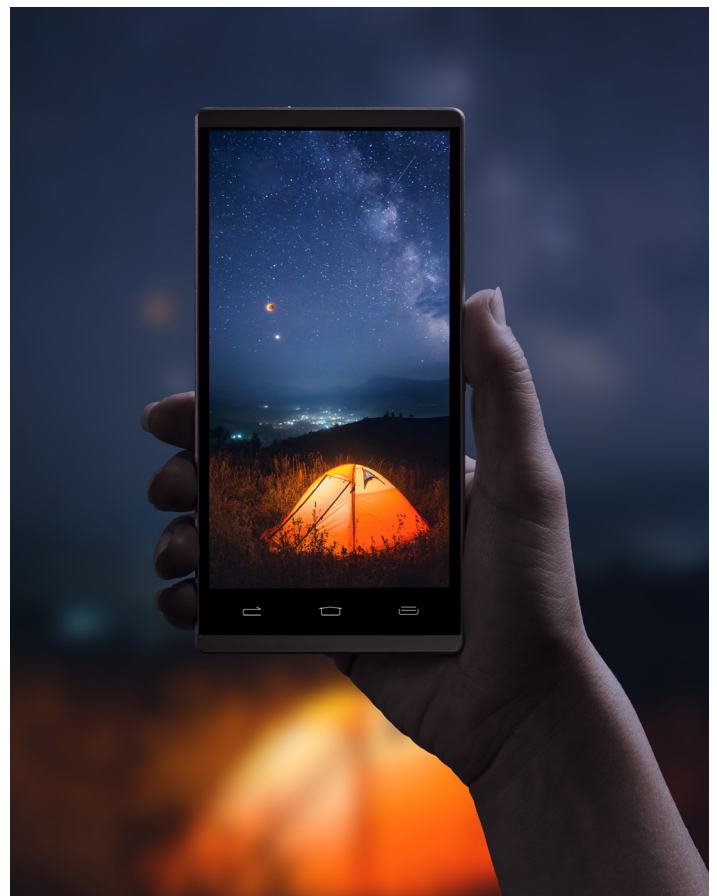
AI is not only a focal point within the asset management industry but also a defining issue across the global economy. Boards, regulators, and investors alike are asking probing questions about how firms are evaluating, adopting, and governing the use of these technologies. For valuation functions specifically, the potential efficiency gains are clear, but so are the risks related to accuracy, accountability, and oversight. The prominence of AI in industry conferences, regulatory dialogues, and boardroom agendas underscores its importance: Stakeholders want assurance that fund groups are both exploring innovation and exercising prudence.

For the first time, this year's FV survey captured meaningful use cases of Generative AI within the valuation operating model. Approximately 21% of participants reported their fund groups experimenting with or adopting AI, with the most common applications being drafting valuation memos and supporting information gathering for fair value determinations. This emerging trend of leveraging AI for documentation and research tasks, as well as exception identification, reporting, and price comparisons down the road, will allow fund groups to free valuation professionals to focus on higher-value and riskier valuation activities, such as challenging assumptions and exercising judgment. While these are incremental use cases rather than transformational redesigns, they signal that AI is beginning to move from concept to practice within valuation processes and the overall valuation operating model.

This year's FV survey has an emerging trend of which AI applications are most commonly used amongst respondents that utilized AI, such as Microsoft Copilot (59%), ChatGPT (46%), and Alteryx (17%). We will continue to monitor whether any new applications gain ground or change over the coming surveys as this technology and related applications are rapidly changing.

Despite growing momentum, adoption of AI in valuation remains far from universal. Only a minority of fund groups have taken steps beyond pilot projects, and fewer still (6%) report using AI specifically within the valuation operating model, such as drafting board-facing valuation reports or embedding AI into valuation models themselves. This cautious approach reflects a balance of curiosity and caution. Firms recognize the promise of AI but remain mindful of the risks, particularly in a regulatory environment that is still developing its perspective on how these tools should be governed.

The early applications of AI demonstrate clear potential benefits: improved efficiency, reduced administrative burden, and enhanced access to information. However, they also raise important governance questions. Outputs generated by AI require careful human review to ensure they accurately reflect the facts and circumstances of specific valuation determinations. Regulators have made it clear that accountability remains with fund groups and their Boards, regardless of whether AI tools are employed. As a result, early adopters are placing strong emphasis on oversight, documentation, and transparency when incorporating AI into their workflows.



Rule 2a-5 implementation in wind down

As mentioned above, the industry has now entered a new phase of Rule 2a-5 compliance. This year's FV survey shows that the "heavy lifting" of Rule 2a-5 adoption is behind the industry, and attention has shifted to each fund group maintaining, refining, and optimizing its established valuation operating models rather than pursuing further wholesale change. This is not to say that the divergent industry practices implemented in prior years have converged; rather, fund groups have implemented a valuation framework that works for them and moved forward.

Valuation risks and related practices

The Rule's requirement for a valuation risk assessment continues to influence how fund groups approach risk management. The risk assessment process remains focused on broad, high-level risks rather than more detailed, asset-specific considerations. A majority of participants (52%) indicated they have identified five or fewer general risks. There is still some divergence in practice, with 26% reporting identification of detailed risks across nearly all asset classes, 15% identifying specific risks targeted at certain asset classes, and 7% selecting "Other," typically citing identification of five to 10 general risks.

While there remains a variety of approaches regarding the degree of precision and specificity in the risk assessment, there aren't significant changes in identification of valuation risks this year—as shown in figure 8—with slight increases for illiquid securities (3 percentage points) and changes in correlation of factors/proxies/benchmarks (3 percentage points).

Figure 8. Areas with identified valuation risks (pre- and post-Rule 2a-5 adoption)

Valuation area	23rd edition	22nd edition	21st edition	20th edition
Market closure	81%	80%	74%	70%
Halted securities	80%	78%	74%	68%
Military action/civil unrest/other conflicts	61%	59%	57%	52%
Illiquid securities	85%	82%	75%	70%
Valuation models	71%	70%	68%	74%
Issuer/industry-specific matters/trends	50%	52%	52%	50%
Change in correlation of factors/proxies/benchmarks	19%	16%	19%	0%
Other	11%	11%	9%	16%

With the concerted focus on illiquid securities, which aligns with the proliferation of new asset classes and increased demand for alternative fund products. These products offer access to illiquid investments, such as private equity and private credit, which cannot be easily held in traditional registered mutual funds and exchange-traded funds (ETFs), but make them appealing to institutional and retail investors alike through retail distribution channels offering BDCs that can be publicly traded and closed-end funds such as interval or tender-offer funds. All of these trends point to greater complexity in the valuation process.

The expanded use of these complex investments into products that previously have not held these investments, such as registered mutual funds, requires more oversight and evaluation of qualitative considerations to ensure they are being valued appropriately and aligned with industry/regulatory requirements. As a result, we have seen an industry trend whereby 83% of FV survey participants have enhanced their risk assessment process to include qualitative consideration of changes in fund attributes (e.g., investment strategy), as compared to 76% and 54% in 2024 and 2023, respectively. Such fund attributes being monitored include new funds, new investment types, and strategy changes to assess potential changes in and manage the impact of valuation risk.

Valuation risks and related responses

While the wholesale changes to valuation risk assessment due to Rule 2a-5 are effectively complete, this does not stop fund groups from continuously refining and enhancing their valuation risk assessment process. A disciplined risk assessment process also enables Boards and management to anticipate how emerging market events may impact valuations, ensuring that oversight remains proactive rather than reactive. In today's environment of increasing complexity, robust risk assessment is essential to maintaining investor confidence and meeting regulatory expectations. Similar to prior years, there is diversity in the implementation of Rule 2a-5 and no consensus answer among participants for the format of the risk assessment process. Some include heat maps (19%), numerical scoring (10%), or qualitative rating (21%), while some use a combination of all formats (7%) and others have descriptions of assessed risks without any rating or scoring (43%).

Figure 9. Mapping specific procedures (controls) to assess/manage valuation risks

Procedure to map risk	23rd edition	22nd edition	21st edition	20th edition
Yes, we have identified and mapped such procedures	42%	60%	55%	43%
Yes, we have identified them (procedures), although we have not specifically mapped them to risks	43%	28%	32%	39%
No, we have not identified them (procedures)	15%	12%	13%	18%

Establishing strong controls and procedures is critical to addressing the valuation risks identified through risk assessments. Well-designed policies—such as calibration, back-testing, vendor oversight, and escalation protocols—help ensure valuations are applied consistently and withstand regulatory and investor scrutiny. By mapping specific procedures to particular risks, fund groups not only enhance transparency but also create a framework for timely and effective responses when markets are stressed. In an environment where illiquid and complex securities are increasingly prevalent, these controls serve as the foundation for both operational resilience and stakeholder confidence. Interestingly, figure 9 shows a reversal of a trend regarding mapping risk-specific procedures to identified valuation risks. Only 42% of respondents identified and mapped specific controls to valuation risks, down from 60% in 2024. The shift could suggest that fund groups have gotten increasingly confident with valuation procedures and mapping of risks, so they are spending less time on this process compared to previous years. This is something to monitor over future surveys as we get farther and farther from Rule 2a-5 implementation.

Identifying conflicts of interest

As Rule 2a-5 implementation continues to settle into steady-state operations, managing conflicts of interest remains a cornerstone of the valuation oversight process. The Rule requires that Boards and valuation designees adopt policies and procedures to identify, assess, and manage material conflicts, supported by regular reporting to ensure accountability.

Conflicts of interest are particularly acute in the context of illiquid and complex securities. As fund groups expand allocations to private equity and private credit, reliance on third-party valuation experts has also increased. As shown in the FV survey, the greater

use of outside providers brings with it heightened scrutiny: 61% of participants identified conflicts of interest tied to pricing vendors, a notable increase from earlier years; it was 32% in 2024. Boards and management alike are attuned to these risks, ensuring that procedures extend beyond internal operations to cover external service providers. In a similar vein, two respondents identified “conflicts of interest” as an “Other” response when answering questions regarding identifying valuation risks in this year’s survey.

The results underscore that conflicts-of-interest oversight is no longer just a compliance exercise but an embedded feature of the valuation operating model. With the wind down of Rule 2a-5 implementation, fund groups are less focused on designing new frameworks and more focused on maintaining consistent, well-documented practices.

Adequacy of resources

As Rule 2a-5 matures into steady-state operations, the question of what constitutes “adequate” valuation resources remains unresolved. The Rule requires valuation designees to provide annual reporting to their Boards on the sufficiency of resources, but it stops short of prescribing how adequacy should be assessed or what thresholds should be applied. This lack of clear benchmarks leaves fund groups and Boards to exercise judgment in determining whether staffing levels, expertise, and systems are truly sufficient to meet the demands of today’s valuation operating model.

This year’s FV survey highlights the continued difficulty of this exercise. Only 6% of participants reported having established formal criteria or metrics for evaluating resource adequacy, a figure that remains low and largely unchanged from prior years. Among those that do employ metrics, the most common measures include headcount, staff qualifications, years of experience, and performance indicators such as timeliness and accuracy of valuation outputs.

There is one notable shift from the prior surveys, and that is the use of outsourced providers, offshore teams, or other external resources to support the valuation operating model: 39% of respondents answered that they used these outside resources in some capacity, up from 19% in 2024. This could be driven by a number of factors, such as increased complexity in asset or product types requiring more expertise and knowledge that may not be covered “in-house.” Additionally, the “war on talent” has caused hiring challenges for finding the right resources with the

right skill sets, so respondents may turn to third-party providers to fill these gaps. This is an emerging trend and something to monitor over the subsequent surveys.

Figure 10. Full-time equivalents (FTEs) based on size of fund group

AUM in billions	Fewer than 5 FTEs	5–9 FTEs	10–15 FTEs	More than 15 FTEs
Greater than \$500	18%	29%	12%	41%
\$101–\$500	46%	35%	4%	15%
\$51–\$100	60%	20%	7%	13%
\$10–\$50	72%	28%	0%	0%
Less than \$10	41%	35%	12%	12%

The FV survey again offers data points, based on the size of fund groups, as to what might be typical, although there are different facts and circumstances that impact each fund group. There may be smaller-sized fund groups with many illiquid or hard-to-value securities that would require more resources and effort compared to a larger-sized fund group that holds primarily exchange-traded securities. Individual differences aside, figure 10 shows the industry trend that smaller fund groups have fewer valuation full-time equivalents (FTEs), as compared to larger fund groups. The comparison and analysis of the adequacy of resources is made more complicated with the maturing trends of using third-party valuation experts, a fund administrator and/or custodian, and use of offshore resources. How such valuation resources are accounted for in the adequacy of resources reporting is something management should discuss with the Board to ensure agreement.

Board reporting: ‘Business as usual’ or active oversight

Three years after the compliance date of Rule 2a-5, Boards appear to have reached a steady equilibrium in their valuation oversight role. The flurry of new reporting, committee adjustments, and enhanced oversight that characterized earlier years has largely settled. Survey participants overwhelmingly indicated that the amount of Board involvement in valuation matters has stabilized, signaling that oversight is now firmly embedded as “business as usual.”

Boards that have appointed a valuation designee continue to receive the required reporting that supports their oversight of fair value determinations. Rule 2a-5 grants Boards flexibility in determining what additional information they need to fulfill their active oversight duties, and this year’s FV survey results confirm that most have settled into consistent patterns. Three years after adoption of the Rule, the wave of significant change has subsided, and Boards are operating within a stable reporting framework.

The FV survey shows that 92% of participants reported no change in the amount of time Boards spend on valuation matters, while only 8% indicated an increase. These results suggest that the “heavy lifting” of implementation is complete, and Boards have reached a comfort level with the balance of monitoring and reporting provided by fund management and service providers. Similarly, only 10% of participants reported that the Board held a valuation discussion with management outside of a regularly scheduled meeting to address or resolve a valuation matter or question in the past year, compared to 12% in 2024 and 20% in 2023. This indicates an industry trend whereby Boards are holding less frequent ad hoc discussions with management post-Rule 2a-5 adoption, signaling that the structured communication prescribed by Rule 2a-5 reduces the ad hoc, free-flowing conversations that may have occurred previously.

Reporting practices also appear to have stabilized. For 4% of participants, Boards and/or their committees received additional reporting beyond what was provided last year. By contrast, in the 21st edition of the FV survey, more than half of respondents (54%) indicated that Boards were receiving new valuation-focused reporting that had not been provided in prior years (figure 11). This year’s results reflect a maturing trend: The expansion of reporting that characterized the early years of Rule 2a-5 has slowed, and Boards are now operating with reporting packages that they view as sufficient and sustainable.

Figure 11. Boards receiving additional/new reporting in the last 12 months

	23rd edition	22nd edition	21st edition	20th edition
Yes	4%	8%	54%	16%
No	96%	92%	46%	84%

There has also been minimal change in the extent of detail provided in these valuation materials for the Board: 87% of FV survey participants said that there was no change in the level of detail this year, as compared to 2023, when 62% of FV survey participants had some degree of change. Ninety-nine percent of FV survey participants provide summarized reporting to their Boards. Among those, there’s a maturing trend of the Boards not requesting or receiving the full supporting detail. This was the case for 59% of FV survey participants this year, up from 39% last year and 34% two years ago. This maturing trend further aligns with the Boards risk-based focus and critical need for KVIs.

This year’s FV survey results suggest that most Boards have found the right balance with allocation of responsibilities between themselves and the valuation designee. Ninety-nine percent of FV survey participants indicate that there has been no change in the

Board’s delegation of responsibilities to management in the past year, up from 65% in 2023 (first-year post-Rule 2a-5 implementation). In other words, just 1% of FV survey participants delegated less responsibility from the Board to fund group management in 2025.

Further, this year’s FV survey continues to show a maturing trend regarding the use of dashboard reporting. Many fund groups report their Boards using dashboard reporting, with growing popularity in 2024: 56% of FV survey participants reported providing them to their Boards, up from the 45% to 47% range seen over the past five years. However, the information identified and reported as KVIs within this dashboard reporting has remained fairly consistent over the past three years. The most common KVIs are listed in figure 12.

Figure 12. Most common reported key valuation indicators (KVIs)

KVIs	23rd edition	22nd edition	21st edition	20th edition
Percentage of level 3* investments	95%	89%	90%	71%
Number of price challenges	91%	91%	85%	74%
Back-testing results of trades	68%	80%	79%	86%
Unchanged (stale) prices	57%	76%	75%	76%
Back-testing results of foreign equity fair value factors	64%	80%	67%	71%

*As defined in US GAAP, Accounting Standards Codification 820.

Active oversight by Boards remains essential to ensuring the integrity of the valuation process, particularly as portfolios grow more complex and illiquid. Rule 2a-5 reinforced this expectation by mandating that Boards play a clear role in overseeing valuation polices and practices. However, the prescriptive nature of the Rule—through its requirements for quarterly and annual reporting as well as prompt notifications—has, in some cases, had the unintended consequences of shifting oversight toward a more procedural or “check-the-box” exercise. While standardized reporting provides structure and consistency, the real value of Board active oversight lies in thoughtful engagement: asking probing questions, challenging assumptions, and ensuring that valuation policies and practices, valuation operating model, technology enhancements, and controls evolve with market dynamics. Maintaining this balance between

compliance-driven requirements and genuine active oversight will be critical for Boards to demonstrate their effectiveness. As with past surveys, we track trends in “active” oversight over three oversight tools at Boards’ disposal:

- 1. Ad hoc valuation meetings;
- 2. Specific valuation policies and procedures that address when the Board “must be involved” or “must be notified” to discuss a valuation matter; and
- 3. Board reporting.

Ad hoc meetings—where the Board engages in valuation discussions with management outside of a regularly scheduled meeting—remain relatively rare. In this year’s FV survey, only 10% of participants reported holding such meetings, compared to 12% in the prior year, 20% in the 21st edition, and 39% in the 20th edition (figure 13). This decline highlights the industry’s continued shift away from informal, situational engagement and toward more structured and predictable oversight through Board reporting.

Figure 13. In the last 12 months, did the Board hold a valuation discussion with management outside of a regularly scheduled meeting, i.e., an ‘ad hoc’ meeting?

	23rd edition	22nd edition	21st edition	20th edition
Yes	10%	12%	20%	39%
No	90%	88%	80%	61%

Similarly, the use of policies that mandate specific scenarios in which the Board “must be involved” or “must be notified” continues to diminish. Over the past three FV surveys, the proportion of participants identifying “must be involved” circumstances has dropped from 5% to 2% to 1%, while “must be notified” circumstances have edged down from 33% to 32% to 31%. Together, these findings suggest that the prescriptive requirements of Rule 2a-5—quarterly, annual, and prompt reporting—may be reducing the frequency of more free-flowing, discretionary conversations between Boards and management.

In addition to the quarterly and annual reporting requirements of Rule 2a-5, fund groups must also comply with the Rule's prompt notification provision. This requirement obligates the valuation designee to provide written notice to the Board of any material matter within a period specified by the Board, but no later than five business days after becoming aware of the issue. The FV survey continues to track how fund groups are approaching this obligation. In the current year, 33% of participants reported providing prompt notifications, consistent with prior results (34% last year). In addition, 51% of respondents indicated they have engaged in detailed discussions with their Boards to clarify expectations around what constitutes a "material matter," consistent with prior years. These conversations are intended to reduce the risk of underreporting and ensure that both Boards and management are aligned on the appropriate next steps once a potential issue has been identified.

This trend is noteworthy, as it underscores a potential trade-off: While standardized reporting strengthens consistency and compliance, it may also dilute some of the dynamic dialogue that historically enriched the valuation oversight process. Going forward, Boards may need to strike a balance between fulfilling regulatory requirements through the prescriptive Board reporting under Rule 2a-5 and ensuring that meaningful discussions, including ad hoc discussions, remains part of their governance routines.



Additional key FV survey findings

The FV survey contains questions on many valuation topics—too numerous to capture within this executive summary. Additional key FV survey findings, as determined by the survey authors, are highlighted below.

Board governance

- Seventy-nine percent of participants report price challenge information to the Board at each meeting, while others report it ad hoc or as needed (13%), annually (5%), or more frequently than annually but less frequently than at each meeting (3%).
- The Board, a committee of the Board, or one or more Board members receive the results of back-testing for the following security types: foreign equities (81%); fixed-income vendor prices (68%); illiquid or fair-valued securities that traded within the fund's fiscal quarter (51%); and broker-quoted prices (25%).
- For 78% of FV survey participants, the governance model involves delegating the responsibility for overseeing valuation matters to a separate committee (e.g., audit committee, valuation committee, risk committee), subject to the Board's oversight. Of those, some have a separate valuation committee (33%) or delegate that responsibility to the audit committee (47%) or another committee of the Board (20%). Thirty-six percent of FV survey participants specifically have a Risk Oversight Committee.

Pricing sources

- Seventy-six percent of participants perform due diligence visits annually for all pricing vendors used as a primary pricing source. Only 7% of participants perform more frequently than annually. For those who only visit some of the pricing sources, the predominant criteria for determining which to visit are the following: primary pricing sources (60%); pricing sources that are non-US equity providers (20%); and pricing sources for which it is their turn in the rotation (20%).

Foreign equities

- Sixty-six percent of FV survey participants reported using a zero trigger to determine when to adjust the prices of all or a subset of fair value equities that trade on all foreign exchanges closing before 4 p.m. ET. This percentage is up from 63% in the prior year's survey.
- Fifty-two percent of FV survey participants managing passively managed ETFs reported performing an analysis on an ad hoc or case-by-case basis to determine if a foreign equity price should be adjusted from the closing exchange price. This percentage is down from 61% in the prior year's survey.

Fixed-income investments

- Ninety-nine percent of FV survey participants reported no change in the past year, relative to their use of bid or mean pricing, and similarly, 88% of participants said that policies and procedures related to odd-lot pricing have not changed in the past year.
- On Columbus Day/Indigenous Peoples' Day and Veterans Day, when the bond market is closed, 67% of participants receive a vendor price for bonds as of the current day and 30% use the previous day's price.
- Sixty-three percent of FV survey participants use bid pricing exclusively when valuing fixed-income securities (compared to 57% in prior year), 30% use mean pricing (compared to 28% in the prior year), and 7% reported that their use varies based on the type of fixed-income instrument (compared to 15% in the prior year).

Derivative contracts

- Sixty-three percent of participants indicated that on dates in which the New York Stock Exchange (NYSE) is open but bond markets are closed, they use the most recent price from when the bond market was open to value bond futures.

Exchange-traded funds

- Sixty-nine percent of participants manage or offer actively managed ETFs, up from 50% in the prior year. Only 28% of FV survey participants do not offer any ETFs, down from 48% in the prior year.
- Fifty-nine percent of participants use bid pricing for pricing in fixed-income ETFs, while 34% use mean pricing, and 7% differ based on security type.

General policies and procedures

- Forty-two percent of FV survey participants changed their fair valuation policies and procedures in the last year, compared to 44% last year. The most common changes were related to pricing committee composition, responsibilities, and/or meeting frequency (35%), and adding more investment types (48%) and more pricing sources (43%).
- Six percent of FV survey participants are investing in cryptocurrencies or digital assets, and 83% of those fund groups report that they have established a monitoring process specific to these asset classes.

Private equity and private credit

- Of participants that hold private equity positions among their fund group, 50% actively purchase private equity investments, up from 45% in the prior year. Consequently, 34% of participants passively acquire private equity investments through restructurings or other such means, down from 40% in the prior year.
- Sixty-five percent of FV survey participants indicated that a comparable company's analysis is the most common way that they value the largest percentage of their private equity holdings, which is consistent with the prior year.
- For a comparable company approach, a mean/median of comparable sets of companies is the most common approach used by 65% of participants. Comparative analysis of relevant factors (e.g., size, growth, and profitability) to adjust from the mean/median is the second most common response at 36%.
- Thirty-five percent of participants invested in private credit—an increase from 32% in the previous year.
- For participants with private credit holdings, valuation practices include receiving a price from a third-party provider (37%); receiving a range of prices from a third-party provider (29%); using a price from an internal model by itself (17%); using a price from an internal model price if it falls within a price range provided by a third-party provider (6%); using a price derived from a third-party valuation tool (6%); and using other approaches (6%).

Russian-based investments and currency

- Ninety-two percent of FV survey participants are valuing Russian-based local equities at zero, and 86% are valuing Russian-based depositary receipt equities at zero.
- Seventy-nine percent of FV survey participants are not accruing dividends on Russian-based local equities, with the remaining 21% only accruing when cash is received and able to be repatriated to US dollars.
- Twenty-eight percent of FV survey participants holding Russian rubles indicated that they are valuing them using current foreign exchange rates, compared to 33% reporting such last year. The movement away from using the current rates has resulted in some FV survey participants (72%) reporting that Russian rubles are valued at zero.



Looking ahead



A challenge and an opportunity valuing more complex and illiquid positions

As noted in the FV survey, many fund groups hold investments that are less liquid, such as private equity for 50% of participants and private credit for 35% of participants. Some positions are acquired directly, and some are acquired as a result of corporate actions, restructurings, or regulatory actions. Estimating fair value of private equity, private credit, and halted/delisted securities remains a challenging area for fund groups, especially because there are neither quoted prices available nor a perfect way to develop fair values. Thus, it is no surprise that the FV survey shows a maturing trend of fund groups using third-party valuation experts to value these types of instruments. The FV survey indicated an increase in using external valuation specialists in some capacity to price certain asset classes, including 63% for private equity and 66% for private credit. We are seeing and predict that new third party pricing vendors will emerge to provide the industry with evaluation for private equity and private credit. The investment management echo system has a long history of key stakeholder stepping up and developing solutions that make the valuation operating model more effective and efficient. As noted previously, the fund group is still responsible for providing accurate data and inputs, and the environment must be well-controlled. In addition, oversight and responsibility of the process and outcomes cannot be left unattended.



Emerging trend: Use of artificial intelligence in the valuation operating model

In business today, it is not hard to find discussion of artificial intelligence and its future impact on the workplace, whether it is AI-based technology to enhance the day-to-day productivity of human resources or to generate AI capabilities for content creation. In fact, FV survey participants identified using AI applications such as Microsoft Copilot, ChatGPT, Alteryx, While the full potential of this emerging technology is still to be determined, it is possible to see where AI can provide efficiency in the valuation process. One survey participant reported the use of Generative AI, noting that it is used to prepare documentation (e.g., valuation memos) and gather information to support the fair valuation process. It remains to be seen how this will evolve, but it is clear that there is a future where the valuation operating model may be enhanced using AI.

However great the possibilities are, technologies are not infallible. Human oversight will need to remain to ensure the output from any technology is consistent with the facts and circumstances in place. Continued investment in humans will remain imperative to maintain oversight of technology.

While AI-based technology is being considered by the industry, the industry is simultaneously experiencing a leveling off in the pace of implementing new technology. Fifty-two percent of FV survey participants report they began to use or increased use of at least one form of technology for valuation purposes. This is a decline from 54% in the prior year. A possible explanation for this slowing growth is the limits on current technology and previous implementations. The largest fund groups (those with greater than \$500 billion in AUM) have slowed the rate at which they are implementing or increasing the use of technology.

The emergence of Generative AI in this year's FV survey suggests that the industry has entered the earliest stage of what could be a transformative cycle. Just as prior years were defined by the adoption of data analytics, workflow tools, and third-party valuation experts, the coming years may see broader experimentation with AI-driven solutions. However, for now, adoption remains measured, with most firms choosing to test discrete, low-risk use cases rather than wholesale changes to their valuation operating model. As Boards and regulators continue to raise questions, AI will remain both a governance topic and a potential efficiency lever—one that must be approached with equal parts innovation and discipline.



Continued Rule 2a-5 benefits

Fund groups have come a long way since the Rule 2a-5 compliance date and made significant efforts to comply with and enhance their valuation operating model and governance oversight process.

Many fund groups have enhanced their governance and valuation operating models to meet their unique needs, complexity, culture. These differences in practice have now become memorized in the FV survey but the question of future convergence will remain open as regulators focus on Rule 2a-5 compliance, innovative AI solutions are created and peer benchmarking provides a path to make change.

However, the question has never been whether fund groups would be able to comply. The real curiosity is whether the benefits outlined within the adopting release of the Rule will be realized at some point. Those benefits included items such as less-biased valuations, clarification of roles and responsibilities, and more risk-based “active” Board oversight.

Putting those goals aside, there may be other benefits from the Rule. The Rule’s requirement for a valuation risk assessment may lead some fund groups to change or replace certain procedures because they do not really address identified risks squarely or because automation might make them irrelevant. Incremental gains may make the valuation operating model more resilient.



SEC alert: Implications of SEC examinations

As noted in the FV survey, the SEC focus on Rule 2a-5 compliance has increased, with 47% of those fund groups where the SEC conducted an examination receiving inquiries into Rule 2a-5 compliance. Given the SEC’s continued emphasis on valuation as part of its exam priorities, we do not expect this to change in the near term. Thus, what will be the impact? Will we see additional SEC guidance, enforcement actions, or convergence of industry governance and valuation operating models? The FV survey results show some diversity in the application of many Rule 2a-5 requirements, including the timing and extent of Board reporting, the involvement of Boards in certain matters, performing risk assessments, evaluating conflicts of interest, and how fund groups test fair value methodologies. Some of these differences may change over time based on regulatory feedback or the sharing of perspectives by industry participants.

Industry participants may find it helpful to be prepared and proactively benchmark valuation practices relative to Rule 2a-5 requirements. This exercise may be something that many undertake to fine-tune their valuation policies and procedures as well as their valuation operating models. Some changes may also come about naturally as fund groups and their Boards identify tasks and reporting that lack meaningful substance or fail to achieve desired results. They may also simply develop certain preferences that may result in the evolution of their valuation operating models.

About the FV survey and its authors

We conducted the FV survey in summer 2025, and it was completed by participants representing 100 registered investment company fund groups. FV survey participants included small, midsize, and large fund groups. Thirty-three percent have more than 100 funds within the fund group, and 20% have fewer than 15 funds. Approximately 13% of them manage mainly equities, 5% manage mainly fixed-income securities, and the remaining 82% manage a balanced array of strategies. Percentages reported are generally based on the number of survey participants responding to the specific question, unless otherwise noted.

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Endnotes

1. US Securities and Exchange Commission (SEC), Final Rule 2a-5 Good Faith Determinations of Fair Value, December 3, 2020 (Final Rule 2a-5).
2. US SEC Division of Examinations, 2024 Examination Priorities, 2024.





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