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AI in Private Capital Markets: Balancing Risks and Unlocking Benefits in 2025

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Introduction

Private capital markets have long evolved through cycles of innovation, macroeconomic shifts, and investor demand for higher returns. In the last two decades, we've seen structural changes driven by new asset classes, regulatory complexity, and global interest rate volatility. Now, artificial intelligence (AI)—and more recently, generative AI (GenAI)—is rapidly emerging as the next frontier, reshaping how capital is allocated, risks are assessed, and decisions are made.

As private equity and other private market participants contend with fluctuating interest rates and economic uncertainty, they are simultaneously integrating AI technologies to increase operational efficiency, uncover hidden insights, and improve portfolio performance. Yet this technological evolution brings both opportunity and risk. This report examines the dual impact of AI in private capital markets.

The Promise of AI in Private Capital

Artificial Intelligence is reshaping how private capital investors operate across the entire investment lifecycle—from deal sourcing to diligence, monitoring, and reporting. In a market saturated with complex, disparate data—from regulatory filings to earnings call transcripts and market sentiment—AI offers a powerful solution to accelerate analysis, personalize insights, and enhance decision-making quality.

Faster, Smarter Decision-Making

Traditional investment processes often rely on manual analysis of static dashboards and backward-looking reports. AI disrupts this model by enabling real-time synthesis and interpretation of structured and unstructured data. Tasks that once consumed hours—reading 100-page DDQs, benchmarking portfolios, or modeling risk scenarios—can now be executed in seconds using natural language queries.

Enhanced Due Diligence and Monitoring

AI is bringing a new era of due diligence and portfolio oversight. By automating repetitive processes—such as the completion of diligence questionnaires—AI boosts both accuracy and efficiency. It also enables deeper diligence by identifying hidden risks and opportunities within historical performance data, operational KPIs, and sector-specific trends.

Moreover, AI tools are proving invaluable for fund monitoring. They can detect anomalies, and benchmark fund performance against peers in real time—providing LPs and GPs with a clearer picture of portfolio health long before issues surface in returns.

Personalized, Accessible Insights

With the rise of large language models (LLMs), investors no longer need technical expertise to access deep insights. AI platforms equipped with natural language interfaces allow users to simply ask questions like:

"How does my portfolio's IRR compare to sector benchmarks?"
"What are the top operational risks in my 2018 buyout vintage?"
"Which GPs consistently outperform in down-market cycles?"

This democratization of data empowers more stakeholders across the firm—from junior analysts to senior partners—to interact with complex systems and make informed decisions quickly.

Operational Efficiency at Scale

AI is also driving significant improvements in operational workflows. From automating board and investor reports to visualizing competitive positioning and modeling market scenarios, AI tools reduce the manual burden on investment teams. This is particularly valuable for firms with lean teams managing large AUMs or extensive reporting requirements.

AI assistants are increasingly used to respond to ad hoc investor queries, compile internal research, and track historical performance data across funds—helping firms maintain scale without sacrificing quality or control.

Rather than replacing human expertise, AI amplifies it—allowing professionals to focus on higher-value activities while navigating a more complex and data-rich investment landscape. In 2025, the firms that win will be those that combine technological adoption with strategic insight, embedding AI tools deeply into their workflows to unlock better outcomes, faster.

Balancing Innovation with Integrity: AI Risk Considerations in Private Capital

While the potential of AI—especially generative AI—in private capital markets is vast, it comes with a distinct set of risks. From data integrity to cybersecurity, firms must implement strong guardrails to ensure AI augments performance without undermining trust, compliance, or long-term value.

Data Quality, Bias, and Transparency

AI systems are only as effective as the data they ingest. In private markets, where information is fragmented, bespoke, and often unstructured, relying on scraped documents or low-context public data can introduce serious inaccuracies. Unlike public equities, private deals often contain unique legal terms, sector-specific nuances, and evolving performance benchmarks—all of which require high-quality, verified data to interpret effectively.

Large language models (LLMs) are particularly susceptible to "hallucinations"—generating plausible but incorrect outputs. Their black-box nature compounds this issue, making it difficult to understand how a conclusion was reached. This lack of transparency is problematic in a relationship-driven ecosystem where trust, accuracy, and credibility are paramount.

To mitigate these risks, firms must prioritize:

- Verified data sources, ideally drawn directly from GPs' Investment and Accounting Books of Record (IBOR/ABOR).
- Strong governance frameworks to vet AI outputs and ensure alignment with investment theses.
- Human oversight at all stages—from data ingestion to decision-making—to account for nuance, context, and edge cases that AI cannot fully comprehend.

Overreliance on Automation

While AI can accelerate workflows and enhance precision, it must be viewed as an augmentation tool—not a replacement for domain expertise. Blind reliance on AI outputs, without understanding underlying assumptions, can lead to missed risks, biased recommendations, or flawed decisions.

Investment committees, for instance, should use AI to surface insights—but continue to lean on human experience to ask the right strategic questions, validate conclusions, and navigate complexity. Responsible deployment requires striking a balance between automation and thoughtful judgment.

Security, Confidentiality, and Regulatory Compliance

Private equity deals involve highly sensitive financial and operational data. Increased reliance on AI raises the stakes for cybersecurity. Any breach—whether accidental or malicious—can have outsized consequences for fund managers, portfolio companies, and LPs alike.

AI platforms must be enterprise-grade, featuring:

- End-to-end encryption
- Role-based access controls
- Clear audit trails
- Compliance-ready data governance aligned with emerging global regulations

As regulators across jurisdictions work to define acceptable AI use in financial services, firms must stay ahead by building infrastructure that can adapt to new requirements. This includes documentation of model behavior, transparency protocols, and clear policies around data rights and usage.

What to Watch—Strategic AI Adoption in 2025

As AI adoption accelerates in private capital, GPs and LPs must take a strategic, balanced approach to leverage its benefits while managing risks. To ensure successful integration, focus on the following key priorities:

- Strategic Partnerships: Collaborate with AI vendors who understand private market complexities and offer specialized solutions tailored to your needs.
- Data Integrity: Ensure AI uses verified data specific to private markets. Data must be accurate, transparent, and high-quality for reliable outcomes.
- Security & Compliance: Choose AI platforms that meet enterprise-grade security and are aligned with regulatory standards, ensuring data protection and compliance.

By focusing on these core principles, firms can strategically adopt AI in 2025, maximizing its potential while minimizing risks.

Introducing AInsights: Purpose-Built AI for Private Markets

Developed by CEPRES, AInsights is the first AI platform designed specifically for the needs of private market investors. Built on **verified data from over 6,000 GPs and LPs**, AInsights combines natural language AI with the most comprehensive data ecosystem in private markets — covering $56 trillion in asset value and 140,000+ portfolio companies.*

AInsights transforms how LPs and GPs operate, providing:

- **Instant answers** to portfolio questions
- **Automated reporting** for IC, board, and regulatory needs
- **Data-driven narratives** for fundraising, due diligence, and strategy
- **Risk-adjusted benchmarks and comps** in real time

All of this is delivered within a **secure, compliant, and auditable environment**, ensuring investor trust and control.

Conclusion

AI, and especially GenAI, is no longer a distant promise—it is here and shaping how private capital is deployed, monitored, and managed. The firms that invest wisely in AI capabilities stand to gain speed, precision, and deeper insights across the investment lifecycle.

However, the path forward must be paved with thoughtful strategy. The private nature of the industry, combined with its reliance on reputation and relationships, means that transparency, governance, and ethics must guide every implementation decision.

As the market continues to evolve in 2025, investors must adopt a disciplined approach to AI. By aligning with platforms purpose-built for private capital, backed by clean, verified data, and deployed within secure systems, firms can unlock the full value of AI—while protecting their portfolios, partners, and performance.

To learn more about how CEPRES AInsights can help you, contact our Experts. Because if you don't have CEPRES, you don't know.

About CEPRES

CEPRES is the first platform built for the age of digital transformation in private markets. We connect investors with proprietary deal data, complete cash flows of funds and deals with portfolio company operating metrics, and real-time analytics to unlock better, more actionable insights. All on a highly modular platform.

**As of May 2025*

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