INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

Frequently Asked Questions

ILPA REPORTING TEMPLATE & ILPA PERFORMANCE TEMPLATES

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ABOUT ILPA

The Institutional Limited Partners Association (ILPA) empowers and connects limited partners to maximize their performance on an individual, institutional and collective basis.

With more than 600 member organizations representing more than 3 trillion USD of private equity assets under management, ILPA is the only global association dedicated exclusively to advancing the interests of LPs and their beneficiaries through best-in-class education, content, advocacy and events.

General/Structural

What are the drivers behind the changes to the ILPA templates? Has the initiative been impacted by the overturning of the Private Fund Advisers Rule?

The initiative was initially formed to respond to the Quarterly Statements rule within the U.S. Securities and Exchange Commission (SEC) Private Fund Adviser's (PFA) rule, with the Quarterly Reporting Standard Initiative's (QRSI) initial framework based on creating a solution that adhered to the PFA's requirements. When that rulemaking effort was vacated by the U.S. Fifth Circuit Court of Appeals, ILPA continued efforts alongside our working groups to shift QRSI's focus to develop a purely industry-driven solution more closely aligned with the industry's pressing needs. The end results of QRSI - the ILPA Reporting Template and ILPA Performance Template - represent a meaningful step towards greater transparency and standardization for reporting and compliance.

The goal of QRSI is to deliver the next evolution of ILPA quarterly reporting standards. The industry has changed significantly since the ILPA Reporting Template was first released in 2016 - the industry has experienced transformative evolution in several areas: practices around PE fund (Fund) economics and GP disclosures, materially increased expectations for transparency and greater availability of technology solutions from a wider array of Service Providers positioned to support the reporting ecosystem across all participants. By building upon our existing Reporting Template for fees and expenses and introducing a new Performance Template, we hope to better standardize quarterly data for the industry.

Has ILPA engaged with other industry organizations over the course of this project?

ILPA's engagement throughout the QRSI encompassed LPs, GPs and Service Providers (including Fund Administrators, Custodians, Consultants, Compliance Firms, Law Firms, Accountants, Technology Providers and numerous industry trade bodies) through a Steering Committee, core Working Groups and larger connected body (referred to as a Satellite Group). This structure provided oversight for the initiative (Steering Committee), dedicated groups to engage with on each template on a weekly basis (core Working Groups with one focused on the Reporting Template and one focused on the Performance Template) and an overarching group receiving updates, providing feedback and engaging in monthly meetings (Satellite Group).

These groups were intentionally comprised of participants from a diverse array of geographies, sizes and types to capture perspectives on the points most important to address in an industry-led solution.

What are the expectations for GPs when delivering the new templates to LPs?

Prior to the PFA rule being vacated, GPs were required to deliver increased fee and expenses, as well as performance and cash flow data, to their LPs by 1Q 2025. Given the PFA rule was vacated, we are recommending that the templates be provided as follows:

- Updated Reporting Template - provided for the first time after Q1 2026 (i.e., the first quarter that the updated Reporting Template is used would be after March 31, 2026, with QTD data as of March 31, 2026)
- Performance Template - provided for the first time after Q1 2027 (i.e., the first quarter that the Performance Template is used would be after March 31, 2027, with ITD data through March 31, 2027) with the required data capture beginning in Q1 2026 (i.e., data as of March 31, 2026) - first delivery should occur four full fiscal quarters after the commencement of operations with the first delivery in Q1 2027.

Additionally, we have received feedback that many investors who are committing meaningful amounts of capital to a Fund have an expectation that both 1) The timing for implementation and 2) The level of reporting (or the granularity) should be the same for emerging/mid-market managers as it is for developed managers.

We hope that this extended timeline will provide GPs, Fund Administrators and other connected Service Providers with ample time to make and test any associated changes to their reporting processes.

Are there similar expections across GPs for Emerging Managers, smaller GPs or Mid-Market GPs?

Among the issues specifically tested during the 10-week public comment period was a consideration for providing additional time to Emerging Managers, smaller GPs and Mid-Market GPs to implement the updated Reporting Template and the Performance Template. Feedback from preparers (GPs and Fund Administrators) and requestors (LPs and Consultants) pointed towards a desire to have all GPs in the PE industry held to a uniform implementation timeline. LPs should factor in the size, back-office resources, operating budgets and complexity of the Funds managed by their GPs when determining their requirements for compliance with the templates.

To accommodate real-world challenges with a uniform implementation timeline for all GPs, ILPA encourages GPs to talk with their LPs at the earliest opportunity about their plans for implementation. While the templates were created based on engagement with a diverse array of GPs and with their interests in mind, ILPA recognizes that Emerging Managers, smaller GPs and Mid-Market GPs may not have the staffing or technology resources to implement the templates without reducing their effectiveness in other areas. ILPA recommends that LPs investing in these GPs align with their GPs on the timing of adoption that would be sufficient to meet their compliance and investment monitoring needs.

Should the templates be used by all active Funds, on a go-forward basis only or somewhere in between?

The updated Reporting Template should be provided for Funds that are still in their investment period during Q1 2026 or commencing operations on or after January 1, 2026.

For active Funds that will make the switch from the 2016 Reporting Template to the updated Reporting Template, there is optionality with reclassifying historical fees/expenses. We have introduced a row to multiple sections of the template labeled “Other: 2016 ILPA Reporting Template Value”. This field allows GPs to copy over fees and expenses previously classified in a more rolled-up fashion to the updated Reporting Template. The new, more granular breakouts would only need to be used on a go-forward basis for Funds commencing operations during Q1 2026 or later.

The Performance Template should be provided for Funds commencing operations on or after January 1, 2026. With the go-forward basis of this reporting, this means that for Funds commencing operations on January 1, 2026 (for example), data should begin to be captured beginning in Q1 2026 (i.e., data as of March 31, 2026), but the first delivery should occur four full fiscal quarters after the commencement of operations with the first delivery in Q1 2027 (i.e., the first quarter that the Performance Template is used would be after March 31, 2027, with ITD data through March 31, 2027).

Is ILPA offering any guidance regarding the timing of delivery post quarter-end?

The SEC was planning to impose strict timelines on private Fund reporting post quarter-end. ILPA supports the push for earlier reporting, but recognizes that reporting timing is often outlined in the Fund's LPA and other governing documents and jurisdictional requirements. We suggest the following timeline, but ultimately defer to the governing documents and any applicable jurisdictional requirements.

- Direct Funds: 60 days following quarter-end; 120 days following fiscal year-end.
- Fund of Funds: 120 days following quarter-end; 180 days following fiscal year-end.
- Fund of Fund of Funds: 180 days following quarter-end; 260 days following fiscal year-end.

Which currency should be used when reporting with the new templates?

Both the Reporting Template and the Performance Template can be used in any currency. There is a place on each template to denote the currency used. Please note: changing the currency will not convert any of the values inputted into the template.

Reporting Template

What are the key changes to the latest version of the Reporting Template?

By section, notable changes are as follows:

Cash/Non-Cash Flows: Added more details to the Cash / Non-Cash Flows section to capture Offering/Syndication Costs, Placement Fees and Partner Transfers.

Management Fees: Added gross-to-net reconciliation of management fees. Step-by-step netting of rebates, waivers and offsets.

Partnership Expenses: Broke out Internal Chargebacks (i.e., Internal Staff/Related Persons) from the external Partnership Expenses to isolate Expenses Allocated/Paid to the GP or Related Persons.

Partnership Expenses: Introduced more granular external Partnership Expenses in key areas such as Third-Party Valuations, Third-Party Investigation and Examination Fees/Expenses, and Subscription Facility Fees/Interest.

Offset Categories/Portfolio Company Fees: Expanded on the section to capture arrangement fees, origination fees, and consulting fees.

Carried Interest: Consolidated the reconciliation for accrued/earned/paid carried interest (formerly referred to as Accrued Incentive Allocation) with the Capital Accounts Statement section.

Other Structural Updates: Removed Level 1 and Level 2 structuring regarding the level of detail provided. Uniform level of detail required across all GPs within Partnership Expenses and Offsets sections. Further, removed the ability to modify the template by LPs and GPs alike.

For comprehensive guidance on template changes, please refer to the 'Template Guide – Changes Overview' file.

How flexible will the new template be? Can it accommodate a wide variety of asset classes?

In an effort to increase standardization, we are encouraging that as few modifications be made to the template as possible. We have made some adjustments accordingly:

- **Tiered Content:** ILPA's 2016 Reporting Template incorporated a tiered reporting structure. Level 1 data represented high-level summary content, and Level 2 data introduced additional granularity. The new template removes tiered content. We have received overwhelming feedback suggesting that GPs should be able to provide granular detail to match their ledgers.
- **Asset class-specific features:** We have added "arrangement fees" to portfolio company fees/ offsets; however, no further asset class-specific line items have been added to the template.
- **GP Modifications to the template:** ILPA's 2016 Reporting Template offered guidance into acceptable modifications to the template. We have removed this guidance in an effort to create more standardization and help promote greater automation of report creation and ingestion.

- **"Other" Line:** ILPA's 2016 Reporting Template included an "Other" line to capture fees, expenses or offsets not categorized elsewhere. We will continue to include the "Other" line in Partnership Expenses (both Third-Party & Internal Staff/Related Persons), Offsets & Portfolio Investment Compensation – but with an upper limit to the amount of total Fund expenses that can be captured here (5%).
  - We recognize that there is no one-size-fits-all template. As a result, in any instance where the template is not tailored to the needs of the individual GP, or where available line-items do not sync up with the GP's general ledger, the GP should utilize the line-items that align most closely and provide further explanation in the footnotes of the template. Any deviations from the template guidance (i.e., "Other" captures >5% of the total Fund's expenses) or definitions (i.e., "Fund Administration" is expanded to include "Valuation Services") if a GP does not distinguish between the two) should be footnoted in the template as well.

What is meant by "Related Persons" referenced in the template?

'Related Persons' should be defined by the GP based on the jurisdiction and basis of accounting of the Fund. Wherever possible, the GP should seek to align the definition of 'Related Persons' in the ILPA Reporting Template with the definition used in the Fund's LPA or other governing documents to ensure the numbers reported in the template reconcile with the Fund's financial statements.

TABLE A

When and how should the 'Partner Transfer' line be used? How will this impact the other figures shown in the template?

In the 2016 template, any transfer of partnership interests would have been captured in the contributions/distributions line-items. The new template provides an opportunity to isolate these transactions. For a transferee, the beginning NAV value should be 0 and the value of the NAV acquired by the transferee (positive value) should be inputted into the 'Partner Transfer' row. For the transferer, the value of the NAV sold by the transferer (negative value) should be inputted into this row. In both cases, this value should inclusive of all contributions, distributions, carry, accruals, etc. For the template's ending NAV to roll, if the partner transfer line-item is used, only the fees, expenses and carried interest paid/incurred <u>after</u> the partner transfer should be reported on the template.

How should any investor-specific or fund-wide fee discounts be captured in the revised template?

More often than not, GPs do not track gross-of-discounts management fees as they are already reflected in the management fee rate. Therefore, management fee discounts fall outside the scope of the template.

Where should tax expenses related to blocker corporations be captured in the template?

Any tax expense for blocker corporations should be included in the "Partnership Expenses – Taxes" line-item, even if they are not subject to the carry waterfall calculation.

How should withheld taxes be captured in the Reporting Template? How do they impact subsequent performance calculations? Is there any unique treatment of tax expenses related to blocker corporations?

The treatment of withheld taxes often comes down to the language in the LPA. Some managers treat these amounts as fund expenses; therefore, these amounts are not captured within the fund-to-investor cash flow stream. These amounts are deducted from income/profits prior to the calculation of the waterfall and other performance calculations. Other managers consider these amounts 'deemed distributed', include them in the waterfall calculation, and therefore treat withheld taxes similarly to any other distribution for the purposes of performance calculations.

Regarding blocker vehicles, the consolidation of the fund is of great importance here. Generally, blocker vehicles will be held below the fund, for the purposes of holding certain investments. If these are consolidated in the financials, withheld taxes will generally be treated as a partnership expense; if not, then the tax expense is captured in the unrealized as it is treated like an investment. As a result, this often means that withheld taxes would be treated as withholdings from LP distributions.

What is meant by "Expenses Paid to GP and Related Persons"? Is this fees where the GP or Related Persons are the service providers?

This section would include any fees/expenses that are allocated or paid to the investment adviser or any of its related persons by the private Fund for work performed by internal staff/related persons. For example, if part or all of a Fund's accounting work is completed in-house and not covered in-full by the Management Fee, then the cost associated with that service would be reflected in this section of the template.

Where should fees and interest associated with NAV facilities be captured? Is there a reason this type of credit facility is not broken out separately?

Since many NAV facilities are structured below the Fund (i.e., in an SPV), their impact is accounted for through fair values which roll into the Fund NAV. NAV facility expenses that are structured within the Fund should be captured in the "Other Credit Facilities – Fees" and "Other Credit Facilities – Interest" line-items in the External Partnership Expenses section of the template.

What is the purpose of the "Other: 2016 ILPA Reporting Template Value" line item, and how should it be used?

The "Other: 2016 ILPA Reporting Template Value" line-item is intended to be used by funds that are evergreen funds or are still in their investment period as of 1/1/2026 to assist with the transition from the old template to the new template. This field allows GPs to copy over the total fees and expenses previously classified in a more rolled-up fashion over to the updated Reporting Template. By utilizing this line item, GPs should not need to reclassify historical fees/expenses; GPs can take the value that, in the 2016 template, is the "Total Partnership Expense" line item and copy/paste it into the "Other: 2016 ILPA Template Value" line item in the new template. The fee/expense classifications in the new template should then be used on a go-forward basis only.

What is meant by "Carried Interest Accrued (Unrealized Profits)" and "Carried Interest Earned (Realized Profits, Inclusive of Amount Held in Escrow)"?

"Carried Interest Accrued (Unrealized Profits)" refers to the traditional accrual of carry, based on the appreciation/depreciation of investments' fair market values. "Carried Interest Earned (Realized Profits, Inclusive of Amount Held in Escrow)" refers to carry that could have been realized due to investment realization, but was instead accrued. This value also includes amounts that have been realized, but were instead withheld in escrow.

How is carried interest being captured in the updated Reporting Template? Can you provide a more in-depth walk through of the Reconciliation for Accrued/Earned/Paid Carried Interest?

The 2016 Template contained a very simple reconciliation for accrued incentive allocation. This has become a much more prominent part of the updated template.

The basic calculation remains unchanged. The reconciliation begins with the prior period's carried interest balance, adds any carry accrued over the quarter and subtracts any carry paid over the quarter to reach an ending period balance. Users should provide the NAV net of carried interest, then utilize the reconciliation to calculate what the NAV would be had the fund not accrued any carry.

Row 97 of the Reporting Template: "Carried Interest Accrued (Unrealized Profits)" refers to the traditional accrual of carry, based on the appreciation of investments' fair market values. The value input here should be based on the hypothetical liquidation of the remaining portfolio investments as of the reporting date. It represents the expected share of unrealized profits.
Row 98: "Carried Interest Earned (Realized Profits, Inclusive of Amount Held in Escrow)" captures the carry that can be collected due to investment realization but has not yet been collected. This value also includes amounts that have been realized but are held in escrow.

Row 99: "Carried Interest: Amount Held in Escrow" is the balance of carry held in escrow. This line item does not impact any formula within the template; it is included for transparency as the amount of escrow is included in Row 98.

Row 100: "Carried Interest Accrued/Earned (Total)" is the sum of Rows 97 and 98. This line for the combined amount is included as some managers do not separately calculate the unrealized and realized carry. In this instance, managers would be permitted to leave Rows 97 and 98 blank, and replace the formula contained in Row 100 with a hard-coded value representing the total accrued/earned carry interest. This line should not include any paid carry, as this is accounted for in Row 101: "Carried Interest – Paid During the Period".

Returned Clawback, captured in Row 102 has been relocated from a 'Miscellaneous' table in the 2016 Template. The 2016 template included any returned clawback in the paid amount; in the updated template, we are looking to keep those two values separate.

It is important to note that in order for the formulas in the updated Reporting Template to work as expected, the 'Net Realized Gain / (Loss)' and 'Net Unrealized Gain / (Loss)' line-items (Rows 92 & 93) should be presented on a net-of-carry basis.

TABLE B

What balances should be captured under the 'Affiliated Positions' columns?

These columns are designed to capture fees/reimbursements that are received by "Affiliated Positions", but are not allocable to the Total Fund. The goal of these columns is to provide investors with transparency into income received by the GP that falls outside the Fund, i.e., fees charged to co-investors. This is required to get to the total amount received by the GP with respect to the Fund's portfolio companies/investments, regardless of whether or not cash flows through the Fund.

Cash Flow & Performance Templates

What vehicle or Fund should be captured in the Performance Template?

The "Fund" provided in the Performance Template should align with the "Fund" as defined by the Limited Partnership Agreement (LPA) and GAAP reporting requirements (or similar accounting standard). Template values for NAV, call/distribution amounts, carry/clawback, subscription facility activity, etc. should be consistent with the values presented in a Fund's financial statements and other disclosures. Similar consolidation rules, inclusion/exclusion of blocker vehicles, etc. should be applied.

It is also important to note that model fees should not be used. The transactions captured in the Performance Template should be an aggregation of the actual LP cash flows that occurred. The resulting performance metrics will therefore often reflect a blended rate.

What performance metrics are 'required' vs. 'optional'?

Included in the Performance Template are three tables: a 'Fund Performance' table, a 'Gross Portfolio Performance' table and a 'Net Portfolio Performance' table. The 'Fund Performance' table is based on the fund → investor cash flow streams and will auto-populate based on the transaction types selected and the values entered into the cash flow table. Fund-level performance metrics are calculated both with and without the impact of fund-level subscription facilities.

The 'Fund Performance' table includes fields for both net and gross performance. Net fund-level performance metrics are required, while gross fund-level performance metrics are optional. We've received feedback that different organizations think about gross performance differently; some base their calculation on the fund → investor cash flow stream, while other base their calculation on the fund → investment cash flow stream. In an effort to maximize adoption rates, we want to avoid precluding anyone from using the template based on their gross calculation methodology.

The 'Gross Portfolio Performance' table includes fields for gross performance based on the cash flow stream between the Fund and its investments. Note: this may be how many organizations think of "gross" Fund performance. Unrealized performance, Realized performance and Total performance are required metrics and must be manually added into the table, as these values will not auto-calculate based on the cash flow table inputs.

The 'Net Portfolio Performance' table must be manually completed by GPs when the template is used for the purposes of marketing or advertising. This will satisfy the SEC's Marketing Rule requirement that gross performance metrics included in advertising or marketing materials be accompanied by net performance metrics that are calculated over the same time period, and using the same type of return and methodology (i.e., the same cash flow stream).

However, there is no need to display Net Portfolio Performance metrics for the Realized and Unrealized portions of the portfolio. An FAQ released by the SEC in March, 2025 eased requirements on displaying both net and gross performance at the portfolio level. For portfolio-level extracted performance (Realized and Unrealized only), net performance will no longer need to be displayed.

- The portfolio-level net performance metrics can be calculated by applying the ratio or spread of the Fund-level Net Performance Metric:Fund-level Gross Performance Metric to the Portfolio-level Gross Performance Metrics. The ratio or spread between the fund-level metrics are used as multipliers on the Total Gross Portfolio-level Returns to synthesize Portfolio-level Net Returns.

Why should I calculate gross performance on multiple cash flow streams (i.e., a "Fund-level" gross which is based on the Fund → Investor cash flow stream AND a "Portfolio-level" gross which is based on the Fund → Investment cash flow stream)?

The SEC's Marketing Rule requires that gross and net performance metrics be calculated over the same time period, and using the same type of return and methodology, as the gross performance. GPs who calculate the gross IRR on the cash flow stream between the Fund and its investments, and calculate a net IRR on the cash flow stream between the Fund and its investors, would be in violation of the rule if they were to use the Performance Template in marketing materials. This is because the net IRR at the Fund level starts with the Fund's first capital call and includes the impact of a Fund's subscription line, whereas the gross IRR at the portfolio-level starts at the time of investment, regardless of how it is funded.

The solution offered in the SEC's FAQ regarding the Gross IRR versus Net IRR is that when the Total Portfolio-Level Gross is shown, the Total Portfolio-Level Net IRR also be shown. In order to calculate the portfolio-level Net IRR, a ratio or spread of the Fund-level Net:Fund-level Gross would likely be applied. The Fund-level Gross will need to be calculated as it is an element of the ratio or spread being applied.

It is important to note that only net performance for the total portfolio is required under the rule. Where gross performance is shown for the Realized and Unrealized portions of the portfolios, net performance does not need to be displayed as the SEC considers this to be "extracted performance" which falls outside the scope of the requirement..

What is meant by "with" and "without" in the return calculations?

The "with" and "without" calculations show the impact of fund-level subscription facilities on the return calculations. The "with" calculation includes only the actual cash flows that occurred between the Fund and its investors. The IRR calculation begins when capital is first called from LPs. The "without" calculation de-levers the returns by bumping up the start of the IRR calculation to the date capital was first drawn down from the subscription facility, thereby extending the time period over which the IRR is calculated. The "without" calculation not only includes the cash flows that occurred between the Fund and investors, but also the cash flows that occurred between the Fund and its subscription facility lenders.

How are the unlevered returns calculated? Why is capital that is called from the LPs and designated for subscription line repayment captured under the "Without Fund-level Subscription Facility" column?

Under the "Without Fund-level Subscription Facility" column, we are essentially "de-levering" the return by starting the IRR calculation when the subscription line is first drawn down. Since this drawdown is captured under the "without" column, we also need to capture the subsequent repayment within the same cash flow stream. An important feature of the "without" calculation is that not only are we capturing the cash flows between the Fund and the investors, but also cash flows between the Fund and the bank (or lender). All cash flows (and the date on which they occur) should be captured in the "Without" column to accurately calculate the unlevered return.

Why aren't the impacts from NAV Facilities accounted for in the "without" calculation?

For the time being, NAV facilities are being excluded from the calculation as these are generally financings that sit outside the Fund. It is common practice for NAV facilities to be structured below the Fund in an SPV or other hold co., and therefore do not impact fund-level cash flows as often.

Should accrued carry be calculated on an unlevered basis, and how will this impact the unlevered NAV?

ILPA is not recommending that accrued carry be re-calculated on an unlevered basis. The actual values of the accrued/paid carry are more meaningful to investors; therefore, hypothetical changes to carry do not need to be included in the scope of the unlevered calculation.

How should capital calls for subsequent close interest be treated? Should these calls be included as part of the since-inception paid-in capital amounts and therefore included in the IRR and TVPI/MOIC calculations?

ILPA recommends that the LP pay subsequent close interest outside of their commitment, which will not reduce the LP's unfunded balance. This amount is then allocated to investors who participated in an earlier closing. The Fund serves as a conduit for these payments and no interest income or expense is recorded at the Fund level; therefore, these payments should be excluded from the return calculations.

How are recallable distributions treated in the performance calculations? Is there any flexibility permitted for the treatment of this transaction type?

ILPA recommends that performance metrics be calculated gross of recallable distributions. For the purposes of the multiples calculations, this means that any recallable distribution amount should be captured in the numerator of the ratio. When the capital is later recalled from investors, this contribution would be captured in the denominator of the ratio, alongside all other paid-in capital.

However, ILPA does recognize that there is variety in practice; it is also common to calculate the multiples net of recallables, whereby the recallable distribution is excluded from the numerator and netted out of the denominator (i.e., treated as a positive contribution, which serves to increase an investor's remaining unfunded commitment).

The template is currently built to capture the 'gross-of-recallables' methodology; however, GPs may opt to modify the methodology according to their preferred practices. Should GPs opt to alter the recommended methodology, it should be disclosed in the footnotes section at the bottom of the template.

Which Performance Template should I use? What are the differences, and how do they impact the final calculated performance metrics?

GPs should select the Performance Template that most closely aligns with how they call capital. Some GPs itemize each capital call (i.e., know at the time of the call if the capital will be used to finance an investment, pay management fees, etc.), whereas other GPs do not. The former group should use the "Granular Methodology," and the latter group should use the "Gross Up Methodology."

The granular methodology excludes calls for fees/expenses, as well as paid/accrued carry, interest, fees, etc. from the gross calculation. The advantage to this methodology is that any calculated fund-level (fund-to-investor cash flow stream) gross performance metrics will be closer to the portfolio-level (fund-to-investment cash flow stream) gross performance metrics. By excluding fees, expenses and carry in their entirely, the resulting performance metrics are a more accurate representation of the GP's investment acumen.

The gross up methodology includes the total amount of capital called in the gross calculations. It also adds back the amount of paid/accrued carry, interest, fees, etc. as outflows in the fund-level cash flow stream.

- The IRR will reflect cash into and out of the Fund for the purposes of fees and expenses.
- The gross TVPI calculation will include all paid-in amounts in the denominator of the ratio (as opposed to only the amount called for investments) and the numerator will be increased by the paid/accrued amounts. Adding the paid amounts back to the numerator serves to algebraically cancel out the paid-in amounts (capital calls) used for fees, expenses, interest, etc.

The advantage to the gross up method is that although this methodology will result in a slightly lower gross IRR and TVPI, the gross/net spread will be smaller, providing greater clarity into the actual impact of fees/expenses on performance.

A decision tree is available to help users determine which Performance Template is best suited to their needs and calculation methodology.

Which Performance Template would you suggest using if you know what you are calling for but at times may need to look back and true-up for actual use?

If capital calls are itemized, we recommend using the Granular performance template. If a manager needs to true-up for actual use, they can choose how best to report on any changes. Some managers may opt to restate historical performance templates, while others may opt to make the change on the current/future template. This latter option is acceptable, so long as the manager discloses any discrepancies between prior and current templates in the notes section at the bottom of the template.

There is also, in the Granular Template, a line item: "Capital Call: Working Capital" which some managers may opt to use if there is any uncertainty for the use of the full or part of a capital call. These amounts can be classified as "Capital Call: Working Capital", then, once the use case is known, a "call" from the working capital balance can be recorded. The manager would then need to credit the working capital balance on the template so as not to double count cash into the fund. An example of this series of transactions is below:

Why is the gross performance multiple referred to as "MOIC" in the granular methodology, but "TVPI" in the gross up methodology?

Granular Methodology: The fund-level gross multiple is referred to as the "Gross Fund-Level MOIC" because the calculation excludes calls for fees/expenses in the denominator. Since only capital called for the purposes of investments (i.e., "invested capital") is included, "MOIC" was determined to be more appropriate.

Gross Up Methodology: The fund-level gross multiple is referred to as the "Gross TVPI" because the calculation includes the total paid-in amount in the denominator. Since all capital calls (i.e., total "paid-in" amounts) are included, "TVPI" was determined to be more appropriate.

Cash Flow & Performance Template – Granular Methodology

What is meant by 'Effective Date' in the Cash Flow table?

The 'Effective Date' is the date on which a transaction occurred. Best practices suggest that the date recorded should not be the midpoint of a month or quarter; rather, it should be the exact date on which cash changed hands.

For additional clarity, the date recorded for capital calls should be the due date, not the date the notice was issued, nor the date the cash was invested or used. Similarly, the date recorded for distributions should be the actual date the distribution occurred, not the date the notice was distributed or proceeds were realized.

All quarter-end NAV adjustments should be recorded on the quarter-end date.

Any deviations from these best practices should be disclosed and noted in the template.

What is/isn't included in the gross performance calculations?

The gross *fund-level* performance calculations are intended to be run between the Fund and its investors (not investments) and should exclude any transactions for fees, expenses, performance-based compensation, etc. Only calls from LPs for the purposes of investments and distributions to LPs stemming from proceeds, dividends or other investment income should be included in the gross calculations. It is also important to note that these returns should only be calculated for LPs; all GP transactions would be excluded as well.

The gross *portfolio-level* performance calculations are intended to be run between the Fund and its investments and should only capture cash flows between the Fund and its portfolio companies, i.e., initial investments, follow-on investments, dividend income, proceeds from the sale of an investment, etc.

The largest difference between these two calculations should stem from:

1) **Timing differences.** The fund-level gross IRR should be calculated based on the dates that transactions occurred between the Fund and the investors, whereas the portfolio-level gross IRR should be calculated based on the dates that the transactions occurred between the Fund and the portfolio companies.

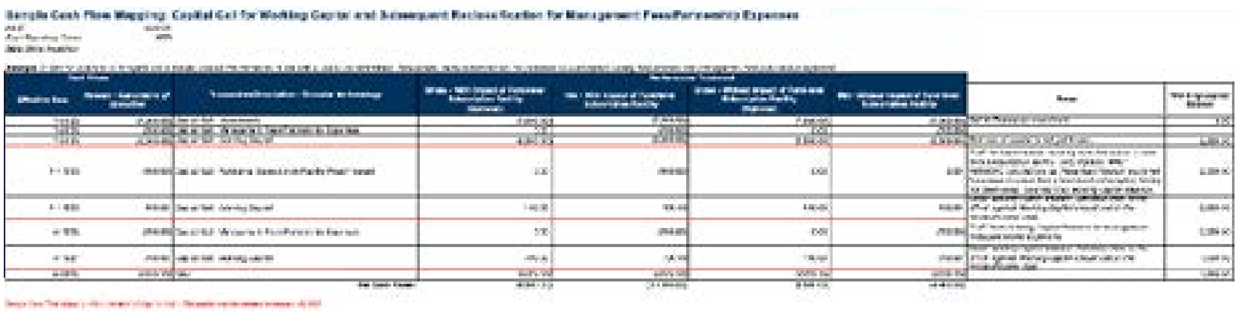
2) **Use of fund-level subscription facilities.** The starting date of a fund-level gross IRR calculation may be delayed due to the use of a subscription line of credit. However, the starting date of a portfolio-level gross IRR calculation should be the date that the GP acquires the investment, regardless of the use of a subscription facility. This may result in the portfolio-level gross IRR's starting date preceding the fund-level gross IRR's starting date.

Note also that gross fund-to-investor and fund-to-investment cash flows can be very different if recycling of investment income and proceeds occurs. The spread between gross and net fund-level performance can be significantly understated where this occurs.

The Performance Template requires the itemization of each capital call. What are the use case(s) for the full amount of the capital call is still undetermined?

Yes, this is possible with the use of the "Capital Call: Working Capital" transaction type. This transaction type should be used by GPs who do not call capital by use case, or who have not identified the use case(s) of the full amount.

Once the use case is determined, the capital should be reclassified as demonstrated in the examples below:



GPs who do not use itemize their capital calls should use the gross up methodology and the corresponding Performance Template version. This methodology treats all capital calls the same for the purposes of the IRR/TVPI calculations and instead adds back the amounts paid or accrued for fees, expenses, interest and carry to the cash flow stream.

Cash Flow & Performance Template – Gross Up Methodology

What is meant by 'Effective Date' in the Cash Flow table?

The 'Effective Date' is the date on which a transaction occurred. Best practices suggest that the date recorded should not be the midpoint of a month or quarter; rather, it should be the exact date on which cash changed hands.

For additional clarity, the date recorded for capital calls should be the due date, not the date the notice was issued, nor the date the cash was invested or used. Similarly, the date recorded for distributions should be the actual date the distribution occurred, not the date the notice was distributed, or proceeds realized.

The "Gross Up" transaction types receive slightly different treatment. When grossing up paid amounts, the effective date(s) should reflect the date(s) on which each payment was made. When grossing up accrued, but not yet recognized amounts, the effective date(s) should be the quarter-end date.

Any deviations from these best practices should be disclosed and noted in the template.

What is/isn't included in the gross performance calculations?

The gross *fund-level* performance calculations are intended to be run between the Fund and its investors (not investments) and should include all capital calls, regardless of the use case of the capital, all distributions and all fees, expenses and performance-based compensation that are added back to the cash flow stream as outflows. It is important to note that these returns should only be calculated for LPs; all GP transactions would be excluded as well.

The gross *portfolio-level* performance calculations are intended to be run between the Fund and its investments and should only capture cash flows between the Fund and its portfolio companies, i.e., initial investments, follow-on investments, dividend income, proceeds from the sale of an investment, etc.

The largest difference between these two calculations should stem from:

1) **Timing differences.** The fund-level gross IRR should be calculated based on the dates that transactions occurred between the Fund and the investors, whereas the portfolio-level gross IRR should be calculated based on the dates that the transactions occurred between the Fund and the portfolio companies.
2) **Use of fund-level subscription facilities.** The starting date of a fund-level gross IRR calculation may be delayed due to the use of a subscription line of credit. However, the starting date of a portfolio-level gross IRR calculation should be the date that the GP acquires the investment, regardless of the use of a subscription facility. This may result in the portfolio-level gross IRR's starting date preceding the fund-level gross IRR's starting date.

3) **Impacts from fees, expenses and carry.** The fund-level gross IRR/TVPI adds back paid/accrued amounts of fees, expenses and carried interest to the cash flow stream on which the return is calculated. However, the portfolio-gross calculations exclude fund-level fees, expenses and carry entirely.

Note also that gross fund-to-investor and fund-to-investment cash flows can be very different if recycling of investment income and proceeds occurs. The spread between gross and net fund-level performance can be significantly understated where this occurs.