

## Empowering private markets with data-driven decision making

The private markets industry has experienced significant growth over the last decade, driven by increasing allocations to alternative asset classes and heightened investor demand for returns. Alongside this growth, private asset managers, or Alternative Investment Managers (AIMs), face mounting challenges such as evolving regulatory landscapes, greater reporting requirements, and the complexity of managing disparate data sources.

To thrive in this environment, AIMs must adopt a data-driven approach to enhance decision-making, improve operational efficiency, and foster stronger Limited Partner (LP) relationships. This blog explores the challenges, solutions, and opportunities for AIMs in leveraging data and technology to stay competitive.

### The role of data in Private Markets

Data is the backbone of effective decision-making in private markets. AIMs use data analytics to:

- **Drive informed decision-making:** Access to real-time, actionable data helps AIMs identify new investment opportunities, monitor portfolio performance, and anticipate market trends.
- **Optimize portfolios:** Data-driven insights enable managers to pinpoint underperforming assets and implement strategies for improvement.
- **Enhance risk management:** Leveraging data helps identify potential risks and create contingency plans.
- **Improve operating efficiency:** Automated workflows and streamlined data processes reduce manual errors and save time.

However, AIMs often encounter hurdles that limit their ability to fully utilize the power of data

## Challenges in data management

Despite its importance, many AIMS struggle to overcome key data management challenges, such as:

### Obsolete systems

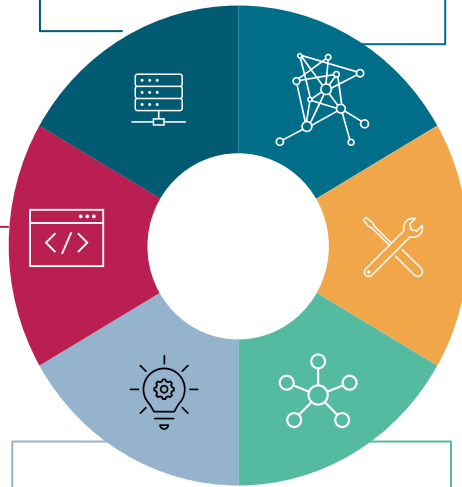
- Legacy platforms lack the functionality and security to handle modern private market complexities

### Complexity of the analytical tools

- Portfolio managers generally lack data science expertise and, therefore, can face challenges to leverage the power of aggregated data using analytical tools

### Talent shortages

- Skilled professionals in data science, AI, and engineering are in high demand but short supply



### Data complexity

- Unstructured, disparate data from multiple sources leads to quality issues and inefficiencies

### Lack of analytical tools

- Over-reliance on manual processes increases errors and slows decision-making

### Absence of a centralized source of truth

- Siloed data storage impedes collaboration and increases duplication risks

These challenges underline the necessity of adopting modern solutions

## Solutions for data challenges

To address these issues, AIMs are turning to a combination of technology and service models:



### Building or leasing data platforms

- Modern platforms equipped with analytics tools can process vast datasets to uncover trends and hidden patterns, enabling faster, more accurate decision-making



### Partnering with specialists

- Engaging third-party providers for data management services helps AIMs access expertise, reduce costs, and focus on core investment activities.



### Consolidate disparate platforms

- Unified systems improve data integration, reduce redundancies, and streamline operations.



### Leveraging cloud solutions, GenAI and machine learning

- Cloud solutions have become a necessity for AIMs to address scalability challenges while keeping operational costs low and delivering needed resiliency
- Artificial intelligence (AI) and machine learning (ML) tools continue to make big strides in accessibility and usability for the complexities of private markets

## Technology's role in investment management

Technology is reshaping the private markets landscape in several ways:

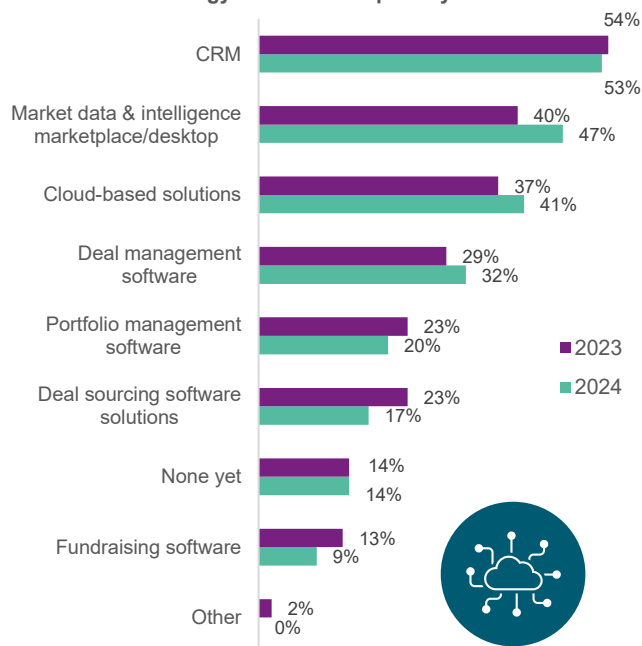
**Data extraction and decision-making:** With AI technologies, such as natural language processing, firms can extract, standardize and process data more effectively, leading to more informed decision-making.

**Enhance portfolio management:** With advanced portfolio analytics, data-driven statistical models and real-time performance monitoring systems, AIMs can identify trends and identify untapped investment opportunities.

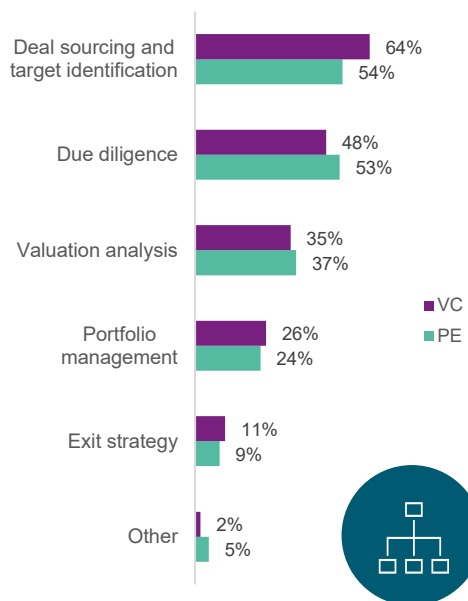
**Automation solutions:** By embracing automation technologies such as robotic process automation (RPA) and cloud-based solutions, firms can mechanize repetitive tasks, consolidate and streamline unstructured data, and improve accuracy.

**Regulatory compliance:** Regulatory technology (RegTech) solutions can help private market firms navigate the complex regulatory landscape by automating compliance checks, boost regulatory capabilities, and ensure that all transactions adhere to legal and regulatory requirements.

Technology solutions adopted by firms



Effective application of GenAI






Source: S&P

**Assessing implications of developing technology capabilities in-house vs. partnership**

When building technological capabilities, AIMs can opt for in-house systems, partnerships, or hybrid models. Each approach offers distinct benefits and drawbacks:

AIMs must evaluate their specific needs, budgets, and strategic goals to choose the best approach

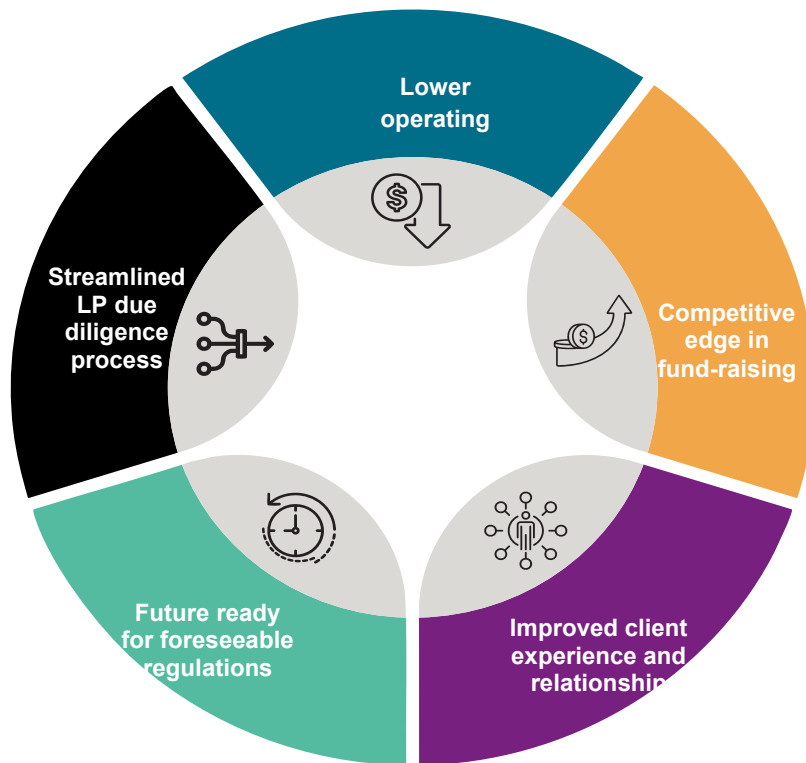
Particulars	Benefits	Drawbacks
 <b>In-house systems</b>	<ul style="list-style-type: none"> <li>• Complete control</li> <li>• Customization benefits</li> <li>• Keeps sensitive data and reporting closely held and confidential</li> <li>• Quick responsiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Costly due to high upfront capital expenditure</li> <li>• Time consuming</li> <li>• Needs regular redevelopment to keep up with industry innovation</li> <li>• Complex human capital management</li> </ul>
 <b>Partnerships</b>	<ul style="list-style-type: none"> <li>• Significant time saving and cost benefits</li> <li>• Access to specialized expertise with flexibility as needs arise</li> <li>• Quicker adaptation to changing market conditions</li> <li>• Scalable, supported by the adoption of new technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Risk to confidentiality and integrity of shared data</li> <li>• Potential non-adherence to legal and regulatory requirements</li> <li>• Unsteady vendors may cause operational disruptions</li> <li>• Communication and cultural differences</li> </ul>

 <p><b>Hybrid approach</b></p>	<ul style="list-style-type: none"> <li>• Strategic advantage</li> <li>• Greater flexibility</li> <li>• Offers time zone advantages</li> <li>• Cost-effective</li> <li>• More control and visibility than the traditional outsourcing models</li> </ul>	<ul style="list-style-type: none"> <li>• Requires detailed planning and execution</li> <li>• Risk to confidentiality and integrity of shared data persists</li> <li>• Unsteady vendors may cause operational disruptions</li> <li>• Communication and cultural differences</li> </ul>
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**Data-driven insights enhancing LP communication**

With institutional investors diversifying their exposure to private markets and a notable rise in retail investor demand, firms are grappling with an increased load of reporting requirements to improve investor experience and relationship. As such, AIMS need actionable insights into data derived across investment performance, sector exposure analysis and risk profiles. This warrants robust data analytics to provide real-time, comprehensive reporting (such as configurable dashboards, automated reporting templates, etc.) to clients in a digital format.

**By embracing a data-centric culture and leveraging advanced data analytics in LP reporting, AIMS benefit from:**



**Conclusion**

In the rapidly evolving private markets, data-driven insights are no longer optional—they are a competitive necessity. AIMS that embrace technology, optimize data processes, and foster a culture of innovation will be better positioned to manage risks, attract investors, and achieve operational excellence.

As private markets grow increasingly complex, the firms that adapt and evolve will lead the industry into a future defined by efficiency, transparency, and sustainable success.

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Crisil Integral IQ delivers solutions and actionable intelligence to top financial institutions, driving strategic transformation, risk optimization, and operational excellence. Our offerings across research, risk, lending, analytics and operations have empowered clients to navigate complex markets, mitigate risks and unlock new opportunities. Our domain expertise, innovative solutions, future-ready technologies such as AI and data science give clients the confidence to accelerate growth and achieve sustainable competitive advantage. Our globally diverse workforce operates in the Americas, Asia-Pacific, Europe, Australia and the Middle East.

For more information, visit [IntegrallQ.Crisil.com](https://IntegrallQ.Crisil.com)

## About Crisil

Crisil is a global, insights-driven analytics company. Our extraordinary domain expertise and analytical rigour help clients make mission-critical decisions with confidence.

Large and highly respected firms partner with us for the most reliable opinions on risk in India, and for uncovering powerful insights and turning risks into opportunities globally. We are integral to multiplying their opportunities and success.

Headquartered in India, Crisil is majority owned by S&P Global.

Founded in 1987 as India's first credit rating agency, our expertise today extends across businesses: Crisil Ratings, Crisil Intelligence, Crisil Coalition Greenwich and Crisil Integral IQ.

Our globally diverse workforce operates in the Americas, Asia-Pacific, Europe, Australia and the Middle East, setting the standards by which industries are measured.

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