



ILPA DDQ 2.0 - User Guide

Overview

ILPA released the updated ILPA DDQ 2.0 in November 2021 after working to update the document throughout 2021. The final version of the DDQ benefits from input that ILPA sourced from a public comment period, discussions with LPs, GPs and other industry bodies and targeted working groups and roundtables.

This user guide was created to support the updated ILPA DDQ 2.0 by providing a resource to help answer common questions and provide additional guidance on specific terminology and questions found in the DDQ.

In creating a stand-alone user guide, the intention is to update the user guide on a periodic basis as new questions about the DDQ emerge and areas for further clarity are identified.

We invite all participants in the private market community and users of the ILPA DDQ 2.0 to send any feedback, questions and areas for further clarity to DDQFeedback@ilpa.org.

User Guide - Version 1.0 - Released November 9, 2021

Key Considerations

- ILPA developed the DDQ using private equity managers and strategies as its reference point. While the framework may serve as a useful starting point for evaluating managers in other private markets asset classes (e.g., real estate, private credit, venture capital and infrastructure), it was not designed with these asset classes in mind. ILPA is currently in the process of developing modules of the ILPA DDQ, in coordination with other leading industry bodies, to better tailor the document to these asset classes.
- Emerging managers may not have full responses to certain questions within the DDQ, especially those related to predecessor funds, such as performance figures, previous investments or changes in policies, terms or other considerations. ILPA is also currently in the process of developing a module of the ILPA DDQ that is better tailored to emerging managers.
- The updated [ILPA Diversity Metrics Template](#) has its own user guide and definition set found within the template itself. However, ILPA designed the guidance associated with related questions and the definitions of terminology (such as staff level and roles) between the DDQ and Diversity Metrics Template to be consistent throughout both documents.

Frequently Asked Questions

What is the purpose of the DDQ?

ILPA's goal is to reduce the administrative burden imposed on LPs, GPs, placement agents and other industry bodies by standardizing the most frequent and important diligence questions to provide a

best-in-class due diligence questionnaire. Adoption will make the questionnaire stage of the diligence process more efficient by minimizing the number of customized DDQs used across all industry bodies.

Is the industry required to use this DDQ?

No, ILPA understands that this DDQ may not necessarily be applicable for all asset classes or funds. However, GPs that receive multiple questionnaires, with redundant and differently organized questions, should see efficiencies in the diligence process, as the result of utilizing the DDQ as a resource. In turn, LPs that utilize the DDQ will receive more consistent responses in a manner that is less time and resource intensive on their prospective GPs.

How should GPs with funds for different strategies/geographies/industries (e.g., separate venture and growth funds) answer questions about the firm and its funds and teams that aren't currently raising capital? What level of information is relevant to LPs if they are only conducting diligence on a specific type of fund offered by a GP?

In these situations, the GP does not necessarily need to provide detailed information about business units that are materially unrelated to the fund (a simple overview of these non-related business units should be made available). Unless specifically noted, any reference to the "Firm" in the ILPA DDQ should be focused on the business units materially related to the fund. GPs should clearly state the business units being included and be able to explain their rationale for excluding others.

Are GPs expected to provide answers to any sensitive questions in this document?

GPs are not required to divulge sensitive information, especially if it violates any non-disclosure agreements with other parties. It is also understood that GPs may need to use caution in providing information to organizations they feel are not genuinely interested in committing to their fund. However, as fiduciaries, LPs should not feel restricted from asking sensitive questions. The GP's right to guard confidential information is no greater than the LP's right to inquire about information they feel is relevant to the transparency and alignment of their potential partnership. If GPs are more comfortable with providing certain answers in person, in a redacted format or at a later stage in the diligence process, they should feel encouraged to do so. However, they should also provide an explanation for their rationale, as well as any further direction for LPs in this document.

Are GPs expected to answer questions that are not applicable to their specific fund?

The ILPA DDQ is an attempt at a comprehensive questionnaire that applies to the majority of private equity funds. LPs should understand that not all questions are applicable to all GPs/funds. GPs should use their best judgment to only answer questions that are relevant to their organization. For skipped Yes/No questions, the check boxes should remain blank. If the Yes/No questions have a connected detailed question, or for any other skipped detailed question, GPs should provide a brief statement explaining their rationale for not answering.

Should LPs use a GP’s answer to the Yes/No questions as the sole criteria for their ultimate investment decision?

No, the Yes/No questions are intended to provide LPs with a top-level view and a framework to highlight issues that require further clarification. There may be extenuating circumstances that explain a particular response. LPs should review the expanded answers in the detailed questions, as well as responses to their own follow-up questions, before making any investment decisions.

Should LPs use only this document? In what format should additional questions be sent to the GP?

One of the goals of this document is to minimize, not eliminate, the variations in LPs’ diligence processes. While ILPA believes that this is a comprehensive document that covers most questions that institutional investors should ask of GPs, it may be necessary to supplement this document with additional questions. Additional questions should not be added to this document. To avoid any confusion, these questions should be listed in a separate document.

In various questions related to the Firm’s staff, the DDQ references different levels of staff, including terms such as “Principals”, “Leadership”, “Senior Investment Professionals”, and “Firm Employees”. What are the differences between these staff levels? For the purpose of the DDQ, what criteria should a GP use to define each?

To help answer this question within the DDQ, ILPA inserted a glossary of key terms related to different levels/roles of staff. The glossary found in the DDQ should be referenced as the source for greater clarity. As noted above, the definitions for the different staff levels/roles found in the DDQ’s glossary match the definitions used in the ILPA Diversity Metrics Template.

For “Principals” in particular, the designation should be made at the GP’s discretion based on their response to Appendix B - B1: Team Members - Leadership and Investment Professionals (current). In this Appendix, GPs are requested to provide information on all members of Leadership (as defined in the Glossary) current Investment Professionals (as defined in the Glossary) with a specific request for the following point to be provided for each listed professional - “Is defined as a ‘Principal’ in this document (y/n)”. “Principals” refers to the Firm’s Leadership team and other core members that have a significant contribution to the Firm’s direction and investment performance. In turn, any question that references “Principals” in the DDQ will be connected to those professionals deemed by the GP as “Principals” based on the response in Appendix B. GPs should be prepared to answer any questions about their rationale in making those distinctions.

Can GPs cite information provided in their PPMs or LPAs as responses to the DDQ?

It is recommended that all answers should be contained in the questionnaire. Any relevant answer in the PPM or LPAs should be copied into the DDQ to preserve the DDQ as a stand-alone document. A response such as “Please see PPM or LPA” is not viewed as a full response.