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Fair Valuation Pricing Survey, 24th edition

At the edge of what's next: Managing complexity

Introduction

The 24th edition of Deloitte's Fair Valuation Pricing Survey (FV survey) explores how registered investment companies, business development companies (collectively, "fund groups") and their boards of directors/trustees (Boards) are adapting their governance and valuation operating models amid increasing complexity, including the challenges that come with growth in private markets, heightened regulatory attention, and rapid technological change. Across the topics covered, a consistent theme is emerging: Valuation practices must become more dynamic, but strong governance, human oversight, and transparent reporting remain essential to maintaining trust in fair valuations.

The FV survey highlights the complexity created by the growing prominence of private equity and private credit within fund portfolios. FV survey participants report continued growth in both private equity and private credit holdings, which goes hand in hand with the launch of many interval funds in the last year, focused primarily on these alternative asset types. The industry's strategic drive to provide options for retail investors shows no signs of slowing, and this will continue to put stress on the valuation operating model. In addition, private credit is increasingly subject to more frequent pricing and enhanced reliance on third-party valuation providers. Although daily updates to observable market inputs are becoming more common, many fund groups continue to perform a comprehensive reevaluation of underlying assumptions less frequently. This distinction underscores the importance of understanding whether more frequent pricing reflects a full reassessment of fair value or primarily an update to market-based inputs. The need for a fulsome risk assessment and understanding of valuation methodologies as prescribed under the US Securities and Exchange Commission's (SEC) Rule 2a-5 (Rule 2a-5)¹ is critical and often hampered by readily available data and talent with the skills and experience with such asset classes.

Regulatory expectations are also shaping the valuation landscape. The FV survey points to increased supervisory focus on complex and less liquid investments, private credit, cybersecurity, artificial intelligence (AI), and the controls supporting sophisticated operating models. Fund groups are therefore facing greater expectations to demonstrate that their valuation policies, governance structures, independent reviews, and risk management processes are responsive to evolving market conditions and investor-protection concerns. Recent regulatory cases focused on valuation only continue to heighten the need to ensure that investor trust and fund groups' reputations are maintained in reported fair valuations.

Complexity in governance and valuation operating models is also being impacted by technology advances with AI leading the way. While spreadsheets, data analytics, data management tools and workflow platforms remain foundational components of the valuation operating model, AI and AI use cases are emerging as an important new capability. Current applications are concentrated primarily on improving efficiency, supporting research and documentation, preparing valuation memoranda, enhancing quality review, and assisting with reporting. The FV survey indicates that organizations generally view AI as an enhancement to existing processes rather than a replacement for professional judgment (i.e., digital-driven and human-led). At the same time, AI adoption may be progressing faster than related governance practices in many organizations. FV survey participants identify concerns involving inaccurate outputs, confidentiality, integration, compliance, vendor oversight, and accountability. Human review remains central, but formal policies, use-case inventories, control testing, and documented oversight practices have yet to be consistently established. This creates an important opportunity for fund groups to align technology investment with disciplined governance, controls, talent, and clearly defined accountability.

As the industry addresses growing complexity, there will be continued reliance on the governance operating model, as framed by the requirements of Rule 2a-5, to provide the necessary active oversight to manage valuation and reputational risk. From a governance perspective, the requirements of Rule 2a-5 have now largely been memorialized in established frameworks. Today, the focus has shifted to targeted refinements. Consistent with the requirement for active oversight, Boards will continue to encounter both industry and organizational developments that may prompt changes—with regard to risk assessment, conflicts of interest, or certain aspects of Board reporting. It remains to be seen how governance practices will evolve as fund groups consider valuation risks, portfolio complexity, and regulatory expectations.

Finally, the FV survey provides emerging and maturing industry trends into governance and pricing practices across equities, fixed-income investments, derivatives, and more. Together, these findings illustrate an industry balancing operational efficiency and innovation with the need for consistency, transparency, independent challenge, and effective Board-level oversight.

Complexity on the horizon as private-market investing increases

Retail demand for access to private markets continues to build. The Deloitte Center for Financial Services estimates that the share of registered funds allocating 5% or more to private capital could increase from 1.5%, as it currently stands, to just under 16% by 2030,² and managers are building the valuation and operating infrastructure needed to support that broader trend. The majority of those funds allocating substantial investment to private capital are closed-end funds, such as interval funds and tender offer funds. Nearly 60% of FV survey participants report recently launching an alternative fund product, such as an interval fund or tender offer fund. Among that group, 55% identify projected future growth and the associated marketing advantage as the primary rationale for doing so, suggesting that fund groups expect retail access to private investments to be increasingly attractive in the coming years.

Figure 1 shows the share of fund groups investing in private equity increased to 51% in the current year. FV survey participants report a decline in private credit investments at 33%, compared to 35% in 2025 and 32% in 2024. However, the current trends remain well above the 21% reported in 2023, pointing to sustained investor demand and continued growth in private-market exposure. As this maturing trend continues, particularly through products designed for retail investors, fund groups will need valuation processes that are consistent and well-governed.

Figure 1. Does your fund complex invest in private equity and/or private credit?

	24th edition	23rd edition	22nd edition	21st edition	20th edition
Private equity					
Yes	51%	50%	50%	50%	52%
No	49%	50%	50%	50%	48%
Private credit					
Yes	33%	35%	32%	21%	20%
No	67%	65%	68%	79%	80%

Private equity investment

Private equity investment is developing along two distinct paths. At one end of the spectrum, limited adoption remains consistent: 61% of fund groups report that fewer than 5% of their registered investment companies (RICs) hold private equity, as compared to 64% in 2025.

And conversely, 16% of participants report that more than 20% of their RICs hold private equity, an increase from 12% in 2025.

Position volume indicates stronger overall momentum. Forty-six percent of fund groups grew their private equity holdings over the past 12 months, a significant increase from 26% in 2025. Further, 59% of participants are actively purchasing private equity investments in their funds, as opposed to acquiring primarily through restructurings or other means, a notable increase from 50% in 2025 and 43% in 2024.

The primary valuation methodology employed for the greatest portion of private equity investments continues to be comparable companies' analysis (58%), followed by precedent transaction analysis (16%) and discounted cash flow analysis (11%), with the remainder of FV survey participants noting that they are not able to generalize (16%).

Taken together, this suggests that fund groups are increasingly moving toward one of two positions: either maintaining minimal private equity exposure or making private equity a significant feature of their portfolios. All told, the overall pace of growth in private equity holdings continues to accelerate, adding complexity to the governance and valuation operating models and risks that need to be managed.

Private credit pricing methodology

Sixty-six percent of participants currently investing in private credit report that the volume of private credit positions held across the fund group increased in the last year. As this asset class continues to grow, fund groups are increasingly relying on independent, third-party valuations.

The predominant method for obtaining private credit pricing continues to be receiving a single price from a third-party provider (41%) or a range of prices from a third-party provider (28%). Sixteen percent of participants are relying solely on an internally modeled price. Overall, fund groups receiving either a range of prices or a spot price from a third-party provider increased to 69%, from 66% in 2025. By contrast, use of internal models remains consistent, with 17% of participants in 2026 and 2025. As shown in figure 2, this is the continuation of an industry trend toward reliance on third-party valuations for this more complex asset class.

Figure 2. What best describes how you obtain pricing for private credit holdings?

Valuation methodology	24th edition	23rd edition	22nd edition	21st edition
Receive a price from a third-party provider	41%	37%	39%	27%
Receive a range of prices from a third-party provider	28%	29%	13%	5%
Use a price from an internal model by itself	17%	17%	23%	32%
Use a price from an internal model price, if it falls within a price range provided by a third-party provider	7%	11%	10%	18%
Other	7%	6%	15%	18%

Whether receiving prices from a third-party vendor or employing an external fair value specialist, there's a maturing trend toward daily pricing. About half of FV survey participants (48%) are refreshing fair valuations on a daily basis for private credit holdings, reflecting updates to both observable and unobservable market data, while 17% report updating quarterly and 14% on a monthly basis. The push toward daily pricing in private credit is not occurring in isolation. Recent market volatility has only sharpened investor expectations for marks that reflect current conditions rather than a stale quarterly valuation.

Fund groups identify credit deterioration in private credit investments by monitoring payment performance, covenant compliance, restructurings, and other signs of borrower distress. These indicators inform the timing of revaluation, non-accrual classification, and potential changes to valuation methodology. Many fund groups employ a valuation methodology that responds promptly to signs of distress. As outlined in figure 3, when a loan experiences a payment-in-kind (PIK) restructuring, covenant relief, or a compliance breach, a majority (61%) revalue the position without waiting for the next scheduled cycle (44% trigger a full revaluation based on materiality, and 17% trigger a full revaluation automatically), while 39% incorporate the change at the next scheduled valuation cycle.

Figure 3. How timely are PIK restructurings, covenant relief, debt compliance breach, or similar distress indicators typically reflected in fair value?

Valuation methodology	24th edition
Usually trigger a full revaluation based on materiality	44%
Generally incorporated at the next scheduled valuation cycle	39%
Automatically trigger a full revaluation	17%
Other	0%

Another data point indicative of potential impairment is non-accrual status. The trigger events prompting that classification include delinquent cash payments (92%) and covenant breach or restructuring activity (79%). When an investment is placed on

non-accrual, 65% of FV survey participants said that their fund group will reverse previously accrued but unpaid interest only when it is deemed uncollectible, while 20% will immediately reverse such amounts. When an investment is placed on non-accrual status, 79% of FV survey participants will shift the valuation approach from income/yield analysis to recovery or collateral-based approach. However, fewer than half will also revise discount rates or probability-of-default assumptions in tandem (42%).

Managing complexity using external valuation specialists

Regarding the use of external fair valuation specialists for private equity investments, 71% of participants engage an external specialist for at least some investments, although there is considerable variability related to the portion of the portfolio for which specialists are involved and the frequency of those valuations. As shown in figure 4, this is a clear industry trend toward more specialist involvement. When involving external specialists for private equity, 36% of FV survey participants report receiving valuations on a monthly basis.

Figure 4. Use of an external valuation specialist to assist with the valuation of private equity investments

Valuation methodology	24th edition	23rd edition	22nd edition	21st edition
Do not use an outside valuation specialist	29%	37%	37%	46%
Use an outside valuation specialist as primary valuation source, to value certain private equity investments	24%	27%	30%	21%
Use an outside valuation specialist as primary valuation source to value all private equity investments	22%	20%	12%	14%
Use an outside valuation specialist to periodically reaffirm internally modeled private equity investments	25%	16%	21%	19%

There is a similar trend for private credit holdings. Sixty-nine percent of participants report receiving a price, or range of prices, from a third-party provider. Of those fund groups, 52% receive some form of daily pricing (e.g., refresh pricing or full valuation updates), up from 41% in 2025.

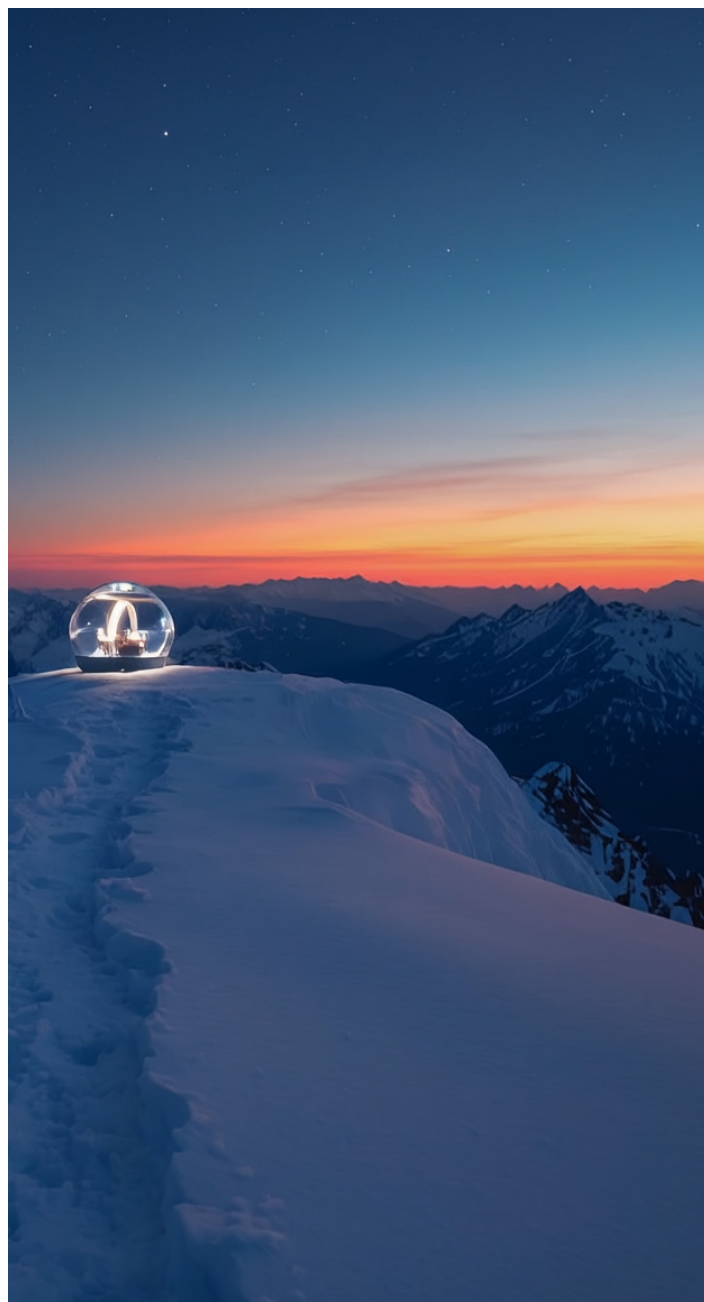
Notably, while 48% of fund groups refresh valuations daily based on observable market inputs such as benchmark rates and spreads, only 4% perform a full valuation update, one that revisits unobservable inputs, cash flow assumptions, and methodology, on a daily basis; the largest share of fund groups (39%) perform that full-judgment update only quarterly. In other words, more frequent pricing has not been matched by more frequent revaluation of the underlying assumptions that drive fair value.

Over the past year, fund groups have strengthened their oversight of the valuation of both private equity and private credit investments. Specifically with regard to due diligence of external valuation specialists, as shown in figure 5, fund groups added new oversight procedures for private equity (92%) and private credit (75%) and increased the frequency of due diligence procedures.

Figure 5. Changes in the past 12 months related to the due diligence of external specialists who value or provide assistance in valuing private equity and private credit

	24th edition	23rd edition	22nd edition
Private equity			
Added new oversight procedures	92%	67%	35%
Increased frequency of due diligence procedures	15%	33%	18%
Enhanced use of technology, including AI	31%	—	—
Private credit			
Added new oversight procedures	75%	87%	80%
Increased frequency of due diligence procedures	19%	20%	40%
Enhanced use of technology, including AI	31%	7%	—

As investment in private equity and private credit becomes more prevalent in mutual funds and garners even more investor interest and regulatory scrutiny, fund groups should focus on strengthening the valuation operating model with a focus on policies and procedures. This includes establishing appropriate checks to capture any necessary valuation adjustments to account for credit deterioration, as well as maintaining robust oversight of external specialists, including their methodologies, documentation, and technology. Ultimately, the priority should be a scalable and well-governed process that preserves consistency, transparency, and professional judgment. As private-market exposure grows, fund groups aim to effectively manage the valuation risk created by the increased complexity.



Regulatory focus continues to edge forward

Against a backdrop of continued private-market growth, evolving investment strategies, and rapid technological advancement, the SEC is broadening its regulatory focus. While established priorities remain significant, such as compliance programs and new rule implementation, there is also an emphasis on complex and less liquid investments, private credit, cybersecurity, AI, and the controls supporting increasingly sophisticated operating models. This expanding agenda reflects the need for fund groups to demonstrate that their governance and valuation models, valuation practices, risk management framework, and compliance programs are keeping pace with market innovation, increased complexity, and heightened expectations related to investor protection.

Core to the SEC's 2026 examination priorities³ are compliance programs, rule changes, AI and cybersecurity, and investment valuation. Specific to RICs, focus areas include those "that use complex strategies and/or have significant holdings of less liquid or illiquid investments (e.g., closed end funds)" and "with novel strategies or investments, including funds with leverage vulnerabilities." This heightened focus on complex, less liquid, and leveraged investments reflects the broader investor interest in access to these products. In March 2026, the Department of Labor released a proposed rule⁴ with the aim of enabling expanded access to alternative investments (i.e., private equity and private credit) through 401(k) plans. The responsibility under the proposed rule to ensure that any designated investment alternative (DIA) is "capable of being timely and accurately valued in accordance with the needs of the plan" further reiterates the attention on the private credit market and would likely only serve to expand the regulator's focus. Chairman Atkins's July 2026 statement on the regulatory agenda⁵ notes the interest to "better facilitate retail investor participation in private markets while preserving their protection with appropriate safeguards." The SEC has demonstrated in several actions and writings that it is focused on making sure fund groups have the appropriate governance and valuation operation models.

Additionally, significant valuation markdowns have intensified scrutiny of the private credit market and raised questions about potential opacity in valuation methodologies and conflicts of interest. These discussions may prompt fund groups to assess certain elements of their valuation operating model, such as when a daily valuation mechanism may be appropriate, the role of external valuation specialists, and the frequency of independent valuations.

Twenty-one percent of FV survey participants have engaged an independent third-party to review their Level 3 valuation policies, procedures, or controls specific to private equity investments, while 34% have done so for private credit, and 8% are considering doing so for both private equity and private credit. This suggests an emerging trend as to how fund groups are responding to increased regulatory focus on private-market valuations, with some pursuing an independent third-party review.

Nineteen percent of FV survey participants report that the SEC's Division of Examinations conducted an examination of their fund group in the past year. Among those, 53% of participants identified valuation policies and procedures as an area of focus, down from 59% in 2025 but above the 39% and 40% reported in 2024 and 2023, respectively. By contrast, there was a decline in questions related to Rule 2a-5 compliance, as shown in figure 6. This is not entirely unexpected, as it has now been four years since the compliance date and the prescriptive requirements of Rule 2a-5 have been memorialized by fund groups. Nearly one-third of participants also reported significant inquiries into internal valuation methodologies and/or frequency of valuations for private equity, private credit, or restructured equities.

The regulatory direction is clear: Private-market valuation continues to be a priority. The potential for more exposure to private markets among retail investors and those saving for retirement will continue to elevate its importance and prompt fund groups to address the increased complexity and evaluate valuation practices.

Figure 6. SEC examinations in past 12 months

Among those participants for which the SEC conducted an examination of the fund complex or involved them in a sweep examination, what areas did the SEC's Division of Examinations focus on?

	24th edition	23rd edition	22nd edition	21st edition
Yes, there were questions on our valuation policies and procedures	57%	58%	39%	40%
Yes, there were questions on our fund governance and Board reporting process over the valuation process	43%	29%	22%	20%
Yes, there were questions on Rule 2a-5 compliance	29%	47%	22%	0%

The complexity of transforming valuation in an AI-enabled future

As an industry, fund groups continue to explore the role that technology plays in the governance and valuation operating models. In past editions of the FV survey, conversations about technology may have centered on spreadsheet tools, data analytics, data lakes, and data visualization tools, to name a few. However, momentum related to adoption of those tools has plateaued. What is taking their place and energy is the widespread and growing focus on AI—the seemingly limitless potential use cases, as well as the complexity, questions, and risks AI use cases inevitably raise. As may be expected in the current climate, FV survey participants signal a shift toward considering AI in the valuation operating model. Figure 7 depicts the types of technologies for which fund groups reported that they began using or increased use during the past year. With 77% of participants responding that they began using AI or increased their use of AI, it's clear that fund groups are beginning to identify use cases of application, consider implementation challenges, and anticipate the imperative for governance and oversight responsibilities.

Figure 7. Technologies that fund groups began using or increased use of in the past 12 months

Percentage reporting increase in use				
Types of technology	24th edition	23rd edition	22nd edition	21st edition
Artificial intelligence (AI)	77%	35%	—	—
Data analytics	16%	31%	20%	23%
Data management/data lake for valuation data	26%	35%	18%	22%
Data visualization tools	11%	25%	18%	23%
Robotic process automation	16%	8%	3%	10%
Software programming language	15%	12%	0%	10%
Spreadsheet tools (i.e., macros/queries/pivot tables)	22%	52%	32%	36%
Workflow management tools	27%	32%	16%	17%

Last year, the 23rd edition of the FV survey marked the first instance of participants reporting meaningful use of Generative AI tools, with 35% indicating that they had either begun using AI or increased their use during the year. To frame these findings, note that AI refers to the capability of computer systems or algorithms to imitate intelligent human behavior. Generative AI is a rapidly evolving subset of AI that produces new content (e.g., text, images, and code) by identifying and applying patterns learned from large data sets.

FV survey participants categorize the current stage of AI adoption in the valuation operating model either as being in “limited production use” (39%) or they are “evaluating use cases” (33%). Meanwhile, 18% of participants report that they are not considering AI for their valuation operating model. Among service providers (i.e., fund administration, custodians, vendors, etc.), however, a majority of FV survey participants (62%) indicate that they are integrating AI and AI use cases into their existing processes.

For those engaging in the use of AI in the valuation operating model, 64% of participants report the use of one or more tools. As shown in figure 8, the most frequently cited tools were Microsoft Copilot, ChatGPT, and Claude.

Figure 8. Types of AI tools being used

Percentage reporting use		
AI tool(s)	24th edition	23rd edition
Microsoft Copilot	73%	59%
ChatGPT	40%	46%
Claude	29%	—
Other	15%	11%
Internally developed tool	11%	13%
Alteryx	10%	17%
Aladdin	3%	4%
Google Cloud AI Platform	3%	4%
Gemini	2%	2%

The operational activities supported by AI include fair valuation (40%), as well as other aspects of the business, such as financial reporting and investor communications (33%), fund accounting operations (31%), and risk management (15%). Specifically with regard to the valuation operation model, AI tools are being used for the following processes:

- Drafting valuation memos and materials (58%);
- Quality review (i.e., controls, identifying exceptions) (40%);
- Document intake and data extraction (40%);
- Comparable company research and transaction screening (22%); and
- Advanced analytics (8%).

Descriptions of the AI tools and use cases are consistently along the lines of researching, summarizing documents, preparing memos, and generally providing efficiency in daily work.

At this stage, the prevailing theme among FV survey participants is that AI is being used to support and enhance existing processes, rather than replace them or “own” them end to end. Although adoption of AI tools is presently focused on incremental improvements, fund groups continue to explore the potential of various AI tools to optimize workflows and improve efficiency in the valuation operating model.

AI governance

Adoption of AI tools extends beyond identifying specific use cases in the governance and valuation operating models. As fund groups continue to evaluate these tools, questions remain as to how AI is being used and whether appropriate governance and oversight practices are in place to address the varied risks. FV survey participants who report that they are not using AI in the valuation operating model share those concerns. Primary reasons, as described in figure 9, for not using AI include regulatory or compliance concerns (49%); data confidentiality and privacy concerns (40%); lack of approved tools (40%); and integration challenges (42%).

Figure 9. If not currently using AI in the valuation operating model, what are the primary reason(s)?

	24th edition
Regulatory or compliance concerns	49%
Integration challenges	42%
Lack of approved tools	40%
Data confidentiality/privacy concerns	40%
Unclear business case/ROI	36%
Model risk/quality concerns	36%
Insufficient data quality	33%
Other	18%

Forty-two percent of FV survey participants note that their organization has a formal policy for acceptable AI use, while 39% of participants indicate that they have no formal AI governance or specific control practices in place. This maybe explained by the fact that most fund groups have a top-of-the-house AI governance framework but often let employees use AI tools and their “innovative” spirit to implement AI use cases on a more real-time basis.

Figure 10 illustrates the varying extents to which fund groups have implemented governance and control practices related to AI. This may be a reflection of the relatively early stage of implementation and the limited scope of current applications. Since the aforementioned tools are primarily being used to improve efficiency in routine activities, rather than operate independently or perform a complete end-to-end process, there may not yet be a need for a comprehensive control framework.

Figure 10. Which governance and control practices are in place for AI used in the valuation operating model?

	24th edition
Formal policy for acceptable AI use	42%
Approved AI use case inventory	22%
Ongoing performance monitoring	14%
Data access restrictions	10%
Vendor due diligence	10%
Model validation/testing	8%
Output logging/audit trail	7%
Periodic control testing	7%
Prompt and response retention	5%
Escalation and rollback procedures	3%
Other	10%
None of the above	39%

Similarly, only 12% of FV survey participants report having a vendor due diligence process established for the AI tool(s), while 21% maintain an approved AI use-case inventory, 13% conduct ongoing performance monitoring, and 2% have implemented prompt-and-response retention (i.e., the AI platform stores the text inputs and generated outputs for a specified period of time before deletion).

When considering the role of AI tools in the valuation operating model, potential efficiency gains may be significant, but they need to be weighed against complexity and risks related to accuracy, accountability, and oversight. More than half of FV survey participants (51%) report that AI-assisted valuation work requires human review or approval. The most frequently cited challenges (figure 11) with these tools are hallucinations or inaccurate outputs (38%), control or compliance concerns (32%), and weak integration with existing tools (30%). AI risks seem to be well-understood and increasingly recognized by the regulator, whose examination priorities include the “training and security controls that firms are employing to identify and mitigate new risks associated with artificial intelligence.”⁶

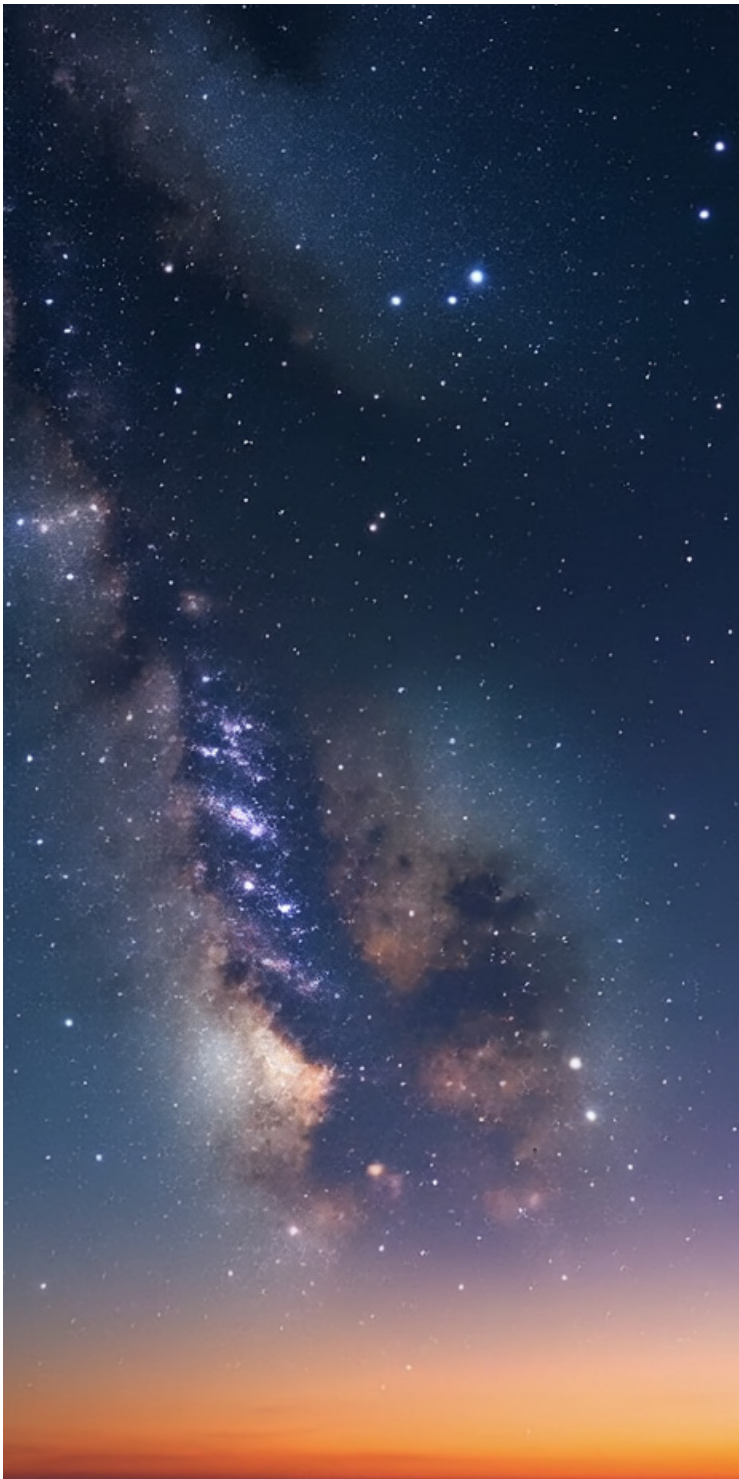
Figure 11. Challenges experienced when using AI in the valuation operating model

	24th edition
Hallucinations/inaccurate outputs	38%
Control or compliance concerns	32%
Weak integration with existing tools	30%
Difficulty validating outputs	21%
Low user adoption	20%
Poor data quality	16%
Difficulty scaling beyond pilot	11%
Vendor risk concerns	5%
Other	14%
No significant challenges	25%

FV survey participants expect the use of AI tools to be more of the same in the next 12 months and are working toward the following objectives:

- Improve efficiency and reduce manual effort in the valuation process (72%);
- Strengthen documentation, evidence packs, and valuation memo drafting (49%);
- Improve consistency across valuations, memos, and review materials (41%);
- Improve quality control by identifying exceptions (36%); and
- Scale valuation operations (28%).

Notably, 18% of FV survey participants plan to focus on building internal AI capabilities and preparing for broader adoption. Among FV survey participants, AI adoption is presently focused on improving efficiency and supporting existing processes. While there is consensus about the need for a “human in the loop,” teams should contemplate how formal policies, use-case inventories, vendor oversight, and controls may need to evolve. As fund groups think about expanding the use of AI, there is a need to ensure formal AI governance frameworks are in place to address the complexity and risks created, preserve the desired outcomes, and address the expectations of both investors and regulators.



Increased complexity requires active oversight by Boards under Rule 2a-5

As noted in previous editions of the FV survey, the implementation choices made in the course of adopting the requirements of Rule 2a-5, including the design of governance arrangements and Board reporting, have now largely been memorialized in established frameworks. Critical to the adoption of Rule 2a-5 was the close collaboration with fund groups and their Boards to ensure expectations were agreed to and met, and Boards could comply with the SEC's prescription that Boards perform active oversight over the valuation process. Consequently, the focus has shifted to targeted refinements based on the evolution of valuation risks, portfolio complexity, and regulatory expectations.

Valuation risk assessment

In response to Rule 2a-5's requirement for a valuation risk assessment, the industry has coalesced behind the identification of broad, high-level risks, with attention given to qualitative changes such as new funds or strategy shifts, especially in the case of complex assets like private equity and private credit. And while practices have largely solidified—only 5% of participants report making changes to their valuation risk assessment in the past year—fund groups continue to enhance their documentation in response to changes. Eighty-four percent of FV survey participants identify evaluation of those various qualitative considerations (i.e., new funds, new investment types, strategy changes) as the primary mechanism for assessing changes in their valuation risk assessment.

Twelve percent of FV survey participants reported additional risks identified during the year, consistent with 2025 (12%) and 2024 (9%). As shown in figure 12, FV survey participants identified additional risks across a variety of areas, including halted securities, illiquid securities, market closures, and valuation models.

These newly identified risks align with recent and ongoing market events, as well as topics receiving attention in regulatory communications and broader industry practice. The responses suggest that, even as core governance and valuation operating models have stabilized in the years subsequent to Rule 2a-5 adoption, valuation designees continue to reassess whether new asset types, technologies, service provider arrangements, and potential conflicts require targeted changes to their risk assessment.

Figure 12. Areas with identified valuation risks (pre- and post-Rule 2a-5 adoption)

Valuation area	24th edition	23rd edition	22nd edition	21st edition	20th edition
Market closure	83%	81%	80%	74%	70%
Halted securities	82%	80%	78%	74%	68%
Military action/civil unrest/other conflicts	72%	61%	59%	57%	52%
Illiquid securities	89%	85%	82%	75%	70%
Valuation models	75%	71%	70%	68%	74%
Issuer/industry-specific matters/trends	53%	50%	52%	52%	50%
Change in correlation of factors/proxies/benchmarks	15%	19%	16%	19%	0%
Other	11%	11%	11%	9%	16%

Identifying conflicts of interest

Managing conflicts of interest remains a central component of governance. Rule 2a-5 requires Boards and valuation designees to maintain policies and procedures to identify, assess, and manage material conflicts, supported by regular reporting to ensure accountability.

A majority of FV survey participants (70%) are documenting conflicts of interest in writing, and there is a continued year-over-year increase in those identifying conflicts of interest related to portfolio management's involvement in the valuation process, as well as brokers and pricing services providing valuations, as shown in figure 13. These conflicts of interest are especially relevant when related to the valuation of illiquid and complex securities. In response, 89% of participants note that back-testing is their primary technique for periodic review of selected fair value methodologies.

Figure 13. Valuation conflicts of interest identified

Conflicts of interest related to	24th edition	23rd edition	22nd edition
Portfolio management involved in the valuation process	86%	84%	77%
Brokers and pricing services providing valuations	68%	61%	54%

While not mandated, back-testing is a maturing trend in response to Rule 2a-5's requirement to periodically review the selected fair value methodologies for appropriateness and accuracy. It also provides an objective mechanism for addressing potential concerns regarding conflicts of interest. A majority of FV survey participants conduct back-testing of vendor prices through developing an internal report (79%), as shown in figure 14, but there is also an increase in participants who are reviewing pricing vendor reports (67%), engaging a third-party provider (19%), and building a pricing file database (20%). For private equity investments, FV survey participants describe back-testing that consists of comparing the last model-based price to the transaction price upon partial or full exit from the position (82%), comparing the last model-based price to the price at which other parties transact in sale or financing round (71%), and comparing the last model-based price to the price at which their fund group participated in a financing round (58%).

Figure 14. Which forms of back-testing are performed as part of valuation procedures?

Form of back-testing	24th edition	23rd edition	22nd edition	21st edition
Built internal report	79%	76%	73%	68%
Reviewed pricing vendor reports	67%	63%	59%	61%
Engaged a third-party provider to provide back-testing results and exception reporting	19%	17%	20%	23%
Built out a pricing file database	20%	16%	16%	11%
Other	4%	—	3%	4%

In terms of overall approach, fund groups have been trending away from back-testing 100% of fixed-income securities on a daily basis. In 2023, 41% of participants reported doing so with a daily cadence, but that has since declined to 33% of participants. Instead, FV survey participants are most likely to categorize the frequency of back-testing as “Other” (35%), noting that their approach is tailored based on asset class, trading activity, and valuation methodology, while employing various thresholds, as appropriate. In essence, the decline in the frequency of back-testing of the entire fixed-income population reflects a shift toward a more focused and risk-based approach.

Adequacy of resources

Although fund groups are well past the adoption of Rule 2a-5, the requirement to evaluate the adequacy of resources remains an industry challenge. While Rule 2a-5 requires valuation designees to report annually, with quarterly updates, to their Boards on resource adequacy and sufficiency, it does not prescribe how to assess resources, which thresholds apply, or the framework for reaching a conclusion. Formal benchmarking is rare and hard to compare across fund groups, while the increase in valuation complexity and reliance on third-party experts make the evaluation more nuanced. Fund groups and Boards continue to exercise judgment when evaluating whether staffing, expertise, and systems are sufficient to support the valuation operating model.

This year, there is an uptick in participants establishing specific criteria or metrics to support these evaluations. Eighteen percent of FV survey participants have done so, an increase from only 6% in the past two years. Common measures for this assessment include head count, staff qualifications, years of experience, and performance indicators (e.g., the timeliness and accuracy of valuation outputs). This increase suggests that fund groups are moving toward a more structured and consistent approach for assessing resource adequacy.

Additionally, there is a maturing trend related to the use of outsourced providers, offshore teams, or other external specialist resources to support the valuation operating model. Forty-six percent of FV survey participants are involving those previously referenced resources in some capacity, an increase as compared to 39% in 2025, 19% in 2024, and 17% in 2023.

The FV survey again offers data points, based on the size of fund groups, as to what might be typical from a resource standpoint, although there are different facts and circumstances that affect each fund group. There may be smaller-size fund groups with many illiquid or hard-to-value securities that would require more resources and effort compared to a larger-size fund group that holds primarily exchange-traded securities. Individual differences aside, figure 15 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 complicated by the maturing trends of using third-party valuation specialists, the fund administrator, and/or custodian, as well as the use of offshore resources. How such valuation resources are accounted for in the reporting on adequacy of resources will be a topic of discussion with the Board to ensure agreement. To date, we see a wide practice of annual reporting to Boards here—from some analytical support to more of a narrative story highlighting the expertise, experience, talent, and service organizations that support the valuation process.

Figure 15. 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	11%	32%	11%	46%
\$101-\$500	48%	33%	4%	15%
\$51-\$100	62%	8%	15%	15%
\$10-\$50	67%	33%	0%	0%
Less than \$10	54%	31%	0%	15%

Board reporting and active oversight

Boards have a clear preference to delegate the responsibility for overseeing valuation matters to a separate committee (73%). This year, there was an increase in participants whose Boards have a Risk Oversight Committee in place: 42% of participants, as compared

to 34% over the past three years. Although a relatively minor year-over-year shift, it coincides with other marketplace challenges that suggest the benefit of establishing a separate committee to oversee the organization's risk management framework.

A Board's active oversight responsibility is evident through intentional and thoughtful interaction with fund group management and the valuation designee. The focus should be on asking probing questions, challenging assumptions, and ensuring that valuation policies and practices, technology enhancements, and controls evolve with market dynamics and, most importantly, that the Board has a seat at the table when market uncertainty occurs. To this end, the FV survey continues to benchmark and evaluate trends in active oversight based on three active oversight tools at the Board's disposal:

- "Ad hoc" valuation meetings;
- Policies and procedures that address when the Board "must be involved" or "must be notified" to discuss a valuation matter; and
- Board reporting.

"Ad hoc" meetings are those where the Board engages in discussions with management outside of a regularly scheduled meeting. As shown in figure 16, these continue to be somewhat uncommon and are indicative of an industry trend toward governance achieved through consistent and formalized Board reporting as prescribed under Rule 2a-5, which was implemented in September 2022—during the year of the 21st edition of the FV survey.

Figure 16. In the past 12 months, did the Board hold a valuation discussion with management outside of a regularly scheduled meeting?

	24th edition	23rd edition	22nd edition	21st edition	20th edition
Yes	13%	10%	12%	20%	39%
No	87%	90%	88%	80%	61%

Similarly, the majority of FV survey participants have valuation policies and procedures that do not explicitly identify specific scenarios in which the Board "must be involved" or "must be notified." This has been relatively consistent since Rule 2a-5 adoption, and the FV survey has seen a slight decline in those participants reporting that their policies and procedures include circumstances in which Board members "must be involved" or "must be notified": 33% in 2026, 34% in 2025, 36% in 2024, and 40% in 2023. The most common circumstance under which Boards must be involved or notified is when a predetermined threshold is exceeded for any holdings internally fair-valued.

For the majority of fund groups, the portion of the Board's overall agenda that is focused on valuation has stayed the same (84%), which has been the case for the last several years (figure 17), likely as a result of the fact that fund groups have largely standardized their Board reporting.

Figure 17. In the past 12 months, what is the nature of the change (if any) in the percentage of the overall Board agenda spent on valuation?

	24th edition	23rd edition	22nd edition	21st edition	20th edition
Stayed the same	84%	82%	82%	56%	62%
Increased	11%	9%	13%	34%	38%
Decreased	5%	9%	5%	10%	—

Board reporting continues to be the oversight tool that continues to evolve and provide Boards with the data they can use to actively oversee the valuation process. A significant portion of what Boards are using to engage in conversations and execute their oversight responsibilities is dashboard reporting. Seventy-eight percent of participants note that their Board receives summary data and analysis in a risk dashboard format, an increase from 55% in 2025 and 2024, and 47% in 2023. Boards have moved away from receiving extensive detailed reporting, in favor of a risk-based lens, and are leaning into the use of dashboard reporting that reports on key valuation indicators (KVIs). The use of KVIs provided in the dashboard reporting has remained critical to Boards identifying market uncertainty, changes in complexity and risk, as well as external factors that may disrupt the valuation operating model. Figure 18 lists the KVIs most commonly reported to Boards.

Figure 18. Most commonly reported KVIs

KVIs	24th edition	23rd edition	22nd edition	21st edition	20th edition
Percentage of Level 3 [*] investments	78%	95%	89%	90%	71%
Number of price challenges	88%	91%	91%	85%	74%
Back-testing results of trades	76%	68%	80%	79%	86%
Unchanged (stale) prices	71%	57%	76%	75%	76%
Back-testing results of foreign equity fair value factors	76%	64%	80%	67%	71%

*As defined in FASB Accounting Standards Codification (ASC) 820, Fair Value Measurement.

Consistent with the requirement of active oversight, Boards will continue to encounter both industry and organizational developments that may prompt changes, with regard to risk assessment, conflicts of interest, or certain aspects of Board reporting. This year, 42% of FV survey participants report discussing the potential launch of an alternative fund (e.g., interval fund, business development company [BDC], or other vehicle) with their Boards. From those discussions, 35% identify valuation oversight as one of the Board's potential concerns related to the new fund(s). Aside from the required reporting that Rule 2a-5 dictates as being necessary to support oversight of fair value

determinations, Boards have the flexibility to determine what additional information is necessary to fulfill their active oversight responsibilities. In this instance, the continued growth of private-market investments, and the complexity and concerns raised in connection with launching and overseeing certain products, may indicate that Boards are reassessing what KVIs they need to monitor and meet their oversight responsibility.

In addition to reporting requirements of Rule 2a-5, fund groups must also comply with the prompt notification provision, which requires the valuation designee to provide written notice to the Board of any material valuation matter within a period specified by the Board, but no later than five business days after becoming aware of the issue. This year, 34% of FV survey participants report providing prompt notification(s) in the past 12 months, consistent with 33% of participants last year.

In addition, 58% of participants report engaging in detailed discussions with their Board(s) to clarify expectations regarding what constitutes a “material matter.” These discussions are intended to reduce the risk of underreporting and ensure that Boards and management are aligned on the appropriate next steps once a potential issue is identified. This trend is noteworthy because it highlights a potential trade-off. While standardized reporting promotes consistency and compliance, it may also reduce the dynamic dialogue that has historically enhanced the valuation oversight process. Boards may need to balance the prescriptive reporting requirements under Rule 2a-5 with the need to preserve meaningful engagement, including ad hoc discussions, as part of their regular governance activities.



Additional key FV survey findings

The FV survey contains questions on many governance and valuation topics, too numerous to capture all relevant emerging, maturing, and industry trends within this executive summary. Additional key FV survey findings are highlighted below.

Valuation governance

- Among those fund groups governed by more than one Board, the valuation policies and procedures across those various Boards are reported by FV survey participants as mainly the same policies and procedures with a few exceptions (33%); the same policies and procedures (33%); other (22%); or separate and distinct policies and procedures (12%)
- Eighty-four percent of FV survey participants report price challenge information to the Board at each meeting, while others provide it ad-hoc/as needed (11%), annually (4%), or more frequently than annually, but less frequently than at each meeting (1%).
- The full Board and/or a committee of the Board receives the results of back-testing for the following asset types: foreign equities using a standardized fair value process (82%); fixed-income vendor prices (67%); Level 3 (illiquid) or fair-valued securities that traded within the fund's fiscal quarter (60%); and/or broker-quoted prices (23%).

General policies and procedures

- Forty-three percent of FV survey participants changed their fair valuation policies and procedures in the past year, compared to 42% in our previous survey edition. The most common changes were related to pricing committee composition, responsibilities, and/or meeting frequency (57%), and adding more investment types (39%) and more pricing sources (39%).
- If the fund group offers funds domiciled in Europe and/or Asia, 38% of FV survey participants report having one global valuation policy, regardless of where the funds are domiciled (i.e., there are no differences across geographies); 37% have multiple independent regional policies; and 25% have one global policy with carve-outs for certain specific regional requirements.
- Eight percent of FV survey participants are investing in cryptocurrencies or digital assets, and 86% of those fund groups report having established a monitoring process specific to those asset classes.

Technology

- For those fund groups that use workflow management tools in the valuation process, 36% of FV survey participants report that the full end-to-end valuation process is covered.
- Data analytics are used by FV survey participants to support Board valuation reports (89%), analyze back-testing results and trends over

certain time periods (75%), develop periodic analysis for management reporting (61%), and perform security valuation plot analysis to highlight price variances (42%).

Pricing sources

- When obtaining broker quotes in the valuation process, 29% of FV survey participants average two or more sources to determine the value; 26% designate one source as the primary source, with the remaining source(s) used to assess reasonableness of the primary source; 18% obtain only one source; and 11% do not designate one source as the primary source, but assess each quote daily and select one which best reflects fair value. Additionally, 78% of FV survey participants implemented new oversight procedures in the past 12 months related to the due diligence of brokers.
- The approval or reapproval of pricing services occurs at the following frequency: annually (74%); whenever a new source is deemed necessary (65%); whenever a new security type or financial instrument is added (52%); or in conjunction with each scheduled meeting of the Board (2%).

Equities

- Seventy percent of FV survey participants report 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. Of those who moved to a zero trigger in the current year, the change was driven by the efficiency of the operational workflow. This is compared to 62% of FV survey participants who reported using a zero trigger in the prior year.
- For FV survey participants that reported not using a zero trigger, 92% used one proxy (e.g. S&P 500) for evaluating foreign market movement, whereas 8% used two proxies. This is compared to 86% of those FV survey participants using one proxy, 10% using two proxies, and 3% using more than five proxies in the prior year.
- Sixty-three percent of FV survey participants have valuation procedures in place to detect when a security has reached its trading limit and trading is halted, compared to 57% in the prior year.
- In the event that a security has reached its foreign ownership limit and the trading between foreign investors is observable, 46% of FV survey participants will consider those transactions in the valuation process. Thailand was the most commonly cited country (57%) for which such circumstance occurred in the past 12 months.

Fixed income

- Nineteen percent of FV survey participants have changed their primary pricing source for certain securities in the current year versus 9% in the prior year. Twenty percent of participants have added or changed their secondary pricing source for certain securities in the current year compared to 11% in the prior year.

- Fifty percent of FV survey participants have performed an analysis to determine whether odd-lots should be valued differently than the price used for a round-lot, compared to 39% in the prior year. From that analysis, 68% did not identify a noticeable difference in price between round-lots and odd-lots for all investment types, 15% describe the results as “mixed” or “inconclusive,” and 15% report a noticeable difference in price between round-lots and odd-lots for certain (or all) investment types.
- In instances where fund groups segment the population of securities within a security type, the following characteristics are used to determine the nature and extent of controls or procedures performed: credit quality (67%), liquidity (67%), quality/nature of underlying collateral (39%), and the bid-ask spread (21%). In the prior year, the results were: liquidity (70%), credit quality (67%), quality/nature of underlying collateral (27%), and the bid-ask spread (15%).
- Fifty-six percent of FV survey participants use bid pricing exclusively when valuing fixed-income securities, 31% use mean pricing and 12% report that the use varies based on type of fixed-income instrument. This year, 97% of FV survey participants did not make any changes relative to the use of bid or mean pricing.

Exchange-traded funds (ETFs)

- Seventy-five percent of FV survey participants manage or offer actively managed ETFs, up from 69% in the prior year.
- For FV survey participants who have ETFs, 29% said they will use the same fair value factor policy if they introduce an ETF share class within an existing mutual fund structure, compared to 20% who said it is not yet determined, and 48% who said it is not applicable.
- Among FV survey participants offering both mutual funds and actively managed ETFs, 52% describe the policies as being “significantly different” when determining whether to adjust a foreign equity’s price from its closing exchange price. Thirty-six percent have identical policies, and 12% indicated they are slightly different. Overall, 73% of FV survey participants have ETFs for which valuation policies and procedures differ from mutual funds that are governed by the same Board(s).

Private equity and private credit

- Of participants that hold private equity positions among their fund group, 46% reported an increase in the volume of private equity positions held in the past 12 months, compared to 26% in the prior year.
- Fifty-eight percent of FV survey participants indicate that a comparable company analysis is the most common way to value the largest percentage of their private equity holdings. For a comparable company approach, 57% of participants use a mean/median of comparable sets of companies, while 49% use a comparative analysis of relevant factors (e.g., size, growth, and profitability) to adjust from the mean or median.
- For 77% of FV survey participants, data points from upcoming financing round(s) may be incorporated into the existing private equity valuation methodology, provided certain criteria are met.

The most commonly considered factors are receipt of a term sheet (86%), investor commitments (68%), and proximity of the anticipated closing date (64%).

- When acquiring a secondary Limited Partner interest below General Partner-reported NAV, 60% of FV survey participants include that NAV itself as a practical expedient in their initial valuation policy—even if it produces a one-day gain on acquisition.
- For participants with private credit holdings, valuation practices include receiving a price from a third-party provider (41%); receiving a range of prices from a third-party provider (28%); 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 (7%); and using other approaches (7%).

ASC 820 considerations

- For senior loans valued by a third party, 52% of FV survey participants classify these investments as Level 2. Meanwhile, 45% report that the number of broker quotes or depth scores affects the ASC 820 classification (i.e., Level 2 vs. Level 3), while 3% classify all such investments as Level 3.
- Sixty-one percent of FV survey participants retain documentation on any security that does not fall in the same ASC 820-level classification as the majority of its asset class. Other documentation regarding ASC 820 classification decisions includes spreadsheet(s) detailing all leveling decisions (80%), a quarterly memo (2%), detail of transfers into or out of Level 3 (54%), and a general memo regarding conclusions (14%).

Russian-based investments and currency

- Eighty-one of FV survey participants are not accruing dividends on Russian-based local equities, with the remaining 19% only accruing when cash is received and able to be repatriated to US dollars, compared to 78% and 21% respectively in the prior year.
- Eighty-six percent of FV survey participants are valuing Russian-based local equities at zero, and 82% are valuing Russian-based depositary receipt equities at zero, compared to 92% and 86% respectively in the prior year.

Equity-linked notes (ELNs)

- Of FV survey participants who invest in ELNs, 70% use an independent pricing vendor to value these securities. Additionally, 62% of ELN holders price them clean (excluding accrued interest). This is compared to 73% using an independent pricing vendor to value these securities and 67% of ELN holders pricing them clean in the prior year.

Looking ahead

A challenge and an opportunity with valuing private markets and illiquid positions

Fund groups continue to hold investments that are less liquid, such as private equity for 51% of FV survey participants and private credit for 33% of FV survey participants. More and more, these positions are acquired directly, as opposed to being acquired as a result of corporate actions, restructurings, or regulatory actions. This is consistent with the maturing trend to get private-market investments into the portfolios of retail investors. Further, the FV survey notes that, 42% of FV survey participants report discussing the potential launch of an alternative fund (e.g., interval fund, BDC, or other vehicle) with their Board(s). 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. It is no surprise then that the FV survey continues to show 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 74% for private equity and 69% for private credit. As noted previously, fund groups and their Boards are still responsible for providing accurate data and inputs, and the environment must be well-controlled. Oversight and responsibility within the governance and valuation operating models cannot be left unattended. In fact, it's time to double-down now to make sure private markets and illiquid positions get the active oversight and expertise they demand.

Maturing trend: The future is now for AI usage in the governance and valuation operating models

Fund groups, industry key stakeholders, governments, media, and regulators continue to discuss AI at a rapid pace. It is not hard to find discussion of AI 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. While the full potential of this emerging technology is still to be determined, it is possible to see where AI can provide efficiency and provide valued insights, observations, and reporting to enhance the governance and valuation operating models. The FV survey saw a big jump in fund groups' use of AI and Generative AI, noting such use cases as preparing documentation (e.g., valuation memos) and gathering information to support the fair valuation process. It remains to be seen how this will evolve, but it's clear that there is a future where the valuation operating model may be enhanced using AI. As great as the possibilities are, technologies are not infallible.

Digital focus must be human-led. Human oversight, as well as a formal AI governance framework, will be critical to ensure the output from any technology is consistent with the facts and circumstances in place. Also, the convergence of top-of-the-house AI governance frameworks and the emerging trend to let employees use AI tools and their "innovative" spirit to implement AI use cases will need to take place to manage overall fund group AI risk. Continued investment in humans will remain imperative to maintain oversight of technology.

While AI-based technology is a maturing trend in the industry, the industry is simultaneously experiencing a leveling off in the pace of implementing new technology. Fifty-one percent of FV survey participants report they began to use or increased usage of at least one form of technology for valuation purposes. This is a decline from 54% last year and 68% in 2024. A possible explanation for this slowing growth is the limits on current technology and success of 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, presumably having capitalized on the benefits of these technologies.

As with any successful technology implementation, data quality is key to success. With the conflicting signals being seen in the data, there is an inherent amount of uncertainty on what is next for the use of technology in the governance and valuation operating models. Given the pace that FV survey participants responded that AI use cases will be implemented, specifically for the largest fund groups, perhaps it's confirmation that data challenges have reached the edge, opening the innovative possibilities for the future.

Standing on the edge of complexity

The FV survey has made it clear that complexity is here to stay. The convergence of private-market hard-to-value fund holdings (including the launch of alternative funds), implementation of AI use cases, and the regulatory focus over both of these maturing trends will have fund groups needing to plan ahead to manage this complexity and the risks that arise. As we have seen, direct and indirect complexity can challenge the fund groups' governance and valuation operating models through talent needs to value private-market fund holdings and implement AI use cases in a controlled and well-planned manner. AI use cases that are not properly vetted through a formal AI governance process with the right fund group resources at the table may lead to negative outcomes that could have consequences for fund groups' and industries' reputation. Similarly, the inability to keep pace with portfolio managers' investment in private markets and other complex, hard-to-value

fund holdings could lead to similar consequences for fund groups' and industries' reputation. Here, the continued use of external specialists and the drive of third-party pricing services to provide more frequent or daily pricing solutions (say, for private credit) will serve to help manage valuation risk. Obviously, the role of the Board and active risk-based governance will go a long way in supporting fund groups as they manage the valuation risk created by increased complexity.

Rule 2a-5 benefits and opportunities

Fund groups have come a long way since the Rule 2a-5 compliance date and made significant efforts to comply with and enhance their governance and valuation operating models. 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 Rule 2a-5 will be realized. Those benefits included items such as less-biased valuations, clarification of roles and responsibilities, and more risk-based "active" Board oversight, (i.e., as a risk-based approach that has the Board at the table when there is market uncertainty). Fund groups working with their Boards should continue to make changes to get closer to those suggested benefits, especially on the edge of the future with AI use cases and technology innovations. Another benefit could be more resilient governance and valuation operating models.

Spillover implications of the SEC focus on private markets

As noted earlier, Chairman Atkins's July 2026 statement on the regulatory agenda⁷ notes the interest to "better facilitate retail investor participation in private markets while preserving their protection with appropriate safeguards." The SEC has backed up the Chairman's July statement in several actions and writings that confirm that they are focused on making sure fund groups have the appropriate governance and valuation operation models. Such deep dives into private-market valuations certainly have implications for inspections, examinations, and enforcement, given the breadth of the governance and valuation operating models, as prescribed under Rule 2a-5. Nineteen percent of FV survey participants report that the SEC's Division of Examinations conducted an examination of their fund group in the last year. Among those, 53% of FV survey participants identified valuation policies and procedures as an area of focus.

As detailed in the FV survey, 29% of participants noted the SEC's focus on Rule 2a-5 generated inquiries about 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 continue to show that the diversity in the adoption of Rule 2a-5 has been memorialized 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 perform risk assessment and 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 naturally as fund groups and their Boards identify tasks and reports 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 governance and valuation operating models.

About the FV survey and its authors

We conducted the FV survey in summer 2026. It was completed by participants representing 95 registered investment company fund groups of varying sizes. Thirty-eight percent have more than 100 funds within the fund group and 20% have fewer than 15 funds. Participants reported the following assets under management (AUM): greater than \$500 billion (20%); \$101 billion to \$500 billion (29%); \$51 billion to \$100 billion (14%); \$10 billion to \$50 billion (23%); less than \$10 billion (14%). Approximately 10% primarily manage equities, 3% primarily manage fixed-income securities, and the remaining 87% 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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