Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

VIA ELECTRONIC MAIL: rule-comments@sec.gov

April 25, 2022

Re: **File No. S7-03-22** Private Fund Advisers, Documentation of Registered Investment Adviser Compliance Reviews

Dear Ms. Countryman,
Colmore, a Preqin company, welcomes the opportunity to respond to the SEC's request for comments on **Release Nos. IA-5955; File No. S7-03-22**, (the "Release") proposing new rules under the Investment Advisers Act of 1940 (the "Advisers Act" or the "Act").

Colmore is a service provider to Limited Partners (LPs). We collect data quarterly on over 5,000 General Partners, for performance & fee (both management and performance fees) related services. The breath of data that we capture, and the analysis we perform on behalf of our clients, enables us to comment from a data-based lens of what we see in practice in the industry. Hence, through our response, we hope to provide some empirical based perspectives utilizing the aggregated and anonymized data collected through the course of our services, with a specific focus on the fee data we capture through our FAIR – Fee Validation program.

Given the depth of the fee data we capture, we have focused our responses on questions proposed by the Commission in sections II.A.1 ("Fee and Expense Disclosure"), II.A.2 ("Performance Disclosure"), and II.A.3 ("Preparation and Distribution of Quarterly Statements") of the Release.

Colmore is in favor of all proposals put forward by the Commission in sections II.A.1 ("Fee and Expense Disclosure"), II.A.2 ("Performance Disclosure"), and II.A.3 ("Preparation and Distribution of Quarterly Statements") of the Release and they address many of the concerns raised by our LP clients. However, we feel that some of the proposals could be expanded in scope to provide investors with further clarity around the performance of the fund and the investor-specific fees being charged.

Our subsequent comment will focus on (1) the proposed 45-day rule, (2) investor specific fee information, (3) performance reporting & impact of subscription lines, and (4) the definition of portfolio investment.

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1. 45-day Rule

SEC: The proposed rule would require advisers to distribute the quarterly statement within 45 days of a calendar quarter end. Is this period too long or too short for an adviser to prepare the quarterly statement while also ensuring timely delivery to investors?

Colmore response: While we believe that a 45 day limit may be achievable by many of the GPs, if we look at the 1,200 + funds that Colmore provides fee validation analysis we find approximately half of all GP's have provisions within the legal documents to provide this information to their investors within 45

days of receipt, additionally another 43% are required to produce the documents within 60 days. Please refer to Table 1 for additional information, based on our own data

As such, while a fixed deadline to provide the necessary reporting information to investors is something Colmore believes will be beneficial to investors, we believe a timeframe of 60 days would be a more realistic request from fund managers and advisors.

Table 1: Interim (non-audited) delivery deadlines as per Limited Partnership Agreements[1]

Delivery Time Frame	No. Funds	% of Funds
30-45 days	589	49%
46-60 days	516	43%
60-90 days	89	7%
91 days +	14	1%

Should the rule allow different distribution timelines for different types of private funds (e.g., fund of funds, master feeder funds)? If so, why (e.g., do certain types of funds value assets more frequently than other types)?

While 45 days should give sufficient timing for most advisors to provide this documentation, certain advisors may have legitimate rationale for not being able to meet the 45-day turnaround. Specifically, advisors and fund managers who run Fund of Fund and Secondaries funds will be unable to meet these requirements, as these fund managers are reliant on disclosures provided by other fund managers targeted by the 45-day rule. Below we have summarized the specific requirements of Fund of Funds and Secondaries and why we believe they should be entitled to by given an additional two weeks to provide the necessary disclosures.

Fund of Funds (FoF) & Secondaries

- Fund structures in which LPs invest into aggregator funds, this money is then pooled amongst all LPs. The FoF GPs then use pooled resource to invest in direct investment funds.
- For FoF to provide reporting to their LPs, they will need the information from the direct investment funds, before being able to produce their reporting.
- Additional time will need to be provided to allow FoF to complete reports once all required information has been received from underlying funds.
- The European Union's Directive 2011/61/EU Chapter 4 – Transparency Requirements, commonly referred to as AIFMD Annex IV reporting requirements, allows FoF managers an additional 14 days to provide financial disclosures to FoFs.

Fund of Funds Reach

- Between 2011 and 2021, a total of 1,793 Fund of Funds raised capital. Overall, these funds raised $680bn, accounting for 6.7% of all capital raised in private markets during that period.

Secondaries Reach

- Between 2011 and 2021, a total of 417 Secondaries Funds raised capital. Overall, these funds raised $379bn, accounting for 3.7% of all capital raised in private markets during that period.

[1] Source: Colmore Database of Legal Terms

Table 2: Size of FoF and Secondaries funds compared to all Private Market[2]

	No. Funds	% of Funds	Cap ($billion)	% of Cap
FoF	1,793	5.3%	$680	6.7%
Secondaries	417	1.2%	$379	3.7%
Combined	***2,210***	***6.5%***	***$1,059***	***10.4%***
All	33,897	100%	$10,152	100%

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2. Investor Specific Fee Information

SEC: Should we instead require advisers to provide investors with personalized information that considers the investors' individual ownership stake in the fund in addition to, or in lieu of, a statement covering the private fund?

Should we require advisers to disclose all compensation and fund expenses as proposed?

Colmore response: Investor specific reporting should be a requirement. As highlighted in the proposals, many funds provide different investor specific rates:

- **Management fee structure:** Funds often tier the fees charged to investors, based on the amount committed to the fund, i.e. those LPs with larger commitments get lower rates.
- **Partnership expenses**: Expenses charged to the fund, and that are outside of the scope of those covered by management fees, such as reporting costs, tax, and compliance support etc. While typically charged on a pro-rata basis, partnership expenses may differ between investors; e.g. a Limited Partner may request additional non-standard reporting which bears an additional cost to the fund. Additionally, when funds commence, initial expenses are front-loaded to initial investors, with later investors paying higher sums when they invest, to compensate the early investors of the fund (commonly termed 'Equalization').
- **Different share types:** Funds may offer investors different classes of shares. For example, one well-known global fund manager allows an A and B class share type, in which, amongst other things, the LPs can choose to select an A class share that offers a lower management fee rate, but a higher amount of carry, whereas Class B would pay higher management fees but lower carry.
- **Opt-out investments**: Some advisors allow for investors in their funds to opt out of particular investments. These are typically for legitimate reasons such as ESG investment restrictions put in place by the LP. In most cases, expenses associated with investments that a given LP has opted out of will not be charged fees related to that specific investment.

Therefore, in each instance, simply providing fund level data will not allow the LP to accurately identify their costs and could give rise to them inferring incorrect information from the financials they receive. In summary, Colmore believes that advisers should be required to provide investors with personalized information, as well as disclosing all relevant compensation and fund expenses.

[2] Source: Preqin Pro – Private Capital Fund Raising

SEC: If so, what information should be included in the personalized disclosure? For example, should the statement reflect specific fee arrangements, including any offsets or waivers applicable only to the investors receiving the statement? Do advisers currently provide personalized fee, expense, and performance disclosures?

Colmore response: We believe that a detailed breakdown of investor specific disclosures is very important. Through the course of our fee validation services, we have identified errors in excess of $20 million for clients. Errors range from as low as $10,000, to over $4 million in some occurrences. Without the investor level of disclosure, we are currently only able to capture errors through fee templates and investor specific schedules. LPs would find it difficult to independently validate the fees, incentive allocations and expenses they are charged.

For personalized disclosure, we would recommend that the following information should be included: Fees specifically paid by a given LP – whether they be a cash payment, an accrual, or a payment in-kind from the operating income for the fund. This would include a breakdown of:

- **Management fees**
- **Management fee offsets**: At an investor level – monitoring/Directors/placement fees. etc.
- **Management fee offsets**: Amount received by the fund – while the offsets are often displayed in either the financials or capital account statements, the amounts the fund received is not. This makes validating the offsets that have been correctly applied – based solely on the information the GP provided – impossible.
- **Organization expenses**: Costs charged back to the fund in relation to fund set-up.
- **Carried interest/Incentive allocation**
- **Cost basis for management fees, including breakdown**: Outside of the investment period, management fees are typically charged on a remaining cost basis of underlying investments. However, the financials and the quarterly report often do not contain the relevant fee basis information for LPs to be able to do their own fee validation.
- **Partnership expenses charged to the fund broken down by category**: The below list is an example of the type of fees that could be charged to the fund, but is not an exhaustive list:
    - Travel expenses
    - Placement fees
    - Legal costs
    - Interest expense
    - Bank charges
    - Administration + back-office fees
    - IT expenditure
    - Consultant fees
    - Audit fees

The preparation and disclosure of fee information provided separately to the quarterly financials is quite common within the industry. Amongst funds analyzed by Colmore, approximately 42% of all funds provide such disclosures. This does not vary significantly amongst asset classes.

Table 3: Fee Disclosure template provided by Funds split by Asset Type[3]

Asset Type	Fee Template	Standard Financials	%
PE/Venture Capital	163	219	42.7%
Other*	88	134	39.6%
Total	249	350	41.6%

*Excluding Hedge Funds

Additionally, since the introduction of the ILPA Fee Template in 2016, and a greater emphasis on private market fees since the SEC's "Spreading Sunshine in Private Equity" Speech in 2014, the number of funds providing additional fee disclosures has increased significantly. For example, many GPs have provided fee disclosure reporting for funds with a vintage prior to 2016.

Fee Template uptake by Vintage Year[4]

Vintage	% Fee templates received per vintage	% Fee templates received up to stated vintage
2010 and Prior	18.2%	18.2%
2011	27.3%	19.2%
2012	45.7%	22.9%
2013	52.8%	26.7%
2014	53.8%	29.9%
2015	55.6%	31.9%
2016	35.1%	32.2%
2017	58.5%	34.7%
2018	58.5%	36.8%
2019	66.7%	39.9%
2020	55.0%	41.4%
2021	53.3%	41.6%

[3 & 4] Cross section of Colmore data taken from FAIR Fee Validation product line for clients who request tracking of types of fee disclosure

SEC: Instead of the proposed approach, should we prescribe a template for the fund table?

Colmore response: Yes, a standardized format that is completed in a prescribed manner would allow investors to perform a more accurate comparison between funds, and therefore better understand of the fees they are charged.

Providing a detailed breakdown of investor specific and fund/partnership level would allow investors to accurately gauge the fees that they are paying, while also allowing them to undertake higher level validation that the fees they are being charged are in line with other LPs.

To make the output concise and therefore most beneficial to investors, separate templates would be needed for different asset classes. For example, the charges applied by an open-ended real estate fund will differ substantially from those of a VC fund.

SEC: Would a template necessitate repeated updating as the industry evolves?

Colmore response: Yes, but changes should be small and perhaps requiring an annual review.

SEC: Should we permit advisers to exclude expenses from the quarterly statement if they are below a certain threshold?

Colmore response: Yes, but for nominal amounts only. Reporting in the $ thousands is common and we believe this should be allowed to continue.

SEC: Do they automate such disclosures? How expensive and complex would it be for advisers to create and deliver personalized disclosures?

Colmore response: This depends on the GP. According to Colmore's analysis, 41.6% of funds under review provide templates that include several of the fees broken down as provided below. This should be neither expensive nor complex. For GPs to be able to charge/assign relevant fees when producing their accounts, they will need to know what expenses a given LP will pay. Providing a personalized disclosure should act as an additional check to GPs to ensure costs have been allocated correctly.

Fee Template uptake Pre and Post 2010[5]

Period	No. of Funds not providing additional Fee Disclosure	No. of Funds providing additional Fee Disclosure	% of Funds in which Template is provided
2010 & prior	158	34	17.7%
2011 & after	192	215	52.8%
Total	350	249	41.6%

[5] Cross section of Colmore data taken from FAIR Fee Validation product line for clients who request tracking of types of fee disclosure.

3. Performance Reporting & Impact of Subscription Lines

SEC: Are the proposed performance metrics appropriate? Why or why not? We recognize that advisers often utilize different performance metrics for different funds. Should we add any other metrics to the proposed rule?

Similarly, should we prohibit certain types of private fund performance information in the quarterly statement? For example, should we prohibit advisers from presenting performance with the impact of fund-level subscription facilities?

Colmore response: We do not think banning performance data accounting for the impact of credit lines would be beneficial. The IRR most reflective of the LP's own cash flows (CFs) would show a net IRR, with CFs relating to credit lines only being included when the money is called from the GP to pay down the credit lines. It is important for the LP to be comfortable with the GP reported numbers when comparing to their own data.

We agree with the proposals that these values should be shown and would recommend the following values being displayed:

IRR/MOIC Fund Performance

- **Gross IRR portfolio assumes no credit lines***:* A combined performance of all underlying companies, assuming that the cash flows were paid into the companies on the date that the credit line is drawn.
- **Gross IRR with credit line***:* Combined performance of all underlying companies, assuming CFs are made on the day in which money is called from investors.
- **Net IRR***:* Performance figures that reflect an individual investors performance based on their CFs, and specifically the date money was called from/paid by the LPs, net off all fees, incentive allocation and carry.
- **Net IRR without subline***:* As above but not reflecting the impact of a subscription line.
- **MOIC***:* We believe should be reported as Gross MOIC with credit line, Gross MOIC without credit line, Net MOIC with credit line, NET MOIC without credit line.

Included in their third edition of Private Equity Principles (2020), ILPA recommended the following performance disclosures in relation to credit lines and their impact on performance:

Quarterly and annual reporting should include a schedule of fund-level leverage, including commitments and outstanding balances on subscription financing lines or any other credit facilities in use by the fund.

During fundraising and included in regular reporting over the life of the fund, LPs should be provided with performance information, i.e., IRR and TVPI or MOIC figures, with and without the use of such facilities in order to inform performance comparisons[6].

[6] Source: https://ilpa.org/ilpa-principles/ – ILPA Principles 2020

Problems with Definitions/Treatment

MOIC

Despite agreement on the types of reporting GP's provide there are questions relating to the specifics of how some of these values should be calculated. Referring to 275.211(h)(1)-1: Multiple on Invested Capital MOIC is defined as

Multiple of invested capital means, as of the end of the applicable calendar quarter:
(i) The sum of:
(A) The unrealized value of the illiquid fund; and
(B) The value of all distributions made by the illiquid fund.
(ii) Divided by the total capital contributed to the illiquid fund by its investors.

While the calculation is universally accepted, particular nuance is required when looking classification of money returned to investors, specifically recallable and recyclable capital.

Recallable Capital – Refers to distributions made by the GP of a given fund, in which the GP states that some or all of the distribution can be recalled at a later date.

Recyclable Capital – Refers to money received from the GP from the underlying companies, either from a realization or income/dividend/interest received through the course of business, that is not distributed to investors but is instead used to either fund further investments or cover fund expenses such as management fees.

When a GP is reporting on their fund performance it is at their discretion as to how distributions subsequently recalled by the GP's are treated. If the GP chooses to treat the recalled distribution as a negative call, therefore reducing both the numerator and the denominator as per the definition in 275.211(h)(1)-1, then the Multiple will be higher than if the GP treats the recallable distribution as a distribution and the call of the recallable capital as a separate call.

The below example, adjusted from an example the Global Investment Performance Standards (GIPS) had provided to the ILPA, shows three scenarios:

1) **No Recallable distributions** – The 1st May 2013 distribution is returned to investors and not subsequently called by the GP.
2) **Recallable Distribution and subsequent recall of capital** – In the 1st May 2013 distribution the GP returns $12.5m to investors but classes the distribution as recallable and on 1st April 2014 recalls $10m of the $12.5m
3) **Recallable Distribution treated as a reduction in called and distributed amount -** The GP only returns $2.5m and instead re-invests the other $10m

For simplicity, in scenarios 2 and 3 the $10m called/withheld from the investors is treated as residual NAV as of the 1st November 2018. As you can see from the table below the MOIC in scenario 3 is significantly higher than in scenario two despite the overall net return being the same in both scenarios.

Date	No Recallable distributions	Recallable Distribution and subsequent recall of capital	Recallable Distribution treated as a reduction in called and distributed amount	
8/1/2010	($28,500,000)	($28,500,000)	($28,500,000)	
7/1/2011	($11,500,000)	($11,500,000)	($11,500,000)	
6/1/2012	($10,000,000)	($10,000,000)	($10,000,000)	
5/1/2013	$12,500,000	$12,500,000	$2,500,000	
4/1/2014	$0	($10,000,000)	$0	($10,000,000)
7/1/2014	$42,750,000	$42,750,000	$42,750,000	
10/1/2015	$20,125,000	$20,125,000	$20,125,000	
12/1/2017	$20,000,000	$20,000,000	$20,000,000	
11/1/2018	$0	$10,000,000	$10,000,000	
IRR	**17.3%**	**15.6%**	**15.1%**	
MOIC	**1.91**	**1.59**	**1.91**	
Distributions	**95,375,000**	**95,375,000**	**95,375,000**	
Remaining NAV	**-**	**10,000,000**	**10,000,000**	
PIC	**50,000,000**	**60,000,000**	**50,000,000**	

While the treatment provided by the GP in scenario three inflates the investment multiple, a potentially larger risk is how this may affect the treatment of carried interest/incentive allocation. While most closed ended private market funds use a time-weighted return (IRR) when defining the return hurdle required before the Fund Manager can share in the fund's profits, Colmore, through its fee validation program, has seen an increase in premium hurdles. Premium hurdles refer to a second target for the fund manager to reach, which if met allows them to take a larger share of the fund's profits e.g., if the fund meets the first hurdle, they are entitled to 20% of gains if the fund meets the premium hurdle they are entitled to 30% of the funds gains.

Unlike the initial hurdle which, as mentioned above, typically takes the form of an IRR, Premium hurdles are much more likely to use a Multiple basis e.g., 20% Carry if the fund hits an 8% IRR and 30% carry is the fund in addition to hitting and 8% IRR returns 3x of capital paid in for their investors. In these events the GP may be incentivized to reduce both the called and distributed amount and therefore increase the MOIC/DPI

While it may seem unreasonable to treat any returns to investors as anything other than distributions, again there is nuance that could mean that the GP's treatment is acceptable. Below we have defined a number of different scenarios:

Return of Unused Capital: In this scenario the GP is returning money to investors that had originally been called to fund an investment, but either the investment opportunity had fallen through, or the cost of purchase had been less than expected and subsequently there was money left to return to the investors. In this scenario we believe the GP would be acting in good faith by treating this return as either.

Bridging Loan: When calling capital from a fund's investors the fund manager may signal that this money is to be used as a bridging loan with the money to be returned to the fund and subsequently to the fund's investors within a short time frame, typically between three months and two years. Again, in this scenario, especially if the money is returned within 12 months, it would not be unreasonable to treat the

return of the initial capital to the investors, though to be clear not any of the gain/interest received, as a reduction in the amount called.

Recycled income/proceeds: The GP may choose to recycle income/dividends/interest received from the fund's underlying investments to cover fund expenses or management fees, rather than having to call money from the investors to fund such expenses. This is extremely common in the industry and LP's often prefer GP's acting in this way, as it reduces the admin burden of funding calls and allocating distributed funds.

Funds returned to investors early in the fund's life cycle – A GP may choose to exit an investment very early in a fund, especially if they receive an offer significantly above their acquisition price. In some rare instances this can even be before the fund has completed its final close.

While Colmore is not taking a view on the particular merits of each scenario, we do believe a general standard that outlines how the most common scenarios should be treated by GP's would benefit LP's by allowing them to have confidence in the reporting figures shown by GP's. We do believe that when looking at classifications of monies returned to investors that the below factors would have the largest baring:

- Original purpose of the called monies and how this was communicated by the GP to the fund's investors
- Length of time for which the GP had held the money
- The source of the money being paid back to the investors e.g., unused capital, underling investment income, realization proceeds etc.
- The classification of the returns - specifically money being returned to investors should only ever reduce the "called" up to the amount of the original call, gains or interest from an investment should never impact anything other than the funds P&L.

Various types of Subscription Lines and their treatment

While a requirement of making GP's provide performance excluding the impact of credit lines is certainly welcome, the commission may want to consider the purpose of such credit lines when deciding on what should be included in performance reporting.

Short Term Credit Lines – These credit lines are typically used by fund managers to smooth the cash flows of their investors are seen as a benefit to LPs and additional reporting required due to their use may be counterproductive. Below we have briefly summarized why such lines could be exempted from such reporting requirements:

- The credit lines are used to cover the day-to-day cost of running the fund and limits the needs of GP's to call money from investors more than once a quarter, reducing an administration burden on the investors.
- They also can help LPs with their liquidity planning, short term credit lines can allow GP's to give investors greater foresight as to when money will need to be called.
- Due to their short time frame and limited size, the impact on performance would be minimal.
- The burden of producing additional reporting short term credit lines will cause and potential costs associated with changes required to accounting/reporting software/services to capture the specifics of credit line use and produce the additional requisite reporting may encourage GP's to stop their use all together. LPs would then be required to bear the additional admin costs of an

increase of calls and distributions during a given quarter and the uncertainty of the timing of these cash flow.

Longer Term Credit Lines – While having benefits to investors, these credit lines are more likely to impact fund/investment performance than short term credit lines. This is of particular importance to funds that use time weighted return measures when determining compensation structures. Specifically, it is Colmore's view that there are two issues we believe our pertinent to the use of longer-term credit lines (those typically between 11-24 months):

1) Allowing the fund to invest in companies before calling money from investors potentially allows the fund to perform better than equivalent funds that do not use credit facilities. . While credit lines have the ability to improve the fund's IRR, by failing to call money from its investors when looking to acquire assets the fund places a burden on the fund's investors to utilize the uncalled funds during the period between when the fund makes the investment in the company and when the GP calls the required money from the investors to pay down the credit line. LP's may lack the sophistication to adequately manage their liquidity during this period or may be limited due to regulation on what they can do with that capital while they are waiting for the money to be called. As a result, when looking at the performance of the investor vs the performance of the fund from the time of the first investment to the liquidation of the fund can have substantially different returns. The below example shows a simplified example of the return gap between the fund's IRR vs the investors IRR where a fund uses a two-year credit line that charges a simple 4% interest.

Date	**No Credit Line**	**Credit Line**
1-Jan-22	(10,000,000.00)	
1-Jan-24		(10,800,000.00)
31-Dec-28	20,000,000.00	20,000,000.00
IRR	10.40%	13.11%

2) Secondly, as an extension of point one, this can be particularly impactful where a fund's performance is close to that of the agreed "hurdle" used to identify the point in which the GP can share in the profits of the fund through Carry. In these situations, the fund's investments from the date of investment to realization fails to meet the hurdle, but the use of the credit line allows the fund to meet the hurdle and as such is entitled to take share in the profits.

Date	No LOC CF Received by GP	No LOC	<2 Year LOC Net of Carry
8/1/2010	($57,000,000)	($57,000,000)	$0
7/1/2011	($23,000,000)	($23,000,000)	$0
6/1/2012	($20,000,000)	($20,000,000)	($61,651,200)
5/1/2013	$0	$0	($24,876,800)
4/1/2014	$0	$0	($21,632,000)
7/1/2014	$71,250,000	$71,250,000	$71,250,000
10/1/2015	$28,750,000	$28,750,000	$28,750,000
12/1/2017	$25,000,000	$25,000,000	$25,000,000
11/1/2018	$15,000,000	$15,000,000	$8,632,000
IRR	**7.6%**	**7.6%**	**8.4%**
DPI	**1.40**	**1.40**	**1.24**
Distributions	**140,000,000**	**140,000,000**	**133,632,000**
PIC	**100,000,000**	**100,000,000**	**108,160,000**
LP Gain	**NA**	**40,000,000**	**25,472,000**
Carry Taken		**-**	**6,368,000**

The above example assumes a fund making three investments. One uses a two-year rolling credit line charged at 4% compounded annually, the other does not. It also assumes an 8% hurdle and a 100% "catch up" rate.
The **No LOC CF Received by GP** column reflects the money being paid out by the GP to fund the investments and the money received in.
The **No LOC** column reflects the money paid out from the fund's investors and the money received back to the LP's assuming no credit line is used.
The **<2 Year LOC Net of Carry** column reflects the LPs cash in and out when the fund uses a 2-year credit line to fund the investments. The higher amounts out reflect the interest charged on the credit facility and the lower amount received in reflect the reduced distributions due to part of the payout being retained by the GP as carried interest.

As you can see from the above, the LP is not only liable to pay the additional interest charged by the credit line they also receive less as the gain, as the credit line has pushed the fund's performance above that of the carry hurdle. So, while the IRR of the investor in the fund that uses the credit line has a higher IRR the DPI and net gain, they make is substantially lower than if the credit line were not used.

Credit lines are commonly used in private market funds and can offer significant advantages to investors of those funds, however allowing those investors to identify the impact the credit lines have had on the fund's performance will allow them to better understand the overall cost of the credit lines and have greater clarity when comparing fund performance.

SEC: The proposed rule would require the statement of contributions and distributions to reflect the private fund's net asset value as of the end of the applicable quarter. Should we require advisers to provide additional detail regarding the unrealized value of the private fund? For example, should we require advisers to reflect the portion of such net asset value that would be required to be paid to the adviser as performance-based compensation assuming a hypothetical liquidation of the fund?

Colmore response: Yes, GPs should be required to accrue for Carry. If Carry is not accrued, it can overstate the valuation, which can have significant impact on risk management, portfolio planning – and

in the case of a secondary transaction – an overstated value being paid by the acquiror, resulting in later value write-downs. We have seen previous examples of this, one of which related to a purchase of secondary positions and resulted in a $4m write-down of the buyer's assets.

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4. Definition of Portfolio Investment

SEC: Is the proposed definition of "portfolio investment" clear? Should we modify or revise the proposed definition?

Colmore response: We agree with the proposed definition.

5. Time Period of Reporting

SEC: The proposed rule would require advisers to provide performance information for each calendar year since inception and over prescribed time periods (one-, five-, and ten-year periods). Should the proposed rule instead only require an adviser to satisfy one of these requirements (*i.e.*, provide performance each calendar year since inception *or* provide performance over the prescribed time periods)?

Colmore response: The proposal to provide a one, five and ten-year may be beneficial to LPs, although LPs typically focus most on 1 Year and ITD IRR when focusing on a fund's performance.

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Thank you for the opportunity to comment on these matters of critical importance to the investing public. Should you have any questions, please feel free to contact me.

Respectfully yours,

Ben Cook,
CEO – Colmore, a Preqin company