



TOP 5 PRIVATE EQUITY RISKS IN 2025

ACTIONABLE STRATEGIES FOR
GPS AND LPS



THE GAME HAS CHANGED

- GPS FACE UNPRECEDENTED OPERATIONAL CHALLENGES
- LPS NAVIGATE INCREASING COMPLEXITY
- TRADITIONAL RISK MODELS ARE BREAKING DOWN
- BOTH SIDES NEED NEW SURVIVAL STRATEGIES



RISK #1: EXTENDED HOLD PERIOD PRESSURE

- RISING INTEREST RATES CHALLENGING TRADITIONAL EXIT TIMELINES
- PORTFOLIO COMPANIES REQUIRING LONGER RUNWAYS FOR VALUE CREATION
- INCREASED RISK OF "ZOMBIE" INVESTMENTS IN PORTFOLIOS



GP MITIGATION

- DEVELOP MULTIPLE EXIT STRATEGIES EARLY
- FOCUS ON OPERATIONAL IMPROVEMENTS
- REGULAR PORTFOLIO COMPANY PERFORMANCE REVIEWS



LP MITIGATION

- DIVERSIFY VINTAGE YEAR EXPOSURE
- CONSIDER SECONDARY MARKET STRATEGIES
- NEGOTIATE EARLY TERMINATION IN SIDE LETTERS



RISK #2: TECH INTEGRATION & DISRUPTION RISK

- PORTFOLIO COMPANIES FALLING BEHIND IN AI/
DIGITAL TRANSFORMATION
- CYBERSECURITY VULNERABILITIES ACROSS
PORTFOLIO
- RISK OF TECH-DRIVEN MARKET DISRUPTION



GP MITIGATION

- REGULAR TECH AUDITS ACROSS PORTFOLIO
- DEDICATED DIGITAL TRANSFORMATION
BUDGETS
- CYBERSECURITY ENHANCEMENT PROGRAMS



LP MITIGATION

- DUE DILIGENCE ON GP TECH CAPABILITIES
- INVEST IN TECH-FOCUSED FUNDS ALONGSIDE
GENERALIST FUNDS
- REQUEST REGULAR TECH RISK REPORTING



RISK #3: ESG COMPLIANCE & IMPACT RISK

- STRICTER ESG REGULATIONS AFFECTING VALUATIONS
- LIMITED PARTNER PRESSURE FOR MEASURABLE IMPACT
- REPUTATIONAL RISKS FROM NON-COMPLIANCE



GP MITIGATION

- ROBUST ESG MONITORING SYSTEMS
- CLEAR IMPACT METRICS IMPLEMENTATION
- REGULAR PORTFOLIO COMPANY ESG AUDITS



LP MITIGATION

- DEVELOP INTERNAL ESG SCORING SYSTEM
- REQUEST STANDARDIZED ESG REPORTING
- INCLUDE ESG REQUIREMENTS IN SIDE LETTERS



RISK #4: EMERGING MARKET EXPOSURE

- CURRENCY VOLATILITY IN KEY GROWTH MARKETS
- GEOPOLITICAL TENSIONS AFFECTING CROSS-BORDER DEALS
- REGULATORY UNCERTAINTY IN NEW MARKETS



GP MITIGATION

- GEOGRAPHIC DIVERSIFICATION
- LOCAL PARTNERSHIPS DEVELOPMENT
- CURRENCY HEDGING STRATEGIES



LP MITIGATION

- SET GEOGRAPHIC EXPOSURE LIMITS
- FOCUS ON EXPERIENCED EMERGING MARKET MANAGERS
- CONSIDER DEVELOPED MARKET FUNDS WITH EMERGING MARKET OPTIONALITY



RISK #5: LIQUIDITY & FUNDING RISK

- CHANGING LP COMMITMENT PATTERNS
- SECONDARY MARKET VOLATILITY
- CAPITAL CALL UNCERTAINTY



GP MITIGATION

- DIVERSIFIED FUNDING SOURCES
- STRONG LP COMMUNICATIONS
- SUBSCRIPTION LINE OPTIMIZATION



LP MITIGATION

- ACTIVE COMMITMENT PACING
- MAINTAIN ADEQUATE LIQUIDITY BUFFERS
- DEVELOP SECONDARY MARKET RELATIONSHIPS



THE 2025 PE RISK IMPERATIVE

SUCCESS REQUIRES A COORDINATED APPROACH:

- GPS MUST EXCEL IN OPERATIONAL EXECUTION AND VALUE CREATION
- LPS NEED ROBUST PORTFOLIO-LEVEL RISK MANAGEMENT
- BOTH SIDES NEED STRONG GOVERNANCE FRAMEWORKS

WANT TO STAY AHEAD OF PE RISKS?

OUR TEAM PROVIDES TAILORED PORTFOLIO RISK MANAGEMENT SOLUTIONS FOR PE INVESTORS

CONNECT WITH US:  INFO@EDELSCOURT.COM

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