

## ***ASIC reminds REs of managed funds to ensure reliability of asset valuations during COVID-19 uncertainty***

**Source:** [Australian Securities and Investments Commission](#)

**Date:** 11 August 2020

**Abstract:**

The Australian Securities and Investments Commission (ASIC), Australia's regulator of managed investment funds, has reminded responsible entities of funds of their obligation to ensure that valuations of fund assets remain fair, regular and reasonably current, particularly in light of the financial and economic uncertainty wrought by the COVID-19 pandemic.

During COVID-19, responsible entities may face factors that make accurate valuations more challenging, including a lack of comparable transactional data, uncertainties in cash flow forecasts and economic rebound predictions and selection of an appropriate discount rate given very low government bond yields. In such circumstances, ASIC recommends that responsible entities may need to carry out valuations more frequently to ensure reliable asset values and member unit prices. If valuations are uncertain for a material proportion of a fund's assets, the responsible entity needs to consider whether it is able to establish a reliable unit price. If not, the responsible entity may need to temporarily suspend entry and exit from the fund.

ASIC encourages responsible entities to ensure the following best practices in valuations during the COVID pandemic:

- valuations are reasonably current and regular
- valuations are performed using appropriate methods and assumptions for the asset class
- assets are promptly written down if cash flows of an asset are negatively impacted by COVID-19 restrictions
- estimates are developed on a sound and reasonable basis, and consider whether past performance and historical inputs remain reflective of future outcomes
- valuation policies are regularly reviewed by the responsible entities' management and board
- valuations are carried out by unbiased valuers who are periodically rotated by the responsible entity.

Reviewing the valuation practices of investment managers is a focus area in ASIC's 2020-2021 Interim Corporate Plan. ASIC is actively monitoring the valuation practices of responsible entities during the pandemic and warns that it may take regulatory action against responsible entities that do not comply with their obligations.

More information is available in ASIC's [article](#) on this matter.

[Subscribe to our practice area round-up emails.](#) 