

The valuation policy, one page

Chapters 3 and 4. The policy fixes the method before the number is known. Test: would two competent people following it independently, on the same facts, reach materially the same answer?

Firm / funds covered		Policy owner	
Approved by (board / committee)		Next review date	

Asset type	Primary method	Corroborating method	Calibration anchor	Input sources and who approves them
Control equity, mature				
Minority / growth equity				
Early-stage venture				
Performing private credit				
Impaired / stressed credit				
Infrastructure				
Real estate held directly				
Fund interests (secondaries)				

Policy element	What the policy says
Definition of fair value applied (exit price, orderly, market participant, measurement date)	
Frequency and timing; the year-end difference	
Materiality: full re-underwriting versus roll-forward, and the change that triggers extra review	
Roles: who prepares, reviews, challenges, approves, signs	
Valuation committee: composition, independent member, authority to reject, cadence	
Documentation standard and model version control	
Method changes: who approves, how documented	
Deal team / valuation team disagreement: escalation route	
Subsequent events between measurement and sign-off	
External advisers: when, for which assets, how integrated	

Chapter 3: a policy describing an aspirational process the firm does not follow is worse than none, because it hands the auditor a written standard against which to find the firm deficient.

The quarterly calendar, worked backward

Chapter 4. Start from the reporting deadline and give each phase its own internal deadline, with slack for the assets that prove harder than expected. Publish it to everyone whose input is due.

Quarter		Reporting deadline	
Calendar owner		Published to	

Phase	Internal deadline	Owner	Inputs due from	Done
PREPARATION (before quarter-end)				
Comparable sets refreshed; market data gathered				
Assets for full treatment versus roll-forward confirmed				
Portfolio company financials requested, deadlines set				
MARK PREPARATION				
Models updated under the policy methods; inputs verified against source				
Preliminary value and draft memorandum per material asset				
REVIEW AND CHALLENGE				
Independent review / re-performance				
Roll-forward completed and drivers explained; residuals reconciled				
Deal-team disagreements escalated and resolved				
COMMITTEE APPROVAL				
Pack circulated (memoranda and roll-forwards)				
Meeting; challenge and revisions minuted				
REPORTING				
Net asset value aggregated at one date and one translation rate				
Investor allocation verified; disclosures drafted				
HOUSEKEEPING: models and memoranda archived, file audit-ready				

Chapter 4: the single most common cause of a late, rushed valuation is late-arriving portfolio company data. Start chasing it before quarter-end. Treat every interim quarter as if it will be audited.

The quarterly checklist

Appendix C. One line per step, a status and the evidence that it was done.

Fund / asset		Preparer	
Measurement date		Reviewer	

Item	Status	Owner / evidence
Preparation (before quarter-end)		
Refresh comparable company sets and market data		
Confirm which assets receive full treatment versus roll-forward		
Request and chase portfolio company financials with clear deadlines		
Confirm the calendar and each party's responsibilities		
Mark preparation (after data arrives)		
Update models under the policy-specified methods		
Verify inputs against sources; check for data errors		
Form a preliminary value and draft memorandum for each material asset		
Ensure calibration to relevant transactions is maintained		
Review and challenge		
Independent review of each preliminary mark (re-performance or assumption review by someone other than the preparer)		
Complete the roll-forward for each asset and explain the drivers		
Reconcile any unexplained residuals		
Resolve deal-team disagreements through the escalation procedure		
Committee approval		
Present material assets and changes with memoranda and roll-forwards		
Document committee challenge and any revisions		
Record approval		
Reporting		
Aggregate approved marks into net asset value with consistent dates and currency translation		
Verify the aggregation and investor-level allocation		
Prepare disclosures consistent with practice		
Housekeeping		
Version-control and archive models and memoranda		
Update the documentation file to an audit-ready standard		
Note any process weaknesses observed, for improvement		

The valuation memorandum

Appendix B and Chapter 12. An informed reader who was not involved must be able to reconstruct the value and judge whether it is reasonable. Every material judgment named and supported.

Fund / asset		Preparer	
Measurement date		Reviewer	

Section	What it must contain	Draft
1. Asset and unit of account	What is held (entity, security, rights), the size of the position, exactly what is valued	
2. Measurement date and currency	Date, reporting currency, translation rate	
3. Relevant facts	Recent performance, material developments, information relied upon with sources and dates	
4. Approach and rationale	Approach chosen and why it beats the alternatives, tied to the policy	
5. Key inputs	Comparable set and multiples, discount rate and projections, transaction anchor and date; observable or judgmental	
6. Significant judgments	Normalisation, comparability, control and marketability, any departure from the anchor	
7. Roll-forward	From the prior value, change decomposed into drivers; residual investigated	
8. Sensitivity	Response to reasonable changes in the most significant assumptions	
9. Conclusion	Fair value, per unit and for the position, hierarchy level	
10. Preparer, reviewer, approval	Names and dates; committee approval	

The market approach, link by link

Chapter 5. Comparable selection, normalisation, adjustment, calibration, bridge: each link documented so that each can be challenged separately.

Fund / asset		Preparer	
Measurement date		Reviewer	

Comparable	EV / EBITDA	EBITDA	Margin	Growth	Why it is in the set (or on probation)
Median / mean					

Normalisation	Amount	Genuinely non-recurring? Evidence
Reported EBITDA, last twelve months		
Add-back:		
Add-back:		
Deduction:		
NORMALISED EBITDA		
Adjustments as a share of reported		

Adjustment to the peer median	Turns	The fact, and how a market participant would price it
Size		
Customer concentration		
Growth		
Margin		
Other:		
NET ADJUSTMENT		
Relationship implied by the entry price (calibration)		
Gap, in turns and in enterprise value		

Chapter 5: dropping a comparable whose multiple has fallen, or adding one whose multiple has risen, is method-shopping. Change the set deliberately, and write down why. An enterprise multiple yields enterprise value: bridge it to equity (document 8).

Calibration, the day-one test and the roll-forward

Chapters 4 and 7. The model re-run at the transaction date must reproduce the price paid. Afterwards the value moves only through channels you can name.

Fund / asset		Preparer	
Measurement date		Reviewer	

Calibration at the anchor	Value	Source
Anchor: own entry / financing round / secondary / related instrument		
Arm's-length? Orderly? Same unit of account? Date?		
Price paid (enterprise basis)		
Metric at the anchor date		
Peer multiple at the anchor date		
CALIBRATED RELATIONSHIP (turns or discount rate)		
Day-one test: model at the anchor date less price paid (should be nil)		

Roll-forward, this quarter	Amount	Driver evidence
Value last quarter		
Comparable multiples moved (at last quarter's metric)		
Company metric moved (at this quarter's multiple)		
Deliberate change in the calibrated relationship (named, documented)		
Discount rate / time		
Financing event, distribution, follow-on		
Currency (translation at the measurement-date rate)		
VALUE THIS QUARTER		
Rebuilt independently		
RESIDUAL (investigate unless nil)		

Chapter 7: let the anchor's weight decay as it ages, and override it when the facts genuinely change. A change you can decompose is a change you can defend; a change you cannot explain is a change you have not finished analysing.

The income approach: terminal value review

Chapter 6. The answer is carried by the least knowable input. Compute the terminal value both ways, show its share, and test it.

Fund / asset		Preparer	
Measurement date		Reviewer	

Item	Value	Comment
Cash flows: enterprise (all capital) or equity? Discount rate matched?		
Nominal / real, currency consistent with the rate?		
Present value of the explicit forecast		
Terminal value, perpetuity growth (growth, rate)		
Exit multiple this implies		
Terminal value, exit multiple (multiple)		
Long-term growth this implies		
Gap between the two methods, per cent		
TERMINAL VALUE AS A SHARE OF TOTAL		
Calibrated discount rate at entry, and change since, with reason		
Income versus market approach, per cent apart		

Share of total	g = ____	g = ____	g = ____	g = ____	g = ____
r = ____					
r = ____					
r = ____					
r = ____					
r = ____					

Projection scepticism	Finding	Adjustment
Growth or margins accelerating with no clear cause?		
Capital expenditure understated to flatter cash flow?		
Plan revised upward every quarter while results fall short (forecasting record)?		

From enterprise value to the security held

Chapters 8 and 9. Net debt as a market participant would negotiate it, then the waterfall by class. Never divide total equity by total shares.

Fund / asset		Preparer	
Measurement date		Reviewer	

Net debt component	Amount	The judgment
Senior debt (face or fair value?)		
Revolver drawn at the measurement date		
Leases (consistent with the EBITDA the multiple was struck on)		
Accrued unpaid interest		
Pension deficit, net of tax		
Deferred consideration / earn-out (probability-weighted)		
Other debt-like items		
Cash, less trapped / restricted / operating		
NET DEBT		

Class	Invested	Preference	Participating ?	Conversion shares	Value	Per share
Senior preferred						
Junior preferred						
Common						
Options (strike)						
TOTAL = EQUITY VALUE						

The post-money test	Value
Round price per share x common shares (what the headline implies for the common)	
Common value from the waterfall	
Common as a share of the headline-implied value (the preference stack)	
Enterprise values at which: common starts / options in the money / preferred converts	

Chapter 9: translate at the measurement-date rate and show the currency effect separately in the roll-forward; a holding can rise in local currency while falling in reporting currency.

Marking a credit position

Chapter 10. Yield while performing, recovery when troubled, and payment-in-kind tested against what has to cover it.

Loan / borrower		Preparer	
Measurement date		Reviewer	

Performing loan	Value
Face, coupon (base + spread), floor, maturity, payment frequency	
Current base rate; spread the market requires for this risk today	
Price at the required yield	
Change this quarter: base rate / market spread / borrower-specific / time	

Recovery analysis	Cures	Restructuring	Liquidation
Enterprise value in the state			
Claims ranking ahead			
Available to this loan, capped at face			
Time to resolution; distressed discount rate			
Present value			
Probability (sum = 1)			
WEIGHTED MARK and difference to par			

Payment-in-kind	Year 0	1	2	3	4	5
Accreted balance						
Enterprise value						
Less claims ahead						
Coverage						
Carrying value against fair value						

Chapter 10: mark down as readily as up. A book whose values rise every period on accruing interest with no cash changing hands warrants close scrutiny.

The hardest judgment calls

Chapter 11 and Appendix F. Each instruction taken to a number, and the number written into the memo.

Fund / asset		Preparer	
Measurement date		Reviewer	

Secondary interest	Value
Reported NAV, date, lag	
Roll-forward for the market since, less distributions: ADJUSTED NAV	
Unfunded commitment, and when it will be called	
Bid (buyer's multiple, life, required return)	
Discount in points: stale NAV / secondary pricing / unfunded / residual	

Marketability discount	Value
Discount already embedded in the entry price (1 - entry multiple / peer multiple)	
Further discount proposed; combined (compounded) discount; double-count	
Protective put: volatility, horizon, rate, indicated discount	
What would justify the proposed figure (volatility, horizon)? One sentence in the memo if unreachable	

Dislocated market	Days marketed	Price
Trade 1		
Trade 2		
Trade 3		
Orderly price at a normal marketing period (fit on log days)		
Prior mark: over / under by		

Appraisal and subsequent events	Answer
Appraised value and cap rate; market evidence range; value range	
Which point in the range was chosen, and why?	
Event after the measurement date: evidence of conditions then, or new development?	
Reflected / disclosed; value effect either way	

The valuation committee

Chapter 3. Authority must be real: the committee can reject or revise a mark, and sometimes does. Minutes that show real debate are the evidence.

Committee		Chair	
Meeting date		Independent member	

Asset	Proposed mark	Change vs prior	Why on the agenda	Challenge raised	Decision

Committee question	Answer	Minuted
Largest, most moved, hardest to value, or disputed: are they all on the agenda?		
Deal team proposed, valuation team challenged: where do they disagree, and on what fact?		
Any override of the proposed number: reasoning recorded?		
Any method change this quarter: approved under the policy?		
Marks unchanged for several quarters: is that because nothing changed?		
Is the process symmetric: when was a mark last moved down?		

Audit readiness and model control

Chapters 12 and 13. Prepare the file to be audited; control the spreadsheet rather than trust it.

Fund / asset		Preparer	
Measurement date		Reviewer	

Item	Status	Owner / evidence
The challenges auditors bring (Chapter 12)		
The comparable set: why these, why not others, what changed and why		
The earnings base: are the add-backs genuinely non-recurring?		
The discount rate and its derivation		
Marketability and other discounts: evidence, not convention		
Departures from a transaction anchor		
Consistency with prior periods and with the policy		
Model control (Chapter 13)		
Inputs, calculations and outputs separated		
No hard-coded number where a link belongs		
Inputs traced to a source and date (data lineage)		
Version supporting this period's mark identified and retrievable		
Independent review by someone who did not build it		
Model inventory: owner, purpose, last validation, changes since		
Reporting (Chapter 14)		
Every mark at the same measurement date, one translation rate		
Each material change attributed to a driver in the investor explanation		
Hierarchy classification and significant unobservable inputs disclosed		
The story told to investors matches the memoranda		

Chapter 12: engage the auditor early, walking through the harder assets before year-end rather than defending them after it.