

# ARTIFICIAL INTELLIGENCE AND PRIVATE MARKETS: THE FEEDBACK LOOP RESHAPING GLOBAL FINANCE



## AT THIS YEAR'S FUTURE INVESTMENT INSTITUTE

– themed “**The Key to Prosperity: Unlocking New Frontiers of Growth**” – two themes dominated both panel discussions and informal exchanges as participants mingled throughout the event: artificial intelligence (AI) and private markets. For the most part, these topics were discussed separately on AI, questions were raised about monetization pathways, the size of the payoff for firms and the economy at large, leading to speculation about the likelihood of an AI bubble. On private markets, much of the conversation focused on four different areas – (a) the potential for systemic risk from private market failures, (b) the prospect of improvement in returns for the average private market fund relative to public markets, (c) the need to improve the quality and transparency of data to enhance safety for investors, and (d) promote access to retail investors. But what was often missed in these conversations was the interplay between the two areas – a connection that could offer deeper insight into each.

So, what is the interconnection point? Essentially, AI and private markets act as mutual enablers.

Today, private markets are enabling the AI revolution, funding thousands of model companies, data centers, and sector-specific applications via venture capital, growth equity, infrastructure vehicles, and an expanding universe of private credit. Studies show that AI accounts for more than 50% of global venture capital funding<sup>1</sup> with strong year-over-year growth in 2025.

At the same time, AI is fundamentally reshaping private markets across deal sourcing, due diligence, portfolio management, and investor relations and re-

porting, including real time transparency. State Street 2025 Private Markets Study<sup>2</sup> shows that 83% of institutions recognize the value of generative AI-based large language models (LLMs) to generate analyzable data and usable insights from unstructured information across various areas within their private market operations.

This tight linkage between AI and private markets creates a feedback loop between technology and capital, where private markets supply patient, risk-tolerant capital and governance to AI firms and infrastructure, and in turn, AI improves the efficiency and edge of private market investors in sourcing, underwriting, and value creation.

## WHAT DO THESE POINTS OF INTERCONNECTION IMPLY?

First, the transformative impact of AI on private markets is already taking shape. Its productivity benefits are tangible, addressing core data challenges such as a lack of standardized data models, rising demand for data collection and transparency, and persistent talent gaps in private markets data expertise<sup>3</sup>. State Street's research underscores this impact in a soon to be released paper: a holistic data strategy combined with AI creates a virtuous cycle, enabling institutions to maximize the “AI dividend.” The need for upgrades to the existing data architecture was echoed in McKinsey's 2023 survey, where it finds 72% of companies struggle to scale AI due to poor data quality and fragmented architecture<sup>4</sup>.

Second, this linkage between private markets and AI may change how and where a “bubble” deflates. →



## ABOUT THE AUTHOR

**JOERG AMBROSIUS**, executive vice president of State Street, is president of Investment Services (IS) and serves on the company's Executive Committee. He also oversees State Street's international operations and sits on the Supervisory Board of State Street Bank International GmbH. As IS president, he leads all client-facing activities, overseeing global client management, sales, product, marketing and sustainability, and is responsible for overall strategy, execution and client experience. Previously, Joerg was State Street's chief commercial officer and head of European businesses, strengthening global sales and delivering financial and strategic results. He has over 30 years of financial services experience, including roles at Deutsche Bank in Frankfurt and London.

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→ Private market structures could slow the speed of repricing and reduce forced-selling dynamics, promoting an orderly deflation of a bubble. The nature of today’s AI investment cycle is also different from the late-1990s internet boom in several ways. Funding remains largely equity-based rather than reliant on leverage-heavy structures. Study by UBS estimates that approximately 80–90% of hyperscalers’ capex come from their operating cash flows<sup>5</sup>, despite recent announcements of debt issuance by these companies<sup>6</sup>. Many players – especially hyperscalers – generate healthy revenue and maintain strong balance sheets, which private market-backed AI startups rely on. The sector’s capital intensity also creates tangible assets rather than paper-only valuations.

Companies view AI investment as a strategic arms race, ensuring a sticky base of capital.

These features make a sudden, system-wide collapse of the AI story less likely. What is more likely is a gradual thinning out where marginal projects fail, valuations compress, and capital concentrates in business models that actually deliver productivity gain and cash flow. State Street 2025 Private Markets Study shows that there is an increased emphasis on high-quality assets and investments among private market investors that enhances long-term value and stability in portfolios. A gradual and healthy, orderly deflation of an AI bubble could reinforce the virtuous feedback loop between AI and private markets, reshaping the next era of global finance. ■

1. MORGAN LEWIS, “AI DEALS IN 2025: KEY TRENDS IN M&A, PRIVATE EQUITY, AND VENTURE CAPITAL”, SEPTEMBER 29, 2025  
 2. STATE STREET, “PRIVATE MARKETS: DRIVING SUCCESS IN VOLATILE ENVIRONMENTS”, JUNE 4, 2025  
 3. STATE STREET, “DATA: THE NEXT FRONTIER IN PRIVATE MARKETS GROWTH”, JULY 28, 2025

4. MCKINSEY & COMPANY, “THE DATA DIVIDEND: FUELING GENERATIVE AI”, SEPTEMBER 15, 2023  
 5. UBS, “AI GROWTH INTACT DESPITE RISING DEBT FUNDING”, NOVEMBER 18, 2025  
 6. BLOOMBERG, “BIG TECH’S DEBT BINGE RAISES RISK IN RACE TO CREATE AN AI WORLD”, NOVEMBER 21, 2025

## ABOUT FII INSTITUTE

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We harness that energy into three pillars: THINK, XCHANGE, ACT. Our THINK pillar empowers the world’s brightest minds to identify technological solutions to the most pressing issues facing humanity. Our XCHANGE

pillar builds inclusive platforms for international dialogue, knowledge-sharing and partnership. Our ACT pillar curates and invests directly in the technologies of the future to secure sustainable real-world solutions. Join us to own, cocreate and actualize a brighter, more sustainable future for humanity. ←



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