CEPRES

Navigating Market Volatility: Key Challenges Facing Asset Managers

For Asset Managers and Fund of Funds operating within private capital markets, the current market turmoil and renewed tensions present a complex set of challenges that require thoughtful, data-driven responses. To maintain investor confidence and deliver on performance expectations, Asset Managers must confront operational, analytical, and strategic issues head-on.

Heightened Demands for Portfolio Transparency

One of the most immediate pressures facing Asset Managers is the intensifying demand from clients for detailed portfolio data. In periods of market instability, limited partners (LPs) seek reassurance and clarity regarding the resilience of their investments. This necessitates a level of transparency that many Asset Managers may find operationally demanding to deliver.

In today's complex and volatile economic landscape, many LPs demand more information from their Asset Managers so they can better manage their portfolio risk and report appropriately to their Boards. Thus, Asset Managers are increasingly pushed to provide comprehensive "look-through" visibility into the underlying portfolio companies within the GP funds they invest in—often across a diverse array of managers, strategies, geographies, and asset classes. These data requirements go beyond traditional fund-level reporting, encompassing metrics such as capital deployment pace, sector and geographic exposure and risk factors and operational KPIs of portfolio companies and assets. For some Asset Managers, responding to these expectations can mean massive internal investments into scalable data infrastructure, collection, and enhancing reporting capabilities, all while trying to meet increasing client service needs and run their core asset management business. Others correctly perceive that this function is better outsourced to a specialist company who can deliver this capability with higher quality, lower risk, and lower overall cost.

Performance in Uncertain Times

In a volatile market, the imperative to demonstrate value creation and investment discipline becomes paramount. LPs are increasingly scrutinizing not only returns but also the processes and decisions behind them. This demands a robust ability to articulate performance in relative terms—benchmarking against peer groups, vintage years, and relevant market indices.

Asset Managers must be prepared to present granular metrics such as loss rates, revenue growth, leverage ratios, and interest rate exposure at both fund and portfolio company levels. The ability to contextualize performance, particularly in downturns, becomes a critical differentiator. Moreover, demonstrating a consistent investment philosophy, prudent manager selection, and thoughtful diversification strategy will be essential to sustain investor trust.

Scenario Analysis and Forward-Looking Risk Management

Another critical challenge in uncertain times lies in forecasting and managing the potential impacts of ongoing market stress. Traditional, deterministic forecast models like Takahashi-Alexander, are no longer sufficient in volatile market conditions because they are too simplistic. Instead, Asset Managers must adopt a forward-looking approach that incorporates real predictive scenario modeling and stress testing.

This requires access to high-quality, granular portfolio and market data combined with more robust stochastic models to express variability in asset class behavior based on differing market scenarios. Through such data-driven modeling, Asset Managers can better model client portfolios and provide more insightful forecasts to their clients and increase their value-add. Additionally with appropriate fee & carry models, Asset Managers can then understand their own P&L impact and outcomes to better handle impact of market stress on their own bottom line.

Predictive intelligence can also support better allocation decisions, informing which fund managers are best positioned to navigate the current cycle and identifying potential liquidity risks. As secondary market activity picks up in response to NAV mismatches and liquidity needs, having a robust analytic framework will be key to making timely and prudent decisions.

Strategic Imperatives for Asset Managers

To address these multifaceted challenges, Asset Managers should consider several strategic priorities:

- **Technology and Data Infrastructure:** Investing in integrated platforms that deliver high quality data collection, analysis, and reporting is no longer optional. Tools that support portfolio monitoring, benchmarking, and risk analytics can significantly enhance operational efficiency and investor communication.

CEPRES Predictive Intelligence Simulation Comparison

NAME	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Buyout-2025 Simulation	3	5.8	8.7	10.3	10.3	9.2	7.5	5.7	4.1	2.7	1.5	0.9	0.5	0.2
Venture Capital-2025 Simulation	3.5	5.8	8.3	9.9	9.9	8.1	6.6	5.1	3.9	3	2.2	1.7	1.2	0.9
Diff	-16.67%	0%	4.60%	3.88%	3.88%	11.96%	12.00%	10.53%	4.88%	-11.11%	-46.67%	-88.89%	-140.00%	-350.00%

The chart above reveals the comparison of NAV and cash flow between the two simulations in Predictive Intelligence. This Simulation Comparison tool allows users to select two different simulations and compare their cash flows and NAVs on the same chart, with tables highlighting the differences between the values, IRR, TVPI, and probability distribution charts displayed side by side for easier comparison.

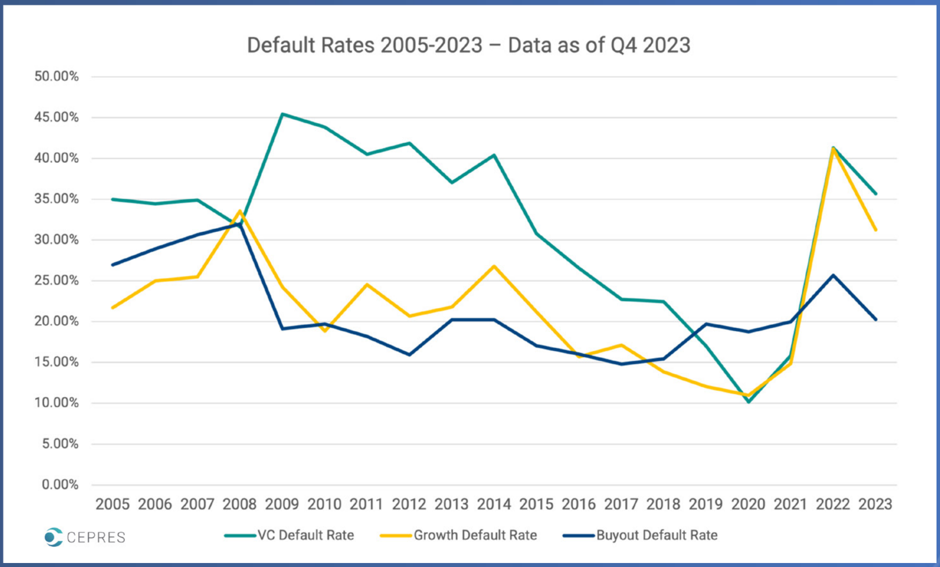
- **Manager Communication and Alignment:** Asset Managers should partner with a data provider that work closely with GP managers to ensure timely and comprehensive data delivery. Establishing consistent reporting frameworks and data standards will aid in delivering the transparency clients demand.

- **Operational Agility:** Asset Managers that have the tools to assess portfolio exposures and respond quickly to client requests about shifting market dynamics will be better positioned to protect capital and seize opportunities.

- **Client Education and Engagement:** Asset Managers must proactively engage with LPs, not only to provide data but also to offer context and narrative. Helping investors understand how their capital is being stewarded during uncertain times is crucial to maintaining long-term relationships.

As volatility becomes a more persistent feature of the current investment environment, Asset Managers must evolve accordingly. The need for transparency, analytical rigor, and operational sophistication is greater than ever. By embracing these demands with strategic foresight and technological investment, Asset Managers can continue to play a vital role in the private capital ecosystem, even amidst uncertainty.

US Deal Default Rates by Stage



The chart above reveals VC defaults peaked in 2009 after the GFC, and all 3 default rates converged in the GFC. By 2011 defaults reverted to normal levels; ~45% for VC and 20% for Buyout/Growth deals, while an overall trend of reducing defaults continued through 2020. Note that Post-Covid defaults increased to stressed levels.

CEPRES

About CEPRES

For over 20 years, CEPRES has served the world's most influential private markets investors by providing them with high quality, granular, private market deal data and world-class portfolio management tools.

Our clients leverage proprietary deal data and complete cash flows from the world's largest private markets ecosystem containing nearly $54T in assets, 141,000+ PE-backed companies, 13,700+ funds, and 6,000 GPs and LPs.*

With CEPRES' Portfolio Management tools, Asset Managers can leverage Predictive Intelligence to forecast portfolio outcomes, conduct Due Diligence, and utilize Fund Screener for potential new investments. Moreover, Asset Managers can quickly and easily analyze portfolio composition to forecast portfolio outcomes via our Portfolio Monitoring platform. Combined with CEPRES Market Intelligence capabilities, Asset Managers can create customized analyses for researching and modeling private market investment strategies, enabling anticipation of portfolio risks, returns, cash flows, and net asset value (NAV).

CEPRES' investment data platform is powered by real-time and predictive analytics so clients can unlock better investment outcomes and make smarter decisions.

Because if you don't have CEPRES, you don't know.

Learn more: www.cepres.com

As of April 15, 2025

Munich
Balanstrasse 49
Building C Floor 6
81669 Munich
+49 89 232 495 610

New York
One World Trade Center
85th Floor
New York, NY 10007
+1 212 220 7193

Denver
1801 California St
Suite 2400 #69
Denver, CO 80202
+1 212 220 7193