ApeVue Inc.
600 5th Ave., Floor 2
New York, NY 10020

April 25, 2022

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E
Washington, DC 20549

Re: Private Fund Advisers (File No: S7-03-22)

Dear Secretary Countryman:

On behalf of ApeVue Inc., I appreciate the opportunity to submit comments on several parts of the proposed rules released by the SEC for Private Funds on February 9, 2022[1]. While our company's principal business is providing independent, timely pricing transparency for late stage private equity holders in between funding rounds (which is centrally procured anonymously via a consortium of secondary brokers in private markets), our response remains independent from this broker consortium which collectively supports secondary liquidity. We opine herein from the perspective of a data vendor, which abstains from being economically tied to any trade, on aspects of the Quarterly Statement Rule and with comments sought on the Adviser-Led Secondaries Rule. Notably, some context we provide may also be applicable for the SEC's attention regarding the proposed Private Fund Audit Rule.

Despite collective experience within our team spanning pricing, performance, and reference data across a number of asset classes - such as CDS, vanilla and many non-vanilla derivatives, syndicated loans and CLOs, ABS/MBS, and an array of cash and synthetic index products - our focus today is specifically on late stage private equity holdings (akin to how "Illiquid Funds" have been defined within the proposed rules). Though the historical context and knowledge of these alternative asset classes benefits our conviction and foresight, we remain that our comments are focused on this asset class in isolation.

[1] Private Fund Advisers; Documentation of Registered Investment Advisor Compliance Reviews (S7-03-22)

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Initially, we do not see inherent flaws in the proposed Quarterly Statements Rule, but we do respect some of the pushback, perhaps with an alternate rationale to other comments submitted. We feel the data practices in the market today are not sufficient to support non-subjectivity across measuring both risk and liquidity. Our opinion is that the late-stage PE market has evolved substantially to the point where its risk and liquidity profile should not be limited to what's perceived via funding rounds, which can skew real volatility measures. Perhaps related to this, and quoted within *Regulators, startups eye transparency efforts for private companies*[2], SEC's Commissioner Lee was cited stating, "We are again watching a growing portion of the US economy go dark." Whether there is a carrot or a stick involved, we feel that akin to other previously opaque markets, there is opportunity to build objective, third-party measures here irrespective of if it is born from regulation or not. We are having success in proving out what is possible by tracking dynamic daily price movements of many stocks in between funding rounds, with coverage and quality growing over time. A recent article from Institutional Investor on February 11th, 2022 begins to dissect private market quandary on volatility[3].

With regard to the NAV/performance focus of the proposed Quarterly Statement Rule, we believe that there are flaws in a market which has extremely high-costs for external valuation practitioners, who not only allow the issuance of many different valuations against identical stocks being held (perhaps due to varying assumptions encouraged by each client's interest), but also would highlight that the egregious fees charged for valuations here exacerbate self-marking by funds on many holdings to cut costs. Are there concerns with holding the same valuation (and not reflecting volatility) for multiple quarters on end? Contrarily, ApeVue promotes potential for more of a markets-based composite including qualitative statistics per private stock, which we feel lends well to the leveling goals of Financial Accounting Standards Board's ASC 820. We feel that final guidelines which allow for reasonably priced, timely, and consistently objective options would help soften the concerns around the Quarterly Statements Rule.

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[2] Regulators, startups eye transparency efforts for private companies. By Max Bowie, WatersTechnology 13-Jan-2022.
https://www.waterstechnology.com/data-management/7919661/for-private-companies-regulators-startups-eye-transparency-efforts

[3] Private Companies Held Their Own in January's Rocky Markets (And Not Just for the Obvious Reasons). By Hannah Zhang, Institutional Investor 11-Feb-2022.
https://www.institutionalinvestor.com/article/b1wq91zmlsbk0b/Private-Companies-Held-Their-Own-in-January-s-Rocky-Markets-And-Not-Just-for-the-Obvious-Reasons

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Just as we feel the market will evolve to have better infrastructure around pricing and performance data, leveling the playing field and helping reduce valuation costs for funds, we would like the Commission to remain open-minded to multi-source, markets-based approaches across the proposed Advisor-led Secondaries Rule. The proposal as read effectively re-creates the same high cost function dynamic of external valuers with the reliance on a "fairness opinion" approach. Factoring in all the restrictions and concerns around conflicts of interest raised around the provider of the fairness opinion, we strongly feel that actionable data observed in the markets are a more reliable means to ensuring investors are offered a fair price. We read the comments submitted by NYPPEX[4] (a credible player in the secondary PE markets), which start to speak to potential for market-driven approaches, and ApeVue wish to further expand on their position that there should be exceptions to exclusively relying on fairness opinions. We agree and support that a competitive bidding process (e.g. with three or more bidders at size) could be more relevant and objective than seeking the fairness opinion proposed. Separate or aligned with multiple bids, we feel that a markets-based composite should also defend an advisor-led secondary transaction having best execution where supported by a reasonable amount of context; historical time-series, depth of inputs, and multiple other quality statistics are available within the ApeVue dataset today which can support this purpose. We would further encourage that context around there being institutional volume/liquidity information which supports this approach, given there has been an emergence of non-institutional sized trades which should not be welcomed as reliable in this context.

From the investor protection perspective, the idea of adding fairness opinions to all advisor led secondaries would drastically increase likelihood of lawsuits (as investor recourse) towards those offering the "opinion," and again drives up the cost of this opinion as fewer firms would consider offering them; we believe this has been seen in the market already. As it becomes more challenging as well to get opinion providers in the environment, Willamette has written a piece on judicial decisions and advisor "musical chairs."[5] By not promoting fair market inputs as preferred support mechanisms to opinions, liquidity would further be impacted as well as increases in the expenses fund investors bear to transact.

All in, there is an overwhelming sense of deja vu in the private equity market's path to transparency, particularly within the late stage and pre-IPO focus sector which we feel

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[4] NYPPEX comment to SEC (S7-03-22), 25-Feb-2022
[5] A Survey of Recent Judicial Decisions Involving Fairness Opinions. By Sean L. McGrane, Esq., and Brandon L. McFarland. http://willamette.com/insights_journal/20/autumn_2020_6.pdf

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our comments are most applicable. As the market continues to evolve, there will likely be a call to use market-based approaches over heavily modeled measures. For those relying on comps-based approaches, there will also be a strong case for liquid private market comparables. Timeliness challenges will become less burdensome, and there will even be a clear path to expand the market in new ways; improved private benchmarks, broadly agreeable tradable derivatives, and much more.

The spirit of the proposed Rules are reasonable, but we truly support and anticipate that this market is maturing in its capacity and infrastructure so quickly that approaches should assuredly not over-engineer paths to solutions. As the Commission asks, "Are there other price discovery processes that we should require to protect investors?"[6], we caution against forcing requirements that many (like ApeVue) are actively working to make more efficient, timely, and readily available. Every day new participants enter the market as clients, brokers, vendors, and various other third-parties contributing the fabric of the burgeoning asset class, and hopefully our comments help reflect what is possible in the few areas which we've opined on.

Thank you for the opportunity to comment.

Sincerely,

Nicholas Fusco

Nicholas Fusco
President & CEO

[6] S7-03-22, pg. 127