Secondaries underwriting checklist

Appendix B, thirty items in six sections. Work down the list before the bid goes out, not after it is accepted.

Deal / fund		**Prepared by**	
Fund		**Date**	

#	Item	Status	Owner	Note or answer
1	What is the manager's strategy, track record, and consistency across vintages?			
2	How does the fund's stage in its life affect remaining value creation and realization timing?			
3	Is the manager an aligned, cooperative counterparty in the transaction?			
4	Are there team, governance, or succession concerns that could affect future performance?			
5	How conservative or aggressive is the manager's historical valuation posture?			
6	What is the reference-date NAV, and how recent is it relative to closing?			
7	Have there been material events since the reference date that change value?			
8	Does the bottom-up rebuild support, exceed, or fall short of the reported NAV?			
9	Which valuation methodologies underlie the largest positions, and are they defensible?			
10	How sensitive is the aggregate value to the two or three assets that drive it?			
11	Which portfolio companies materially determine the outcome, and are they well understood?			
12	What are the growth, margin, leverage, and realization prospects of each key asset?			
13	Are any positions distressed, over-marked, or facing near-term risk?			
14	What is the realistic timing and route to exit for the largest holdings?			
15	How concentrated is the portfolio by company, sector, and geography?			
16	What is the unfunded commitment, and how will future calls affect capital at risk?			
17	Are any distributions recallable, and how does that change the exposure?			
18	What is the economic date, and how does it allocate interim cash flows?			
19	Is deferred consideration or an earn-out contemplated, and how does it affect return and risk?			
20	For a GP-led, how are terms set between rolling and new investors, and is alignment adequate?			
21	Is GP consent required, and how certain is it to be granted?			
22	Does a ROFR or other transfer restriction threaten deal certainty?			

#	Item	Status	Owner	Note or answer
23	What do the LPA and any side letters contain that affects the transferred economics?			
24	Are there ERISA, regulatory, or transfer-eligibility constraints on the buyer?			
25	What representations, indemnities, and conditions does the transfer agreement contain?			
26	What discount or premium to NAV does the proposed price imply?			
27	What net IRR and MOIC does the base case produce for the buyer?			
28	How do returns hold up under conservative markdowns and delayed realizations?			
29	Does deferral or leverage improve the return without introducing unacceptable risk?			
30	Is the price justified by value and certainty, or only by the headline discount?			

Bid one-pager

Chapters 6, 8 and 9. Form the assumptions first, independently, and let the price fall out of them. When every assumption shifts to make a competitive price work, that is rationalising, not underwriting.

Fund interest		**Prepared by**	
Fund		**Date**	

Value	Amount	Source / date
Reported NAV at the reference date		
Distributions and calls since the reference date		
Underwriting NAV (bottom-up rebuild)		
Unfunded commitment the buyer assumes		
Total value expected back, and over how many years		
Price offered, and discount to reported and to underwriting NAV		
Deferred payment: share, period, cost		

Return	Base	Stress: exits slip	Stress: values lower
MOIC			
IRR			
Value created from the entry discount			
Value created from appreciation still to be earned			
Price that clears the hurdle			

Seller: why selling, walk-away level, what else they could do with the interest

Company-by-company NAV rebuild

Chapter 7. Rank by contribution to value. Price against a number you believe, and know which two or three names the interest is really a bet on.

Fund		**Prepared by**	
Fund		**Date**	

Company	Manager's mark	Your view	Exit horizon	Confidence	Rationale

Concentration and marking	Answer
Share of value in the largest two positions (your view)	
Share of value underwritten with high confidence	
Value marked down / up against the manager	
Manager's history: last mark against exit proceeds (five realisations or more)	
Weighted exit horizon, fed into the duration	

GP-led transaction review

Chapter 4. The general partner is on both sides. A fairness opinion and an advisory committee approval show that a process occurred; they do not show the price is low enough for your return.

Transaction		**Prepared by**	
Fund		**Date**	

Question	Answer	Concern
Price and process		
Price against NAV, and the date of that NAV		
Competitive process run, and how many bidders		
Fairness opinion: who, scope, range blessed		
Advisory committee: conflicts approved, and what it was shown		
The choice offered to existing investors		
Options: sell, roll, status quo		
Election deadline and default if no answer		
Share of investors rolling, and who		
What the rolling investors know that a buyer does not		
The GP's economics		
Carry crystallised on the sale		
Carry rolled into the new vehicle		
New management fee and carry terms		
GP commitment to the new vehicle, in cash		
The asset		
Remaining value-creation plan and runway		
Concentration: single asset or several		
Leverage in the new vehicle		
Exit horizon and route		