

7. PRIVATE EQUITY

~~Following are provisions that apply to the calculation and presentation of PRIVATE EQUITY investments other than OPEN-END EVERGREEN FUNDS (which MUST follow the main GIPS provisions) Unless otherwise noted, the following~~ The PRIVATE EQUITY provisions supplement ~~all~~ the REQUIRED and RECOMMENDED ~~elements~~ provisions of the GIPS standards ~~(outlined in Sections II.0 through Section II.5 in Chapter I), except these PRIVATE EQUITY provisions that override the existing GIPS provisions for valuation (II.7.A.1 and II.7.B.1), calculation methodology (II.7.A.2 and II.7.A.3), fees (II.7.A.4 and II.7.A.5), and presentation and reporting of returns (II.7.A.20). [Corrected January 2006]~~

PRIVATE EQUITY provisions were first included in the GIPS standards in 2005 and became effective 1 January 2006. All COMPLIANT PRESENTATIONS that included PRIVATE EQUITY performance for periods ending on or after 1 January 2006 were REQUIRED to meet all the REQUIREMENTS of the PRIVATE EQUITY provisions of the 2005 edition of the GIPS standards. The following PRIVATE EQUITY provisions are effective 1 January 2011. All PRIVATE EQUITY COMPOSITES that include performance for periods ending on or after 1 January 2011 MUST comply with all the REQUIREMENTS and SHOULD comply with the RECOMMENDATIONS of the following PRIVATE EQUITY provisions.

The following are provisions that apply to the calculation and presentation of PRIVATE EQUITY investments made by fixed life, fixed commitment PRIVATE EQUITY investment vehicles including PRIMARY FUNDS and FUNDS OF FUNDS. These provisions also apply to fixed life, fixed commitment SECONDARY FUNDS, which MUST apply either the provisions applicable to PRIMARY FUNDS or the provisions applicable to FUNDS OF FUNDS depending on which form the SECONDARY FUND uses to make investments. PRIVATE EQUITY OPEN-END and EVERGREEN FUNDS MUST follow Sections 0–5 in Chapter I. REAL ESTATE CLOSED-END FUNDS MUST follow Section 6 in Chapter I.

PRIVATE EQUITY — REQUIREMENTS

Input Data — Requirements (the following provisions do not apply: 1.A.3.a, 1.A.3.b, and 1.A.4)

- 7.A.1⁸ For periods ending on or after 1 January 2011, PRIVATE EQUITY investments MUST be valued in accordance with the definition of FAIR VALUE and to the GIPS PRIVATE EQUITY Valuation Principles provided in Chapter II Appendix D.
- 7.A.2 PRIVATE EQUITY investments MUST be valued (preferably quarterly but at least annually).

Calculation Methodology — Requirements (the following provisions do not apply: 2.A.2, 2.A.4, 2.A.6, and 2.A.7)

- 7.A.3 FIRMS MUST calculate ~~the annualized since inception~~ SINCE INCEPTION INTERNAL RATES OF RETURN (SI-IRR).
- 7.A.4⁹ For periods ending on or after 1 January 2011, the annualized SI-IRR MUST be calculated using either daily or monthly cash flows, and the period-end valuation of the unliquidated remaining holdings. Stock DISTRIBUTIONS MUST be included as cash flows and MUST be valued at the time of DISTRIBUTION.
- 7.A.5 All returns MUST be calculated after the deduction of actual TRANSACTION EXPENSES incurred during the period.
- 7.A.6 NET-OF-FEES ~~RETURNS~~ returns MUST, ~~in addition,~~ be net of ~~all the actual~~ actual INVESTMENT

⁸For periods ending prior to 1 January 2011, PRIVATE EQUITY investments MUST be valued according to either the GIPS Private Equity Valuation Principles in Appendix D of the 2005 edition of the GIPS standards or the GIPS Valuation Principles in Chapter II of the 2010 edition of the GIPS standards.

⁹For periods ending prior to 1 January 2011, the SI-IRR MUST be calculated using either daily or monthly cash flows.

