

A close-up, high-angle shot of a dark, textured AI chip with the letters 'AI' in a glowing, white, sans-serif font. The chip is set against a background of intricate, glowing blue and gold circuitry. A soft, warm light emanates from the chip, creating a sense of depth and technological sophistication. The overall color palette is dominated by deep blues, blacks, and warm oranges/golds.

# The AI Imperative in Private Markets Firms

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*How Generative AI is Transforming  
Private Markets Operations*

# Market Context and Industry Transformation

The private markets industry is experiencing unprecedented growth and complexity that makes AI adoption essential for competitive advantage. According to Bain Capital's Global Private Equity Report 2024, private markets assets under management reached \$13.1 trillion globally, with private equity alone accounting for \$4.3 trillion. This explosive growth has created new challenges that traditional manual processes cannot adequately address.

The competition for quality deals has intensified dramatically. Bain's research shows that the number of private equity firms competing for mid-market deals has increased by 45% over the past five years, while the pool of attractive targets has grown by only 12%. This supply-demand imbalance makes AI-powered prospective investor and deal sourcing capabilities necessary for accessing the best opportunities.

Investor expectations have also evolved significantly. Limited partners now demand more sophisticated reporting, faster response times, and deeper insights into portfolio performance.

Bain Capital's LP survey indicates that 73% of institutional investors expect quarterly updates with detailed analytics, while 84% want real-time access to performance data. Meeting these expectations manually is becoming impossible for firms managing hundreds of investor relationships.

The fundraising environment has become increasingly competitive as well. With more than 3,000 private equity funds seeking capital simultaneously, according to Bain's data, differentiation through superior investor targeting and personalized communications has become critical. Firms using AI for investor relations report 35% higher success rates in fundraising processes, according to industry benchmarking studies.

# Executive Summary

Private markets firms are at a critical inflection point. The prudent but assertive adoption of generative AI will separate tomorrow's winners from those left behind in an increasingly competitive landscape. As institutional capital continues to flow toward the private equity, private credit, and real assets sectors, firms that harness AI's transformative power across their core workflows will capture disproportionate value through enhanced capital formation, superior deal origination, and elevated investor engagement.

InvestorFlow AI connects the dots across market intelligence, firm knowledge, and real-time interactions to surface the relationships and insights that matter most. By analyzing sources like Pitchbook, Preqin, emails, meetings, and past deal cycles, it reveals patterns hidden in plain sight. The result is a dynamic advantage – turning every touchpoint into an opportunity to deepen relationships and win deals.

The evidence is compelling: according to a 2024 study by McKinsey & Company, firms integrating AI into their capital formation processes are reducing fundraising timelines by 30-40% while expanding their investor base through enhanced targeting and personalization. Deal origination capabilities

are being revolutionized through predictive analytics that identify opportunities before competitors, while automated sentiment analysis of market signals provides actionable insights that drive better investment decisions. Meanwhile, investor relations platforms are transforming how IR professionals engage with limited partners, helping to deliver personalized communication at scale and reducing response times from days to hours.

This transformation extends beyond operational efficiency to fundamentally enhance the daily lives of high-powered executives within these firms. By automating repetitive tasks, providing comprehensive context from historical interactions, and consolidating data onto a single system of record and system of engagement, generative AI frees professionals to focus on what matters most: building relationships, sourcing deals, and creating value for investors.

Firms that fail to embrace this AI imperative will find themselves disadvantaged in every aspect of their operations, from slower capital raises to missed investment opportunities to diminished investor satisfaction. Conversely, those that thoughtfully implement AI solutions like InvestorFlow will leverage their proprietary data to gain sustainable competitive advantages across their entire value chain.

# Where the Leading Firms are Investigating and Using AI

Leading private markets firms are no longer asking whether to adopt AI, but how quickly they can implement it across their operations. According to Bain Capital’s 2024 Private Markets Report, 78% of private equity firms are actively investing in AI and data analytics capabilities, with deal sourcing and due diligence representing the top use cases.

Top-tier private equity firms including Apollo Global Management and KKR have established dedicated AI and data science teams, while private credit leaders such as Ares Management and Blackstone Credit are deploying machine learning algorithms to enhance their deal sourcing and risk assessment capabilities.

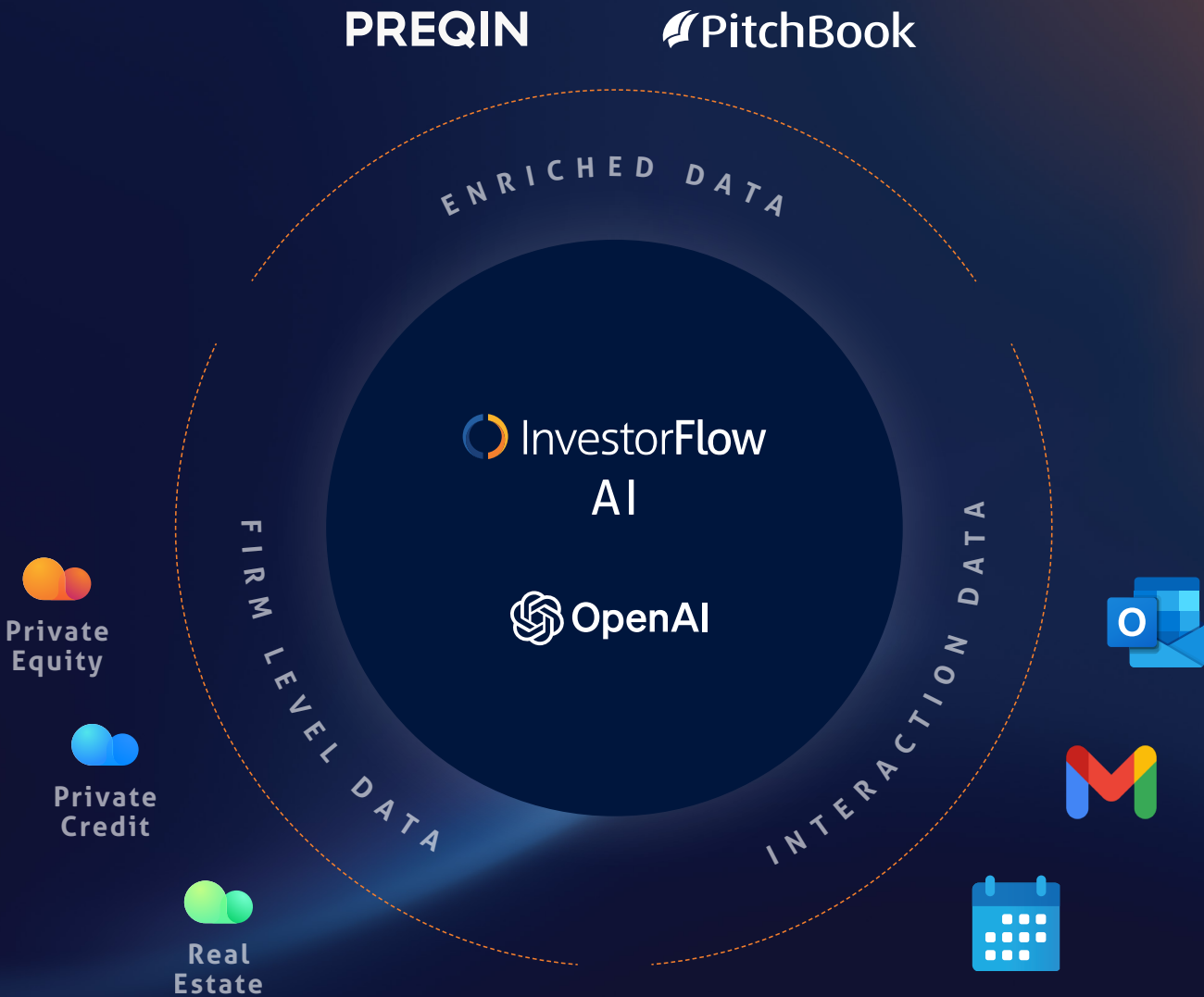
Leading industry intelligence tools have demonstrated the transformative potential of AI in private markets, using machine learning to scan millions of companies across the web and identifying potential acquisition targets that traditional methods might miss. PE Stack, a comprehensive directory of technology providers serving private markets, highlights the growing ecosystem of AI-powered solutions available to private equity professionals. These tools represent a new generation of AI applications specifically designed for private markets workflows.

In the real assets space, infrastructure and real estate firms are leveraging AI for property valuation, market analysis, and portfolio optimization. Bain Capital Real Estate, for instance, has implemented AI-driven market analysis tools that process satellite imagery, demographic data, and economic indicators to identify optimal investment opportunities.

The most sophisticated firms are focusing their AI investments on three key areas:

**Fundraising / Business Development:**  
First, they’re enhancing their capital formation processes by using predictive analytics to identify potential investors most likely to commit capital, while generative AI creates personalized pitch materials that resonate with specific investor preferences.

**Capital Deployment**  
Second, they’re revolutionizing deal origination through AI-powered market scanning that identifies investment opportunities based on proprietary algorithms and sentiment analysis of market data.



Investor Services

Third, they’re transforming investor services by implementing AI systems that provide real-time insights into investor sentiment and automate routine communications.

These early adopters are seeing remarkable results. According to a PwC survey of private equity firms, 67% reported improved deal sourcing efficiency after implementing AI tools, with a median improvement of 35% in identifying viable investment targets. Deloitte’s Private Equity Technology Survey found that firms using AI-powered industry intelligence tools experience a 5x improvement in deal sourcing productivity, with some firms discovering investment opportunities they would have otherwise missed entirely. EY’s analysis of private markets technology adoption shows users of advanced analytics platforms have reported a 40% reduction in initial due diligence time while maintaining higher accuracy in risk assessment.

A major real estate investment firm utilizing AI-enhanced market analysis increased their LP engagement scores by 60% after deploying predictive analytics that identify optimal investment timing and market entry strategies. Bain Capital’s internal analysis shows that firms using AI for investor relations see 45% faster response times to LP inquiries and 25% higher investor satisfaction scores.

The competitive advantage gained by these leaders is becoming increasingly apparent. They’re raising larger funds faster, accessing better deal flow, and maintaining higher levels of investor satisfaction – all while their competitors struggle with manual processes and outdated systems.

40%

Reduction in initial due diligence time

35%

Improvement in identifying viable investment targets

45%

Faster response times

25%

Higher investor satisfaction scores.

67%

Reported improved deal sourcing efficiency

5x

Improvement in deal sourcing productivity

Transforming The Industry’s Core Workflows

Capital Formation, Capital Allocation, and Investor Relations

Capital Formation Revolution

Generative AI is fundamentally reshaping how private markets firms approach fundraising. Today’s AI-enhanced approach leverages predictive analytics to identify potential investors based on investment patterns, risk preferences, and historical behavior patterns.

IR teams now use AI to analyze vast databases of institutional investor information, identifying prospects who have invested in similar strategies or are actively seeking exposure to specific asset classes. This intelligence enables fundraising leaders to craft highly targeted approaches that speak directly to each investor’s strategic objectives and constraints. While this data was always available, AI is also providing the ability to mine proprietary data within the firm at a scale that was simply out of reach even for the best equipped analysts, presenting an opportunity to turn past interactions into new investment.

The impact on communication is equally transformative. Generative AI creates personalized pitch materials, tailoring presentations to highlight aspects most relevant to each potential investor. For pension funds focused on long-term returns, AI emphasizes stability and consistent performance. For endowments seeking diversification, it highlights the fund’s unique positioning and differentiated strategy.

Furthermore, AI-powered sentiment analysis monitors news releases, SEC filings, and public statements from potential investors to identify optimal timing for outreach. When a pension fund announces new allocation targets or an endowment publishes their annual report highlighting specific investment themes, AI systems alert the IR team to these opportunities in real-time.

01

AI captures relevant data from third party sources, interaction data and historical data from the firm database.

02

When a fund strategy is determined, simply input the investor preferences/ sectors of interest, and InvestorFlow AI will generate a territory list.

03

Sort this list using Relationship Intelligence, so your best contacts are your first call.



Capital Allocation and Deal Origination Enhancement

The transformation in deal origination represents perhaps the most dramatic application of AI in private markets. Machine learning algorithms now scan thousands of data sources daily, identifying potential investment opportunities through pattern recognition that far exceeds human capabilities.

In private equity, AI-powered industry intelligence tools analyze company financials, market positioning, and growth trajectories to identify acquisition targets that match specific investment criteria. These systems can process earnings calls, press releases, and industry reports to detect signals indicating a company may be considering a sale or facing financial pressures that create investment opportunities. Leading platforms scan more than 4.5 million companies globally, using natural language processing to identify companies that traditional search methods would miss.

Private credit firms deploy AI to assess borrower risk more accurately and efficiently. Natural language processing analyzes loan documents, financial statements, and market commentary to provide comprehensive risk assessments that inform lending decisions. According to Deloitte’s

Private Credit Survey 2024, AI-enhanced risk assessment tools have **improved default prediction accuracy by 32%** while **reducing analysis time by 50%**. Predictive analytics help identify potential defaults before traditional metrics would signal concern, enabling proactive portfolio management.

Real asset firms utilize AI for property valuation, market analysis, and development opportunity identification. Computer vision analyzes satellite imagery to assess property conditions and surrounding development, while machine learning models predict market trends based on demographic shifts, economic indicators, and infrastructure investments.

KPMG’s Private Markets Technology Report shows that firms using AI-powered screening tools reduce initial screening time for potential acquisitions from weeks to days, while maintaining **40% higher accuracy in identifying viable targets**. A major private credit fund **improved their risk assessment accuracy by 35%** while **reducing analysis time by 45%** after implementing AI-powered due diligence tools, according to EY’s Private Markets Operations Study.

Investor Relations and Client Services Transformation

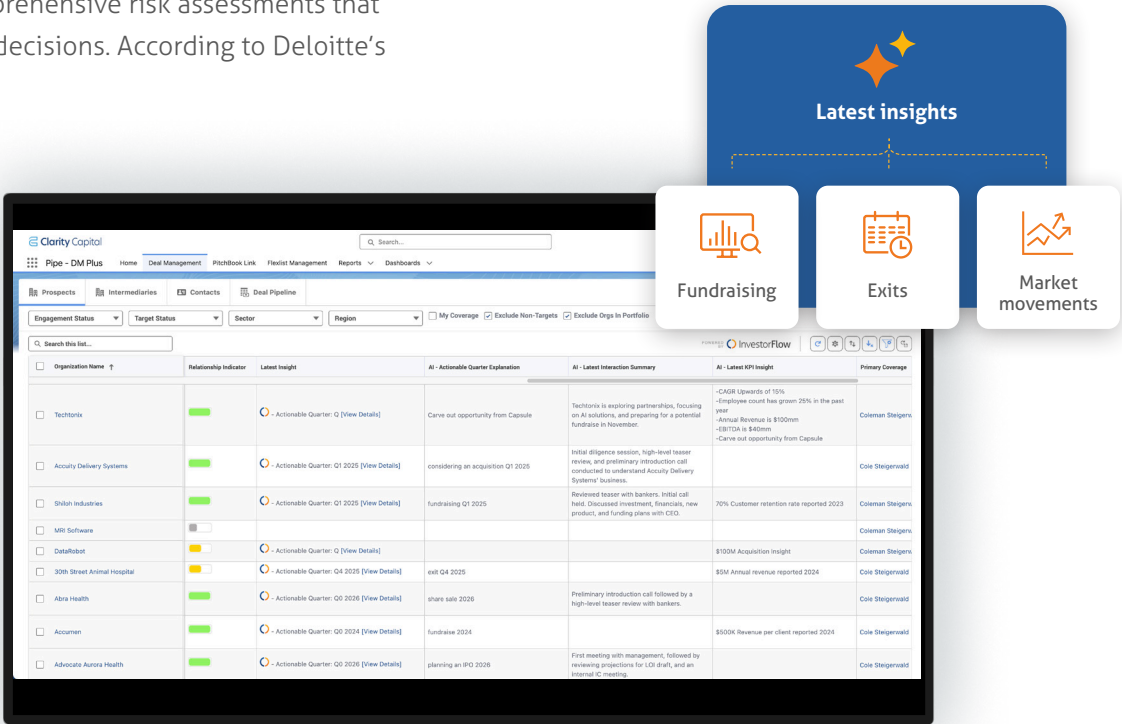
AI is revolutionizing how private markets firms engage with their investors, transforming investor relations from a reactive service function into a proactive value-creation engine. Modern AI investor relations platforms provide IR professionals with unprecedented insights into investor preferences, communication patterns, and engagement levels.

Generative AI creates personalized investor communications that go far beyond mail merge functionality. These systems analyze each investor’s historical interactions, investment preferences, and communication style to generate updates that resonate with their specific interests. A family office interested in ESG factors receives detailed sustainability metrics, while a pension fund focused on risk management gets comprehensive portfolio risk analysis.

Sentiment analysis continuously monitors investor communications, identifying potential concerns before they escalate. When an investor’s emails show subtle signs of dissatisfaction or their engagement with materials decreases, AI systems alert the IR team to schedule proactive conversations.

The consolidation onto a single system of record and system of engagement enables IR teams to maintain comprehensive client profiles that include investment history, communication preferences, and relationship notes. This holistic view ensures consistent, informed interactions regardless of which team member handles specific communications.

Automated reporting capabilities generate investor-specific updates, quarterly reports, and performance summaries tailored to each LP’s reporting requirements and preferences. This personalization extends to upcoming events notifications, ensuring investors receive relevant information about conferences, webinars, and networking opportunities aligned with their interests.




# Impact on Daily Lives of Private Markets Professionals

The transformation extends far beyond operational improvements to fundamentally enhance how professionals work within private markets firms. While it is not uncommon in the private markets to see software sit idle, there are signs this could change, since AI offers adoption incentives in the form of increased insights and deal flow as well as meaningful time savings, perhaps their most precious commodity. Generative AI serves as an intelligent assistant that amplifies human capabilities rather than replacing them, enabling professionals to focus on high-value activities that drive revenue and relationship building.


Deal professionals now have access to comprehensive market intelligence that would previously require teams of analysts to compile. Industry intelligence platforms provide instant access to comparable transactions, market trends, and competitive intelligence, enabling faster, more informed decision-making.

When evaluating a potential acquisition, AI can instantly surface similar transactions, highlight potential risks based on industry analysis, and suggest optimal structuring approaches. Advanced natural language processing capabilities analyze thousands of documents in minutes, providing deal teams with comprehensive summaries and risk assessments that would traditionally take weeks to compile.

Fundraising professionals benefit from AI-powered investor intelligence that provides deep context for every interaction. According to research by Deloitte, fundraising teams using AI-enhanced investor targeting see 42% higher success rates in initial meetings and 28% faster progression through the fundraising process. Before calling a potential investor, they receive comprehensive briefings that include recent portfolio activities, strategic initiatives, and optimal conversation topics based on the investor's current priorities.



### Pre-Meeting Summary



Ahead of your meeting on 5/2/2025, here's a summary of the companies and key insights gathered by AI. The details below include relevant information, insights, and opportunities to guide your discussions.

### Next Steps Discussion

**Time**  
5/2/2025, 11:20 AM to 5/2/2025, 12:00 PM

**Employees**  
Cliff Matthews, Anson Schmidt

**Contacts**  
Diane Culver

**Organizations**  
Capsule

**Deals**  
Project Pulse

### AI Summary Notes

**Latest Insights:**

- Fundraise likely Q2 2025
- \$75M revenue reported 2024
- \$90M revenue projected 2025

**Engagement history trend and sentiment:**  
Long history of interactions overall positive position for raising potential investment

IR professionals experience perhaps the most dramatic transformation in their daily workflow. AI systems automatically update investor records from meeting notes, emails, and call transcripts, eliminating manual data entry that previously consumed hours each week. When an investor asks about portfolio performance, AI instantly surfaces relevant metrics, recent updates, and historical context, enabling immediate, informed responses.

The intelligence provided by AI systems creates a more comprehensive history of past interactions across all functions. Deal teams can access complete transaction histories, including negotiation details, due diligence findings, and

post-investment performance. Fundraising teams maintain detailed records of investor interactions, preferences, and commitment patterns. IR teams have access to full communication histories that inform ongoing relationship management.

This comprehensive context enables more strategic decision-making and relationship building. Professionals can identify patterns and opportunities that would be impossible to detect through manual analysis. They can anticipate investor needs, proactively address concerns, and identify optimal timing for various initiatives.

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Connecting at Growth Capital Conference – Capsule's Next Chapter - Demo Analyst - Outlook

Block

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Reply all

Forward

Meeting

Zoom

Rules

Read / Unread

Categorize

Flag

Policy

Print

Immersive reader

Delete

Respond

Zoom

Move

Unread

Tags

Print

Immersive reader

Connecting at Growth Capital Conference – Capsule's Next Chapter

Demo Analyst

To: @ Demo Analyst

Cc: investorflowdemo+anson.schmidt@gmail.com

Thu 5/1/2025 11:50 AM

Hi Cliff,

Thanks so much for reaching out — I would be delighted to meet at the Growth Capital Conference. It sounds like Anson provided you some helpful background, and I'm looking forward to continuing the conversation.

I will also be bringing Michael Norton, CEO of Circle Medical, to the conference. Capsule and Circle Medical have been working closely together recently as we jointly explore some new go-to-market initiatives. I thought it would be valuable for you to meet him as well.

Let's coordinate to find a time that works — I'll send a few windows separately.

Best,

Diane Culver

Chief Executive Officer

Capsule Health

(diane.culver@capsulehealth.com)

Reply

Reply all

Forward

InvestorFlow

Log Email

Relationships

Employees

Contacts

Organizations

Deals

Organizations Discussed

Financing

Information

Interaction Type

Date and Time

Email Details

Auto identify & extract from emails and notes

Employees/ contacts

Organisations

Deals/ funds

More

10

11

# The Competitive Advantage of AI Adoption

The competitive implications of AI adoption in private markets cannot be overstated, particularly given the current market dynamics. Bain Capital’s analysis shows that the performance gap between top-quartile and bottom-quartile private equity firms has widened by 320 basis points over the past decade, with technology adoption being a key differentiator. According to KPMG’s Global Private Equity Survey 2024, 84% of leading private equity firms consider AI and advanced analytics as critical competitive differentiators. Firms that successfully implement AI capabilities are creating sustainable advantages across every aspect of their operations, while those that delay risk falling behind in ways that may be difficult to recover from.

The advantages begin with speed and efficiency improvements that compound over time. Research by Deloitte demonstrates that AI-enhanced firms can identify and evaluate investment opportunities 60% faster than traditional methods, respond to investor inquiries 45% more quickly, and adapt to market changes 35% more effectively. These speed advantages translate directly into competitive positioning – being first to identify an attractive deal, first to respond to an investor’s request, or first to adapt to changing market conditions.

Data-driven decision making represents another crucial advantage. Analysis of more than 50,000 successful private equity transactions shows that firms using AI for deal sourcing achieve 28% higher IRRs on average, primarily due to better target identification and faster execution.

AI systems can process and analyze vast amounts of information to identify patterns and insights that human analysis might miss.

Scale advantages become particularly pronounced as firms grow. Manual processes that work for smaller funds become increasingly difficult to manage as AUM expands and investor bases grow. EY’s Private Markets Operations Survey shows that firms managing over \$5 billion in assets see 40% higher operational costs per dollar managed when relying on manual processes compared to AI-enhanced alternatives. AI systems scale effortlessly, maintaining personalized service levels regardless of size.

The network effects of AI adoption create additional competitive moats. PwC’s analysis shows that firms with better analytics capabilities attract 25% more high-quality deal flow and achieve 15% higher success rates in competitive processes. This virtuous cycle creates increasing separation between AI-enabled firms and their traditional competitors.

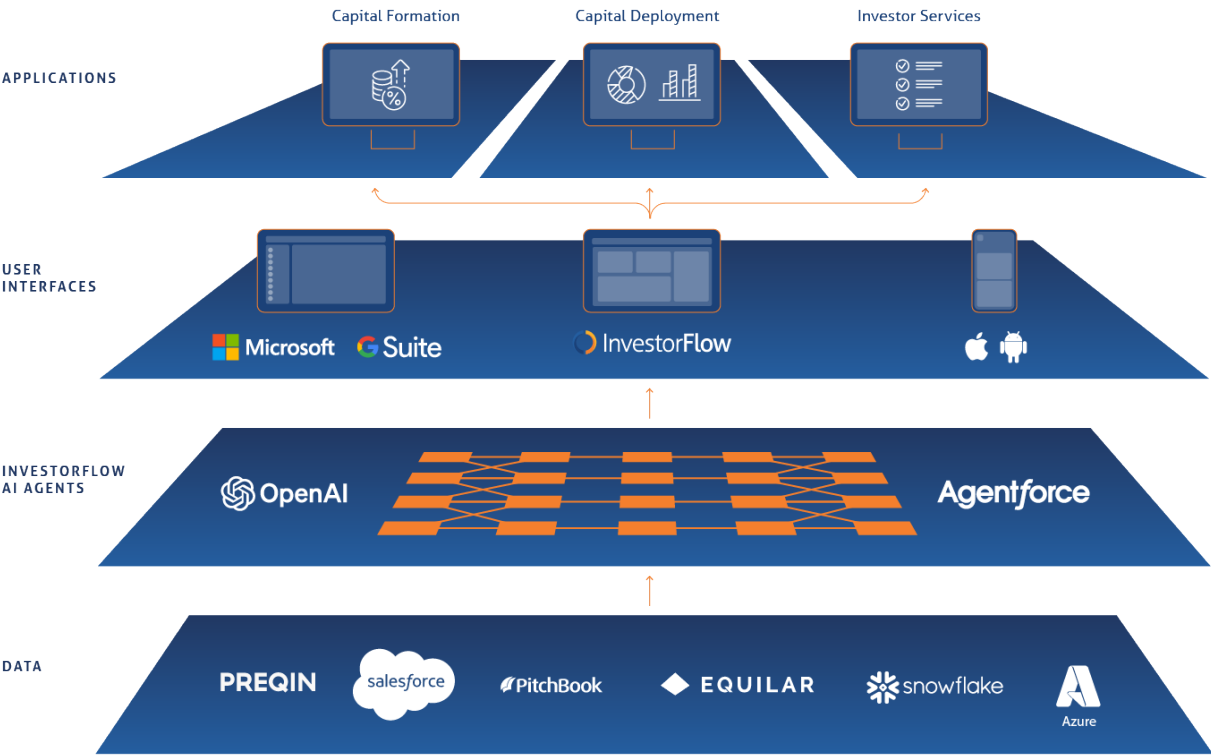
Risk management capabilities also improve dramatically with AI implementation. According to Deloitte’s Risk Management in Private Markets study, predictive analytics can identify potential portfolio risks 6-12 months earlier than traditional methods, while automated monitoring systems track multiple risk factors simultaneously. This enhanced risk management protects returns and enables more confident capital deployment.

# InvestorFlow Brings AI to the Private Markets

The transition from traditional operations to AI-enhanced workflows requires a thoughtful, practical approach that balances innovation with operational stability and maximizes user adoption.

InvestorFlow represents the next generation of private markets technology, providing practical, applied AI built into the firm’s core workflows as well as the tools and systems that firms rely on daily.

The platform’s strength lies in its integration approach, serving as both a system of record and system of engagement that consolidates data while enhancing every user interaction with intelligent insights. Rather than requiring firms to replace existing systems or apply new tooling on top of existing tooling that risks both user adoption and technology stack expansion in both cost and required care and feeding, InvestorFlow has integrated AI deftly into its platform and into the tools these teams use every day, like email, that transforms how information is processed, analyzed, and acted upon.



For capital formation teams, InvestorFlow provides AI-powered investor targeting that analyzes market data, investment patterns, and relationship histories to identify the most promising prospective investors and the best individuals to contact for each fund. The platform generates personalized outreach strategies, generates diligence rooms, and tracks engagement metrics to optimize fundraising efforts continuously.

Deal teams benefit from the mining of proprietary firm data strewn across CRM records, emails, meeting notes, and calendar entries and the automated market scanning through integration with market intelligence tools profiling investors, transactions and key personnel across the industries InvestorFlow serves. InvestorFlow surfaces opportunities that match specific parameters while providing due diligence support.

IR teams utilize InvestorFlow's advanced communication capabilities to deliver personalized investor experiences at scale. The platform automatically generates investor-specific reports, tracks engagement metrics, and provides sentiment analysis that helps identify opportunities to enhance relationships and address concerns proactively.

The implementation process begins with data consolidation, bringing together information from various systems to create a comprehensive foundation for AI analysis. Next, workflow integration ensures that AI capabilities enhance existing processes rather than disrupting them. Finally, continuous learning algorithms improve performance over time, becoming more accurate and valuable as they process more data.

Training and change management support ensures that teams can maximize the platform's capabilities while maintaining focus on their core responsibilities. The goal is to enhance human capabilities rather than replace them, enabling professionals to work more efficiently and effectively.

# The Time to Move on AI in Private Markets Is Now

AI is no longer a future consideration – it's a present-day advantage. Leading firms are already using AI to move faster, make smarter decisions, and operate more efficiently at scale. According to Bain, the performance gap between top- and bottom-quartile private equity firms has widened significantly over the past decade, with technology adoption cited as a key driver. McKinsey, Deloitte, and KPMG all reinforce that AI is becoming a critical differentiator in private markets – not just a nice-to-have.

Firms that adopt AI early are identifying deals faster, responding to LPs quicker, managing risk more proactively, and scaling without adding friction. Those that delay risk falling behind in ways that may soon be irreversible. As AI capabilities continue to evolve, so too will the gap between firms that lead – and firms that lag.

The choice facing private markets firms is straightforward: embrace AI now and capture its transformative benefits, or risk being left behind by competitors who recognize and act on this imperative. The leaders of tomorrow are being determined by the AI adoption decisions made today.

For firms ready to begin this transformation, the opportunity has never been greater. The tools exist, the benefits are proven, and the competitive advantages are substantial. The only question remaining is how quickly firms can implement these capabilities to secure their position in the AI-enhanced future of private markets.

The AI imperative in private markets is not just about technology – it's about creating sustainable competitive advantages that will determine success in an increasingly sophisticated and competitive industry. The firms that act decisively on this imperative will shape the future of private markets, while those that hesitate risk being shaped by it instead.

The message from the industry is clear: competitive advantage in private markets is increasingly AI-driven. The time to act is now.



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