

# Asset Manager

## The challenge

Increased volatility of equity securities in China and emerging markets led to a growing number of prolonged suspension cases. Fund managers at the firm needed to continue to provide a value for their holdings, while the issues underlying the suspension or delisting were reviewed by analysts. Without a definitive time limit for suspension and with investments in Asian listed equities prone to suspension for three or four months at a time, the firm needed to avoid use of stale prices or mispriced asset valuations to comply with the fund valuation policy. Regulators as well as board members questioned how positions were being valued and together their fund managers and internal heads of portfolio valuations sought a way to price the market and to understand the value of their suspended equity holdings.

## Selection process

The firm was keen to define a best practice approach which could adapt to market swings and respond to stock suspensions and relistings. As part of this approach, the firm wanted to utilise a 3rd party provider to ensure independence. Initially our discussions focused around our fair value product which provides daily value adjustment factors and prices on more than 40,000 global equity securities. The product uses the correlation between individual security prices and more than 30 market, regional, sector and entity-specific factors to calculate the best estimate of a stock's price outside of active trading hours.

However, managers wanted more than a short term valuation based on historic data, they wanted precision valuations over a prolonged period. On this basis, we recommended our suspended share service.

## About

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Markit's Suspended Share service is provided to an asset management firm which manages solutions for qualified investors spanning hedge funds, separate accounts, and listed investment vehicles. The firm trades stocks, fixed income, derivatives, warrants and listed investments.

## Solution

Our suspended share model represents precision valuations over the longer term (5 days +) when compared to estimates based on predictions from index levels. We apply private equity valuation techniques to better model suspended share price movements.

A valuation model is custom built by our experienced private equity analysts for each position we price. This approach to gaining a true price for halted stocks includes adjustments for the specific causes of suspension, such as a technical suspension, fraud, M&A or organisational restructuring. We combine this relevant information with our in depth review of the company's fundamentals.

## Key benefits

### Meeting valuation policy requirements

valued using industry best practice methodologies and consistent with US GAAP and IFRS.

### Independence

Objectively sourced market data is used to fuel the models and make price adjustments.

### Timeliness

Performed at the required frequency: daily, monthly, quarterly, or on request.

### Data integrity

Models are calibrated daily and back tested to ensure precision.

### Transparency

Valuations are supported by a detailed report.

## More information

For more information on the products and services from Markit, please contact us at [sales@markit.com](mailto:sales@markit.com) or call one of our sales offices:

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