



APRIL 2026

Private assets in managed funds

Investment landscape and
valuation practices

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Executive summary

Across the world, retail investors are increasingly investing in private assets, mostly through pension funds. Overseas financial regulators have responded to this trend by increasing their focus on understanding fund manager practices regarding private assets, particularly managing risks around valuation.

In anticipation of a similar trend in New Zealand, the Financial Markets Authority – Te Mana Tātai Hokohoko (FMA) surveyed a sample of local managed investment scheme (MIS) managers about their investment in private assets, including their approaches to valuation and how they identify and manage risks.

We found that the exposure of the New Zealand MIS sector to private assets is currently low compared to other comparable jurisdictions, with seven MIS managers reporting some private assets investments. At the retail fund level, where a fund has exposure to private assets this accounts for less than 5% of the total assets under management on average. However, as we expect investment in private assets to increase, we have published these results in support of our regulatory priority of understanding emerging risks and issues, as stated in our [2025/26 Financial Conduct Report](#).

Observations and survey results

We observed two models of how managed funds gain exposure to private assets:

- Direct investment in the private assets
- Investment in assets managed by another (related or non-related) fund manager, i.e. indirect investments

While investments in assets managed by third parties are more common, the directly held investment portfolio is much larger.

Most of the directly held investment value is in real estate equity. This is followed by private debt (lending), private equity and real estate debt. For indirectly managed assets, most of the investment value is in private equity, closely followed by private debt and infrastructure equity. Indirect investment in venture capital is also gaining popularity, but the average investment value is low.

We were encouraged by what MIS managers told us about their valuation practices for private assets. Most appear to follow international standards and have sound practices in place to identify and manage valuation risks. For directly held investments, this included:

- Using independent valuers
- Adopting a mixture of methodologies, when possible, to cross-check valuations
- Following internationally recognised guidelines such as the International Private Equity and Venture Capital Valuation (IPEV) guidelines
- Establishing clear separation of duties between those preparing the valuations and those approving them, to manage conflicts of interest

For indirectly held investments, we observed fund managers taking steps to reduce risks around valuations, for example:

- Making asset valuation expertise and methodology an important consideration when undertaking due diligence on external providers
- Having processes in place to test the reasonableness of valuations
- Maintaining direct oversight of any changes in valuation methods, inputs and assumptions used by third-party managers

However, there may be areas where some fund managers could better manage risk:

- Communication to investors to explain how asset valuation frequencies of indirect investments contribute to daily unit pricing
- Frequency of valuations – less frequent (i.e. annual) valuations of private assets generate risk of inequitable treatment for investors, especially immediately before or after valuation
- For both directly held and indirectly held assets, lack of formal provision for out-of-cycle valuations for private assets, which increases the risk of trading based on stale valuations
- For indirect investment in private assets, low visibility of the inputs and assumptions used by valuers

Next steps

In line with international developments and local interest in private assets investments, the FMA recognises the need to better understand valuation practices in New Zealand, and to work with industry to identify and support good practices.

As investment in private assets increases, we will be engaging with fund managers and their supervisors to learn more about how private asset risks are managed and identify strategies that will reduce risks in these areas over time. This may include a focus on the risk areas outlined above.

We also encourage fund managers who are considering investing in private assets to consider the discussions in this report, particularly around identifying and managing valuation risks.

1. Introduction

1.1. About private assets

Private assets are assets that are not traded on public exchanges. They fall into five main classes:

1. Private equity (shares in companies)
2. Venture capital, private debt (credit)
3. Private real estate
4. Private infrastructure
5. 'Other' (including natural resources and other commodities)

Global investment in private assets has recently experienced rapid growth, as investors seek higher returns and greater diversification of risks compared to a public markets-only portfolio. The size of private markets has more than tripled in the past decade, from \$4 trillion to \$15 trillion, and is forecast to double again in the next decade (BlackRock, 2024).

Traditionally, institutional investors with long investment horizons – such as superannuation funds, endowments, and insurance companies – have dominated private asset investment. The relative difficulty in determining the value of private assets and their illiquidity have made these investments less attractive for retail investors. However, recent technological and regulatory developments have improved access for retail investors – retail share in private markets is estimated to rise to over 22% by 2032, from under 16% in 2022 (Bain & Company, 2024).

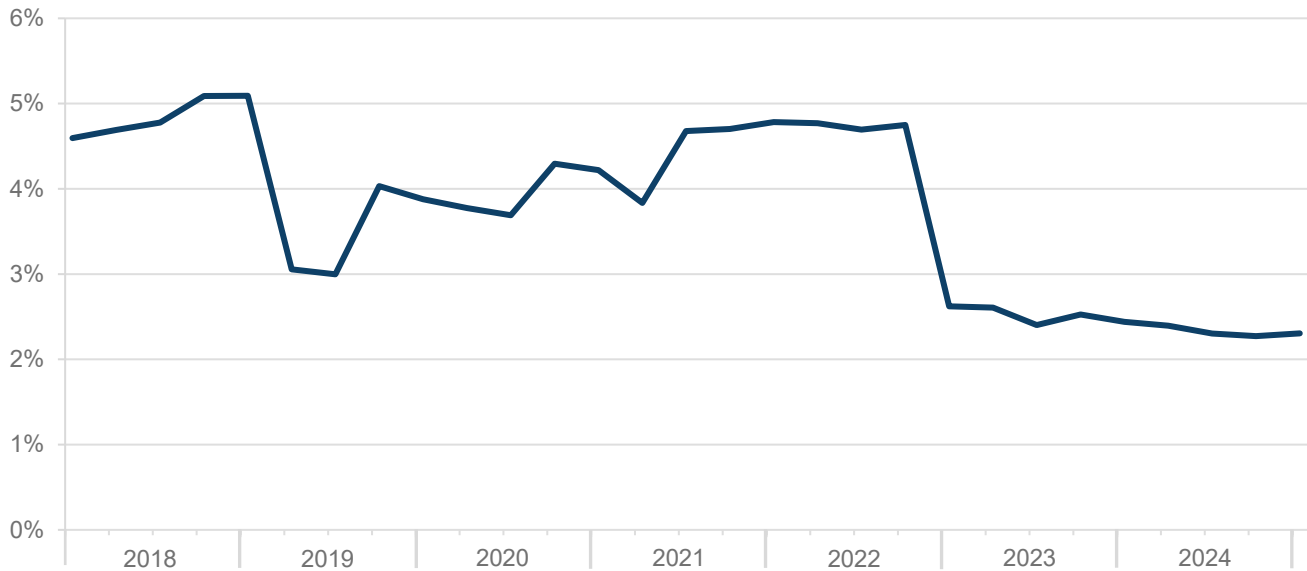
New Zealand environment

In New Zealand, managed investment scheme (MIS) and KiwiSaver funds have relatively low exposure to private assets compared to their equivalents in countries like Australia or the United States. According to the Reserve Bank of New Zealand, in the June quarter of 2025, private assets' share of KiwiSaver's total assets under management (AUM) was only 2.4% and has been low for some time (Figure 1). While the total balance of all KiwiSaver schemes together has increased, the percentage of private assets has not increased at the same rate. In comparison, as at December 2023¹ Australian pension funds allocated around 16% of their investments to private assets (Australian Prudential Regulation Authority, 2025).

Recent market engagements by the FMA indicate a growing interest among local MIS managers to increase their allocations to private assets. If this interest does translate into an expansion in private asset investments, it will bring potential opportunities for both MIS managers and retail investors, as well as risks and challenges that will need to be managed.

¹ This series has since been discontinued due to some changes in the reporting requirements.

Figure 1 – Private assets as a percentage of total KiwiSaver AUM



Source: Reserve Bank of New Zealand. KiwiSaver: Assets by sector (T43)

International valuation practices

Valuation of private assets has been highlighted as an emerging issue internationally. The International Organization of Securities Commissions (IOSCO) is currently reviewing and updating the IOSCO Principles for the Valuation of Collective Investment Schemes. Over the past year, other regulatory bodies have undertaken industry study to further understand this topic. In 2025, the United Kingdom's Financial Conduct Authority undertook a multi-firm review of the robustness of the firms' valuation governance framework and process for private assets (Financial Conduct Authority, 2025). In 2024, the Australian Prudential Regulation Authority released insights from their survey of unlisted asset valuation practices (Australian Prudential Regulation Authority, 2024). Both IOSCO and the Standards Board for Alternative Investments have released publications discussing the risks that incorrect valuation may pose to investors (International Organization of Securities Commissions, 2023; Standard Boards for Alternative Investments, 2025).

1.2. About our survey

In July 2025, we sent a voluntary survey to 30 MIS managers who are also managers of KiwiSaver schemes.

We asked about the current level and composition of private asset investment by MIS managers. This information, covered in section 2 of this report, has informed a baseline understanding of private assets' role in the market, which will be used in future regulatory and policy development.

We also asked about the approaches to the valuation of private assets taken by MIS managers, including how managers value directly held assets, and the diligence and oversight they apply to the valuation of

indirectly held (third-party) assets as well as how they identify and manage conflicts of interest. These results are covered in section 3.

16 of the 30 managers invited took part in the survey, a response rate of 53.3%. The majority of results presented in this report are based on responses from the seven managers who do hold investments in private assets. While this does provide a sufficient sample size for analysis, it must be noted that the results (particularly quantitative) apply to the survey respondents only.

Despite these caveats, based on our intelligence and previous market interactions we are confident that we received responses from a significant majority of fund managers who invest in private assets, and that the non-responses likely reflect fund managers who don't presently invest in private assets.

For the purpose of this report, we did not seek independent verification of responses or request supporting documents.

Key terms

Term	Explanation
MIS manager	Managed Investment Scheme manager. We surveyed 16 licensed MIS managers who manage one or more schemes, including KiwiSaver schemes. Those who participated in the survey are referred to as respondents.
Investment	<p>Private assets are typically held by New Zealand MIS managers in two forms, directly (first party) or indirectly (third party).</p> <p>For directly held assets, an 'investment' refers to the entire portfolio in a single asset class managed by the MIS managers themselves. The asset classes we include are:</p> <ul style="list-style-type: none"> • private equity (excluding venture capital) • private debt (excluding investment grade BBB-/Baa3 or higher²) • venture capital • real estate equity • real estate debt • infrastructure equity • infrastructure debt • other. <p>For indirectly held assets, an 'investment' refers to a single holding with a third-party manager (who may or may not be associated with the MIS manager) in one of the above asset classes. Examples include an investment into a private equity fund that holds shares in companies, or an investment in an unlisted real estate investment trust that purchases and manages commercial real estate. For each class, a MIS manager may hold multiple separate investments managed by one or more third-party managers.</p>
Retail fund	An investment product offered by a MIS manager that pools money from retail investors to invest in a range of assets, including private assets. This includes KiwiSaver funds.

² Investment-grade private debt is out of scope, as the survey focused on assets that are unlikely to be traded on public markets.

2. Survey results: Composition and level of private asset investment

2.1. Overall trends in private asset investments

We identified several key trends from the survey responses.

Investment in private assets is part of a long-term strategy

Those fund managers who invest in private assets have been doing so for some time. Of the seven respondents who reported having some private asset investments, five have been investing in private assets for at least five years. This suggests that investment in private assets is part of a long-term investment strategy, rather than a reactive response to market conditions.

Investment in private assets is expected to continue growing

All seven respondents who invest in private assets stated they have engaged in at least one new investment within the last three years. Of these, six told us they are expecting to expand their private asset investments in the next three years.

Three respondents who currently do not have any private asset investments indicated they may start investing in or re-evaluate their approach to private assets within the next three years.

The remaining six respondents indicated no intention of including private assets in their portfolio, with three saying private assets do not align with their investment philosophy.

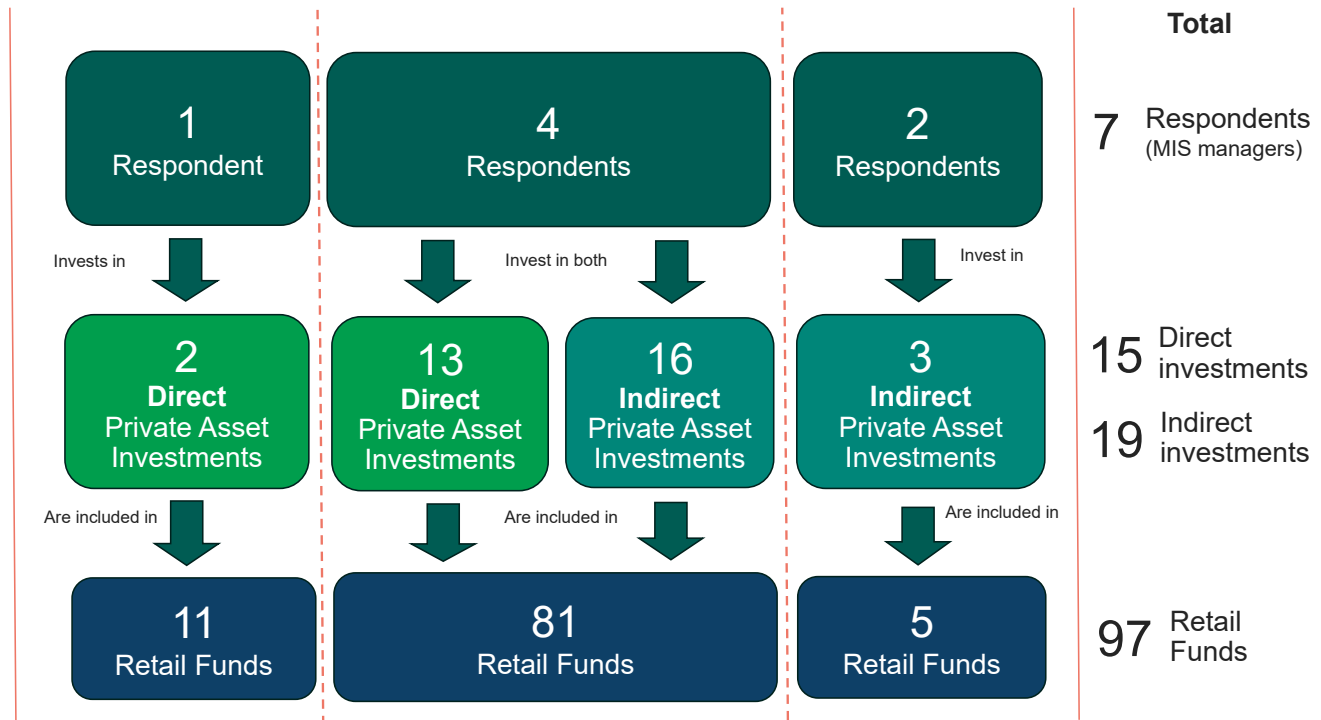
Overall, the increasing investment in private assets in New Zealand corresponds to international trends.

Most fund managers who hold private assets hold them both directly and indirectly

We observed two models of how managed funds gain exposure to private assets, either as a **direct investment** in the private assets, or through investment in assets managed by another (related or non-related) fund manager, i.e. **indirect investments**.

A little over half of respondents investing in private assets hold private asset investments both directly and indirectly. One respondent invests exclusively in direct private asset investments, and two invest exclusively in indirect private asset investments. Figure 2 below shows the number of direct and indirect private asset investments and how the 97 retail funds are distributed across each of these types of respondents.

Figure 2 – MIS private asset investment landscape

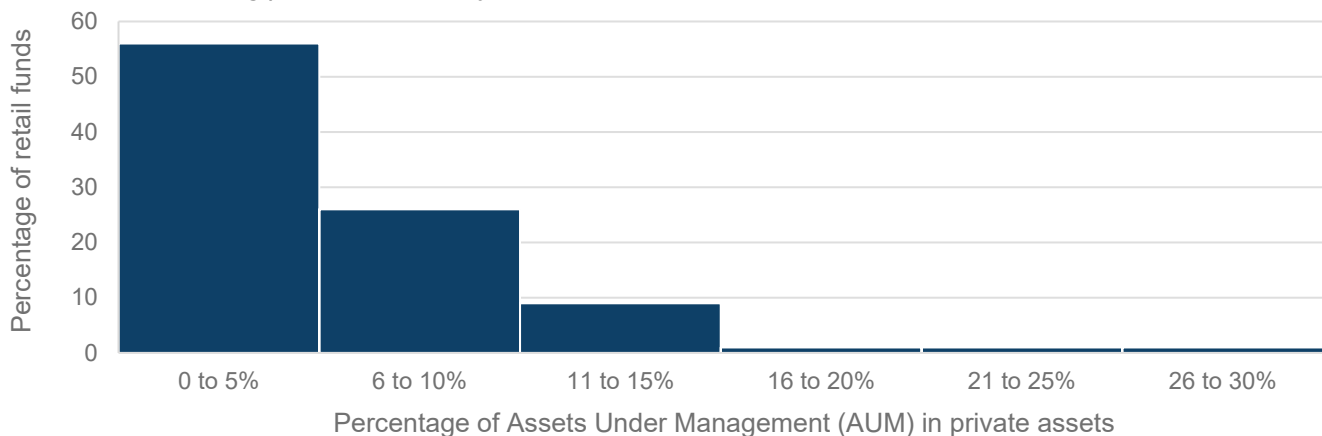


Source: FMA MIS Private Asset Valuations Survey

Private assets remain a relatively small part of most retail funds' asset portfolios. Across the seven respondents and 97 (disclosed) retail funds that invest in private assets, private assets make up an average of just under 8% of AUM. If the three funds that invest only in private assets are excluded, the average drops to just under 5%. For 82% of those funds that do invest in private assets, private assets account for less than 10% of the fund's AUM (Figure 3).

Figure 3 – Private asset investment as a percentage of retail funds' AUM

Excluding private assets-only funds



Source: FMA MIS Private Asset Valuations Survey

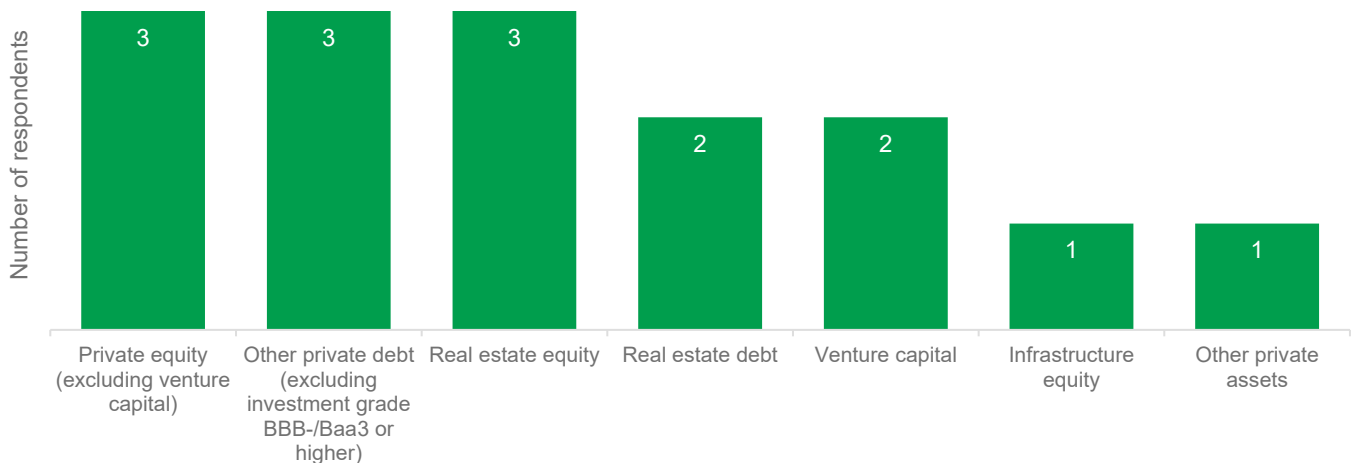
Direct investments are higher in value, but less common

Direct investments make up the majority of investment value, with respondents disclosing over \$1 billion in private assets, more than double the value of indirect investments, or third-party private assets. However, fewer respondents invest directly in private asset investments than indirect private asset investments (five compared with six – including four who hold both).

2.2. Directly held assets

Our survey identified that private equity (excluding venture capital), other private debt, and real estate equity are the most common directly held private asset investments (Figure 4). This is largely similar to other countries, such as the UK (Financial Conduct Authority, 2025). The survey also included an option for infrastructure debt, which no respondents reported holding any direct investment in. The respondent who selected 'other' clarified that these investments pertain to private debt that is classified above the investment grade specified in the 'other private debt' category.

Figure 4 – Private asset direct investments by respondent and class³

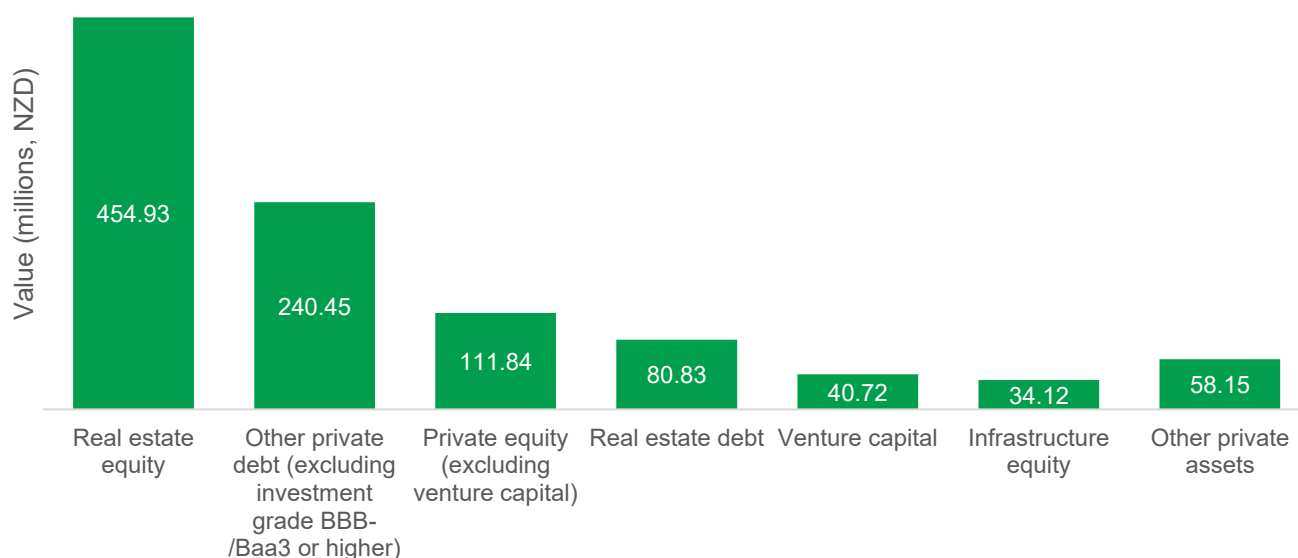


Source: FMA MIS Private Asset Valuations Survey.

³ For one of the real estate equity investments the reported value is missing, however we include it here for completeness.

Real estate equity is comfortably the largest investment in terms of value, with a cumulative total of over \$450 million in that asset class. Other private debt and private equity are the only other private asset classes with over \$100 million direct investment from the respondents (see Figure 5). As noted above, no respondents reported any direct investments in infrastructure debt.

Figure 5 – Private asset total direct investment value, by asset class

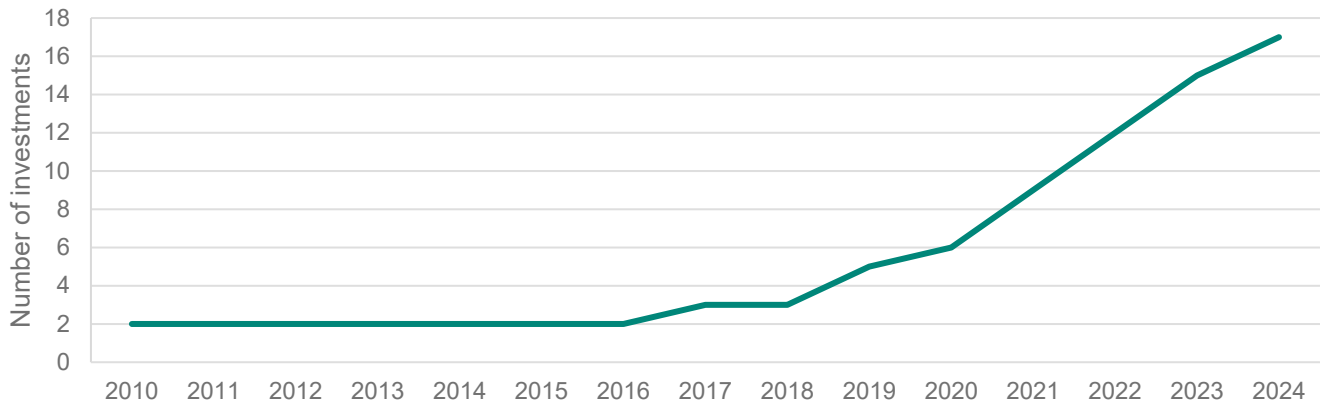


Source: FMA MIS Private Asset Valuations Survey

2.3. Indirectly held assets (third party)

Indirectly held private assets appear to be gaining more popularity as an investment option. As shown in Figure 6, aside from two investments in 2010, the majority of the current third-party private asset investments have been made since 2017. Since then, the total number of private asset investments has increased at an average of around two investments per year.

Figure 6 – Indirect investments in private asset, by start year⁴

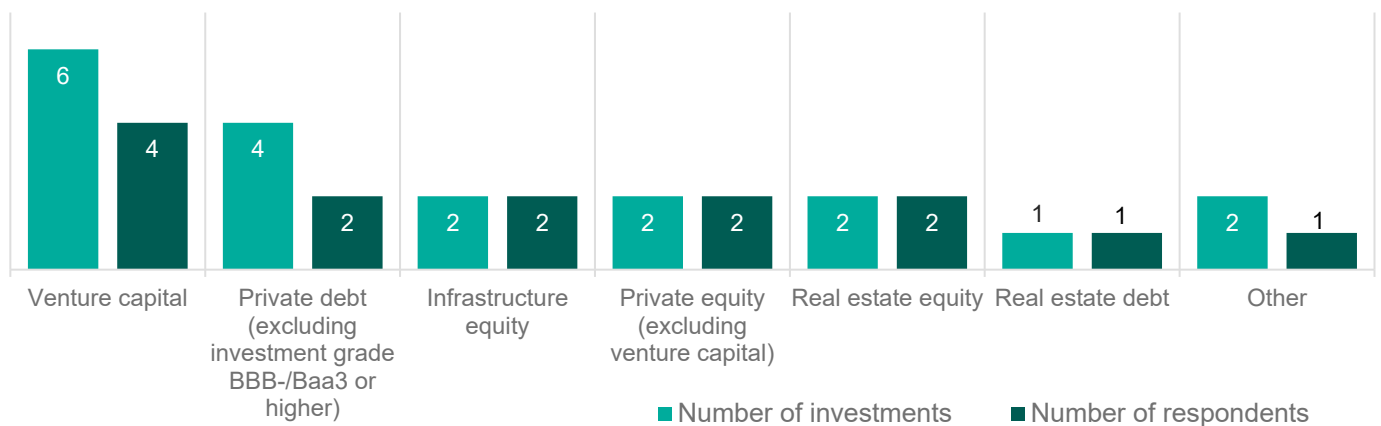


Source: FMA MIS Private Asset Valuations Survey

Our survey didn't explore why the number of investments in indirectly held private assets has increased, but we note these investments require a lower level of in-house resource for fund managers, as they rely on external specialist expertise. This trend of increasing investment in private assets is consistent with overseas trends.

The asset classes of indirect investments follow a different distribution to directly held investments. In this category, venture capital appears to have gained more traction recently and become the most popular investment type, with six different investments (five of which started in the past five years) across four respondents (Figure 7).

Figure 7 - Indirect private asset investments, by class

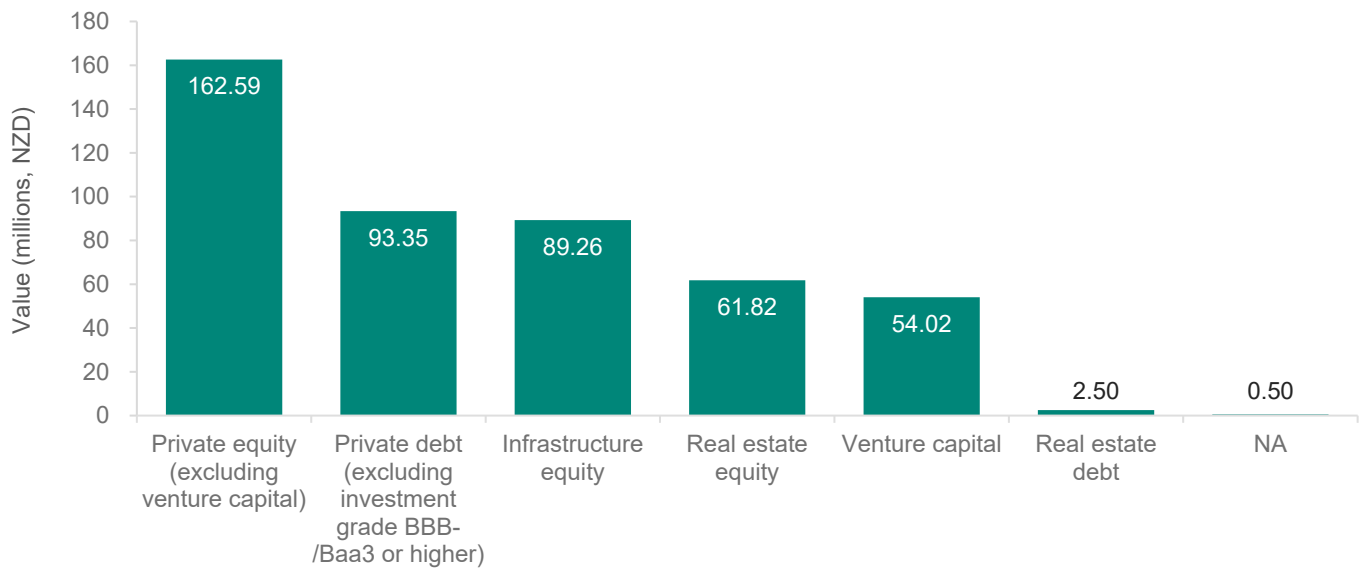


Source: FMA MIS Private Asset Valuations Survey

⁴ Two of the 19 indirectly held private asset investments disclosed in the survey did not have a specified date of initial investment, and are excluded from this Figure.

Despite only two investments reported across the sample, private equity is the largest indirectly held asset class by value invested (Figure 8). By contrast, venture capital, which has both the greatest number of investments and respondents, is only the fifth largest asset class, with an average investment value of just over \$9 million NZD.

Figure 8 – Total indirect investment value in private assets, by class



Source: FMA MIS Private Asset Valuations Survey

3. Survey results: Current valuation practices

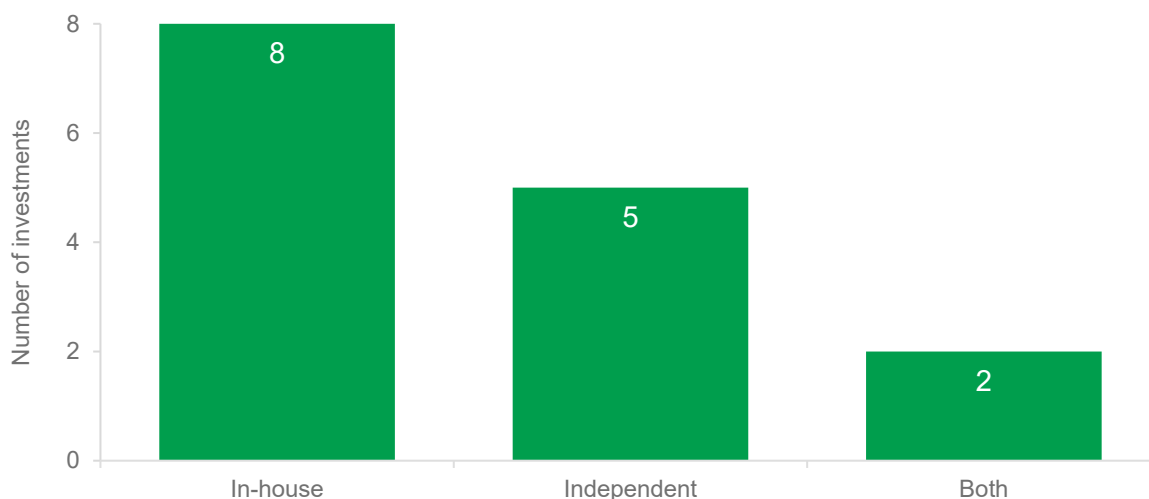
This section looks at what MIS managers told us about their private asset valuation practices, including methodology, frequency, governance and oversight processes, and conflict of interest identification and management. We discuss valuation practices for directly held assets and indirectly held assets separately, as investment arrangements for each are fundamentally different.

3.1. Directly held assets

Main valuer for directly held assets

Five MIS managers told us they directly hold investments in private assets, across 15 individual investments covering most of the asset classes. Of these, eight are valued by an in-house valuation team and five by an independent valuer, and two utilise both approaches (Figure 9).

Figure 9 – For each investment, who is the main valuer?



Source: FMA MIS Private Asset Valuations Survey

Benefits to relying on an in-house team only include greater control and lower cost per valuation. However, this approach increases risk of a valuation that differs from the actual value if the asset were disposed of. The risk from this approach needs to be carefully managed through a high level of procedural integrity, careful oversight, and management of conflicts of interest.

An independent valuer reduces the risk of a conflict of interest and may have specialist expertise in that particular asset. This allows for potentially more accurate valuations, although often costs more.

Using both independent and in-house valuations for directly held assets, rather than relying solely on in-house valuations, allows fund managers to cross-check results and increase valuation accuracy.

We note the Australian Securities and Investments Commission's (ASIC) recent recommendations in respect of private credit assets, for valuation to be either undertaken independently or reviewed independently on a quarterly basis (Australian Securities and Investments Commission, 2025). We were encouraged that seven of the 15 directly held private assets were valued or reviewed by independent valuers.

Valuation frequency for directly held assets

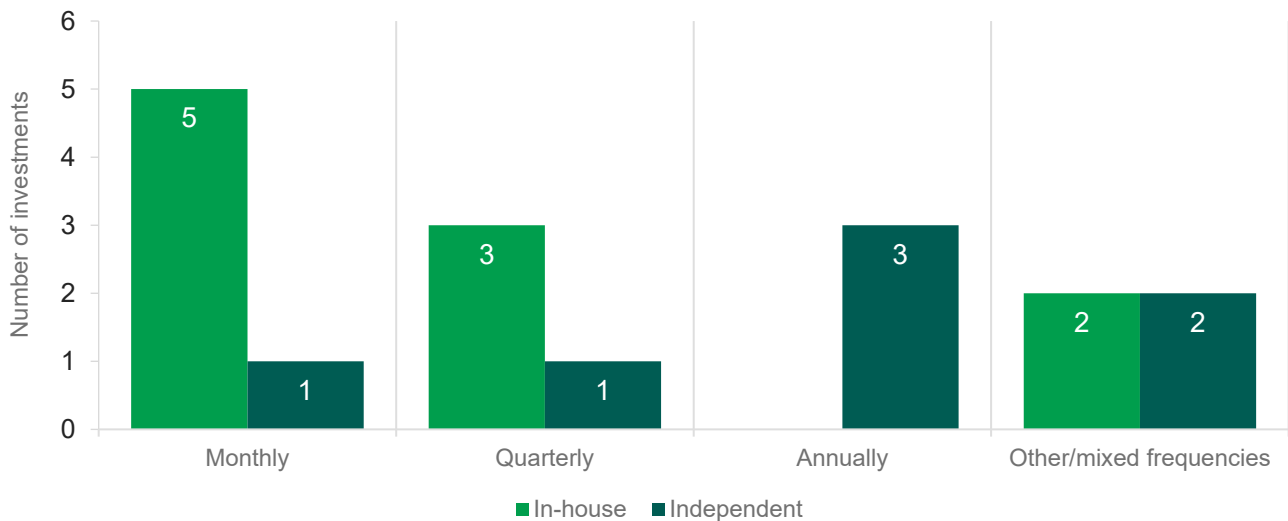
Valuation frequency was closely linked to who values the asset (Figure 10). MIS managers with in-house teams tend to value the assets monthly, while those using independent valuers receive much less frequent valuations, e.g. annually or quarterly. Three of the investments are valued independently on an annual basis.

Infrequent valuations create a risk of sudden changes to the fund's unit price

Infrequent valuations increase the risk of inequitable treatment for investors who trade the fund immediately before or after valuation. We note ASIC's recommendation in September 2025 that private credit asset valuations occur on at least a quarterly basis (Australian Securities and Investments Commission, 2025). The Financial Conduct Authority (FCA) also found that a quarterly cycle appears to be the industry standard for private asset investments in the UK (Financial Conduct Authority, 2025).

From our survey three investments are valued independently on an annual basis. This increases the risk of the stated value of the private asset being stale, especially towards the end of the valuation period.

Figure 10 – For each investment, how frequently is it valued?⁵



Source: FMA MIS Private Asset Valuations Survey

Lack of provision for out-of-cycle valuations

While we were encouraged to see most managers have provision for valuations to occur outside of the regular cycle, we are concerned that some managers lack this capability.

KiwiSaver funds need to provide daily unit pricing for transfer and withdrawal purposes. In periods of high volatility or in response to market events, the value of the private asset may change significantly. Fund managers need appropriate arrangements in place to implement mid-cycle adjustments to reflect the value of the fund's assets, for example where the asset's value materially changes between scheduled valuations.

Managers without provision for valuations to occur outside of the regular valuation cycle risk a disconnect between the private asset's actual value and the value reflected in the unit price of the fund. Investors may be buying or selling units of the fund at a price that does not reflect a reasonable value of the fund's assets.

Additionally, a lack of provision for out-of-cycle valuations undermines the manager's ability to undertake informed decision making – for example if further capital investment is sought.

Valuation methods for directly held assets

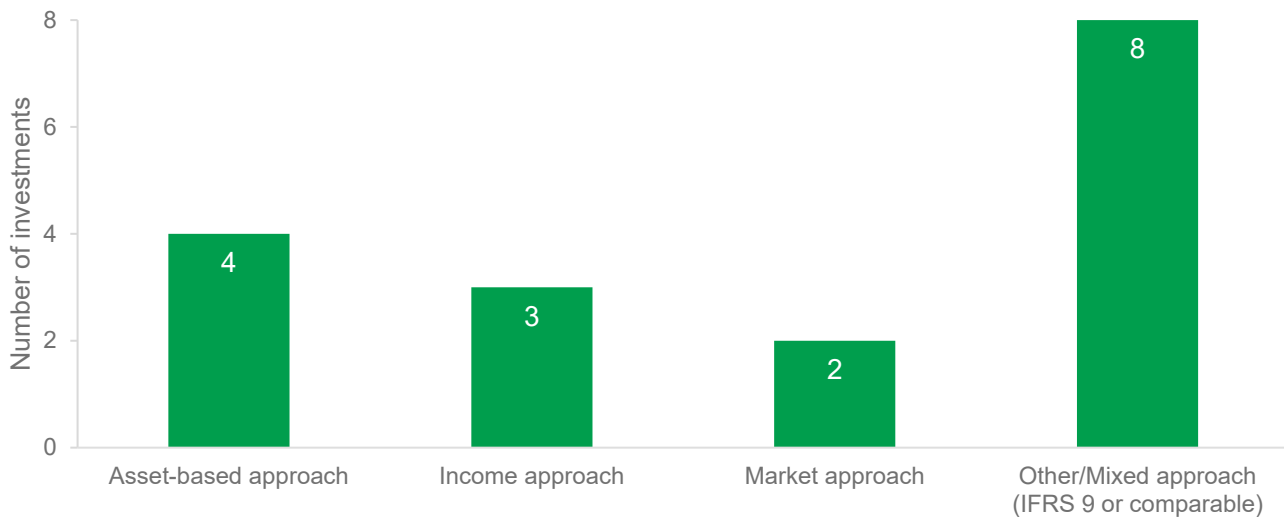
There are multiple approaches to valuing private investments. Examples include:

- Market approach, which uses recent transactions from comparable assets in the same market
- Income approach, which values assets based on the net present value of future cash flow
- Asset-based approach, which estimates the potential cost to replace the net assets

⁵ There are 17 frequencies reported for 15 investments as two investments are valued by both an in-house team and an independent valuer (Figure 10).

We observed that fund managers use different approaches. This was in line with our expectations, as each approach has its own advantages and limitations, and may work better for certain types of investments.

Figure 11 – For each investment, what is the main method used for valuation?⁶



Source: FMA MIS Private Asset Valuations Survey

Governance and oversight of directly held private assets

In addition to having sound valuation policies and methodologies, MIS managers also need good governance and oversight measures to ensure valuations are conducted correctly and independently.

We were encouraged that most survey respondents reported having these measures in place. Examples include:

- Clear separation of duties between those preparing the valuations and those approving them
- Mechanisms for managers to sense check the valuations provided (including inputs and assumptions)
- Direct oversight and approval of valuation methodology by investment committees and boards
- Regular audits by external auditors

Conflicts of interest in relation to directly held assets

Conflicts of interest can arise in the valuation of directly held private assets where the value feeds into the MIS manager's performance metrics. The specific type of conflicts may vary for different asset types. Due to the bespoke nature of private asset investment and the lack of readily available and easily verifiable

⁶ There are 17 methodologies reported for 15 investments as two investments are valued by both an in-house team and an independent valuer (Figure 11).

asset prices, we would expect MIS managers to promptly identify and carefully manage conflicts of interest as part of their processes.

In the context of private assets we consider there are two particular areas that can result in conflicts:

Conflicts involving key personnel

When asked to list potential conflicts of interest, all survey respondents highlighted the risk created by the involvement of key personnel in the investee fund or company, in the form of holding shares, being a director or serving as a consultant.

It is reassuring that all respondents had some policies in place to help manage this risk, either maintaining a conflict register for continuous disclosure, or excluding these personnel from valuation decision making altogether.

Conflicts resulting from connected fees and incentives

Conflicts of interest can also arise when management fees or staff performance incentives are tied to asset valuations rather than to the committed capital. This is a key risk for private asset investment, especially when asset valuation is done in house or by a related party. Only two managers identified this potential conflict and clearly explained how they manage it (e.g. by not tying performance to valuation, tight control of methods and assumptions used, and regular review and audit).

It is encouraging that for MIS managers who use independent valuers, they could clearly describe how these external parties are managing their conflicts of interest. This is important, as we expect MIS managers to be accountable for the robustness of the external asset valuation and how that impacts their portfolio.

3.2. Indirectly held assets (third party)

Legal arrangements

The most common legal arrangement for indirectly held, or third-party private asset investments is limited partnership (LP), followed by wholesale funds and 'fund of funds' (a managed fund that in turn invests in other managed funds that invest directly in private assets) (Figure 12). This is similar to other jurisdictions (Financial Conduct Authority, 2025).

From the survey we found private equity and venture capital investments are mostly structured as LPs while infrastructure equity, real estate equity and private debt investments are mostly structured as wholesale funds, or fund of funds.

Figure 12 – For each indirectly held investment, what is the legal arrangement?⁷



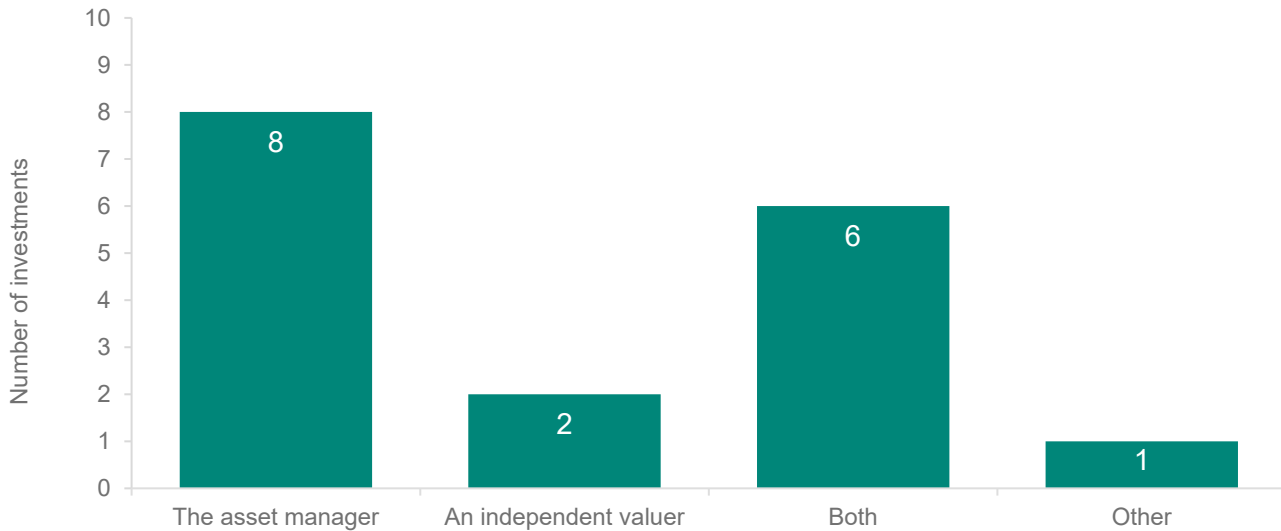
Source: FMA MIS Private Asset Valuations Survey

Valuation method for indirectly held private assets

For indirectly held investments, the external manager or an independent valuer is often responsible for providing the valuation of the private assets (Figure 13). Most MIS managers do not establish their own valuation policies and accept the valuation from the third-party manager. Therefore, they often have limited influence over the methods, assumptions and variables used in the asset valuations.

⁷ For two investments, the respondents did not specify the legal arrangement, so they are excluded from this figure.

Figure 13 – For each indirectly held investment, who is responsible for conducting the valuation?⁸



Source: FMA MIS Private Asset Valuations Survey

It is reassuring to observe that most survey respondents have asset valuation methodology (and its suitability for the asset class) as an important consideration when undertaking due diligence. MIS managers told us they usually review certain criteria before entering an investment. These include:

- suitability of the valuation methodology for the asset type
- whether internationally recognised guidelines are followed (e.g. IPEV)
- how the third-party manager makes sure that asset valuations are comprehensive.

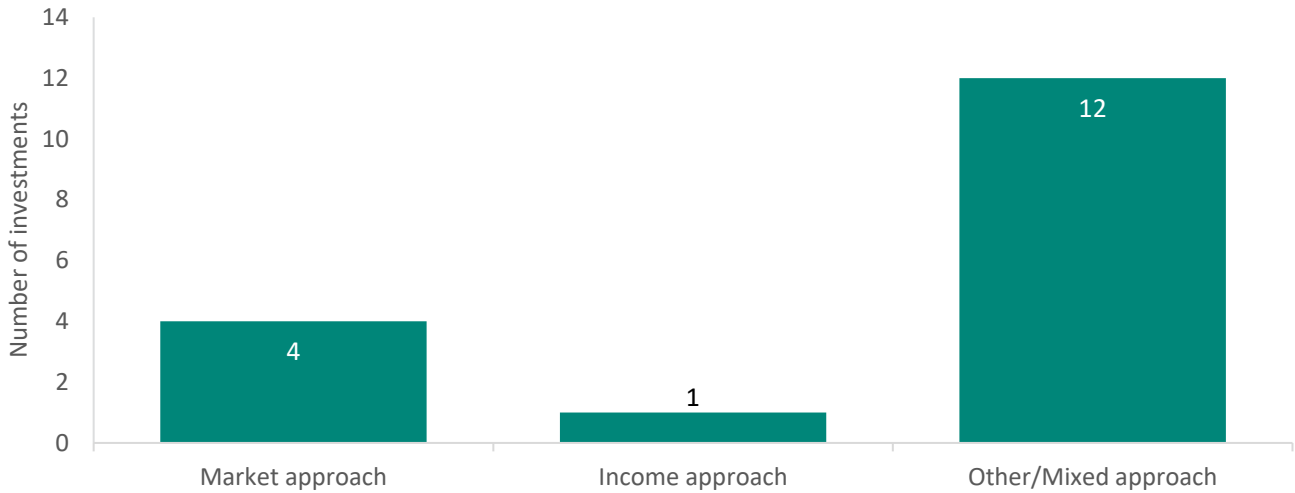
For example, they might consider whether the third-party manager allows for frequent cross-checks of internal valuations by independent valuers.

For 12 of the 17 investments, the MIS manager told us that a combination of valuation methodologies is used by the third-party manager (Figure 14). For those that are only valued by a single methodology, it does appear to be the most suitable method for the asset type, e.g. market approach for venture capital/private equity, income approach (yield accrual) for real estate. For 14 out of 19 investments, the MIS manager could tell us the internationally recognised valuation guidelines followed by the third-party manager.

However, for five indirectly held investments the MIS manager told us they do not have good visibility of the inputs and assumptions used by the valuer (Figure 15). This may indicate a risk that indirectly held assets are not valued in line with best practice, especially if the assets are valued by the third-party manager only, without additional independent validation.

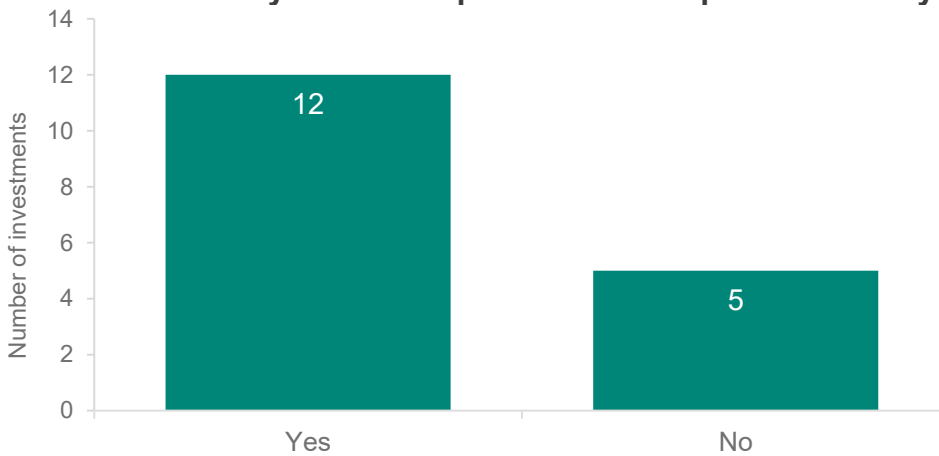
⁸ For two investments, the respondents did not specify the valuer, so they are excluded from this Figure.

Figure 14 – For each indirectly held investment, what methodology is used for valuation?⁹



Source: FMA MIS Private Asset Valuations Survey

Figure 15 – For each indirectly held investment, do you (as the MIS manager) have visibility over the inputs and assumptions made by the third-party manager?¹⁰



Source: FMA MIS Private Asset Valuations Survey

⁹ For two investments, the respondents did not specify the methodology used, so they are excluded from this Figure.

¹⁰ For two investments, the respondents did not respond to this question, so they are excluded from this Figure.

Valuation frequency for indirectly held private assets

We noted significant variation in the frequency of indirectly held asset valuations, but quarterly was the most common. Similar to directly held assets, we identified two potential risks in this area:

Lack of provision for out-of-cycle valuations

As noted earlier, KiwiSaver funds need to provide daily unit pricing for transfer and withdrawal purposes. Consequently, fund managers need appropriate arrangements in place to implement mid-cycle adjustments to reflect the value of the fund's assets.

MIS managers were able to discuss the types of events that may trigger an out-of-cycle valuation or at least an internal review. These include market events such as the pandemic or the recent changes in the US tariff policies, sector-specific events such as natural disasters, and underlying asset-specific events such as a start-up company failing to close a funding round or a commercial property having a rent review.

However, we noted that only four out of six MIS managers with third-party holdings formally incorporated out-of-cycle valuations into their policies. In addition, only three have good visibility of the triggers (quantitative or qualitative) that the external manager may use, and only two can request an out-of-cycle valuation. These factors increase the risk of stale valuations and inequitable treatment for investors trading in and out of the funds.

Infrequent valuations create a risk of sudden changes to the fund's unit price

As noted earlier, an annual valuation frequency increases the risk of the valuation becoming stale, especially during periods of high volatility or when significant market events occur. This could lead to inequitable treatment for investors who trade on the fund's unit price immediately before or after valuation.

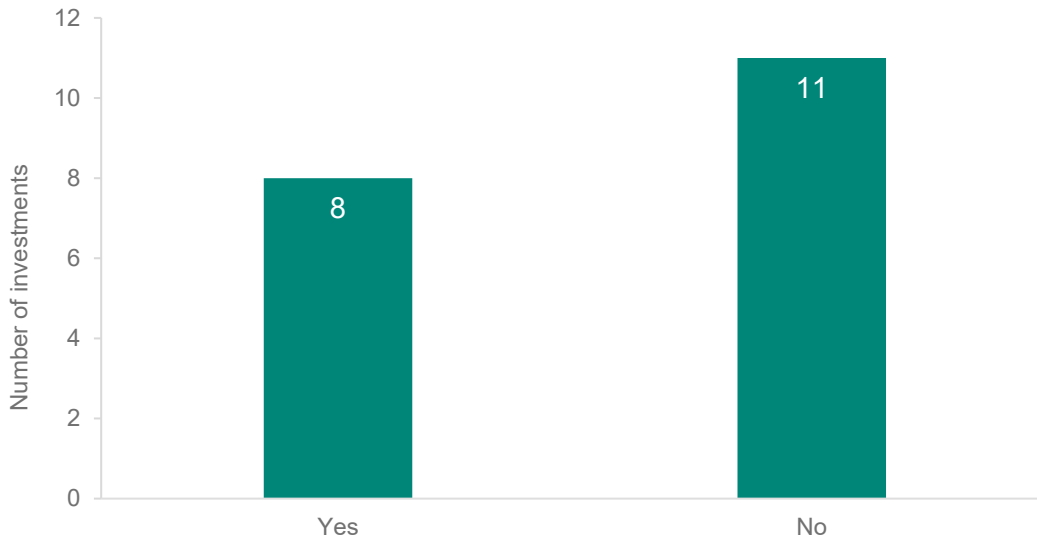
We observed that all investments are being valued at least annually. In some cases, particularly for commercial real estate equity, third-party managers adopt a mixed approach in which baseline valuation is established annually but adjusted monthly as regular income (e.g. rents) changes. This was expected given the complexity of private asset valuations and is consistent with practices in other jurisdictions, e.g. the United Kingdom (Financial Conduct Authority, 2025).

Governance and oversight of indirectly held assets

Indirectly held private asset investments are either closed-ended or open-ended funds. In our sample, eight investments are open-ended and 11 are closed-ended (Figure 16).

In terms of asset valuation, an open-ended fund carries more risk and uncertainty to investors as subscription and redemption are both based on book values rather than transactional prices. Therefore, with open-ended funds we would expect a higher degree of independence and oversight from MIS managers, especially if the external manager is a related third-party.

Figure 16 – For each indirectly held investment, is it under an open-ended/evergreen arrangement?



Source: FMA MIS Private Asset Valuations Survey

From our survey, we were pleased to see fund managers who indirectly invest in private assets employing a range of good governance practices to reduce risks for valuations. For example:

- For all investments except one, there is an investor committee (limited partner advisory committee in the case of LP agreements) or a shareholder representative group (for wholesale arrangements) that oversees the management and decision-making process.
- All six respondents with indirectly held private asset investments told us they have processes in place to test the reasonableness of the valuations third-party managers give to them.
- All respondents except one told us they can seek additional information on valuations provided and have done so.
- Some fund managers had valuation or investment committees to oversee the valuation process for complex private assets.
- Respondents told us that third-party managers usually need to consult and seek approval from them before changing the valuation approach, including methodology and inputs.
- Fund manager boards receive regular reports and updates on asset performance and valuation decisions.

Conflicts of interest for indirectly held private assets

For assets managed by a non-related third party, conflicts of interest may arise when staff members who are involved in the valuation process have a personal interest, e.g. a directorship position, in the investee company/partnership/fund. This risk is more prominent for private asset investments due to the relatively

small size of the New Zealand market and small number of private asset valuation experts. Therefore, it was good to see that all MIS managers surveyed have a conflict of interest policy in place to manage this risk, which includes provision to exclude conflicted individuals from the valuation decision making, or disclosure using conflict registers.

Assets managed by a third party related to the manager present greater risk of conflicts of interest, and these risks require careful management. MIS managers we surveyed appear to have made efforts to identify and manage conflicts of interest arising at the time related party transactions were made, citing the related party certificates that are provided in consultation with their supervisors and in accordance with the Financial Markets Conduct Act 2013.

Communication to investors

Transparency to investors matters. Only three of the six MIS managers with an indirectly held private asset investment told us they regularly communicate with their investors regarding private asset performance and valuation, and how they deal with conflicts of interest.

As MIS managers expand on their private asset holdings and more customers gain exposure, more regular communication to investors will be appropriate, given the opaque and illiquid nature of private assets. When possible, ad hoc communications during periods of high volatility could also be useful.

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