Valuations in the spotlight: Why judgement remains the constant in a data-rich world

From AI-enabled analysis to the rise of secondaries and evergreen funds, some of private markets' biggest growth trends share a common requirement: credible, timely valuation. In the second article of our series, Melissa Ferraz continues her conversation with Richard Olson and Matthew Goldberg from Alvarez & Marsal (A&M), exploring why judgement remains essential as valuation tools and fund structures evolve.

Private markets have always worked within constraints: illiquid investments, limited comparable data, and valuations that take time and rely heavily on professional judgement. But the world around those constraints is changing.

AI is giving investment and valuation teams new ways to gather and analyse information at scale. The expanding secondary market is generating more trades in private fund interests. And in evergreen structures, investors' ability to enter and exit demands reliable valuations between reporting dates.

These trends may seem unrelated, but they raise the same question: as private markets evolve, how does valuation keep pace? The answer starts with a distinction; more information, more technology and more observable prices do not remove the need for judgement.

AI can scale valuation, but not replace judgement

AI's immediate opportunity in valuation is scale. "AI is doing a great job of giving both managers and valuation professionals access to tremendous scaling," says Richard Olson, managing director at Alvarez & Marsal (A&M). "And that's one of the single biggest factors today as we go to more frequent valuation cadences. You need to be able to look at things quickly. You need to look at a broad portfolio

and have strong confidence in the results that you're being served up."

Matthew Goldberg, managing director at A&M, says AI still largely assists existing processes rather than replacing them. Firms use it for data collection, back-end work and model building, but human review remains integral. "People talk a big game, and they want to make it sound like AI is running their business in general, but they're not there yet," says Goldberg. "Maybe it builds a model, or it's used to populate a model, but you still have people reviewing and checking almost every step because the technology is not quite to the point where you can click a button and have a quality result."

This is why AI can be a valuation copilot, but not an oracle. "AI still hallucinates," Olson notes. "It can still give you a false sense of confidence." More fundamentally, he adds: "In valuations, we talk about judgement a lot. And judgement is built on experience. And experience can't be easily synthesised into a large language model or even an agentic AI system."



The data problem is also a geography problem

AI's limits show most clearly beyond the markets and datasets where it is strongest. Even between mature markets, Goldberg notes, tax valuation work in Germany can be far more nuanced and prescriptive than in the US.

Olson cites a more extreme case from an A&M mandate in Asia. "We were utilising AI to enhance our knowledge of the market, but we actually had to scrap most of it because it was serving up either erroneous data or incomplete data, or data that was just so wide that it was inconclusive," he recalls. This exposes a central problem: an analytical tool is only as useful as the information put into it, and that information is unevenly available.

Olson contrasts the depth of U.S. public-market disclosures with Europe, where filings may be delayed or less granular, and with private markets, where the gaps can be wider still. As AI adoption grows, local market knowledge may become more valuable, not less.

Goldberg also points to India and China, where valuation multiples in some industries behave very differently from those in developed markets. The challenge is not finding the numbers but interpreting where the right answer lies. “Trying to find the ‘in-between’ is what we do as professionals,” he says.

AI may change how valuation expertise itself develops

Automation has another, less-discussed consequence: how people become valuation professionals. If AI takes over the basic analytical work juniors have historically done, it may remove part of the process through which they develop judgement.

Olson describes it as “pulling up the ladder behind us”. Senior professionals may also face a heavier quality control burden, as someone still has to review AI output. Also, it’s likely to have a significant impact on younger employees too. Goldberg expects the nearer-term consequence to be a shift in hiring requirements and sought-after expertise, rather than the replacement of existing professionals.

That creates a paradox. If a valuation professional’s value lies in judgement, how will the next generation acquire it when technology does more of the foundational work that once built it?

Secondaries create more prices. That doesn’t necessarily make valuation simpler

If AI risks mistaking analytical output for an answer, secondaries carry a related risk: mistaking a transaction price for fair value. A secondary trade provides real market evidence, but a discount to NAV reflects the deal’s circumstances as well as the underlying investments.

Olson, who has invested in secondaries for around a decade, explains that a

discount may reflect the buyer's required return relative to the discount rate embedded in a valuation, as well as the seller's need for liquidity. An LP interest also lacks control and marketability. As a small, passive stake in a much larger portfolio, its value will not necessarily match what selling the underlying portfolio would realise. Hence his caution on secondary pricing. "I would almost never use it as a fair value indication," says Olson. "I wouldn't use the price itself as the fair value, and I would always consider making an adjustment for the lack of marketability, lack of control."

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Why the circumstances of a sale matter

A price is especially misleading when a party's reason to transact has little to do with the asset's economics. Olson cites distressed sellers and portfolio rotations, where an investor may need liquidity regardless of price, whereas a valuation professional must assume an orderly transaction between willing participants. "There can be some very irrational forces that are leading to where the trade is occurring," he explains. "If one of those sides is flawed, either through superior information or inferior ability to hold, you could potentially have an imperfect transaction result."

Goldberg also warns against relying too heavily on distress-driven pricing, and notes that an apparent "day-one gain" from buying at a discount to NAV needs careful interpretation. The lesson is not to ignore secondary pricing, but to understand what a price represents before deciding how much weight to give it.

It gets more complicated where primary and secondary interests sit in the same position. Goldberg says the key is understanding what drives each transaction and whether an outside investor is involved. One may offer evidence of fair value; another may be an insider deal or serve a separate liquidity objective.

Where secondaries meet evergreen funds

These questions matter more in vehicles that let investors enter or leave between valuation dates. Olson explains that when a publicly traded fund acquires a secondary interest, US GAAP can allow it to use manager NAV through the practical expedient. An interest bought at a discount can therefore produce a mark-up to manager NAV as the deal concludes. IFRS does not codify this in the same way, he notes, though managers may take a similar approach.

But underlying investments do not stand still between reporting dates, so precision matters for vehicles admitting or redeeming investors in the interim. “You want to be as precise as you can, reflecting exogenous market moves or even endogenous company-specific valuation moves,” says Olson. “Otherwise, your investors coming in or going out might suffer a gain or loss that really should have been reflected in the net asset value.”

Goldberg puts responsibility firmly with the fund: it needs policies that treat investors consistently, and risk arises where that consistency breaks down.

Olson describes secondaries-focused evergreen funds as a small but fast-growing segment of alternatives, and one that no major liquidity event or market shock has yet fully tested. “Everything has just been trending upward and to the right,” he warns. “That’s got to be challenged at some point, and it could invoke a lot of fund manager liability.”

More data, more prices, more need for judgement

AI adds scale and secondaries add evidence, but neither removes the need for judgement. If anything, the opposite is true. The more information professionals process, the more its quality and relevance matter. The more secondary trades the market produces, the more vital it is to separate the price someone paid from evidence of fair value. And the more often capital can enter or leave a structure, the costlier a wrong valuation becomes.

That may be the common thread across private markets’ fastest-evolving areas: the tools and structures are changing, but judgement remains the constant.


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