International Private Equity and Venture Capital Investor Reporting Guidelines

Edition October 2012

Disclaimer

The information contained within this paper has been produced with reference to the contributions of a number of sources. The IPEV Board has taken suitable steps to ensure the reliability of the information presented.

However, neither the IPEV Board nor other named contributors, individuals or associations can accept responsibility for any decision made or action taken, based upon this paper or the information provided herein.

Contents

	Page
Background	5
Preface	6
Introduction	7
Disclosure of Confidential Information	8
Venture Capital	8
Investor Reporting vs. Financial Reporting	9
Framework	10
Timing	11
Reporting Entity	12
Unit of Account	12
Environmental, Social and Governance (ESG) and Responsible Investing (RI)	12
Guiding Principles	13

			Page
Section I: Reporting			**14**
	1.	**Fund Information**	**15**
	1.1.	Fund Overview	15
	1.2.	Executive Summary	15
	1.3.	Fund Status	16
	2.	**Investor Information**	**17**
	2.1.	Cash Flow and Net IRR Calculation	17
	2.2.	Individual Capital Accounts	17
	2.3.	Capital Call Notices	17
	2.4.	Distribution Notices	18
	3.	**Fees, Carried Interest and Related Party Transaction Information**	**18**
	3.1.	Management Fees and Related Party Transactions	18
	3.2.	Carried Interest	18
	4.	**Investment Portfolio Information**	**19**
	4.1.	Current Portfolio Summary	19
	4.2.	Realized Portfolio Summary	19
	4.3.	Portfolio Company Detail	20
	4.4.	Movement in Fair Value of the Portfolio	21
Section II:	**Performance Measurement and Reporting**		**22**
Appendix:		Definitions	26
		Endorsing Associations	31

Background

The EVCA requested the IPEV Board to update the prior EVCA Reporting Guidelines after considering current Fund Manager and Investor needs throughout the world. The historical EVCA Reporting Guidelines along with other reporting guidelines prepared by AVCAL, PEIGG, ILPA and others were considered prior to establishing these best practice Guidelines. These Guidelines have been prepared after seeking input from all constituencies involved with private equity: Managers / General Partners / GPs, Investors / Limited Partners / LPs and service providers. The terms Manager, General Partner or GP and Investor, Limited Partner or LP are used interchangeably throughout these Guidelines.

The IPEV Board proposes that these Reporting Guidelines be adopted by all private equity firms in order to create a reporting framework for the whole of the industry allowing for greater comparability and enhanced analysis of Fund performance. The Board recognizes that some firms will wish to disclose additional information to that specified in these Guidelines and it is not the Board's intention to restrict such disclosure in any way. Further it is not appropriate to mandate a specific format, as the nature of each Fund's investments differs.

It is not the purpose of these Guidelines to encourage or require redundancy in the information exchanged between Managers / GPs and Investors / LPs. Judgment must be exercised in how, where, and when to communicate critical investment information.

While the Guidelines do not address marketing materials (including offering memorandums) or other forms of Investor communication such as conference calls and webcasts, the methodologies and assumptions underlying such exchanges of information are expected to be consistent with information prepared by the Manager using these Guidelines, specifically that Investments are reported at Fair Value consistent with the IPEV Valuation Guidelines.

Preface

These Guidelines set out recommendations on the reporting of detailed fund and investment information by Fund Managers. The term "private equity" is used in these Guidelines in a broad sense to include investments in early stage ventures, management buyouts, management buyins, infrastructure, mezzanine debt and similar transactions and growth or development capital.

These Guidelines are intended to be applicable across the whole range of Private Equity Funds (seed and start-up venture capital, buyouts, growth / development capital, etc) and financial instruments commonly held by such Private Equity Funds. Accordingly, because these Guidelines do cover such a wide spectrum, the information needs for each such type of Fund and its underlying Investors must be considered. Ultimately, General Partners and Limited Partners should exercise their judgment in determining the timing, format and content of the reported information. These Guidelines may not be fully applicable to listed entities or fund of Funds.

Investors have expressed a desire for detailed information beyond that which is provided in the applicable GAAP (whether IFRS, U.S. or other standards) or statutory financial statements ("GAAP Financial Statements" or "GAAP FS"). The information identified in these Guidelines does not supersede the negotiated reporting outputs detailed within the founding documents of each Private Equity Fund. Instead, they are intended to provide Investors with detailed information to further enhance their analyses of Fund performance and to improve their ability to exercise their individual fiduciary duties. While in most, if not all, respects the informational reporting recommendations contained in these Guidelines are intended to be supplemental to general purpose GAAP Financial Statements, such supplemental information should be developed from the same records of the Fund Manager as are the GAAP FS. A key factor allowing comparability of Funds is a consistent framework for determining value. Therefore, compliance with the IPEV Valuation Guidelines aids comparable reporting.

These Guidelines do not provide specific templates. The Guidelines are principle based, allowing Fund Managers to best articulate information about the Fund and individual investments. Examples will be provided, and updated from time to time, on the IPEV website, http://www.privateequityvaluation.com.

No member of the International Private Equity and Venture Capital Valuation Guidelines Board ('IPEV Board'), any committee or working party thereof can accept any responsibility or liability whatsoever (whether in respect of negligence or otherwise) to any party as a result of anything contained in or omitted from the Guidelines nor for the consequences of reliance or otherwise on the provisions of these Guidelines.

These Guidelines should be regarded as superseding previous Guidelines issued by the EVCA and other endorsing organisations.

Introduction

The IPEV Investor Reporting Guidelines (IRG) are a globally applicable set of disclosure principles and practices designed to provide General Partners and their Limited Partners with guidance in presenting their Investments and investment performance over the life of a Fund.

- **Global Guidelines based on disclosure principles**. The IPEV IRG include global, voluntary disclosure principles used by private equity Managers to ensure fair presentation and full disclosure of investment information. The IRG make it possible for private equity Managers around the world to harmonize relevant information communicated to Investors located throughout the world through providing principle-based best practice guidance, but without mandating specific reporting formats. This promotes comparability and gives current and potential Investors more confidence in the integrity of the information and the general practices of a compliant firm.

- **Participation and Collaboration.** The participation of national PE and VC associations from around the world helps ensure effective implementation and on-going development of the IPEV IRG. Collaborative development is critical to acceptance and usage. IPEV has more than 40 endorsing associations from around the world, and along with the members of the IPEV Association, the participating groups provide an important link between the IPEV Board and the General partners and Limited Partners actively involved in Investor reporting. This also ensures that there is balanced input into the IPEV IRG as they are updated in the future.

- **Compliance and Voluntary Self Regulation.** Adopting IPEV IRG is voluntary. Private equity Managers choosing to comply with IPEV IRG assure Investors that the historical performance they report is both complete and fairly presented. The IPEV IRG represent a commitment to Investor reporting that meets the needs of Investors and that is embodied in current commonly accepted industry practice. Compliance demonstrates a firm's commitment to transparent communication with LPs. GPs complying with the IPEV Valuation and Investor Reporting Guidelines benefit from a framework and a knowledge that LPs have consistent and directly comparable investment information from all their GPs.

Disclosure of Confidential Information

Private equity by its nature utilises confidential, non-public information. Yet Investors in Private Equity Funds need sufficient, timely, comparable and transparent information from their Managers which allows Investors to:

- Exercise fiduciary duty in monitoring deployed investment capital
- Report periodic (quarterly / yearly) performance to ultimate Investors, beneficiaries, boards, etc., as applicable
- Prepare financial statements consistent with applicable accounting standards.

Investors may also use the supplemental information recommended in these Guidelines to assist in:

- Making asset allocation decisions
- Making manager selection decisions
- Supporting Investor level incentive compensation decisions.

Private Equity Funds are typically governed by a combination of legal, regulatory, and agreed contractual terms. It is not the intention of these Guidelines to prescribe the exact format that Managers should use in reporting to Investors. Managers should have the latitude to develop reporting formats which correlate to the individual nature of their investments and their Investors. These Guidelines highlight the essential content that should be reported to Investors and additional information which may be important to Investors.

The requirements and implications of International Financial Reporting Standards and US GAAP have been considered in the preparation of these Guidelines. These Guidelines do not intend to repeat GAAP FS financial accounting and reporting requirements, but to expand upon such information in a more detailed and consistent manner to further enhance an Investor's ability to evaluate and compare such data.

Venture Capital

These Guidelines cover a wide spectrum of Private Equity Funds. Some Managers report on a limited number of Investments while others report on hundreds of Investments. For example, the information needs of a venture capital Investor may differ from the information needs of a large buyout Investor. Therefore, judgment must be applied in applying these Guidelines to different types of Funds.

Investor Reporting vs. Financial Reporting

Normal contractual negotiations between GPs and LPs establish requirements for a Fund to provide GAAP Financial Statements and related audits. Local regulations and historical practice drive the format and content of GAAP Financial Statements prepared in accordance with applicable Generally Accepted Accounting Principles and / or statutory requirements. Regulatory bodies such as the U.S. Securities and Exchange Commission, the European Union and National Governments, have issued additional regulations, such as the Alternative Investment Fund Managers Directive (AIFMD), which impact the application of GAAP and require certain disclosures.

Investor reporting typically goes beyond GAAP financial and regulatory reporting and covers the cumulative results for the Fund over its lifetime, insights into the progress and current prospects of the Fund's Portfolio Companies, and other information often unique to the particular Fund and its investment process. The goal of these Guidelines is to provide guidance on Investor reporting that is distinctive to private equity.

Certain local regulations might also require GPs to provide information to their Investors beyond GAAP financial reporting (e.g. the AIFMD in Europe). It is not the intention of these Guidelines to describe specific regulatory requirements and these Guidelines should not be considered as a substitute for complying with regulatory requirements.

GPs often provide integrated GAAP financial statements and investment reporting in their reporting packages provided to LPs. There are a number of disclosure items that are distinctive to Private Equity Funds which may be included in the financial statement reporting for these Funds rather than in the Investor reporting. Both current period information and inception to date cumulative summaries are often incorporated into the GAAP financial statements and supplemental Investor reporting packages. However, Investor reporting may need to expand upon information reported in the financial statements as follows:

- Realised gains and losses determine the returns to the LPs and cash returns and multiples based on realised transactions are often an important measure of progress of a Fund to date. In addition, Investors need information concerning unrealised gains and losses to provide a measure of progress at given points in time.
- "Capital at Risk" or other risk measures are becoming increasingly common metrics used by Investors.
- Unfunded Commitments are important for LPs as they review their asset allocations and manage their cash and short-term investments in relation to their unfunded capital commitments.
- Cumulative reporting for capital accounts and the components that make up the capital account (including, but not limited to, management fees, Contributed Capital, Distributions, Carried Interest, unrealised gains and losses, ending balance) for both the Investor and the Fund Manager show how the performance of the Fund has been split between the GP and the LP. Carried Interest is an important part of the economics of a Private Equity Fund.

- Specific information related to the performance of underlying Portfolio Companies, beyond that which is included in GAAP financial statements, is used by many Investors to manage their overall investment program.

The following diagram highlights the interaction of Investor reporting and GAAP financial statements (also understood to mean statutory reporting). These Guidelines are focused primarily on guidance for Investor reporting and are not meant to cause redundant information to be disclosed. To the extent some of the following information is already included in the financial statements it would not need to be included again in the Investor reporting:

Framework

This document presents two forms of guidance:

- **Essential Disclosures** include information that should be provided, if applicable, to enable Investors to monitor their investment in a Fund, understand underlying portfolio investments, and more fully exercise their fiduciary duties.
- **Additional Disclosures** whose adoption is left to the discretion of the Fund Manager. These items are either intended to ease the reporting and monitoring processes of the Investors or to provide additional information for selected Investors.

A significant factor to be considered in the reporting of information to Investors is the impact of local open disclosure or Freedom of Information (FOIA) laws or other local regulations. The issues arising from additional disclosures beyond Fund level performance are potentially significant for both Managers and Investors. As a result, the Guidelines were developed to set forth best practices in reporting, assuming that detailed Portfolio Company and other similar information would be kept confidential and would not be disclosed beyond the private equity firm and the Investor. Within their respective organisations, Fund Managers and Investors should make their own judgments regarding their level of comfort in disclosing or receiving confidential information. It should further be noted that Portfolio Company information belongs to the Portfolio Company and not necessarily the Fund Manager or the Investor.

Timing

Investor reporting is needed on a timely basis to enable Investors to perform investment analysis. Reported information should be delivered when required by the Investor. Information need not be delivered all at once. It is common for GPs to provide all information together in one reporting package. While exact timings are usually agreed within the Fund Formation Documents, suggested timings are as follows:

The information called for in these Guidelines should be provided within 45 to 60 calendar days after quarter-end and within 75 to 90 calendar days of year-end. Some LPs require Net Asset Value (NAV), based on an estimate of Fair Value of underlying Investments, on a timely basis in order to prepare their own financial reports. For those LPs estimated NAV should be available as quickly as possible, but within 45 calendar days of quarter-end.

While not a subject of these Guidelines, where required, quarterly unaudited GAAP financial statements should be provided within 45 to 60 calendar days of quarter-end. Audited GAAP financial statements should be prepared annually within 90 calendar days of year-end.

While subject to the type of Fund and Fund Formation Documents, the frequency of information provided should be as follows:

Reporting Area	Frequency of Reporting for Essential Disclosure Items
1. Fund Information	
1.1 Fund Overview	Annually with changes Quarterly
1.2 Executive Summary	Quarterly
1.3 Fund Status	Quarterly
2. Investor Information	
2.1 Cash Flow and Net IRR Calculation	Quarterly
2.2 Individual Capital Account	Quarterly
2.3 Capital Call Notices	Each Transaction
2.4 Distribution Notices	Each Transaction
3. Fees, Carried Interest, & Related Party Transaction Information	
3.1 Management Fees and Related Party Transactions	Quarterly
3.2 Carried Interest	Quarterly
4. Investment Portfolio Information	
4.1 Current Portfolio Summary	Quarterly
4.2 Realized Portfolio Summary	Quarterly
4.3 Portfolio Company Detail	Annually with changes Quarterly
4.4 Movement in Fair Value of the Portfolio	Quarterly

Reporting Entity

The information described in these Guidelines should generally be reported on an individual Fund or legal entity basis. Some Managers use structures where parallel funds invest in the same Portfolio Companies. Some information, as deemed helpful to Investors, should be aggregated across parallel funds. Further, as appropriate, disclosure of Portfolio Company information should be aggregated across funds.

Unit of Account

Some Funds invest in multiple securities or tranches of the same Portfolio Company. The disclosures described in these Guidelines are expected to be on the same basis that the Fund Manager would transact. If the Fund Manager expects to transact all positions in the same underlying Portfolio Company simultaneously, then, disclosures would be for the aggregate investment in the Portfolio Company. If the Fund Manager expects to transact separately, for example selling a debt position independently from an equity position, then disclosures may be more appropriate for the individual instruments.

Environmental, Social and Governance (ESG) and Responsible Investing (RI)

Many Investors have adopted responsible investing polices as a part of their investment programs. These policies may include a focus on environmental, social and governance factors, including risks and opportunities, affecting both a Fund and / or specific Portfolio Companies. Should a Fund Manager wish to report on ESG matters, such reporting could be done in conjunction with quarterly investment reporting, and such reporting might cover some or all of the following items:

- Description of compliance with Fund level ESG parameters as agreed with Investors
- Method for establishment and communication of ESG performance criteria for individual Portfolio Companies
- Portfolio Company ESG performance measurement
- Impact of the Fund Manager on Portfolio Company ESG risks and opportunities.

At this time, approaches to ESG continue to evolve and have not yet reached a level of consensus to be included formally as a part of the Investor Reporting Guidelines. As these Investor Reporting Guidelines head to publication, we are aware of Managers and Investors who are actively working on developing ESG reporting standards. We plan to monitor these developments and future updates to the IRG may include ESG reporting elements.

Guiding Principles

In order to create consistent industry best practice reporting, it is recommended that GPs adopt the principles outlined in these Guidelines. Some GPs may wish to provide the Additional Disclosures identified in the Guidelines or additional information to that specified in the Guidelines. It is not IPEV's intention to restrict such disclosure in any way. Adopting these Guidelines requires judgment, and would include providing the Essential Disclosures, to the extent appropriate. Essential Disclosures, where appropriate and if legally disclosable, should be considered to be the baseline against which such judgments should be made after taking into account the size and strategy of the individual Fund. It is not possible for guidelines to anticipate every future circumstance. Providing Investors with the Essential Disclosures, to the extent appropriate given a Fund's strategy, qualifies a Fund Manager to claim compliance with these Guidelines.

Because of existing agreements in Fund Formation Documents, it may not be possible to immediately adopt these Guidelines. It would be expected that these Guidelines are adopted over time for existing Funds and as part of the Fund formation process for new Funds.
When reporting to Investors, the Fund Manager should consider and observe the following reporting principles:

- Relevance. The information provided should allow Investors to monitor their individual investment
- Transparency. The information on relevant topics regarding the evolution of the Fund's performance should be communicated to Investors in a transparent manner
- Consistency. The information provided to Investors should be consistent over time, taking into account changing LP information needs and changes in accounting standards
- Accuracy. The information provided to Investors must be correct in all material aspects.

All Investor reporting, including underlying calculations, should be presented in the functional currency of the Fund.

Consideration should be given to providing Investor reporting in electronic format.

Section I: Reporting

1. Fund Information

1.1. Fund Overview

Purpose

The Fund Overview provides Investors with general information about a Fund (the legal entity in which they are invested), allowing them easy access to Fund terms without requiring them to consult the Fund Formation Documents. Many Managers utilise structures which may include parallel funds to meet the needs of individual Investors. As appropriate, certain information should be aggregated for parallel funds.

Essential Disclosures

- Fund full name
- Fund currency
- Total Commitments (including parallel funds), where appropriate
- Fund term
- Investment period criteria and end date
- Investment strategy by stage, geography and sector
- Key economic terms including:
  - Management fee terms
  - Distribution provisions
  - Profit and loss allocation, Carried Interest and preferred return, if applicable
- GP Name and size of GP Commitment (including parallel funds)
- If the Fund consists of multiple partnerships and / or the GP commitment is from a separate partnership / structure, such as co-invest vehicle, provide disclosure detailing the size and nature of the GP Commitment
- Vintage Year (The definition of vintage year differs around the world. Therefore, include the Managers definition of vintage year, and provide information for alternative definitions, for example the date of legal formation and the date of first capital call)
- First Close date
- Final Close date
- Fund's domicile, legal form and structure
- Manager of the Fund
- Financial year-end of the Fund
- If applicable, a statement that the IPEV Investor Reporting Guidelines have been adopted, with exceptions, if any, described

Additional Disclosures

- Members of the Limited Partner advisory committee
- The Fund's Fair Value estimation policies, processes and procedures

1.2. Executive Summary

Purpose

The Executive Summary gives the GP an opportunity to provide LPs with information concerning key aspects and the current activity in the Fund, similar to a management discussion and analysis, without the need for the LP to review the whole report to discover significant items.

In many jurisdictions, LPs may use Net Asset Value as determined by the GP as the starting point in estimating the Fair Value of the LPs interest in the Fund for their own accounting and reporting purposes. The Executive Summary may contain information which supports the LPs Fair Value estimates.

Essential Disclosures

- New Investments, including brief description of Investee's business and stage of investment
- Follow-on investments
- Realisations
- Significant events with current Investments (IPOs, mergers, acquisitions, etc.)
- Overview of investment performance, including changes in Fair Value
- Changes, if any, to the Fund's Fair Value estimation policies, processes, or procedures
- Significant events within the Funds Manager / GP / investment advisor, including personnel changes, change in control, etc.
- Changes in investment strategy

- Material amendments or changes to the Fund Formation Documents
- A notification of the timing and nature of Fund meetings
- The extent to which NAV or partners' capital has been adjusted to reflect earned, or deemed Carried Interest and potential clawbacks
- If an advisory committee has decision-making powers, description of decisions taken including background information
- A statement of compliance with the IPEV Valuation Guidelines, with exceptions, if any, described

Additional Disclosures

- Presentation of a value progression chart, showing the change in Fair Value of the Fund over its life, which may include total Contributed Capital, cumulative Distributions, and residual Fund value net of management fees and Carried Interest
- Statement of compliance with the Investment policy outlined in the Fund Formation Documents
- If applicable, a statement of compliance with environmental, social and governance or other responsible investing parameters of the Fund
- If applicable, the extent to which the Fund uses an internal or external third party valuation expert
- If applicable, key findings in the Fund's advisor or external administrator's independent compliance or control reports
- Comparison of historical realisations to last reported Fair Value

1.3. Fund Status

Purpose

The Fund Status provides Investors with current performance and commitment information.

Essential Disclosures

- An aggregated Investor summary of:
  - Total Contributed Capital / Draw Downs / Paid In Capital
  - Total remaining Commitment callable (available for drawdown) / Uncalled Capital
  - Impact of management fees and other fees (explain if included in Committed Capital or if in addition to Committed Capital)
- Cumulative Distributions to the Investors and to the Fund Manager, including Carried Interest, if any
- If applicable, recallable Distributions
- Total Fair Value of portfolio
- Total other assets and liabilities, if applicable
- Net Asset Value (total Fund and net to LPs / Investors)
- Gross Portfolio IRR
- Fund Net IRR to LPs / Investors
- Multiples to LPs / Investors
  - Distributions to Paid In Capital (DPI)
  - Fund NAV (net of management fees and Carried Interest) to Paid In Capital (RVPI)
  - Total value to Paid In Capital (TVPI)
  - Paid In Capital to Capital Commitment (PICC)
- Total invested in Portfolio Companies
- If applicable, note of:
  - Leverage of the Fund, including debt, guarantees, charges, warranties, indemnities or other contingent liabilities
  - Guarantees made by the Fund to or on behalf of Portfolio Companies, and their impact on Fund Fair Value, if any

Additional Disclosures

- Best estimate of potential Draw Downs and Distributions for the next reporting period
- Total additional committed to Portfolio Companies and planned for follow-on investments, as required

2. Investor Information

2.1. Cash Flow and Net IRR Calculation

Purpose

The Cash Flow Schedule provides details on Capital Calls and Distributions to allow LPs to understand aggregate LP level cash flows used to calculate Fund Net IRR to LPs.

Essential Disclosures

- Aggregate cash flows between Fund and LPs (combined) by date
- Net IRR (net of Carried Interest)

Additional Disclosures

- Aggregated for the Fund, an analysis of cumulative proceeds distributed, with sufficient detail, such as cost, gain and income, as applicable

2.2. Individual Capital Accounts

Purpose

The current period and since inception Capital Account information provides individual Investors with current and cumulative information on their individual investment in the Fund, and allows for analysis of income allocations.

Essential Disclosures

- Information for the relevant investor
  - Total Commitment
  - Percentage ownership of the Fund:
    - Percentage ownership of all LP commitments
    - Percentage ownership of entire Fund (including GP and parallel funds)
    - Profit sharing percentage
  - Total Contributed Capital (current period)
  - Total Contributed Capital (since inception)
  - Unfunded Commitment
  - Distributions (current period -designate if any distributions are recallable)
  - Distributions (since inception -designate if any distributions are recallable)
  - Fund performance, noting separately cumulative and current period, as applicable:
    - Management fees
    - Operating income / loss
    - Realised gains / losses
    - Unrealised gains / losses
  - Specify allocation to Carried Interest partners, if separate from the GP, including any non-standard or asymmetrical allocations, such as LP opt outs or special LP provisions, if any
- Capital account at Fair Value at the end of the reporting period
- Confirmation that LP NAV is reported net of unrealised Carried Interest attributable to the GP. Alternatively, provide an estimate of unrealised carry assuming that all Investments are realised at their reported Fair Value at the measurement date
- Treatment of negative LP Capital Accounts, if any

Additional Disclosures

- Upon request, a cash flow schedule detailing individual Investor's amounts and dates of Draw Downs and Distributions since inception

2.3. Capital Call Notices

Purpose

Over the life of a fund, Managers will draw down capital from Investors and they should notify them for each Draw Down in accordance with the Fund Formation Documents. Any net Capital Calls (net of Distributions) should include the information items under both Capital Call and Distribution notices noted below.

Essential Disclosures

- Due date of the Capital Call
- Amount of the Capital Call in total for the Fund and for the relevant Investor

- Wire transfer instructions for the Capital Call
- Commitment held by the individual Investor
- Cumulative Called Capital (inclusive of this Capital Call) and remaining Unfunded Commitment
- Reason for the Capital Call, and where applicable an analysis of the individual components of the Capital Call

2.4. Distribution Notices

Purpose

When Managers make Distributions, Investors should be notified, with each Distribution, the information required in accordance with the Fund Formation Documents.

Essential Disclosures

- Payment date of the Distribution
- Amount of the Distribution in total for the Fund and for the relevant Investor
- Cumulative Distributed amount (inclusive of this Distribution) individually for the Investor and aggregated for the Fund
- Statement as to whether the Distribution is recallable
- Allocation of the Distribution between cost, gain and income
- Bank account details identifying where the Distribution will be made

Additional Disclosures

- Description of the individual proceeds distributed, with sufficient detail, such as cost, gain and income, as applicable.

3. Fees, Carried Interest and Related Party Transaction Information

3.1. Management Fees and Related Party Transactions

Purpose

Providing detail on how fees paid by the Fund are calculated allows Investors to analyse the management fees charged to verify compliance with Fund Formation Documents.

Essential Disclosures

- Management fees paid and / or accrued by the Fund and the basis of calculation
- If applicable, the cost or valuation base used to calculate the Fund management fees
- The treatment of transaction or other fee income that can be offset against management fees will be specific to each individual Fund. Where applicable, Fund disclosures should include:
  - Statement of benefits and fees received, delineated by principal categories (e.g. underwriting fees, transaction fees, consulting fees, directors and monitoring fees, deal fees, broken deal fees, etc.) received by the Fund Manager or its affiliates
  - Fees received should be disclosed in total for the Fund / Fund Manager and broken down by Portfolio Company or transaction which generated them

3.2. Carried Interest

Purpose

The Carried Interest calculation provides information which allows Investors to analyse the Carried Interest deducted from, allocated to, or deemed allocated to the GP. The Fund Formation Documents dictate the mechanics of the Carried Interest. Calculations are generally most appropriate when presented from inception of the Fund.

Carried Interest calculations are unique to each Fund and vary according to the type of Fund. Essential Disclosures should provide sufficient transparency to allow LPs to analyse the Fund allocation of Carried Interest.

Essential Disclosures

- Description of the Carried Interest calculation or excerpt from or reference to the Fund Formation Documents, including an explanation of the basis of the calculation
- Key mechanics included in the calculation of Carried Interest, including where applicable:
  - Clawbacks
  - Tax allocations, if any
  - Hurdle Rate calculations
- Fund level Carried Interest paid from inception to the Reporting Date and since the last Reporting Date
- Fund level Carried Interest allocated or deemed allocated from inception to the Reporting Date and since the last Reporting Date
- Clawback payable, if applicable

4. Investment Portfolio Information

4.1. Current Portfolio Summary

Purpose

The Current Portfolio Summary provides information on each Investment in the portfolio that helps Investors analyse current holdings.

Depending on the type of Fund, for example venture capital Funds, the information noted below may not be applicable or may be deemed confidential and as such would not be disclosed.

Essential Disclosures

- Portfolio Company name
- Whether the company is quoted or unquoted; if quoted, state the ticker symbol
- Date of investment
- Geography
- Industry
- Percentage ownership; diluted and / or undiluted, as applicable
- Cost of Investment (cumulative and remaining)
- Fair Value of the Investment (in accordance with International Private Equity and Venture Capital Valuation Guidelines)

Additional Disclosures

- Stage of investment
- Meaningful performance information such as:
  - Total Return for each Investment (Including realised proceeds)
  - Multiple of invested capital (MoIC)
  - Holding period
  - Gross Portfolio IRR (see section II)

4.2. Realised Portfolio Summary

Purpose

Starting from inception, a Realised Portfolio Summary of a Fund provides information on realised investments to inform Investors about sales or disposals that have occurred over the life of a Fund.

Essential Disclosures

- Portfolio Company name
- Date of initial investment
- Disposal date (s), where applicable
- Geography

- Industry
- Total return for the Investment, broken down by:
  - Cost of realised Investment
  - Realised gains / losses
  - Interests and dividends received in cash (may not be applicable for VC)

Additional Disclosures

- Meaningful performance information such as:
  - Total Return for each Investment (including realised proceeds)
  - Multiple of invested capital (MoIC)
  - Holding period
  - Gross Portfolio IRR (see section II)
- Exit route

4.3. Portfolio Company Detail

Purpose

The Portfolio Company Detail provides Investors with detailed information on each Investment, updated when significant changes occur, to assist in the analysis of the portfolio since inception.

Disclosures are generally provided at least annually or quarterly where there has been a significant change. The extent of disclosures may depend on the strategy of the Fund. For example, not all disclosures noted below would be applicable to early stage venture capital Investments. The GP may decide to also include disclosures provided for in 4.1 above.

Essential Disclosures

- Company level information
  - Legal and / or trading name of the Portfolio Company, including any name changes
  - Website, if any
  - Brief description of the industry, business and marketplace
  - Statement of the Fund's role in the investment (lead, co-lead, etc.)
  - Board representation (if any)
  - Identify the deal partner(s) responsible for making and monitoring the investment, if applicable
  - Currency of the Investment
  - Portfolio Company debt, if significant
- Ownership information
  - Type and quantity of securities held, if relevant
  - Exchange rate used for conversion at the Reporting Date, if currency is other than Fund's currency
  - Amount invested by the Fund
  - Valuation of investment, in accordance with the IPEV Valuation Guidelines
  - Enterprise Value of the company (at initial investment and current, specifying whether pre or post money)
  - Debt, EBITDA, or other earnings multiples if used to determine Fair Value
  - Specific valuation methodology used in accordance with the IPEV Guidelines
  - Explanation of any significant changes in valuation compared to the previous reporting period
  - For quoted shares, price and any discounts applied, and the basis for applying a discount, if any
  - Any realisation restrictions over the investment (i.e., a lock-up period on listed shares)
  - Outstanding commitments and contingent liabilities and any other exposures of the Fund to the Portfolio Company, such as guarantees
- Company Performance Information
  - Disclose any estimated contingent proceeds or contractual rights not recorded in the financial statements or not reported at Fair Value
  - Any deferred proceeds, escrow accounts and earn-outs together with discounts applied
  - For partially realised investments, the percentage of the Fund's investment sold

Depending on the nature of the disclosure, the GP may decide to include performance information in the Executive Summary, on a case by case basis.

- A description of the company's status compared to the expectation at the time of the Investment
- Brief analysis of significant events during the reporting period and anticipated events

The Essential Disclosure items below may not be relevant to early stage venture capital Investments.

- Historic profit and loss, if applicable
- Sales / turnover, if applicable
- EBITDA and additional key performance indicators as appropriate for the type of company and industry (e.g. gross profit, EBIT, cash and cash equivalents, net earnings, net debt, etc.)
- Schedule of debt maturity

Company level operating data should be provided in the Portfolio Company reporting currency.

Additional Disclosures

- Summary investment thesis
- Name of the CEO
- Description of environmental, social and governance risks and opportunities specifically affecting the Portfolio Company and measures taken by the Fund Manager to manage them
- Name of significant syndication partners and co-investors
- Exit plans, where applicable
- Key performance metrics used by the GP to monitor the Investment

4.4. Movement in Fair Value of the Portfolio

Purpose

The Movement in Fair Value of the Portfolio between each reporting period provides Investors with a summary of those investments made, realised and changes in value during the period and since inception.

Essential Disclosures

- For all current Portfolio Companies:
  - Prior period Fair Value
  - Any investments made during the period
  - Proceeds during the period
  - Realised gain / loss during the period
  - Any increase / decrease in Fair Value during the period
  - The Fair Value at the Reporting Date
  - Explanation of any significant changes in valuation compared to the previous reporting period (e.g.: improved earnings, changes to comparables, changes to capital structure, etc.)
  - Changes in valuation techniques or methodologies from previous period

Additional Disclosures

The additional disclosure items below may not be relevant to early stage venture capital Investments.

- If applicable, an attribution table showing the value created and the drivers thereof considering the following:
  - Earnings based impacts
  - Margin related impacts
  - Changes in growth / risk profile and financial market conditions (e.g.: multiple expansion or contraction)
  - Capital structure and balance sheet impacts (e.g.: leverage repaid)
  - Currency translation impacts, if any

Section II: Performance Measurement and Reporting

1. Internal Rate of Return

The most common measure of performance within the private equity industry is the internal rate of return or IRR.

Additional frequently used measures of performance within the private equity industry are the multiples to Investors of:

- Distributions to Paid In Capital (DPI);
- Residual Value to Paid In Capital (RVPI);
- Total Value to Paid In Capital (TVPI).

IPEV recommends the internal rate of return and the multiples mentioned above as being the most appropriate performance indicators.

2. Two Levels of IRR Advocated by IPEV

Accurate IRRs can only be computed when all Investments have been realised and the cash has been paid back to Investors, after the deduction of Carried Interest, management fees and other applicable professional and ancillary charges. This is the net ('cash-on-cash') return after the Investment has been wholly realised.

The primary users of IRR information are LPs, their advisors and potential new LPs. These users need to be able to assess returns on an interim basis. Such interim returns are no more than indicators of the ultimate IRR. The more mature an investment portfolio is, though, the more confidence one may generally ascribe to these interim statistics.

IPEV advocates that performance be measured at two levels:

a. Gross Portfolio IRR

This return takes account of all of the following:

- All the cash outflows (investments) and inflows (divestments, including realisation values, interest and dividends, repayments of principal of loans, etc.) which take place between the Fund and all of its Investments, independently whether realised or not;
- The valuation of the unrealised portfolio (consisting of wholly unrealised investments and the unrealised portions of partially realised investments). By definition, the unrealised portfolio excludes cash and other assets held by the Fund.

This return does not include the impact of Carried Interest or charges of any kind, such as management fees paid to the private equity firm by the Investor, fees paid by a Portfolio Company either to the Fund or the private equity firms, and fees paid or due to lawyers, accountants and other advisers.

While generally a single IRR result is reported, the gross return on all Investments should be analysed for both realised and unrealised returns:

For realised investments, the return takes account of all of the cash outflows (investments) and inflows (divestments, including realisation values, interest and dividends, repayments of the principal of loans, etc.) which take place between the Fund and its realised investments.

For the purposes of the realised investment return, all proceeds from a holding in a Portfolio Company shall be taken into account for this calculation, including proceeds from partially realised companies.

It is difficult to allocate cost for partial realisations. To allow greater comparability, these Guidelines recommend that for partially realised investments, cash outflows (investments) should be allocated between realised and unrealised on a pro rata basis at the dates of each cash outflow.

For fully unrealised investments, the IRR calculation takes account of all the cash outflows (investments) and inflows (interest and dividends) to the extent they refer to the unrealised Portfolio Company, and the valuation of the unrealised Portfolio Company. Unrealised investments should be valued at Fair Value, in accordance with the IPEV Valuation Guidelines.

b. Fund Net IRR to LPs / Investors

This measures the return earned by the Investors in the Fund, and takes account of:

- The actual cash flows which take place between the Fund and the LP taking account of the following:
  - the Fund Manager's Carried Interest
  - the management fees paid to the Fund Manager by the Investors
  - all other applicable professional and ancillary charges which are paid out by the Fund in the course of investing, managing, and divesting from the investment portfolio
  - Valuation of the unrealised portfolio (consisting of the unrealised portions of partially realised investments, wholly unrealised investments and also including cash and other assets), after adjusting appropriately for Carried Interest. When the portfolio is fully realised / fully distributed, the net return is the 'cash-on-cash' return to the Investors.

Should private equity Managers and / or their Investors consider it desirable to do so, the performance calculated for any of the levels given above, may be analysed to demonstrate the contribution made by the individual elements of which they are made up. In addition, such calculations should include both realised and unrealised investments.

The ability to analyse the impact of the valuation of the unrealised portfolio on the performance may be particularly relevant as valuations can be no more than indicators of the ultimate IRR when all investments have been wholly realised.

To enable the returns calculated in accordance with the different levels to be comparable, all relevant parameters must be treated in an identical manner. It is for this reason that the standard principles have been developed, which are set out on the next pages.

3. Principles of Calculating Returns

Commitments made by a Private Equity Fund to a Portfolio Company

The cash outflows should be taken to be the amount actually invested in a Portfolio Company at a given point in time, i.e. on a gross return basis. A Private Equity Fund may commit itself to making a series of investments in a Portfolio Company over an extended period of time. In such circumstances, the timing and amounts of the individual cash flows of the past only should be taken into account.

Commitments made by an Investor to a Private Equity Fund

An LP will commit itself to making a series of investments in a Fund over a period of time, up to their Committed Capital. The cash outflows should be taken to be the amount actually drawn down by a Private Equity Fund from Investors at given points in time. In such circumstances, the timing and amounts of only the individual past cash flows should be taken into account.

Equity received in lieu of cash

Any equity received by a Private Equity Fund in lieu of cash in respect of services rendered to a Portfolio Company (for instance, services of directors, provision of guarantees) should be considered as investments of zero cost.

Net return to Investors; Carried Interest and the unrealised portfolio

When calculating the net return to the Investor, as regards the valuation of the unrealised portfolio, appropriate provision should be made for the deduction of Carried Interest calculated on the basis of the assets being realised at the carrying value.

Realisations

Depending upon the provisions of the Fund Formation Documents, shares in companies which are floated and distributed in-kind should be considered realised upon date shares are converted into cash to the benefit of the Investor, or are transferred to the Investor. It is implicitly recognised therefore, that shares cannot be regarded as realised whilst any trading restrictions are in place.

As regards the calculation of the gross return on realised investments only, a written off Investment should be considered as having been realised as soon as the earliest of any of the following or like events takes place: when bankruptcy proceedings are instigated against a Portfolio Company; when a Portfolio Company ceases to trade; when a Portfolio Company enters into arrangements with creditors which result in the Investment being written down to zero; when insolvency proceedings are begun.

Investments which have been completely sold, subject to a proportion of deferred consideration / earn out, should be defined as realised investments. If required by applicable GAAP, an estimate of the Fair Value of deferred proceeds or earn out should be included as if it were a unrealised investment at the Reporting Date.

Share exchanges

Private equity firms sometime exchange part or their entire stake in a Portfolio Company for shares in another company. Where such an exchange takes place, the new shareholding should be treated no differently than if it was part of the shareholding in the original Portfolio Company. .

Taxation

Interest payments, dividends and capital gains received from Portfolio Companies that are paid net of tax withholdings should be grossed up so as to be treated as pre-tax cash flows for the measure of gross return. Tax impacts, such as withholding tax, should be included in the calculation of the gross and net IRR.

Timing of cash flows

IRRs are recommended to be calculated on the basis of daily cash flows using the actual date of the cash flow, or monthly. When calculated on a monthly basis, the date attributed to each cash flow should be the same day of each month (e.g. the last day of the month etc).

Appendix: Definitions

The following definitions shall apply in these Guidelines:

Capital Call / Draw Down	Draw down by the Fund Manager of the Fund of additional capital from Investors, both amount and timing of notice in accordance with the Fund Formation Documents.
Called Capital / Contributed Capital / Draw Downs or Paid In Capital	An amount that is called by way of a call notice by the Fund Manager for the Fund, requiring Investors to provide capital in accordance with the Fund Formation Documents.
Capital at Risk	The amount an Investor may lose if a Fund provided no returns. Generally, the amount consists of invested (Called) Capital, less non recallable distributions.
Carry / Carried Interest	The Fund Manager's or any entities' or persons' involved with the management of the Fund, share in the net profit of the Fund as set out in the Fund Formation Documents.
Commitment / Capital Commitment / Committed Capital	The total amount which an Investor commits to invest in a Fund.
Distribution	Payout of any amount or asset passed on by the Fund to the Investor.
Distributions to Paid in Capital (DPI)	Represents the cumulative distributions to Investors / LPs divided by the cumulative Paid In Capital.
Enterprise Value	The Enterprise Value is the value of the financial instruments representing ownership interests in an entity plus the net financial debt of the entity.
Fair Value	The Fair Value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.
Final Close	Date on which the Fund is closed to any further subscriptions of interests from Investors.
First Close	Date on which the first Investors are admitted into a Fund.
Fund (or Private Equity Fund)	The Fund or Private Equity Fund is the generic term used in these Guidelines to refer to any designated pool of investment capital targeted at all stages of private equity Investment from start-up to large buyout, including those held by corporate entities, limited partnerships and other investment vehicles, established with the intent to exit these investments within a certain timeframe.
Fund Formation Documents	The entire set of legal documents, including side letters, agreed by the Investors and Fund Manager, covering the establishment, management, and winding up of the Fund; also referred to as the Limited Partnership Agreement (LPA).

Fund Manager / Manager / General Partner / GP	The person or entity with the responsibilities and obligations of the management of the Fund, as set out in the Fund Formation Documents.
Fund Net IRR to Investors / LPs	The IRR which considers the actual net cash inflows and outflows from/to the Investors up to and including a specific date, including NAV at that date.
Gross Portfolio IRR / Gross IRR	An IRR calculated at a specific date which uses actual cash flows by the Fund for Investments, actual cash flows returned to the Fund from investments (e.g. dividends, fees, distributions), and a final cash inflow representing the Fair Value of unrealised investments at the Reporting Date. Expenses such as management fees are not included.
Hurdle Rate / Preferred Return	A rate of return beyond which the Fund Manager may earn Carried Interest.
Investee / Investee Company / Portfolio Company	The term Investee Company or Portfolio Company refers to a single business or group of businesses in which a Fund is directly or through holdings invested.
Investment	An Investment refers to all of the financial instruments in an Investee Company held by the Fund.
Investor / Limited Partner / LP	The person or entity investing in a Fund.
IRR	Internal rate of return.
Net Asset Value ('NAV') or Partners Capital	NAV of a Fund is the amount estimated as being attributable to the Investors in that Fund on the basis of the Fair Value of the underlying Investee Companies and other assets and liabilities.
Paid In Capital	Refer to Called Capital.
Paid In Capital to Capital Commitment (PICC)	Called Capital divided by Committed Capital.
Reporting Date	The Reporting Date is the date for which the report is being prepared, in accordance with the Fund Formation Documents.
Residual Value to Paid In Capital (RVPI)	Calculated as the residual value divided by Paid In Capital.
Total Value to Paid In Capital (TVPI)	Calculated as the sum of the Distributions to Paid In Capital plus Residual Value to Paid In Capital.
Uncalled Capital / Unfunded Commitment	Capital Commitment less Called Capital.
Vintage Year	As definitions differ, clearly articulate the Manager's definition of Vintage Year, for example, the date of legal formation, the date of first Capital Call, or the date of first Investment. In addition, it is useful to provide the data points for alternative definitions. The Vintage Year selected should be consistently applied across the life of the Fund.

Endorsing Associations

<left blank intentionally>