



FROM QUARTERLY VALUATIONS TO CONTINUOUS INSIGHT

When Daily Mark-to-Market Adds Value—and When It Doesn't

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Introduction

For decades, private markets have operated comfortably on a quarterly valuation rhythm. That cadence made sense when investors accepted illiquidity as the trade-off for long-term value creation and when leverage structures were simpler, reporting expectations were lighter, and market volatility moved more slowly across portfolios.

That environment has changed.

Today's investment managers operate in a landscape shaped by NAV facilities, semi-liquid vehicles, LP transparency expectations, and capital markets that reprice risk quickly and visibly. As a result, many sponsors are asking a practical question:

Should we be marking our portfolios more frequently—and if so, what does that really mean?

Daily mark-to-market is often misunderstood. It is not about publishing a new NAV every morning. Instead, it reflects a shift toward maintaining continuous awareness of how market conditions affect portfolio value between reporting dates. Done well, it strengthens decision-making. Done poorly, it creates noise without insight.

Understanding the difference is critical.

Why Daily Mark-to-Market Reporting Matters

Traditional quarterly valuation cycles were designed primarily for public companies. They are not well suited to private companies. They do not provide the real-time information that private company management needs.

In contrast, private companies often have multiple vehicles. They coordinate with investors who have different needs and objectives. They need to know the value of their investments in real time to make informed decisions.

When valuation occurs only once a quarter, while markets move daily, the result is a gap between what sponsors report and what they actually need to know.

Daily mark-to-market frameworks attempt to close that gap—not by replacing quarterly valuation, but by complementing it.

What Daily Mark-to-Market Actually Means in Private Markets

Because private assets do not trade every day, daily marking does not mean observing a price. Instead, it means maintaining a structured process for updating valuation assumptions as market conditions evolve. Interest rates change. Credit spreads widen and tighten. Public company multiples expand and contract. Sector sentiment shifts. Financing availability moves. All of these factors influence how market participants would price a business—even if the business itself has not changed operationally.

A daily mark-to-market framework translates these signals into a continuously updated estimate of value. In practice, this typically takes the form of a shadow

valuation process that sits alongside the official quarterly valuation cycle. It provides visibility rather than replacement.

Sponsors gain the discipline of formal quarterly reporting and the ability to track how risk and opportunity evolve in real time.

Where Daily Marks Are Most Useful

Daily marking is most useful when valuation is critical to management, or when it informs investment timing decisions.

For example, in leveraged buyouts and lending, when sponsors benefit from understanding how movements in public markets and credit conditions affect their borrowing base.

Waiting until quarter-end to discover a change in headroom can introduce avoidable risk.

Similarly, interval funds and evergreen vehicles rely on periodic liquidity windows. In these structures, valuation frequency affects investor fairness. Continuous monitoring helps ensure that subscription and redemption activity reflects current economic conditions rather than stale assumptions.

Sponsors managing portfolios through volatile markets also benefit from more frequent valuation insight. Market repricing rarely occurs neatly on quarter boundaries. Continuous monitoring helps avoid abrupt valuation adjustments that surprise investors and complicate communication.

Even in traditional closed-end funds, daily mark-to-market frameworks can improve exit readiness. When sponsors understand how sector multiples are trending in real time, they are better positioned to evaluate whether conditions support a sale process or whether patience is likely to be rewarded.

In each of these situations, the purpose of daily marking is not precision for its own sake. It is decision support.

Why Sponsors Are Reconsidering Valuation Frequency

Traditional quarterly valuation cycles were designed primarily for reporting. They supported financial statements, investor letters, and audit requirements. They were not built to support real-time portfolio management decisions.

In contrast, modern sponsors increasingly rely on valuation as a control function. They monitor leverage levels dynamically. They manage liquidity across multiple vehicles. They coordinate exits in environments where valuation windows open and close quickly. And they operate under greater scrutiny from lenders and investors who expect visibility into portfolio exposure.

When valuation remains anchored to a quarterly timeline while markets move daily, the result is a gap between what sponsors report and what they actually need to know.

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Sponsors retain the discipline of formal quarterly reporting while gaining a clearer view of how risk and opportunity are evolving between reporting dates.

Where Daily Marks Are Most Useful

Daily marking becomes particularly valuable when valuation directly influences financing, liquidity management, or investment timing decisions.

One of the clearest examples is NAV-based lending. When portfolio value supports borrowing capacity, sponsors benefit from understanding how movements in public markets and credit conditions affect that borrowing base. Waiting until quarter-end to discover a change in headroom can introduce avoidable risk.

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A large, high-angle photograph of a spiral staircase with a wooden handrail, viewed from above, creating a circular pattern that draws the eye towards the center. The image is split vertically: the left side is a teal-tinted version of the staircase, and the right side shows the natural wood tones of the stairs and handrail.

“Valuation is becoming part of ongoing portfolio oversight.”

Where Daily Marks Add Less Value

Just as importantly, daily marking is not equally useful across all asset types or investment strategies.

Early-stage venture investments are a good example. When value depends primarily on long-term technology adoption, product development milestones, or strategic positioning rather than near-term market multiples, daily changes in public comparables rarely provide meaningful insight. Updating valuations too frequently in those cases can create the appearance of movement without improving understanding.

Similarly, highly idiosyncratic assets—businesses with limited comparability to public peers or whose value depends heavily on sponsor-specific strategy—do not benefit as much from daily proxy-based adjustments. Their valuation drivers tend to change episodically rather than continuously.

Even in buyout portfolios, there are periods when daily marking adds limited incremental value. When capital structures are stable, operating performance is predictable, and market conditions are relatively calm, the signal provided by frequent marking may be modest.

The key insight is that daily marking works best when market conditions materially influence value between reporting dates. Where value depends primarily on long-term execution rather than market sentiment, quarterly frameworks often remain appropriate.

Avoiding the Trap of False Precision

One of the most common concerns sponsors raise about daily mark-to-market frameworks is whether they create the illusion of accuracy rather than genuine insight.

This concern is well-founded.

Private assets do not trade daily, and any attempt to produce a daily value must rely on models and proxies rather than observed transactions. Without thoughtful calibration and governance, those models can amplify public market noise rather than reflect private market economics.

The goal of a well-designed framework is not to mimic public market volatility. It is to translate relevant market signals into economically meaningful adjustments. That requires judgment as well as automation.

Sponsors that approach daily marking as a mechanical exercise often discover that frequency alone does not improve visibility. Sponsors that approach it as part of a broader valuation management system typically see stronger results.

The Role of Governance in Making Daily Marks Useful

Frequency increases responsibility.

As valuation updates become more frequent, the importance of documentation, oversight, and calibration grows accordingly. Sponsors must be clear about which assumptions move with the market and which reflect longer-term strategy. They must define when overrides are appropriate and how those overrides are recorded. They must distinguish clearly between internal shadow valuations and official reported values.

These governance elements are not administrative details. They are what transform daily marking from a technical exercise into a reliable management tool.

When properly structured, daily mark-to-market frameworks align naturally with fair value principles under U.S. GAAP and international standards. They reinforce rather than replace existing valuation processes.

Moving From Valuation Events to Valuation Awareness

Perhaps the most important change associated with daily marking is cultural rather than technical.

Historically, valuation has often been treated as something that happens at the end of a reporting cycle. Sponsors gathered inputs, applied methodologies, documented conclusions, and moved on until the next quarter.

Today, many sponsors are moving toward a different model. Valuation is becoming part of ongoing portfolio oversight. It informs conversations about leverage capacity, exit timing, liquidity planning, and investor communication. It supports decisions rather than simply documenting them.

Daily mark-to-market frameworks are one expression of that shift. They represent a move away from valuation as an event and toward valuation as an operating capability.



Choosing the Right Level of Frequency

The most effective sponsors do not ask whether they should mark their portfolios daily. Instead, they ask where more frequent marking creates insight and where it does not.

In many cases, the answer is a hybrid approach. Certain assets benefit from continuous monitoring. Others are better served by monthly or quarterly reassessment. The objective is not uniform frequency but appropriate visibility.

When valuation frequency aligns with how value actually moves within a portfolio, sponsors gain earlier insight into risk, greater confidence in financing decisions, and stronger communication with investors.

Looking Ahead

Private markets continue to evolve toward greater transparency and tighter integration with the broader capital ecosystem. As that evolution continues, valuation will play an increasingly central role in how sponsors manage portfolios rather than simply how they report results.

Daily mark-to-market frameworks are not necessary for every strategy. But where they are appropriate, they help sponsors replace surprises with foresight and reporting cycles with continuous awareness.

The future of valuation is not faster reporting for its own sake. It is better decision-making supported by timely insight.



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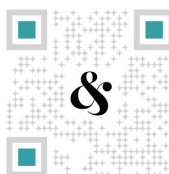
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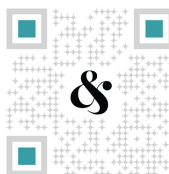
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