International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

January 15, 2015

RE: ***Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value***

Dear Members:

The International Private Equity and Venture Capital Valuation Board (IPEV Board) appreciates and welcomes the opportunity to respond to the Board's Exposure Draft. There is great importance for the private equity investment community, especially limited partner investors in private equity, to be able to obtain and rely on consistently determined fair value estimates. Fair Value Measurement is a subject area where preparers, users, auditors and valuers face challenges in both estimating and understanding true measures of value.

The International Private Equity and Venture Capital Valuation Guidelines (IPEV Valuation Guidelines), launched in March 2005 last revised in December 2012 (available at www.privateequityvaluation.com), provide the private equity industry with best practice in consistently estimating the fair value of investments compliant with IFRS and US GAAP. Valuation guidelines are used by the private equity and venture capital industry for valuing private investments and provide a framework for fund managers and investors to monitor the value of existing investments. The IPEV Valuation Guidelines have been endorsed by 40 private equity and venture capital associations around the world, and are generally included as the basis of valuation in European Investment Entity Fund formation agreements.

Investors in private equity and venture capital, hereafter referred to as limited partners (LPs), need consistently and robustly determined fair value information for a number of reasons which include but are not limited to:

- Fair Value is the basis investors (LPs) use to report periodic (quarterly/yearly) performance to their stakeholders, beneficiaries, boards, etc.
- Fair Value is the best basis for LPs to make "apples to apples" asset allocation decisions.
- Fair Value is an important data point in making interim investment (manager selection) decisions on a comparable basis.
- Fair Value is often necessary as a basis to make incentive compensation decisions at the LP level.
- Limited Partners need consistent, transparent information to exercise their fiduciary duty. Fair Value provides such information on a comparable basis for monitoring interim performance. An arbitrary reporting basis such as cost does not allow comparability.
- Relevant financial reporting standards (GAAP) require LPs to report their investments on a Fair Value basis.

It is of fundamental importance for global investors that Fair Value determined under IFRS 13 remains congruent with Fair Value determined under FASB ASC Topic 820. Therefore, the

IPEV Board c/o BVCA – 5th Floor East, Chancery House, 53-64 Chancery Lane, London WC2A 1QS United Kingdom
Tel +44 (020) 7492 0454

Board should pay particular attention to ensuring that any changes to IFRS 13 will not result in Fair Value estimates which diverge from fair value estimated under US GAAP.

Our responses to the Exposure Draft are general in nature and are presented with the objective of providing the Board with practical input from the perspective of the global private equity industry. Our views should be considered from the perspective of industry best practice used in the private equity and venture capital, and not necessarily from the perspective of other types of assets, liabilities or financial reporting requirements. Because of the unique nature of the private equity and venture capital industry, in particular regularly valuing illiquid or infrequently traded assets, we can provide the Board with our experience of the challenges inherent in exercising judgment to value such assets consistent with the principles espoused by both the IASB and FASB.

The IPEV Board supports the use of fair value as the best measure of valuing private equity portfolio companies and investments in private equity funds. The following represent our general comments and comments with respect to selected specific questions which pertain to private equity and venture capital.

General Comments

As stated above, we encourage the Board to ensure that any changes to IFRS 13 do not result in divergence from FASB ASC Topic 820. With this premise in mind, we believe that both IASB and FASB should reconsider the prohibition of blockage discounts, especially for circumstances in which market participants would apply a discount to determine the value of the interest held.

From the perspective of Investment Entities, which are global in scope, it is critical to have uniform financial reporting standards, especially with respect to determining fair value. Even though FASB's ASC Topic 820 is principle based, it has an imbedded rule that mandates the determination of fair value as P*Q, without adjustment, when Level 1 inputs are available (with the exception of a legal or contractual restriction that would impact market participant perspectives of value). Further, many Private Equity and Venture Capital investors (LPs) report under FASB or GASB standards which allow the use of Net Asset Value to determine the fair value of a Fund Interest, but only if the underlying assets are reported at Fair Value. Because ASC Topic 820 and IFRS 13 are substantially congruent, Limited Partner investors generally are in a position to accept Net Asset Values reported using the fair value of underlying investments consistent with IFRS 13 as their fair value estimate.

If this proposal results in a deviation from the historical P*Q rule when Level 1 inputs are available, Investment Funds may no longer be able to use IFRS as a basis of accounting as the fair value results would be inconsistent with ASC topic 820 and therefore would be problematic for investors using NAV to estimate fair value as allowed by FASB and as proposed by GASB. Further, Investors currently reporting under IFRS would have difficulties determining the fair value of underlying investments where they use NAV as a starting point, as funds reporting under IFRS would deviate from those reporting under US GAAP. Because of the Pandora's box that would be opened, through amending IFRS 13 in such a way that would deviate from ASC 820, we do not support amending IFRS 13 in ways that would reduce fair value convergence.

However, we fundamentally disagree with the embedded rule in ASC 820 requiring the use of P*Q when level 1 inputs are available for an entire block. We understand that FASB and the IASB considered the appropriateness of allowing block discounts, but ultimately concluded they were not acceptable. However, for the Investment Entity Industry in many cases, when a portfolio company

IPEV Board c/o BVCA – 5th Floor East, Chancery House, 53-64 Chancery Lane, London WC2A 1QS United Kingdom
Tel +44 (020) 7492 0454

is listed, resulting in the availability of level 1 inputs, the block, or entire interest, cannot be sold at the measurement date at P. It has been argued that the holder of level 1 investments is not compelled to sell all of their holdings at the measurement date and therefore the P is most representative of fair value. However, for Investment Entities that seek to provide LPs with both transparency to interim assessments of value and to maximize value upon ultimate exit of an investment, the P * Q rule potentially overstates the value that would be received if the entire holding (block) were sold at the measurement date. This is because the trading volume of the listed security is insufficient to allow all shares to be sold at the quoted price.

Response to specific questions:

Question 1 - The unit of account for investments in subsidiaries, joint ventures and associates

IPEV agrees that the unit of account for investments within the scope of IFRS 10, IAS 27 and IAS 28 should be the investment as a whole.

Question 2 - Interaction between Level 1 inputs and the unit of account for investments in subsidiaries, joint ventures and associates

As noted in our general comments above, we recommend that both IASB and FASB reconsider the prohibition from providing a discount to the value of the investment as a whole calculated as P * Q when P could not be obtained for the entire block. If such a change is not possible for both IFRS 13 and FASB ASC Topic 820, it is preferable to retain the existing P*Q rule to ensure comparability.

Question 3 - Measuring the fair value of a CGU that corresponds to a quoted entity

No comment.

Question 4 - Portfolios

No comment.

Question 5 - Transition provisions

We agree with the transition provisions proposed.

*** * * ***

We appreciate the opportunity to provide the Board with our feedback. We would be pleased to discuss any questions you may have with you. Please direct specific questions to David Larsen, +1 415-693-5330 or david.larsen@duffandphelps.com.

Very truly yours,

/s/ Emile Van Der Burg

The International Private Equity and Venture Capital Valuation Board

Emile Van Der Burg

Chairman of the IPEV Board

IPEV Board c/o BVCA – 5th Floor East, Chancery House, 53-64 Chancery Lane, London WC2A 1QS United Kingdom
Tel +44 (020) 7492 0454