Secondaries in 2025:

Insights for Private Equity Leaders

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KEY FINDINGS

DATA MANAGEMENT

81%

Of managers see a long way ahead for secondaries data management at their firm: 43% of them describing it as a 'work in progress', while 25% say it's in 'early stages' and 13% describe it as disparate.

ROLE OF AI

54%

Of managers say AI plays no role at all in their firm's secondaries operation, while only 5% say this role is integral. The biggest blockers are: poor data quality/availability (28%), lack of adoption (21%) and unavailability of relevant tools (20%)

MARKET STRUCTURE

45%

Of managers say the structural sophistication of the PE secondary market is lower than that of the primary market, although the European market appears to be far more sophisticated than that in the US.

Executive Summary

Secondaries are all over the headlines – Jefferies has estimated secondary transactions for 2024 at $162bn, smashing the 2021 record of $132bn by 23%, while Ardian's $30bn close in January was the world's largest secondary fundraise to date.

Trillions in unsold assets remain on the books of private markets firms, while a pressing need for liquidity persists in the investor world. These factors alone should keep the market on a growth trajectory for the foreseeable future.

In November, Private Equity Wire and SS&C conducted **a piece of in-depth research** on secondaries, firmly establishing that while the overwhelming majority of private markets participants expect volumes to increase, the market needs to mature – both structurally and operationally.

This report digs deeper into secondary dynamics: from pressing questions about whether a resurgent IPO landscape – an attractive exit alternative for investors – will affect growth drivers; to a more fundamental investigation of the biggest barriers to further progress, and how managers are positioning for the future.

Capital formation, for instance, remains slow – with current levels of secondaries dry powder only narrowly exceeding capital deployed. Is education the main barrier here? Or is it a lack of regulation? Or, will a wider expansion of the private markets investor base into private wealth and retail prove the next growth frontier for secondaries as well? Section one of the report looks to answer these questions, with an eye on tokenisation as the cutting edge of LP-led secondary trades.

And if capital flows do increase, which most believe they are, managers are left with the operationally intensive task of analysing vast LP portfolios – each made up of multiple funds, interests and companies. Data management is critical to remain – but progress here is a mixed bag. Section two of this report explores why firms have been slow to digitise, and how the operational intensiveness of secondaries may be a catalyst for transformation in private markets.

All in all, the consensus appears to be that an increasingly sophisticated secondary market will always have a place in the investment landscape – whether to tap into liquidity or rebalance portfolios. For managers, the challenge is to ensure they have a steady flow of capital and an optimised operational structure to work with.

Current levels of dry powder in the secondary market are at $200-250bn, according to Patrick Knechtli, Head of Secondaries, Patria Investments

CAPITAL FORMATION

A deep-dive into education, regulation, retailisation and tokenisation — and how they could help accelerate capital formation in the secondary market.

The secondary market is big, but it could be a lot bigger. In November, the first of this secondaries report series published by Private Equity Wire and SS&C found a decisive 83% of GPs expected transaction volumes in this space to increase over the next 6-12 months.

But despite breaking through the $160bn mark, the asset class not only occupies a minor share (~2% by various estimates) of the global AUM, it's also working with a relatively small pool of addressable capital.

"Dry powder in the secondary market is currently in the ballpark of $200-250bn, which is not significantly bigger than the amount of capital that was transacted last year," says Patrick Knechtli, Partner and Head of Secondaries at Patria Investments. Most secondaries players are almost *"permanently in fundraising mode"* as a result, he adds.

The liquidity and diversification of secondaries are plain to see and widely acknowledged – so what needs to change for capital formation in this space to accelerate?

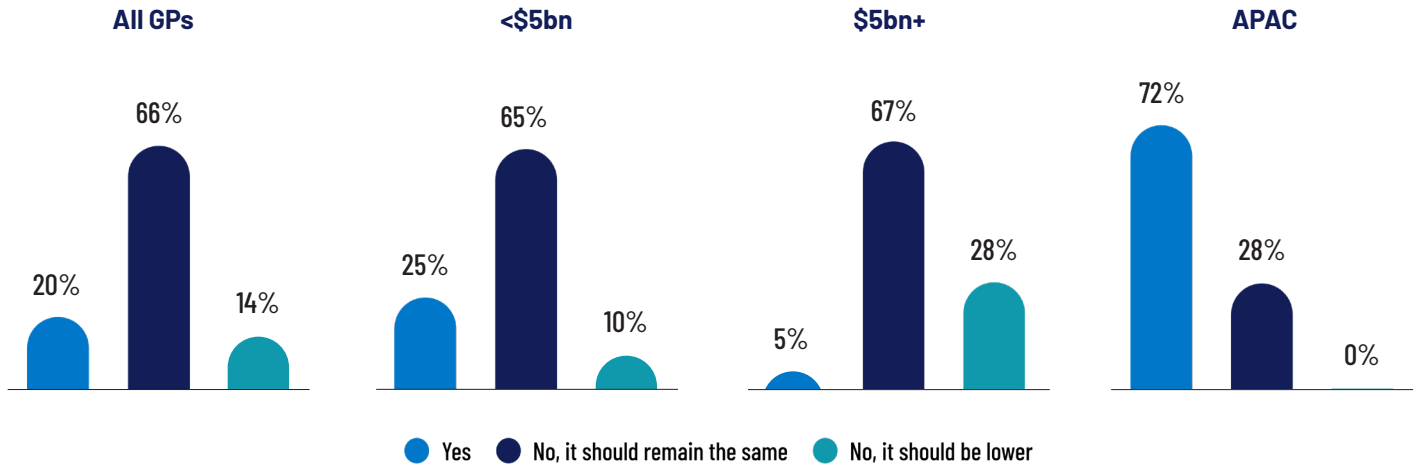
A maturing asset class

Private Equity Wire's Q1 2025 GP survey quizzed managers on whether the market was currently experiencing a gap in education or regulation, respectively. The response was very different for each.

A decisive 80% of respondents said the market doesn't need more regulation – of which 14% even advocate for less oversight (see Fig 1.1). A fifth do think there could be more regulation, perhaps to attract a wider pool of investors to the asset class – as elaborated on later in this section.

But regulation is a two-sided coin, says James Jupp, Partner at London-based secondary specialist Hollyport. *"If regulation intensified and started to negatively affect returns, it would end up being a deterrent for new investors. The first step is to demonstrate a strong, realised track record, which the market is currently doing well, before regulation then follows to protect and facilitate higher volumes of capital."*

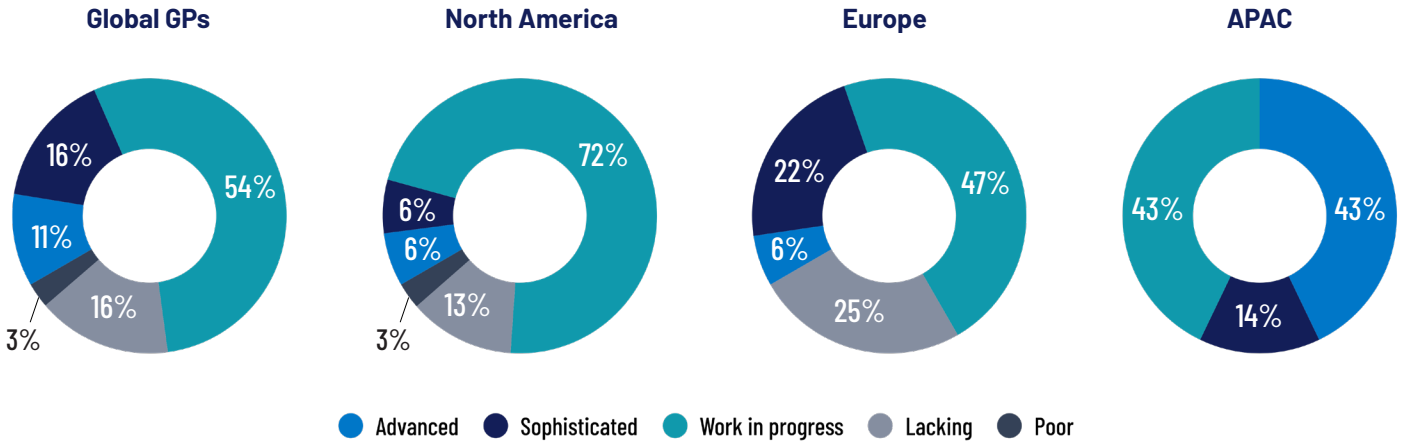
FIG 1.1 . Is the secondary market in need of further regulation?



APAC managers feel the need for more regulation in the secondaries space

Source: Private Equity Wire GP Survey Q1 2025

FIG 1.2 . How would you describe LP awareness around secondaries?



APAC LPs lead in awareness around secondaries, while North America lags

Source: Private Equity Wire GP Survey Q1 2025

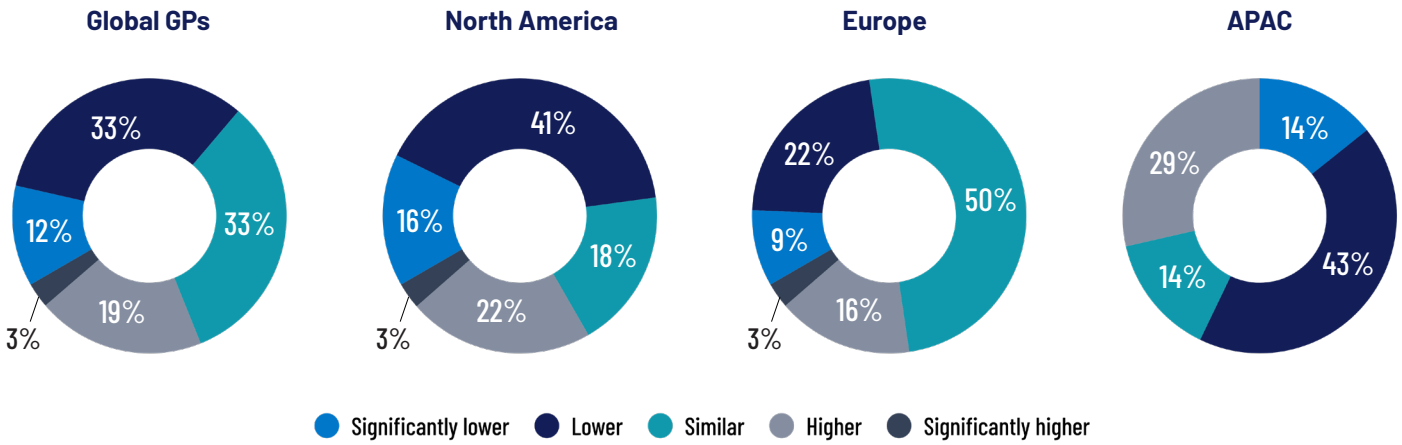
Education is more of a mixed bag – while a healthy 27% say LP awareness around secondaries is advanced, or at least sophisticated, the majority (54%) classify it as a 'work in progress'. The rest, nearly a fifth (19%), say it's lacking, or poor (see Fig 1.2).

Secondaries are still maturing. In our November research, two of the biggest barriers blocking secondaries firms from scaling up were: a 'structural incapacity to scale up' and an 'operational incapacity to scale up'.

This year, nearly half (45%) of our survey respondents say the structural sophistication of the secondary market is lower than that of the primary investments landscape – 12% of them say it is significantly so (see Fig 1.3). On the flipside, 22% say secondaries are actually more sophisticated.

In particular, progress in the GP-led segment is proving a significant catalyst. GP-led transactions, via continuation vehicles, have traditionally been associated with problematic assets. But liquidity pressure has not only transformed attitudes, it has also driven process innovation in this sub-segment.

FIG 1.3 . How does the structural sophistication of the PE secondary market compare with that of the primary market?



Structural sophistication in Europe's secondary market is further ahead than other regions

Source: Private Equity Wire GP Survey Q1 2025

Jed Johnson, Head of GP Solutions at ORIX Corporation USA (ORIX USA), explains: *"GP-leds contain an inherent conflict: a firm is trying to both maximise value for investors in its current fund, while also negotiating terms on which they will manage the same assets going forward within the continuation vehicle.*

"GPs have done a great job of navigating these scenarios by providing their LPs with optionality on whether to sell or roll into the next fund."

Firms are hiring a suite of service providers to ensure they're running a fulsome process and generating fair price points for their investor universe. And regulations are helping, too. Johnson says: *"There has been guidance issued by ILPA on how GP-led transactions should be executed, and a fairly straightforward playbook exists to navigate conflicts. That piece of the equation is in a healthy position at the moment, and doesn't necessarily require more oversight."*

GP-leds are widely expected to be the most notable growth drivers for secondaries. In time, Johnson says, as more realisation events unfold, a higher volume of capital formation will follow.

The more advanced segments of the investor universe, meanwhile, are piling into the secondary market. Making all the headlines in early 2025 was Ardian, which raised a record $30bn in January for its ninth generation – and the world's largest ever – secondaries platform.

GP-leds are widely expected to be the most notable growth drivers for secondaries

According to the firm's Deputy Co-Head of Secondaries & Primaries, Marie-Victoire Roze, investors are now savvy on making the best use of the secondary market. She says: *"In the last few years, we have reached the point where using the secondary market for liquidity and portfolio rebalancing is no longer a one-off decision for LPs, but an integral part of institutional investors' private markets investment strategies."*

Growing comfort with leveraging the secondary market to rectify denominators lends longevity to the asset class – even when the IPO landscape re-emerges as an attractive exit avenue, as is increasingly expected to be the case in 2025. The FT reported in January that PE majors including Blackstone, Carlyle and Hellman & Friedman were looking to newly buoyed public markets for exits this year.

Growing comfort with leveraging the secondary market to rectify denominators lends longevity to the asset class – even when the IPO landscape re-emerges as an attractive exit avenue

Jupp explains that secondaries will still occupy a critical position, potentially just for different reasons. He says: *"Going back to first principles, the secondaries market exists to provide liquidity in a distinctly illiquid asset class. Even if the M&A and IPO markets rebound, an increasingly sophisticated band of LPs will come to the secondary market to manage and rebalance their portfolios, as well as realising short-term liquidity.*

He adds: *"But in the immediate term, there is still a significant backlog of assets to be sold, so the continued pressure to deliver liquidity still exists."* Bain & Company estimated this backlog to be worth $3.2tn in its 2024 PE outlook.

"There has been guidance issued by ILPA on how GP-led transactions should be executed, and a fairly straightforward playbook exists to navigate conflicts."

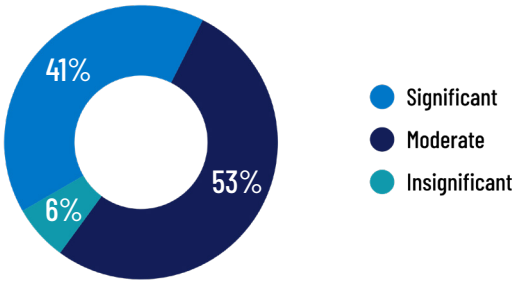
JED JOHNSON AT ORIX CORPORATION USA

The retail question

So institutional investors are increasingly flocking to secondaries, and as returns come to light, momentum will only increase in this space. But another popular route to capital formation, for PE as a whole and for secondary players as a result, is to tap into the private wealth and high-net-worth channels.

A resounding 94% of our survey respondents said the increasing retailisation of the PE landscape will have an impact on the secondary market (see Fig 1.4). Of these, around half (53%) believe this influence will be moderate, while 41% believe it will be significant.

FIG 1.4 . What influence will retailisation of the PE landscape have on growth in the secondary market?



Source: Private Equity Wire GP Survey Q1 2025

Managers see private wealth as a tremendous opportunity. Pinal Nicum, Partner, Secondary Investments at Adams Street, says: *"Broader access to private markets for retail investors has become a core theme following recent regulatory shifts.*

"From a secondaries perspective, it certainly has the potential to fuel growth in transaction volumes given the market is under-capitalised today – current estimates suggest there is only around one-and a-half years' worth of dry powder in the market. Access to new investor channels, including retail, will be additive to transaction capacity and also widen the selection for investors into attractive, previously inaccessible, opportunities."

According to Roze, there is significant interest from investors' standpoint too: *"Secondaries is likely to be an attractive proposition for private wealth investors. It offers diversification by fund, geography, sector and vintage, providing access to private capital with an attractive risk-return profile. We expect it will become an important component of private investors' private capital portfolios in future."*

Both education and regulation will be key drivers here. Knechtli says that while there are tax and compliance implications that come into play when going down to the individual investor, there is certainly momentum in this space. *"Private wealth involvement in secondaries is not a new phenomenon – we've been enabling this through investment trusts with daily liquidity for years – but a lot of work has been done in the past 12-18 months to mould semi-liquid fund structures to individual investor needs."*

"Secondaries is likely to be an attractive proposition for private wealth investors. It offers diversification by fund, geography, sector and vintage, providing access to private capital with an attractive risk-return profile."

PINAL NICUM AT ADAMS STREET

TOKEN INTEREST

For now, the retailisation drive in PE is limited to the high-net-worth bracket of investor. Still, as the infrastructure develops and inevitably reaches a wider pool of smaller investors, a question being asked by many is whether the tokenisation of secondary investor interests is a feasible reality.

Our survey suggests this is very much a horizon trend. Only 11% are actively considering tokenisation – 3% for now and 8% for 12 months from now (see Fig 1.5). Around a third (37%) are passively monitoring progress in this direction, while the majority – 51% – are not considering the possibility of tokenisation at all.

Tokenisation threatens GPs' control of a fund and its investors, which many see as a barrier. According to Knechtli, not only does this create KYC and regulatory challenges, it also goes against the strongly relationship-driven modus operandi that GPs have historically favoured in managing and regulating secondary flow in their funds.

Nicum backs this up. He says: *"GPs play a very significant role in the secondary market for LP interests today, for example, by determining who has access to their portfolio information, and the requirement for their consent to transfers of positions in their funds.*

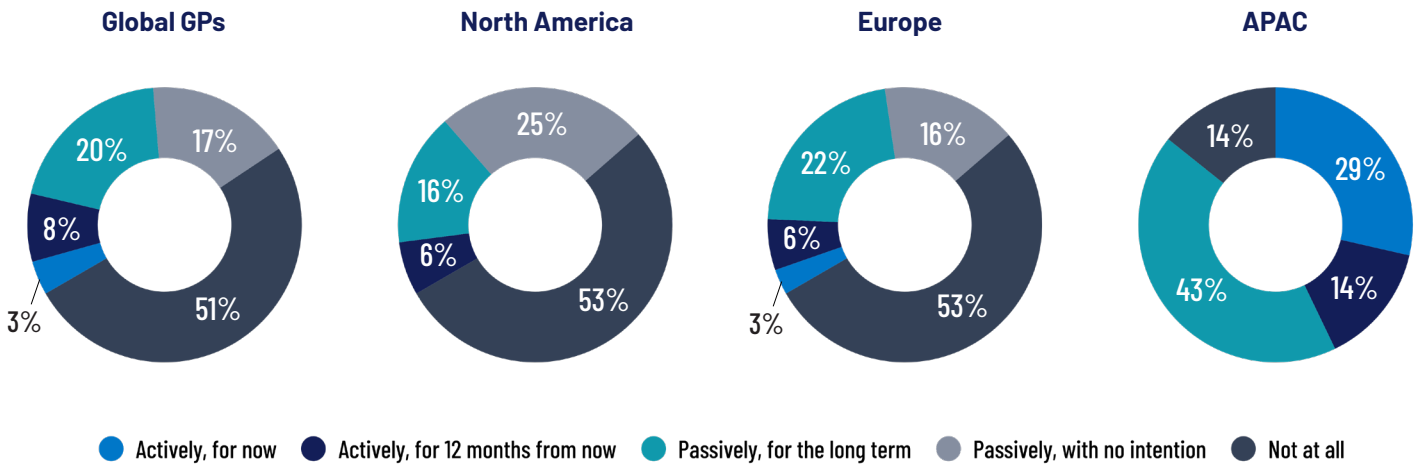
"If anything, we have observed this role intensifying in recent years as GPs have become more proactive in the way they utilise the secondary market for their own purposes. As a result, buyers with deep and longstanding GP relationships have an advantage in secondary transactions."

Tokenisation threatens GPs' control of a fund and its investors, which many see as a barrier

For others, there are significant advantages to tokenisation, and it's a natural way to create efficiencies in what is a rapidly diversifying market. Johnson says: *"It's difficult to predict a time horizon due to the technological and regulatory evolution that needs to take place for tokenisation to become a reality. But with time, we can absolutely see more interests become tokenised, making them much more freely tradable. When you add that type of efficiency to any market, it begets more capital and further growth."*

The groundwork is already being laid for tokenisation (see p10) – it remains to be seen whether, or when, private markets will leverage it to tap into the increasingly tech-savvy retail investor base.

FIG 1.5 . To what extent is your firm considering the tokenisation of secondary LP interests?



APAC leads the way on tokenisation, while Europe and North America are at par

Source: Private Equity Wire GP Survey Q1 2025



On the Horizon

Tokenisation of LP interests is already underway — will widespread adoption follow?

Jason Webb, Director of Web 3.0, SS&C Technologies

"In today's market, if a private markets LP has an interest to sell on the secondary market, they often need to search for buyers themselves and even break out their 'rolodex' of contacts, wait any number of months and potentially sell at a big discount. Most would agree there is a better way to do things." says Jason Webb of SS&C. Webb has extensive experience developing AI-based tokenisation tools in the traditional finance world.

Tokenisation is that way, says Webb, three barriers remain to its proliferation. One is a clear infrastructure gap. *"A tokenised sale would require a full suite of services: to discover the asset, to tokenise it, to facilitate the document exchange, to service the asset, and to facilitate distributions. For now, the market remains underserved in key areas along this value chain."* SS&C is partnering with LSEG in the latter's initiative to facilitate tokenised private markets trades.

The second barrier to progress remains education. *"Even LPs seeking a better way to trade their assets are unaware of the options available to them and remain hesitant to experiment."*

The third barrier is a lack of market pressure - there's no fear of missing out. *"There is little risk to GPs of not tokenising yet, as very few competitors are actually doing it,"* says Webb. He predicts adoption will be slow at first, and then accelerate quickly, much like in the crypto world.

Many underlying forces will drive adoption. The Trump administration's pro-crypto policies will likely create infrastructure and appetite for tokenised assets as a whole.

Wide adoption of decentralised finance in Singapore, Dubai, Abu Dhabi and other financial centres in APAC and the Middle East will provide momentum. The slow but steady retailisation of the private markets investor base will create a bigger pool of LPs looking to occupy smaller shares of private market funds.

According to Webb, demand is already growing among traditional finance consumers – to have access to private funds alongside their tokenised mutual funds and savings accounts in a digital wallet. It's up to fund managers to meet this demand. A tokenised approach will bring a range of benefits. GPs will be able to service, smaller investors with shorter investment horizons and gain the capacity to return cash without making portfolio sales. LPs will gain the ability to exit their stakes quickly and efficiently.

"The end game is one where the transaction, the settlement and the record keeping all happen instantly – with AI-driven models allowing transactions to initiate and execute with full visibility in real time."

How far is this reality? Webb says multiple industry commentators expect around 10% of global assets to be tokenised as early as 2030. Private markets occupy a small share of this asset pool and have traditionally been slower to digitise than other areas of finance. Putting secondary interests on decentralised platforms would bring 560 million plus crypto investors worldwide into private markets. Webb argues significant progress would need to be made by the end of this year for the industry to keep pace with the wider financial world. For now, only 12% of the market is actively considering tokenisation as a reality.

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JASON WEBB, DIRECTOR OF WEB 3.0

More than 90% of managers say that secondaries are more operationally demanding than primaries

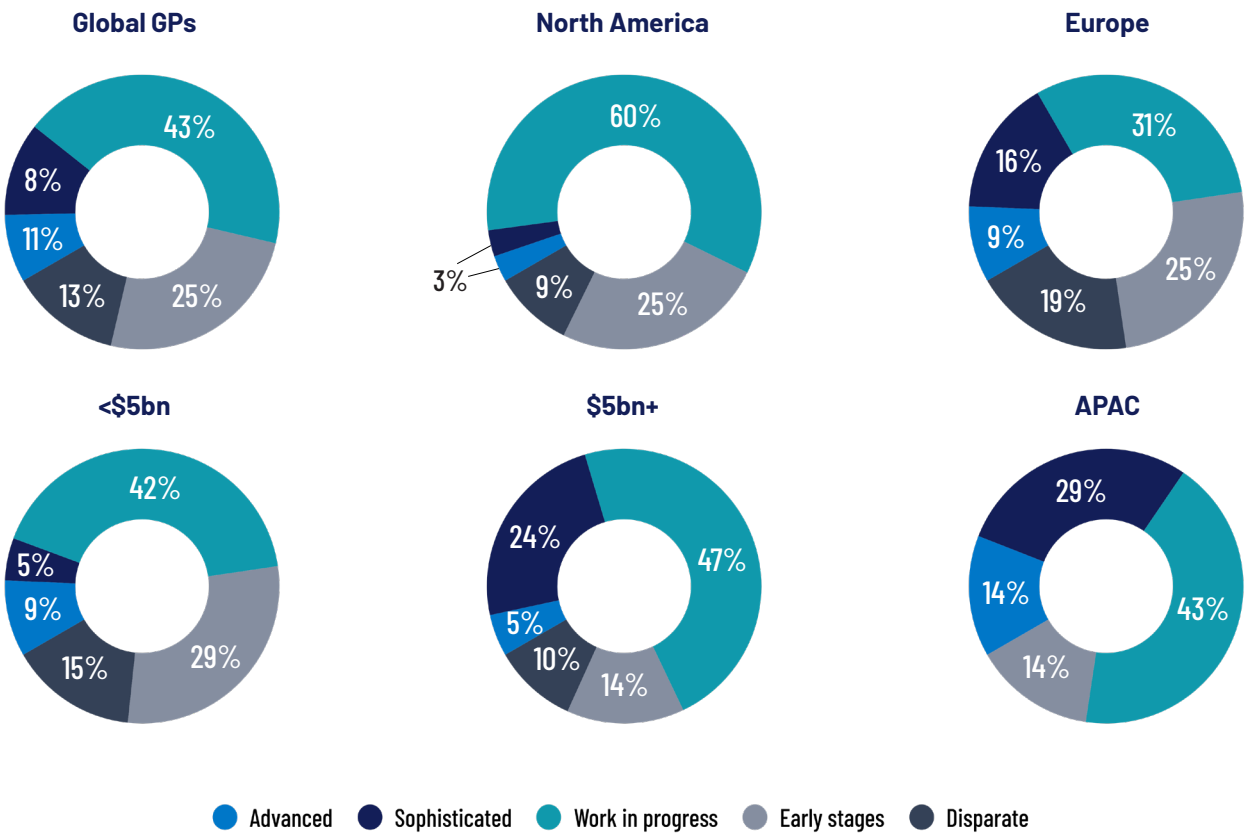
OPERATIONS IN FOCUS

Data is the key to success in secondaries, and some firms are putting a comprehensive data strategy at the heart of their operations.

Secondaries are operationally intensive, and data is the name of the game. A poll conducted during a Private Equity Wire and SS&C webinar in January revealed the market to be more demanding than primaries, as stated by the vast majority (90%+) of attendees.

Our November research found data ingestion and aggregation', and 'process efficiency' to be among the two biggest challenges from an operational standpoint. The industry is crying out for comprehensive data management, yet progress remains slow. Asked about their secondaries data strategies in this year's survey, 43% of our respondents said this was a 'work in progress', while a quarter said it was still early stages, and 13% say their strategy is still disparate (see Fig 2.1).

FIG 2.1 . How would you describe your firm's data management strategy when it comes to secondaries?



Larger firms are further along in their data management journeys, while APAC leads

Source: Private Equity Wire GP Survey Q1 2025

"There is a lot of friction in secondaries processes. Firms need to sift through pdfs and other fragmented data, distil that mass of data down into spreadsheets, produce cashflow forecasts for multiple LP interests, and then decide how they are going to structure and price those cash flows as part of any bid proposal," says Patrick Knechtli of Patria Investments.

"And once you get beyond the bidding phase, transactions can then be pretty complex in terms of legal negotiations, deal structuring and complying with the required transfer and tax requirements – each coming with a significant time investment and service cost," he adds.

Operational intensity varies from one transaction type to another, says Jed Johnson of ORIX USA. *"An LP-led transaction may involve a portfolio of scores of underlying funds, with hundreds of underlying portfolio companies within them. This is a tremendous underwriting exercise.*

"In the GP-led space, single-asset transactions are more akin to traditional equity underwriting, comparable to a co-investment. Multi-asset continuation vehicles can get more complicated, although even those vehicles consist of a subset of value drivers that can make up the focus of the underwriting process."

That said, many are still confident their data management is sophisticated, if not advanced. At this forefront of the market, both among LPs and GPs, high transaction volumes are being used to develop data models that can be applied across comparable funds and portfolios – building transformative efficiencies into the secondaries process.

Marie-Victoire Roze of Ardian says the firm has leveraged more than 25 years of experience and data to develop "one of the world's largest and most comprehensive databases of private markets assets" in order to support investment activity.

"The database covers 1,600 funds from over 650 general partners, and offers access to 5.4 million real time data points on more than 10,000 underlying companies. With this deep pool of data and the use of AI, the integrated platform enables us to identify the best funds to buy at any time and allows the team to make evidence-based investment decisions with more agility and speed," she says.

The Cutting Edge

The next objective, for firms at the cutting edge, is to achieve as much granularity as possible. One such firm is Clipway, a London-based secondary specialist that puts next generation tech at the heart of its operations.

One of the firm's Managing Partners, Ingmar Vallano, says there is a consensus in the market that more detailed underwriting directly translates to better risk management and performance. He draws a clear distinction between a "statistical view" and a "granular view" when it comes to modelling of LP portfolios – the former being high-level assumptions based on fund strategies, while the latter dives deeper into the performance of underlying funds and portfolio companies.

Vallano says: *"The latter approach is widely accepted to be far superior, and offers a clear competitive advantage. Having coverage of strong, detailed models across multiple funds allows firms to position themselves appropriately and react fast to opportunities."*

But there remains a dissonance, between the acknowledgement of these benefits and the approach that most firms take towards secondaries – heavily relying on manual input and processing on spreadsheets.

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MARIE-VICTOIRE ROZE OF ARDIAN

"This not only limits the number of funds that can be modelled, but also restricts the types of analysis that can be conducted on pricing and other key metrics – in addition to being more prone to human error," says Vallano.

Clipway is built to disrupt these conventions, leveraging a sophisticated digital infrastructure to run a comprehensive data strategy across its LP-led secondaries platform.

The firm uses optical character recognition (OCR) technology to extract information from pdfs and a range of other document formats. *"These tools are growing increasingly efficient, but they're not exactly plug-and-play,"* says Vallano.

"They need a strict and comprehensive set of data governance mechanisms to ensure data is being pulled in the right format, stored in the right place and given the appropriate labels. We had a dedicated team of developers writing code to automate these controls – to increase efficiency and reduce the risk of errors.

"These experts are also trained in secondaries, which eliminates cultural friction between the investment and software teams, and saves significant time and resource on training. They have technical knowledge of carried interest waterfalls, for instance, or which specific KPIs need underwriting."

All things considered, Clipway spent two years developing these automations, as a priority project rather than an ancillary exercise. Vallano says arriving at this point took dedication, time and resource. But the benefits are numerous, and fairly intuitive.

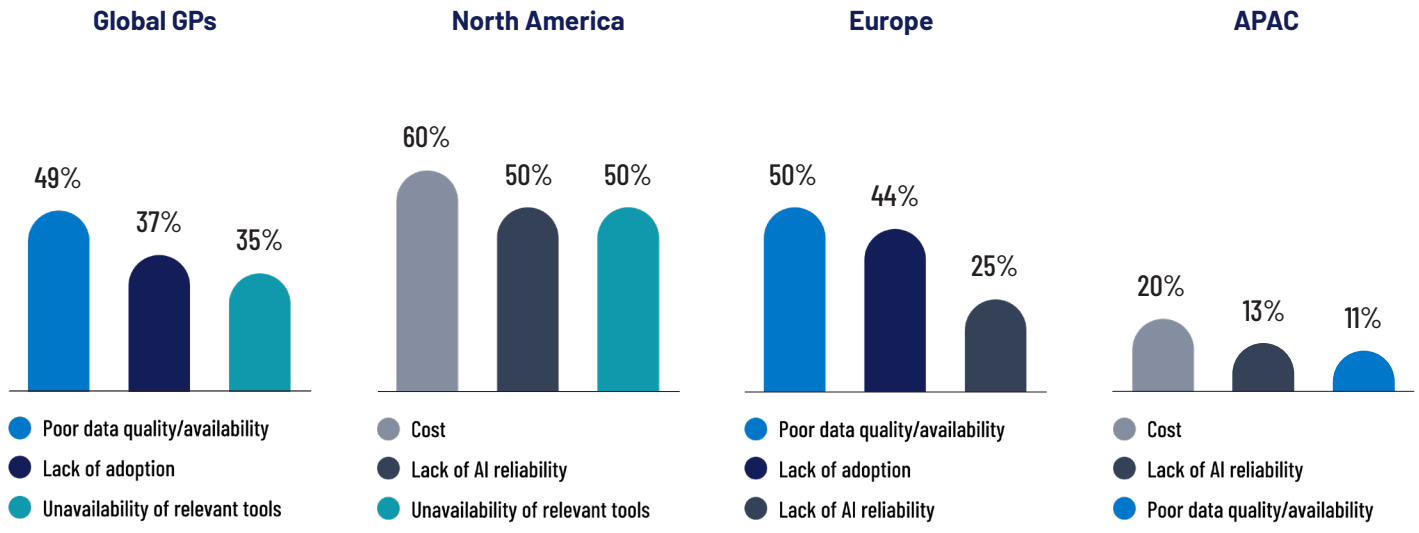
"Everyone recognises that secondaries are a relationships business. Indeed, most granular information on a portfolio is obtained from conversations with managers. But these interactions need to be based on assumptions derived from data modelling," says Vallano.

If the first part is completed efficiently, not only does it leave more time for investment teams to build relationships and derive more insight, it also allows them to calibrate or challenge existing assumptions. The result is a greater degree of confidence in investment and exit decisions. *"The secondary market is rife with opportunity right now – firms that succeed will have the capacity to process vast pools of data, and move fast,"* says Vallano.

Spotlight on AI

And finally, notable among the benefits of building a comprehensive data infrastructure is the scope to leverage AI. Asked to pick all of their biggest barriers to implementing AI across their secondaries investment processes, around half (49%) of our survey respondents cited poor data quality and/or availability (see Fig 2.2).

FIG 2.2 . What remain the biggest challenges when it comes to the use of AI in secondaries?



Challenges with AI vary significantly across regions

Analyst Note: Multiple choice question | Source: Private Equity Wire GP Survey Q1 2025

Vallano disputes the latter. *"In a market as intermediated as secondaries, there is an abundance of data available on underlying funds, documentation, KPIs, leverage and a host of other areas. Formats may differ, but it's all available – in great detail."*

The challenge is to convert that information into actionable models – more of a data quality puzzle – which is where data governance mechanisms play a crucial role. With these in place, Vallano says AI can be leveraged for data extraction, to generate automated assumptions, and build models on wider sets of comparable funds.

"We also wanted the ability to track back and have full visibility on where the assumptions may differ from outcomes. The AI will naturally factor these into its calculations, but we wanted to be aware of every insight and data point on which there was divergence."

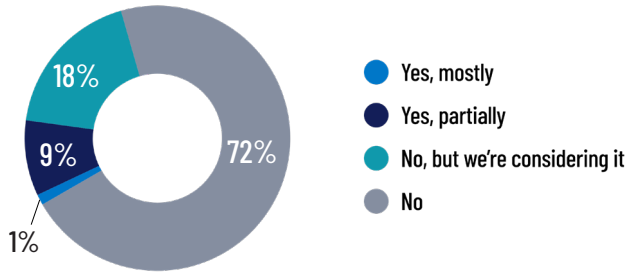
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Other key AI challenges raised by our respondents include: a lack of adoption (37%), unavailability of relevant tools (35%), and problems with AI reliability (32%).

The latter two are closely linked, says Vallano. *"The reason we built our own AI model is to eliminate the risk of individual bias. Open-access LLMs are reliant on public information, which can skew the results of research quite significantly. Building in-house gave us control over the database, the parameters and the governance rules – to ensure that all our analysts were being given a balanced, objective brief before entering any conversation on a particular subject or sector."*

Indeed, building in-house appears to be the industry-wide preference. Asked whether they were outsourcing their secondaries data management, a resounding 98% said no – and 72% of these are not even considering it (see Fig 2.3). Only 10% work with third parties – 9% of which do so partially.

FIG 2.3 . Does your firm outsource its secondaries data management?



Source: Private Equity Wire GP Survey Q1 2025

Knechtli says: *"We've been speaking to consultants about how and where we can adopt a more tech-driven approach in our processes and operations. A large part of the process is to find out where the market is on its digitalisation journey. At the moment, it seems the majority of firms are in the early stages of adoption when it comes to standardising processes and adopting tech solutions.*

"In terms of outsourcing, there doesn't seem to be a single solution available off-the-shelf that provides support across a full suite of operational functions – data scraping, fund administration, reporting, customer relationship management and others."

"Open-access LLMs are reliant on public information, which can skew the results of research quite significantly. Building in-house gave us control over the database, the parameters and the governance rules."

INGMAR VALLANO AT CLIPWAY

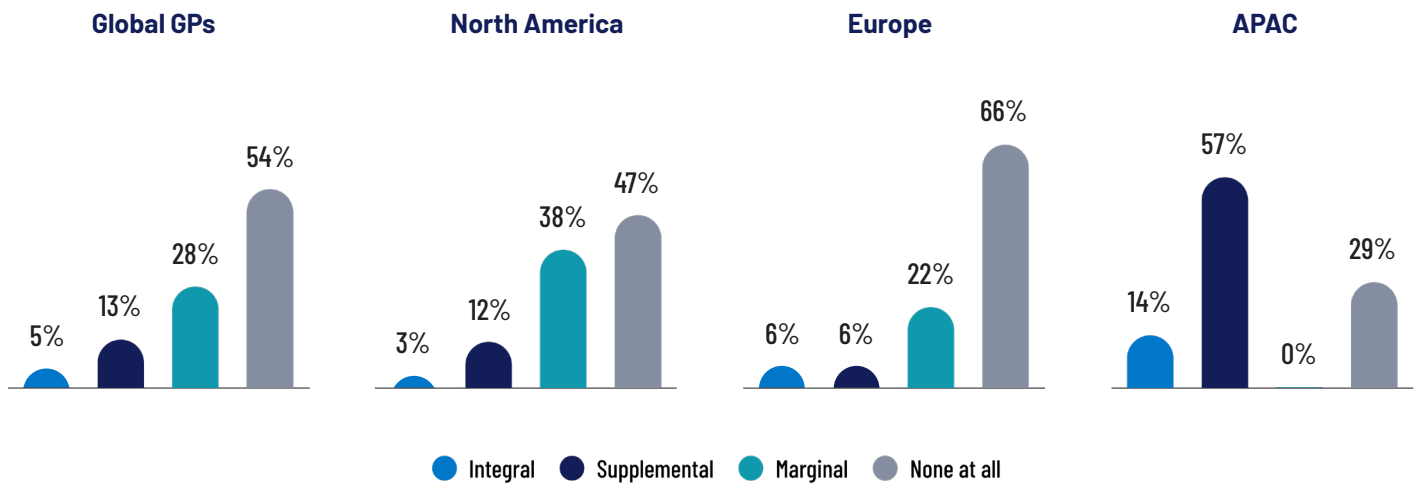
The question for firms is whether to spend heavily on an external solution that may not fit all their needs, or deploy significant cost and resource on building an internal solution that may or may not be at par with industry standards or best practices. *"But there is significant progress in this space, and firms are working to find their own optimised group of software and tech solutions,"* says Knechtli.

Interoperability of software tools is also making strides as the digitalisation wave spreads (see p16). Advances in AI, meanwhile, will fuel progress here. Vallano notes that AI has benefits for efficiency within the investment process, as well as for higher level insight. *"Our models ingest such vast pools of data that we can start to derive assumptions not just for individual funds and companies, but also for trends in private markets as a whole."*

But for now, there remains a long road ahead – 54% of our survey respondents say AI plays no role at all in their firm's secondaries operation, and 28% say this role is 'marginal' (see Fig 2.4). At the other end of the spectrum, 13% of firms say AI plays a supporting role, while 5% say it holds an integral place in their operations.

With secondary transaction volumes only expected to rise, as trillions of dollars make their way through private markets machinery, AI-powered operational efficiencies could prove to be a significant competitive advantage, and the next phase of growth for the industry.

FIG 2.4 . What role does AI play in your firm's secondaries operation?



Europe lags behind when it comes to AI use in secondaries – APAC leads again

Source: Private Equity Wire GP Survey Q1 2025



Groundwork for Scale

Data is coming into play earlier and earlier in a firm's lifecycle

Ian Kelly, Managing Director and Head of Private Markets, SS&C GlobeOp

The common refrain is private markets firms are slow to digitise. Still, a key point raised by most managers throughout our secondaries series is the asset class is more operationally intensive and 'data-heavy' than conventional, direct strategies.

Ian Kelly of SS&C says this is proving to be a catalyst for change. *"Sophisticated data management strategies have traditionally gained traction at bigger, more established firms. There are several most notable barriers to wider market penetration. A comprehensive data strategy traditionally requires large upfront investments. These expensive tools can also be inflexible and unyielding to the specific needs of a firm."*

But these challenges may no longer be relevant, says Kelly, as the market sees evolution – both in attitudes and in the sophistication of tools. *"Instead of trying to solve all their problems in one go, firms are now leveraging their structured or unstructured data to optimise certain aspects of the business that aren't as efficient as they could be. As early as fund one, two or three, GPs are coming to us to help them build a sophisticated set of processes – not just for how they consume data but also for communicating performance to LPs. A tech-savvy mindset is increasingly prevalent in the industry."*

This marks a notable change. Slow digitisation aside, there is also a distinct reluctance in the market to outsource data management strategies – mainly due to a disparity in priorities. Kelly says: *"The rate of growth in private markets has meant firms are in an endless cycle of launching and monitoring one fund after another. Now, firms are trying to achieve this without headcount growth – perceiving themselves as operating entities with efficiency at their core."*

"They're moving away from the 'surfing the wave' approach and towards building a scalable ecosystem with repeatable processes which can grow with the demands we're all expecting to snowball as the private markets industry expands."

A comprehensive data strategy also unlocks a wider pool of potential partners to work with, as long as they feed data into a firm's system in a consistent manner. GPs are empowered with control, to make changes more efficiently and diversify their operations to a higher degree.

Consistent data will also unlock the full potential of AI for firm operations. Private markets is a bespoke industry that works on tailored processes – as opposed to public facing sectors such as hedge funds which have a much higher degree of standardisation.

But with modern technology, Kelly says firms can mine data that isn't consistently formatted, and structure it retrospectively to create deeper insight. *"This has created a form of standardisation in private markets – with certain blueprints emerging for funds in their investment processes."*

In due course, AI will prove to be a competitive advantage, says Kelly. *"LPs look at the overall value of a portfolio, but they also drill down into the composition of underlying funds and derive insights. In time, this will lead to some duplication – as a range of investors involved in similar funds and similar sectors end up with overlapping insights."*

AI will unlock the next level of granularity, helping investors identify a range of soft factors surrounding their investments – giving them that much needed edge in an increasingly crowded market.

"LPs look at the overall value of a portfolio, but they also drill down into the composition of underlying funds and derive insights. In time, this will lead to some duplication – as a range of investors involved in similar funds and similar sectors end up with overlapping insights."

IAN KELLY, MANAGING DIRECTOR AND HEAD OF PRIVATE MARKETS

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