Press release

BVI develops a concept for calculating the performance of closed-ended funds

- **open-ended and closed-ended funds comparable for the first time**
- **Investors and asset managers benefit from uniform calculation approach**

Frankfurt –31 May 2022. The German Investment Funds Association BVI has developed a concept to calculate the performance of closed-ended funds based on the established approach for open-ended funds. For the first time, this allows comparisons between both types of funds as well as within closed-ended funds. The need for a uniform calculation approach arises from practical experience, as many asset managers now run open-ended and closed-ended funds. This is especially true for institutional investors.

Adjustments were necessary when transferring the calculation approach from the open to the closed world. This is because the frequency of valuations differs between closed-ended and open-ended funds. In addition, closed-ended funds do not offer reinvestment of payouts (distributions or capital repayments). The proposed method overcomes these hurdles by building on the approach of open-ended funds. Regarding the valuation frequency, it takes up the regulation induced development that for closed-ended funds a quarterly or monthly indicative determination of the net asset value is usually carried out voluntarily. This brings the closed world closer to the open world. BVI moreover proposes to mathematically allocate the payouts to investors to a benchmark portfolio that is combined with the investment remaining in the closed-ended fund. In the start-up phase of a closed-ended fund, the benchmark portfolio is also used for performance measurement of the parts of the originally committed equity that have not yet been called up. The combination of an indicative net asset value and a hybrid portfolio consisting of fund and benchmark portfolio allows for performance measurement analogous to the open world. In addition to the calculation method, the 48-page paper (German only) of BVI provides a summary of the current state of research, sample calculations and suggestions for practical implementation.

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