

Growing Role for Lincoln as External Valuer under AIFMD

Lincoln brings independence, consistency and transparency to the valuation process



Independence



Consistency



Transparency



Efficiency

Valuations Under AIFMD

The Alternative Investments Fund Managers Directive ("AIFMD") requires that an Alternative Investment Fund Manager ("AIFM") must establish and maintain appropriate and consistent procedures concerning the independent and proper valuation of assets belonging to Alternative Investment Funds.

The AIFMD outlines who, how and when valuations of the assets managed by an AIFM are required and who assumes responsibility. The valuation function may be performed either by:

- The authorised AIFM itself, provided that, among others, the valuation is carried out independent from the portfolio management function; or
- An **External Valuer** which is independent from the AIFM. The **External Valuer** must be able to demonstrate mandatory professional registration and sufficient professional guarantees to value assets independently and in accordance with AIFMD guidance.

If the AIFM elects to carry out the valuation itself, the regulatory body may require a valuation procedure and valuation verification / support role by a 3rd party valuer.

Third Party Valuation Proposition

- **Lincoln** brings independence, consistency and transparency to the valuation process;
- We offer external valuations in compliance with guidance of the AIFMD, either as **External Valuer** or as 3rd party valuation support;
- We are **aligned with real time M&A and capital market conditions, incorporating insights from our industry verticals into our valuation conclusions**;
- We provide an **efficient and cost effective end-to-end valuation solution**. Investment professionals can focus on managing portfolio companies and sourcing new deals. Lincoln interacts with third parties, including auditors, to ensure all valuations withstand scrutiny and accounting processes are streamlined;

For more information, please contact:

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About Lincoln International

Lincoln International is a global independent investment bank specializing in advisory services and financings for middle-market companies. The firm provides a variety of advisory services including mergers & acquisitions, valuations & fairness opinions, debt, restructuring advisory and Joint Ventures & Partnering advisory.

More information about Lincoln International can be obtained at www.lincolninternational.com/



- **Corporate governance is enhanced.** Engaging Lincoln effectuates a clear **segregation of duties** between the front office and back office. Our valuations allow for the front office to be heard and for the back office to monitor the results; and
- Lincoln provides the **assurance** investors are seeking.

Changing Landscape for External Valuer

From our experience, nearly all AIFMD related valuation mandates in Europe have been in a support role function to the AIFM which leaves the AIFM with ultimate control over the value of the security position. However, there has been a growing trend for AIFMs to appoint **External Valuers**. A few of the considerations for both sides are as follows:

- The valuer when appointed as **External Valuer** is liable to the AIFM for any losses suffered by the authorized AIFM as a result of the valuer's negligence or intentional failure to perform tasks;
- The **External Valuer** may not delegate the valuation function to a 3rd party; and
- If an **External Valuer** is appointed, the AIFM has no influence over the resulting valuation.

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