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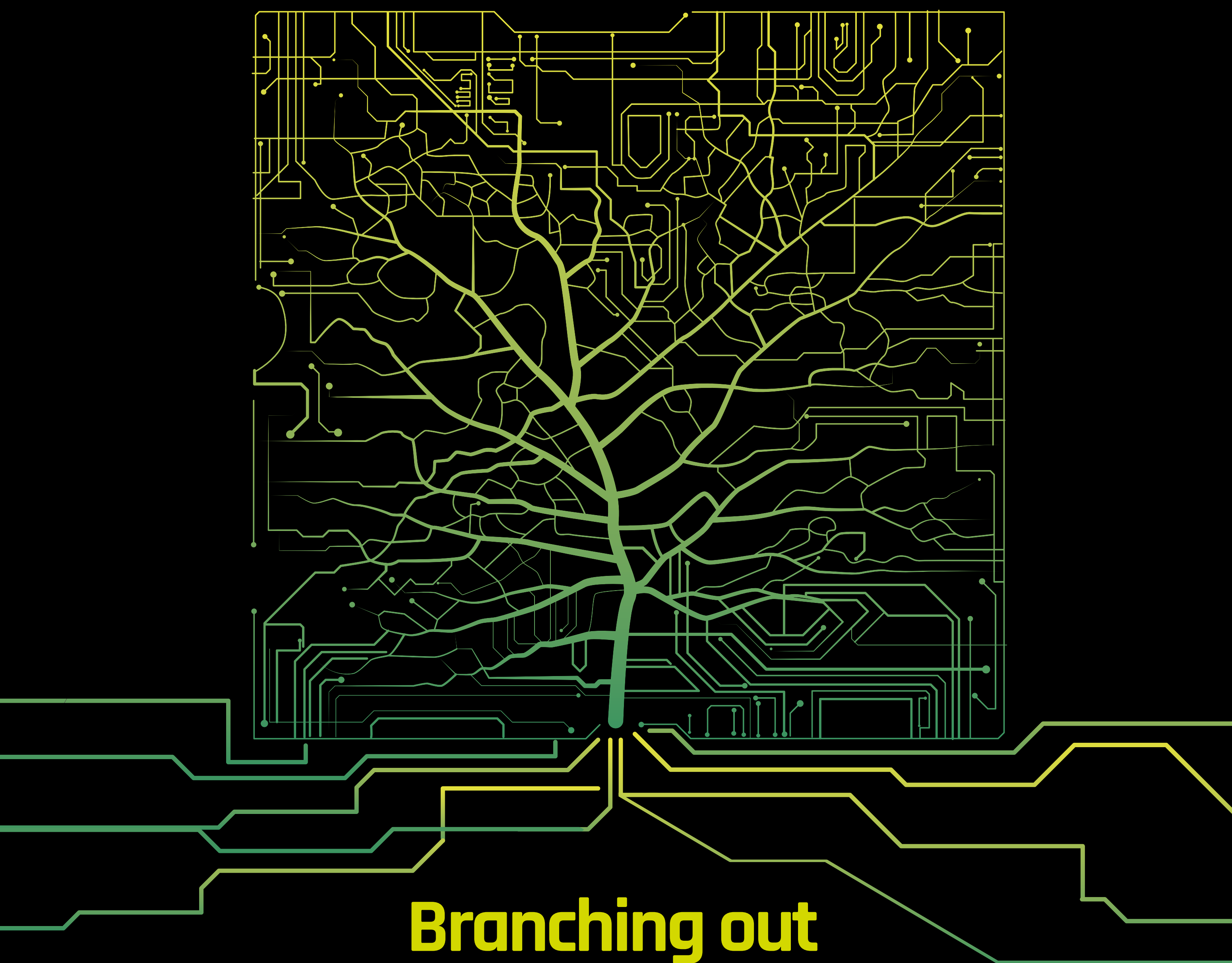

Branching out

How CFOs are diving into AI and emerging tech

PEI

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Insight

Key trends **Automation and new technologies are top of mind for CFOs, though many remain cautious**

Technology and artificial intelligence are reshaping every corner of private equity, including fund managers' back offices. While AI offers clear benefits, many CFOs remain cautious about adopting it in their workflows, ***writes Natalie Novakova***.

Here are five key trends driving automation, systems, and technology for fund managers and CFOs.

1 Technology adoption is accelerating

Only a few years ago, AI was an unfamiliar concept for many in private fund management. Today, firms have moved from experimenting with AI to embedding it in reporting, fund data aggregation and compliance. Adoption, however, still varies by asset class and firm size, with 26 percent of those surveyed in the *CFO Insights Survey 2025* saying that portfolio monitoring tools are proving highly effective. AI's potential is seen as pervasive, particularly for data-heavy, repetitive tasks.

However, AI is not a universal solution. It must work in tandem with existing core systems, such as data infrastructure, workflow software and customer interfaces, many already incorporating AI layers. What it cannot do is to manage the transition itself. Wesley Wilson, CFO and chief investment officer at Avanath Capital Management, believes the biggest thing for CFOs is change management.

"With how quickly things are changing, if you don't have good change management skills and the ability to deploy new technologies on a more frequent basis, it's going to be much, much harder," he says.

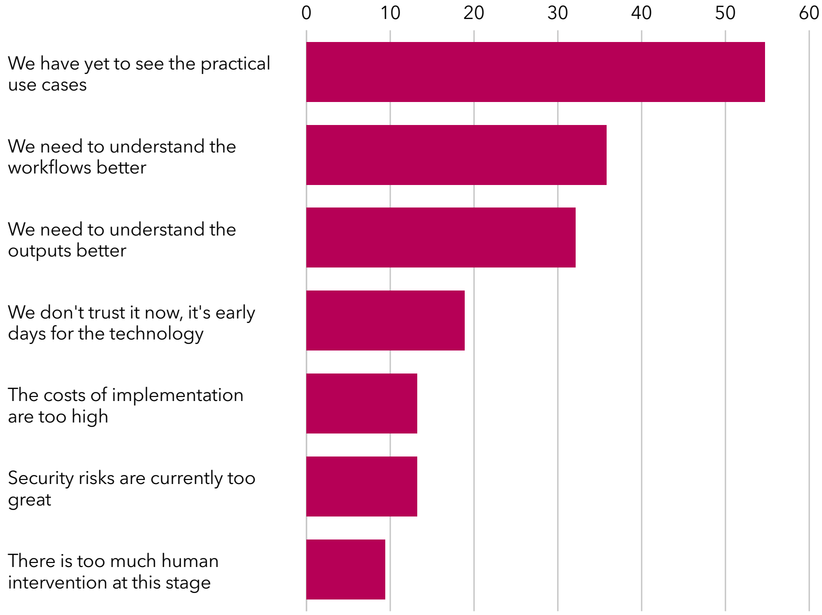
> "With how quickly things are changing, if you don't have good change management skills and the ability to deploy new technologies on a more frequent basis, it's going to be much, much harder"
>
> Wesley Wilson, Avanath Capital Management

2 AI is reshaping the LP-GP dynamic

LPs are also increasingly using data analytics and AI tools to automate fund monitoring.

But realizing the benefits requires both LPs and GPs to rethink their collaboration. Ultimately, success depends on how effectively all parties can collaborate, engage and adapt. "Automated fund monitoring… is pushing GPs towards a more transparent, data-centric and tech-enabled investor

If you have not implemented AI tools, what is the primary reason(s) why? (%, multiple choices allowed)



Source: Private Equity International's LP Perspectives 2025 Study

relations model," says Melissa Ferraz, managing director and global head of Aladdin Alternatives.

3 Legal and compliance remain vigilant on quality control

AI adoption is slower in legal and compliance, as GPs still prefer to rely on human oversight to prevent errors in regulatory filings and investor communications. The biggest risks include protecting sensitive information, AI hallucinations, compliance gaps and SEC scrutiny.

"Accuracy and quality control are obviously critical. You're always responsible for the final product – you can't blame an error on AI," says Avi Gesser, partner at Debevoise & Plimpton.

> "Automated fund monitoring… is pushing GPs towards a more transparent, data-centric and tech-enabled investor relations model"
>
> Melissa Ferraz, Aladdin Alternatives

4 AI is reinventing the back office

AI is also transforming back-office workflows – from accounting and finance to investor reporting – as well as redefining workloads and required skill sets. It all comes down to being able to do more with less. Many firms are responding by hiring CTOs, data scientists and legal ops specialists to manage AI and automation. "Firms have really beefed up their internal technology and teams," says Troy Pospisil, founder and CEO at Ontra.

Alongside these changes, firms are actively testing and deploying AI tools. Firms now have people who can evaluate and deploy different technologies efficiently.

At the same time, AI has reduced the headcount and delays in routine processes, optimizing coding and output while freeing teams to focus on more analytical work.

5 Many CFOs are taking a 'wait-and-see' approach toward AI

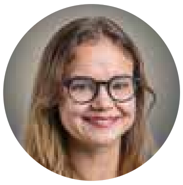
Caution remains a common theme in adopting new technologies. While many firms are piloting AI in workflows, numerous CFOs are weighing risks, costs and integration challenges before fully committing. LPs are particularly hesitant, with around 57 percent evaluating potential use cases, according to *Private Equity International's LP Perspectives 2025 Study*.

Many who have not implemented AI tools yet cite the need to see practical use cases, understand the workflows and outputs better.

At the end of the day "hires expect to have automation," explains Arthy Kumar, industry principal at Workiva. "Nobody wants to go back to a legacy system or manual workflows. They expect that to be pretty much at their fingertips." ■

Editor's letter

How AI became a core part of the CFO's toolkit



Natalie Novakova
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Technology continues to reshape every corner of private equity – and the private fund CFO's office is no exception.

According to our *Private Funds CFO Insights 2025* survey, interest in artificial intelligence has reached new levels, with around 54 percent of CFOs actively evaluating AI use cases, while only 15 percent rule it out. Among those adopting AI tools, the most impactful areas include portfolio monitoring, performance analysis, investment sourcing and risk management.

It's no surprise that AI dominates conversations in this data-driven industry. Beyond streamlining workflows, AI is now supporting onboarding, enhancing specialist tasks and even taking autonomous actions through next-generation agentic AI systems. It's fast becoming the core part of a CFO's toolkit and strategic outlook.

> **" Automation is changing the LP-GP dynamic "**

While AI remains high on the priority list for CFOs, it is not the only tech consideration. CFOs have to balance innovation with caution, especially when it comes to data privacy, governance and transparency. Many agree that AI's success will depend on balancing its strength with existing technology – including data management, workflow software and client-facing platforms. Change management, too, remains a crucial human task that AI can't replace.

Automation is changing the LP-GP dynamic. More LPs are using AI tools to automate fund monitoring efforts, giving them more time for deeper engagement. Both sides agree that automation will ultimately make the industry more transparent. But human oversight still matters, as AI is too risky for some legal and compliance tasks.

As automation and AI accelerate, CFOs must navigate not only what's new but also how it fits within what's already in place. This special report explores how firms are approaching that balance – and what the future of automation might look like.

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KEYNOTE INTERVIEW

Beyond performance: Why experience matters for investors

Returns are no longer enough with today's investors expecting a seamless, technology-driven experience that removes friction from every interaction, says Aztec Group's Sadrack Belony

Investment performance will always matter, but it's no longer the whole story. Institutional investors increasingly expect an experience that is efficient, transparent and easy to navigate. They want one connected journey.

This shift is about more than convenience; it's about confidence and continuity. Investors value managers who can provide clarity, speed and reliability, supported by technology and automation.

For fund managers, this is an opportunity to deepen engagement and demonstrate operational excellence. Those who deliver a frictionless, digitally enabled experience will not only meet rising expectations but also foster stronger, longer-lasting partnerships in an increasingly competitive market.

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Q How are investor expectations changing and how are fund managers addressing them?

Today's investors want minimal touchpoints, on demand access, and one central point and source of truth. Personalization of the investor experience is not just a differentiator, it's an expectation. This puts fund managers under increasing pressure, not only to deliver great returns, but also to provide an experience that's on par with some of the best digital brands out there.

To go beyond quarterly reporting, to deliver real-time data through an interactive reporting portal as well as regular, customized communications throughout the fund life cycle, fund managers need to become more proactive and more tech enabled.

They need to figure out how to tailor their engagement with each individual investor in a way that meets their specific needs, while not being too cumbersome for them to manage. That requires investing in people, processes and technology, taking an ecosystem approach where GPs collaborate with tech providers and specialist fund administrators to assess the technology available, to achieve their specific requirements.

Q What are the biggest pain points for investors accessing private markets?

There are several, but the most significant are lack of transparency, operational inefficiencies, fragmented data and process. Take investor onboarding as an example. Onboarding is typically a disjointed process with several touch points. Investors are typically required to visit several different websites to gather information or download and complete documentation.

The process is highly manual and time consuming. Anti-money laundering and know-your-customer processes add further friction, particularly if an investor needs to complete them across multiple jurisdictions or for different funds. It's so time-consuming and labor intensive that some of the bigger LPs now opt out of using them altogether. Instead, they send completed subscription packets to the GP, for them to sift through manually.

Q How can technology help facilitate a more tailored GP-LP interaction?

There's a clear need for a more efficient and seamless alternative to these archaic processes. Best in class would be a single, scalable platform that supports all of these processes, that investors can access through an intuitive user interface.

For example, instead of marketing a new fund simply using a standalone document repository, what about offering an intuitive platform that tells a story about the fund, including the GP's track record, delivered within a secure portal that provides a two-way communication mechanism for the managers and prospective investors.

This would simultaneously provide access to the various fund service providers – including legal and compliance teams, and the fund administrator. In addition, this same tool can support the investors' onboarding and investing process, along with ongoing communication with the GP, which can all be tracked and monitored.

An example of an integrated platform is Aztec Invest, a digital platform that offers support and transparency to the fund manager, while streamlining the investor experience to create more efficient workflows, reduce duplication and address the other pain points. The platform is manager-led, curated by them and allows the GP to determine what LPs see. It is a single point of contact between LPs and GPs throughout the entire relationship lifecycle.

This includes a digital subscription offering, formulated to reduce duplicative efforts and decrease the frequency of incorrect responses, as well as an integrated e-signature process. Communications, the lifeblood of onboarding and the ongoing relationship with the LP, are done securely within the platform between the investor and the GP.

Q What specific feedback do you get from clients and investors on personalization and user experience?

That a personalized user experience is absolutely key. Managers need to anticipate investor needs and preferences, be intuitive and engage meaningfully with their LPs. The investor landscape is becoming increasingly competitive, especially for new investors seeking liquidity. To attract these investors, fund managers are increasingly offering semi-liquid products within evergreen fund wrappers, creating more opportunities to engage with the investor base through managing the redemption process.

For existing investors within a fund manager's investing ecosystem, there is a desire to leverage existing information where possible to avoid having to re-enter their AML and KYC information when committing to a new fund. Personalization is no longer a feature but fundamental to any GP-LP interaction. Having the ability to log-in to one location and having a curated experience is a game changer not just for the investors, but for managers as well.

Q What's the benefit of an integrated platform for the flow of data?

Technology is no longer just a support function; it is a foundational pillar in supporting the seamless integration and data flow across different systems and platforms. An integrated platform allows information to flow effortlessly within a manager's organization and between a GP, LP and its service providers.

For example, investor data collected during the onboarding process should not just sit in an investor portal or CRM system. In a truly integrated system, that data flows directly into the accounting system. So, when it's time to issue a capital call or strike the NAV, or report to LPs or communicate internally, there are no data silos or bottlenecks slowing things down.

Integration is not a luxury anymore; it's a necessity for a truly frictionless experience. When you're building a tailored investor experience, the technology must be forward-looking and ready to adapt to evolving market dynamics and emerging investor requirements.

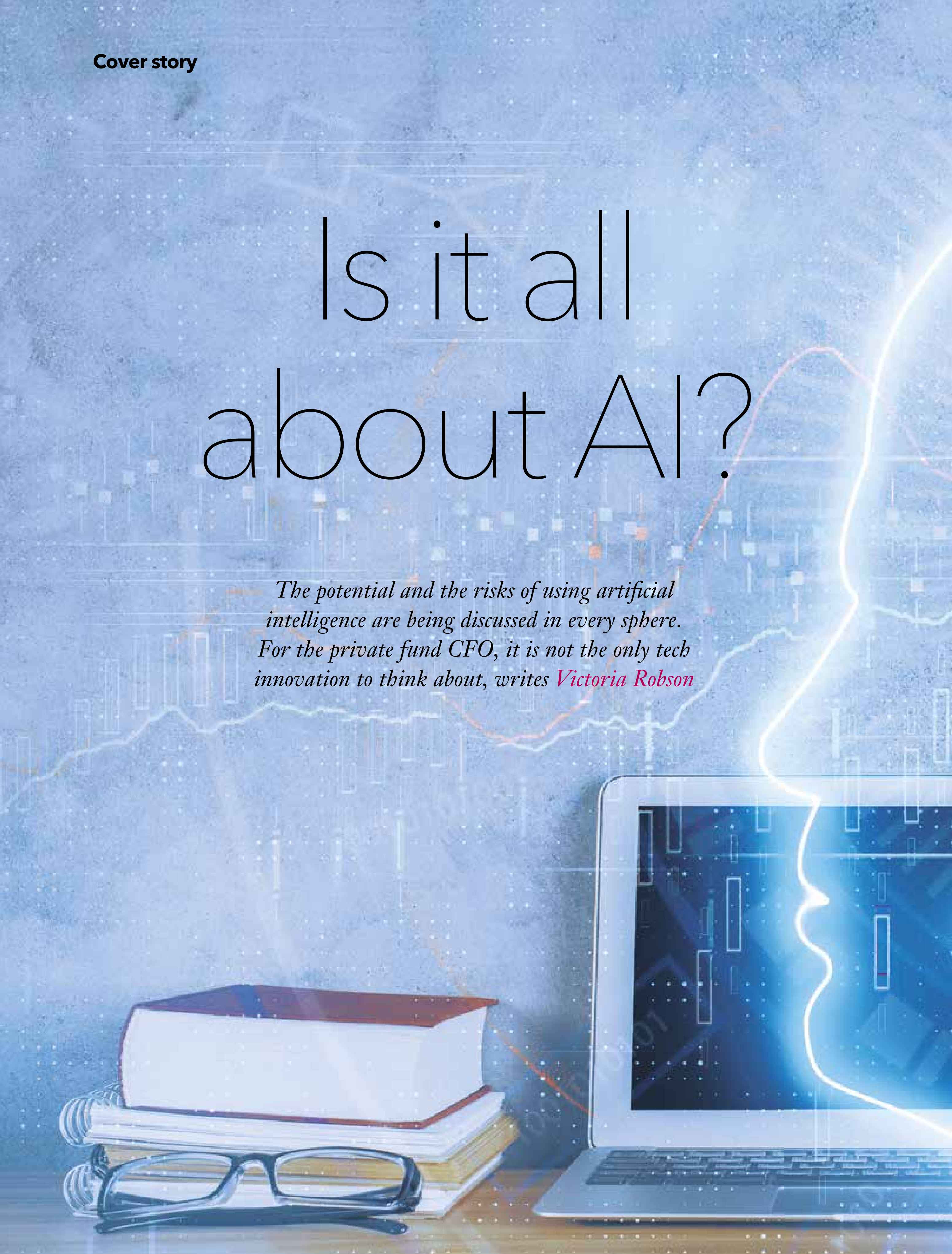
Q How do you see the use of technology evolving across private markets?

The next evolution in private markets will be driven by advanced technologies, specifically artificial intelligence. AI will enable systems to learn from vast historical datasets and respond in real time, helping managers better anticipate investor needs, deliver personalized insights, transforming how information is reported and/or consumed.

Receiving static, one-size-fits-all data and communication will change to dynamic, interactive data experiences. Information will be more predictive, highlighting opportunities, flagging potential risks, often before they even surface. All of this will be at speeds and scale that we've not seen before. Looking ahead, technology won't just support the private markets, it will redefine how we operate within it. ■

Is it all about AI?

The potential and the risks of using artificial intelligence are being discussed in every sphere. For the private fund CFO, it is not the only tech innovation to think about, writes Victoria Robson



With its ability to cut time-consuming routine tasks, expedite workflows and save costs, advances in artificial intelligence dominate any conversation about back-office technology: what AI can do, what it can't, its potential and, of course, the risks. But, when it comes to adopting AI, does the hype match reality: is it really all about AI? The answer seems to be, yes. But also, no.

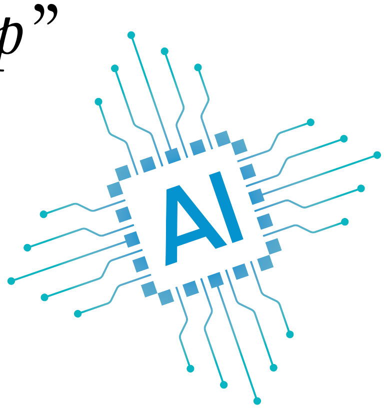
In the data-heavy world of private fund management, AI has an obvious role to play in collecting, analyzing and interpreting the reems of unstructured data contained in inboxes, spreadsheets and databases held by back-office teams and other departments.

"AI seems to be more relevant to the types of work that one would typically do in a fund around understanding and analysis of unstructured data relating to dealflow and LP reporting," says Mark Peacock, chief technology officer at Nordic Capital. "There's probably more areas of the business that benefit from that type of technology than in other industries."

Over the past 12 months, funds have shifted from talking about AI and experimenting with it to embedding it into reporting processes, using it to aggregate and verify fund data and automating other high-volume tasks, says Arthy Kumar, industry principal at Workiva, an AI-powered reporting and data platform.

Its potential uses are pervasive. AI can be applied to "any kind of rule-based work, like extracting and validating data from capital notices, LP and regulatory reporting. AI is used in streamlining the assembly of some templates for performance or expense reports. Some early wins have been

> *"We have to ensure that the technology we've been using for years continues to improve while using the AI that sits on top"*
>
> **MARK PEACOCK**
> **Nordic Capital**



efficiency and error reduction, but there's definitely long-term opportunity to transform the reporting process into more of a strategic, insight-driven function," Kumar says.

Getting complicated

The rise in AI adoption has coincided with an increase in complexity in the private equity landscape overall. Managers are launching different vehicle types across multiple jurisdictions coupled with the evolution of a more diverse, numerous and demanding investor base expecting tailored interaction with GPs. As the administrative burden soars, the incentives to explore AI benefits are clear.

One consequence of a tougher fundraising environment that has tipped the balance of power more toward LPs is that investors have "exercised that power through negotiating leverage and documents have gotten longer and more complex," says Troy Pospisil, CEO and founder of Ontra, a specialist private market AI solutions provider.

Ontra launched 11 years ago to "provide innovative technology solutions to private fund managers to help streamline and automate their most painful, recurring back-office workflows so that they could operate more efficiently and scale more effectively," says Pospisil.

Mapping changes in the industry and building on its contract automation and investor obligation management tools, Ontra's latest releases include a credit agreement tool that helps GPs track terms and deliverables, a due diligence questionnaire solution to assist GPs manage increasingly detailed and lengthy LP surveys, and a fully outsourced compliance service to assist with reverse know your customer requests.

Being picky

Given the wealth of AI tools on the market, deciding which ones to adopt "comes down to finding areas that are essential for automation, where there's going to be potentially repetitive tasks, or maybe a lot of reconciliations, and AI is good for anomaly detection, as well as comparing company performance and benchmarking," says Pete Keenan, vice-president of finance at 645 Ventures.

"We're using these tools to expedite our workflows, but the decision-making is done at the human level. AI sets a foundation for finance to connect some of the dots and collaborate closely with both the investment team and portfolio founders."

In choosing an AI solution, "it takes a lot of prudence for CFOs to be able to sort through what actually makes sense and what's just a distraction," says Wesley Wilson, CFO and CIO at real estate investor Avanath Capital Management. "Sometimes promising things aren't truly feasible."

Cost and ease of adoption are two key considerations, says Peacock, a member of a 120-strong peer network of CTOs and heads of data who discuss new technologies and share insights. "We are building a list of the AI tools that we as a community use. It's pretty extensive now and grows every day."

Nordic has rolled out an enterprise version of ChatGPT firm-wide. Because ChatGPT is also a consumer product that people are familiar with, introducing it was relatively easy, Peacock says. Its primary use has been for translation, market analysis and company research.

"People understood it and were ready to adopt and use it and very quickly could experiment. It's very rare that happens. By rolling it out, it also increased people's awareness of what AI is capable of," he says, noting that different departments quickly fed back to him about additional ways to benefit from the technology.

However, for the deal team, "it's never going to replace deep due diligence on potential companies, but it gives them a much quicker initial understanding of a new market, relevant companies, the market dynamics and potential growth," Peacock says.

Putting up resistance

Obstacles to AI adoption include data inconsistencies, legacy systems and integration challenges, as well as security concerns and team resistance, says Kumar. Use of AI tools varies across the industry with well-resourced larger firms leading the way at one end alongside venture investors, which may have put money to work building AI businesses. In more conservative corners of the industry, such as private real estate, firms appear to be more cautious about adopting AI.

Avanath uses AI tools, including ChatGPT, for portfolio monitoring, cashflow forecasting, compliance, and other areas including checking calculations, says Wilson. However, "we're not relying on it for any of our investment decisions. We're in real estate in affordable housing, which is niche. There isn't sufficient benchmarking or public data out there for our business that AI would even be helpful."

And there are lingering concerns over privacy. "Data privacy is important for firms in our space because information can be proprietary and that can be a differentiator. Having an inhouse database that is protected is much more prudent than using public AI models," says Wilson.

Another key issue for Wilson is visibility over outputs. "The fallibility of information is a concern – black box outputs without the transparency," he says. Testing is improving as the technology develops, but "we're still on the cusp of a lot of unique tools that can be developed for the investing space."

Teams need to know when to query the model. "When you're working on a very deep technical topic, something like very complex securities modeling, in that scenario you have to be able to know when to push back on the AI and probe to get a sense of whether this is actually the right answer," says Keenan.

As a result, implementing AI differs from other technologies. Instead of focusing on user experience, Peacock says, his team has zeroed in on the quality of the output of test models to eliminate inaccuracies and potential hallucinations and to ensure results replicate the specific department's typical results.

For Peacock, it's "absolutely not" all about AI. He points to Nordic Capital's appointment of a data platform head to automate data flows to support financial reporting, business monitoring and KPI measurement, and the deployment of new technologies such as Databricks as well as the continued use of existing software such as Microsoft SharePoint to collaborate. "We have to ensure that the technology we've been using for years continues to improve while using the AI that sits on top."

> *"As AI continues to deliver it's going to earn the trust of people within an organization, and it's only going to get adopted further over time"*
>
> **PETE KEENAN**
> **645 Ventures**

Adopting new AI tools to transform back-office operations sits alongside existing technology such as data infrastructure and data management, workflow software and customer interfaces, which often include an AI layer. Keenan points to the firm's use of Ramp software for expense management. "There's an AI layer where receipts are automatically captured and entered into the system. That's been a huge time unlock for our controller."

A key thing AI cannot do is manage what can be a tricky transition to increasingly automated systems. "The biggest thing for CFOs is change management," says Wilson. "With how quickly things are changing, if you don't have good change management skills and the ability to deploy new technologies on a more frequent basis, it's going to be much, much harder." For that, a team needs leadership, experience and strong business culture. "Change is hard for a lot of people, and we've built a culture around [the principle that] we're going to try new things when they make sense."

So, what's next for AI? "Agentic workflows are becoming more mainstream," says Keenan. "It's a multi-step process. You need involvement from compliance and various stakeholders to make sure that you're taking the necessary steps when it comes to using your data with AI. But ultimately, as AI continues to deliver, it's going to earn the trust of people within an organization, and it's only going to get adopted further over time."

"AI is a critical ingredient, but it's not a panacea," says Pospisil. However, the future for private funds, he says, is more technology. "If you look at the percentage of revenue that's spent on technology, it's low relative to other industries. [Private funds] is a more nascent industry. Many firms are relatively new. The need for tools has really increased recently. Luckily, firms are adopting them at a time when there's lot of interesting technology available, like AI." ■

KEYNOTE INTERVIEW

AI's outsized impact

Artificial intelligence tools are revolutionizing the way managers collect and use data. Juniper Square's Brandon Rembe describes how

As innovation in the artificial intelligence space – both in technology and how it's used – continues apace, we caught up with Brandon Rembe, chief solutions officer at Juniper Square, to ask how private fund managers specifically are placed to adopt this new technology and where they might need to catch up.

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Q AI is reshaping all industries. Focusing on the private markets, how is it impacting managers and changing the way they work?

AI is having an outsized impact on the private markets because segments like private equity, venture capital and commercial real estate are all incredibly data-heavy asset classes that rely on analytics. Managers are handling information flowing in and out from several sources, including investments, interactions with LPs and the market in general.

For most clients, data sits in a number of disconnected point solutions, Excel files, e-mails or PDFs. Very rarely is data held in something accessible like an application programming interface. Many of our clients have voiced how frustrating it is without a way to quickly access increasing amounts of data and easily structure it. This is an area where AI can have a meaningful impact.

AI is phenomenal at helping GPs move from collecting ambiguous, unstructured data to generating highly accurate, structured data that they can easily interrogate. In particular, the evolution of agentic AI, which is able to make decisions and take action to achieve goals with minimal human interaction, offers private fund managers the opportunity to offload basic tasks that don't add immediate value. This allows the GP to focus on what really matters: building LP relationships, creating value in their investment portfolios and generating returns.

Q What's an example of how managers are implementing AI?

AI can create workflows from a variety of data sources, including unstructured sources like e-mails and other documents. A very common use case is 'e-mail-to-action'. For instance, an LP e-mails a basic request or question, and an AI agent reads that e-mail, determines what is being asked, follows up

Q AI innovation is accelerating – what's on the horizon?

The rapid change we are seeing in AI will have significant implications for how private fund managers are operating just two to three years from now. We see a world in which private fund CFOs, as well as other roles within a GP's enterprise, will have a family of AI agents working alongside them to complete routine tasks while their focus shifts to more strategic topics. This will span any and every GP function – from fund administration to investor relations and reporting. Currently, only a few firms are positioned to adopt the level of innovation on the horizon. Those managers that are taking advantage of AI now will outperform those that aren't. The gap is already widening.

if not enough information is provided and then responds. Our internal analysis shows that AI can act on about 60 percent of requests. And, in those instances when it's a complex question that requires some human interaction, processes are improving to make that human hand-off more interoperable. AI is not operating in a vacuum.

Q What trends are driving AI adoption across private markets?

A key one is the rise of the retail investor. Many of our clients are raising capital from different sources, including high-net-worth and ultra-high-net-worth individuals, forcing them to think about how they scale efficiently. How do you move from onboarding 50 LPs to 5,000? How do you turn a PDF subscription document into structured data to conduct efficient anti-money laundering and know your customer validation?

AI can support this level of onboarding. In an environment where fundraising is challenging and will likely continue to get tougher, GPs are having to do more with less and an AI assistant can help across the board.

Q With such potential, what's hindering AI implementation?

We see that adoption differs across asset classes and depends on the size of a firm. For example, VC funds, many of which are investing in AI native tech companies, tend to be at the forefront of AI adoption compared to commercial real estate. And larger firms with the scale and IT capacity to embrace and implement AI in many areas of their enterprise are leading in adoption when compared to smaller firms.

Like with any new technology, there can be skepticism, fear and compliance and security concerns, which are all valid issues. And rapid advances in technology makes keeping up with the pace of innovation even more challenging. That's why finding a partner is key. Many firms are unsure what questions to ask, what models to use or what strategy to implement.

A partner with deep expertise in both AI and the private markets can help establish clear security guidelines and controls around the use of data – using very structured permission sets that determine access rights and roles – and evolve with private models that keep data siloed and inaccessible to public models.

Q How does a manager go about finding such a partner to guide them?

They should look for a partner that is a thought leader in both the private markets and AI. Juniper Square is unique because we're AI-focused and have been building a robust, trusted infrastructure of workflows and data for more than a decade – one where AI can be applied and trained to the nuance of the private markets and specific asset classes. Different AI models are better suited for certain use cases, and we spend a lot of time evaluating and fine-tuning models, including from a data security and privacy perspective.

We have found that generic AI can do a lot of things, but as you're looking at specific use cases within fund administration or investor relations, for example, the models need to be trained very tightly and with a focus on accuracy. A partner that can work with you to not only personalize your AI strategy to the asset class you operate in – for instance, private equity, venture capital or commercial real estate – but also to your firm, is critical.

A significant part of adopting AI also involves change management as businesses transform their workflows. Managers should pick a partner who can help them navigate that change and future-proof their technology while they get on with the business of investing and generating returns. ■

Rewiring the LP-GP relationship

Investors are adopting automated fund monitoring in ever greater numbers, and the technology could have far-reaching consequences for how they interact with PE managers, writes Nicholas Neveling

A growing number of LPs are now implementing data analytics and AI tools to automate their fund monitoring efforts. For instance, back at the beginning of 2024, some 38 percent of LPs told a Coller Capital survey that they planned to deploy AI-powered automated fund monitoring technologies over the next two years. And now, according to preliminary results from SS&C Intralinks' *2026 LP Survey*, as many as 86 percent of investors have done just that, up from 68 percent in the previous survey.

The rationale is obvious enough. Those institutions already harnessing automation have reported material gains in data capture and accuracy, as well as significant time savings.

GPs, too, can see why LPs might be tempted. Daryl Li, a senior managing director for primaries and secondaries at Ardian – who also works on funds of funds and co-investments – explains that the implementation of an AI tool to automate data retrieval has produced time savings of around 40 percent for his team, as well as an 85 percent increase in the amount of data captured.

"Across our secondaries and primaries platform, we are invested in more than 1,600 funds and 10,000 portfolio companies sponsored by over 600 GPs," he says.

"Managing all that data is mission-critical for us, and automated fund monitoring is an important part of our firm's infrastructure."

In addition to streamlining data capture and accuracy, automated fund monitoring is also enabling investors to benchmark valuations and debt levels against public markets. It promises real-time overviews of portfolio diversification by manager, region and sector, too, and enables tracking of EBITDA margins and compound annual growth rates down to the portfolio company level.

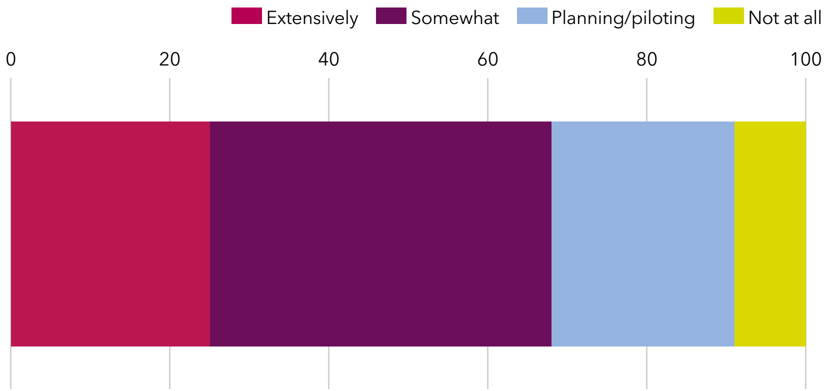
"Human-led reviews have produced the best outcomes to date but are not scalable," says StepStone partner and secondaries specialist Philippe Ferneini. "And the challenge compounds when you add in data layers such as company operating metrics beneath a fund, and top-level portfolio performance metrics that aggregate data inputs."

The consequences of this technological shift could be huge. Unigestion PE partner Natalia Sigrist says automated fund monitoring has changed the way her firm works with data and goes about communicating with its LPs. It is also facilitating the provision of more efficient, accurate and detailed reporting to investors, she argues.

"Automation reduces time spent on manual data processing, allowing more time for meaningful analysis," Sigrist says. "With more reliable data and greater detail, we can support better decision-making and foster more transparent conversations. Ultimately, this strengthens our partnerships with LPs."

Bertrand Honoré, head of information technologies at Tikehau Capital, agrees. He adds that full automation will ultimately "enhance the consistency and reliability of the data used for decision-making". The benefits for LPs may well be striking, but putting the right technology into place is a complex exercise that requires LPs and GPs to collaborate in new ways and make material investments in their digital and data analytics capabilities.

Most LPs now use some form of automated portfolio monitoring (% of LPs)



Source: SS&C Intralinks

"Deploying automated fund monitoring effectively requires co-ordinated technology and data infrastructure on both the LP and GP side," says Melissa Ferraz, managing director and global head of Aladdin Alternatives, a private markets software platform backed by BlackRock. "One of the most important requirements," she continues, "is the degree to which all parties are willing to collaborate, engage and adapt."

This collaboration must also be underpinned by robust technology and data infrastructure. Ferraz explains that key enablers include "integrated application programing interfaces (API) and data connectors to automate feeds from fund management and accounting systems, supported by tools that normalize and standardize diverse data formats". That should then be backed up by "secure cloud storage, user-friendly analytics platforms and tailored reporting capabilities", she says.

Meeting this ask has wider implications for how PE managers and LPs are organized and operate. Putting the necessary building blocks in place to facilitate automated fund monitoring may well involve a step change in firm culture.

"Even before addressing specific technical requirements, the most critical prerequisite for success in automating fund monitoring processes is establishing a clear and coherent digitalization strategy from the outset," says Unigestion's Sigrist. "This ensures alignment across teams, fosters cultural change within the organization, lays the foundation for process automation and helps prioritize data and technology initiatives by defining clear objectives and return on investment targets."

Raising the bar on data

GPs will have nowhere to hide when it comes to standardization and transparency, as LPs move to automate data collection

Automation looks set to drive a culture shift across an asset class where performance and returns data have long been non-standardized and closely guarded by managers. Indeed, GPs are going to have to grow accustomed to sharing their data more widely, and in standardized formats.

"On the data side, the most important requirement is that GPs provide information in a consistent and standardized format," Unigestion's Sigrist says. "While there is still some variation in reporting practices and levels of transparency, most GPs now share the necessary data on a regular basis."

For Tikehau Capital's Honoré, a little more work is required, with automation demanding a "gradual enhancement of [GPs'] internal information systems." For instance, GPs "may need to adapt their infrastructure to enable more frequent and standardized data sharing," he explains.

People, safety and privacy

StepStone's Ferneini says the rise of automated capabilities is already changing the way LPs and GPs recruit, and is reshaping the make-up of private equity teams.

"Data scientists are likely to become essential parts of the day-to-day functionality within both LPs and GPs, ensuring AI is implemented as smoothly as possible and offering in-house development tools for handling sensitive data that could be at risk in outsourced AI infrastructure," he says.

After all, the sensitive nature of the data raises significant concerns and underscores the need for effective cybersecurity guardrails to protect the data that automated systems collect. What's more, the way LPs handle this data also adds to the legal complexity and risk involved.

For instance, to address these risks, LPs and GPs will need to be very clear about whether their automated tools are collecting data that could be personal or proprietary, and how that data is to be used and presented. If automated tools are collecting personal data on matters such as compensation, or populating public LP reports on diversity and inclusion metrics, for example, LPs and GPs will have to be explicit on the protocols used for the gathering and reporting of that data. There also has to be agreement on whether the data harvested by automated technology can or can't be used to train AI systems.

For Ropes & Gray counsel Edward Machin, a specialist in data, privacy and cybersecurity law, there is a three-pronged data checklist for LPs to consider when processing data as part of automated fund monitoring. "Is the GP data proprietary, does the data contain any personal information, and what is happening on the back end to ensure that automated technology is secure, safe and being used in a way that complies with data protection laws and respects intellectual property rights?" he says.

> *"Automation reduces time spent on manual data processing, allowing more time for meaningful analysis"*
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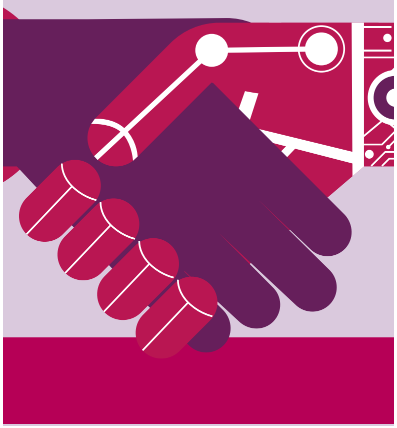
> **NATALIA SIGRIST**
> **Unigestion**



"It is best to avoid situations where there is an assumed acceptance by omission – an 'If you don't say we can't do it, we can do it' scenario. If there is any doubt, the way data is used should be made explicit and contracted."

Time for a reboot?

All told, the rise of automated fund monitoring is far more than just a change to the technical and legal frameworks that underpin GP and LP operations. Instead, it heralds a fundamental reshaping of the LP-GP relationship.

LP-GP partnerships have always been grounded in human relationships and personal interactions, and handling information and reporting requests has historically been one of the key channels for nurturing these personal relationships. Pre-automation, an LP request for fund information would involve a call to the GP, who would then typically have to pull information from its portfolio management and fund system, present this to the investor relations team to compile into a client-friendly format, and then deliver it back to the LP.

Although inefficient when compared to automated monitoring technology, these friction points presented opportunities for managers to connect and engage with their investors. Streamlining the process through automated monitoring could remove the need for these interactions and dilute the value of personal relationships in LP-GP interactions.

For Aladdin Alternatives' Ferraz, that puts the onus on investor relations professionals to up their game, including in fairly old-school ways. "Automated fund monitoring, and the demand from LPs for greater transparency, rigorous reporting and interoperability with their broader systems, is pushing GPs towards a more transparent, data-centric and tech-enabled investor relations model," she explains. "There's an opportunity for this shift to foster better communication and better investment outcomes, but it requires an investment of time and effort as well as cultural shifts."

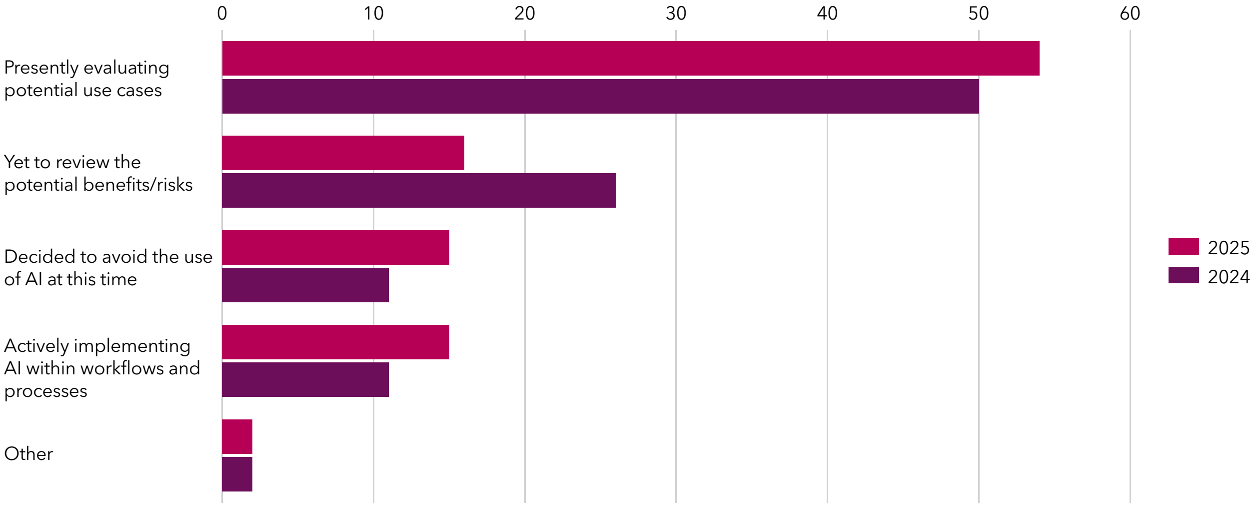
Even though the rise of automated fund monitoring may disrupt the way GPs are used to working with LPs, and vice versa, both sides agree that automation will ultimately make the industry more transparent. And the consensus view maintains that these tools will ultimately deepen, rather than dilute, the value of human relationships in private equity.

"Automation enables investors to spend more time with GPs working through more complex analysis, like the expected performance of portfolio companies and forecasted cashflows, and less time on more 'basic' tasks like data retrieval," Ardian's Li says. "It's an amplifier of an investment team's skill and critical thinking, not a replacement for it." ■

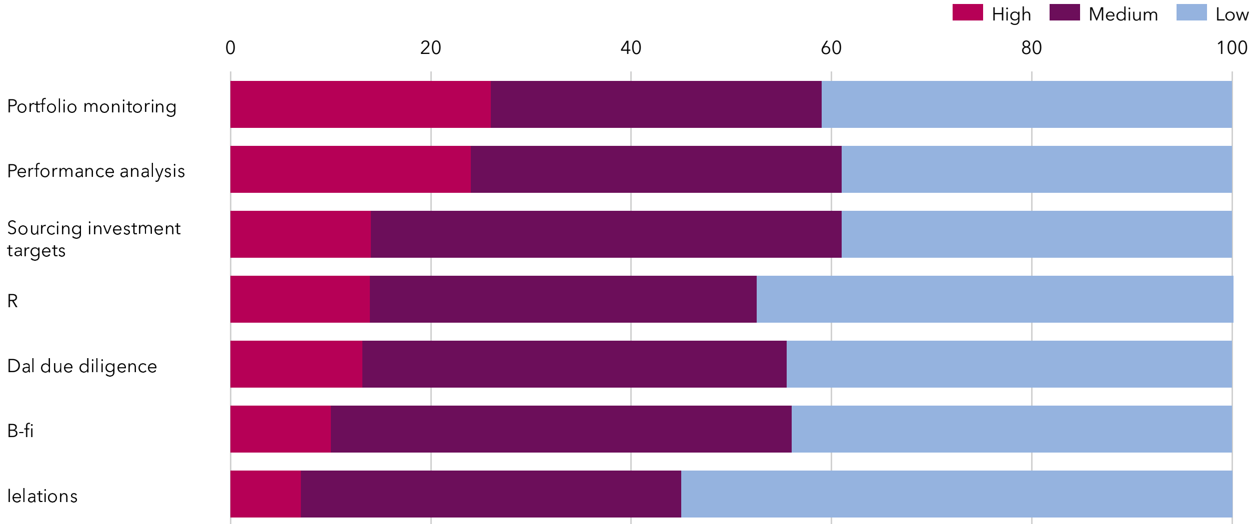
Artificial intelligence and beyond

With the proliferation of AI and new technologies to drive efficiency and enhance performance, many CFOs have adopted a wait-and-see approach as concerns remain, suggests our CFO Insights Survey 2025

Describe your current strategy toward the use of artificial intelligence within your firm (%)



If you are currently adopting new technology (AI, machine learning, etc) in the following areas, what is the effectiveness of the technology so far? (%)



Source all for all data: Private Funds CFO

KEYNOTE INTERVIEW

Modernizing fund ops without losing control

CSC's global head of fund solutions, Ram Chandrasekar, describes how managers can pursue back-office innovation while maintaining data control through co-sourcing

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For private fund CFOs, the technology landscape can feel crowded and fast- moving. The right starting point is to define the problem, desired outcome and data strategy that will sustain scale. From there, the operating model determines whether technology accelerates performance or adds complexity.

Q As a private fund CFO, where do you start when reviewing your IT needs?

For first-time funds, decisions tend to be constrained by capex and focus, and most attention is on front-office execution and risk.

Even so, it is essential to articulate a forward-looking data strategy: what data you need to run the business, how you will consume it over time and how that use will evolve with scale. Heavy investment in middle- and back-office infrastructure can be phased in, but clarity on the data model cannot be deferred.

From there, the objective is a coherent, interoperable infrastructure that connects front-office activity with middle- and back-office execution. For most fund managers, this means selecting a partner with deep asset class experience, strong controls and the flexibility to tailor workflows and data delivery to the firm's operating cadence, not just at launch but as the firm grows.

The emphasis should be on modularity: components that integrate cleanly and can be expanded without rewriting the architecture.

For more mature firms, the task shifts to identifying capability gaps, whether in systems, data architecture or specialist skills, and addressing them without turning the manager into a technology operator.

In practice, that means bringing in targeted capabilities, such as reconciliation tools or data warehousing, which strengthen the core rather than layering on disparate point solutions that increase the oversight burden.

Across stages, the principle is the same: design for scale and make the data flow seamless from transaction to trial balance to investor reporting.

Q As a GP adopts new technology across fund operations, how do they manage oversight and risk?

The first decision is defining control points and approval rights, not mandating in-house delivery. High-signal processes, like cash movement, investor notices and regulatory outputs, require manager authority over data and approvals regardless of whether execution is in-house or co-sourced.

Governance then formalizes those controls, so accountability does not blur as automation increases. That means creating standardized workflows and validations across systems, auditable trails that evidence calculations and changes and key performance indicators and service-level agreements tied to timeliness, accuracy and exception handling. Importantly, these controls should reflect the fund's regulatory footprint across jurisdictions.

Effective oversight means retaining strategic control and visibility while ensuring delegated processes run with measurable, demonstrable discipline. When partners operate parts of the stack, the governance model requires change control, periodic control testing and playbooks for incidents and escalations. That discipline allows the manager to adopt new tools confidently and demonstrates to LPs and regulators that automation has strengthened, not weakened, control.

Q How does a manager balance technology needs with retaining oversight and decide how much it works with a third-party provider?

Lifecycle matters. Early-stage managers often outsource due to capital and headcount limits. As firms approach institutional scale, priorities shift to continuity, risk management and data ownership. This is where co-sourcing can become the natural operating model: the manager owns the data strategy and architecture while leveraging a partner for scalable execution.

A practical decision framework is to evaluate functions based on their criticality to investor outcomes and regulatory risk, the volatility of requirements and the repeatability of the process. High-risk activities tend to remain under tighter internal control, while high-volume, rules-based processes are strong candidates for co-sourcing.

As the firm adds strategies or jurisdictions, managers often bring more governance and data modeling in-house while expanding external capacity on standardizable workflows.

Q How does the adoption of artificial intelligence fit into a co-sourcing model? What are the opportunities and risks?

AI does not change the logic of co-sourcing, but it raises the bar for governance and explainability. The opportunities are clearest in finite, repeatable processes where volume and pattern recognition drive value, such as reconciliations, document classification, counterparty/entity matching, exception triage and parts of anti-money laundering and know your customer screening. In these areas, well-trained models can increase speed and first-pass yield while freeing teams to focus on higher-order analysis.

The risks center on auditability, interpretability, privacy and model drift; a fast answer is not useful if you cannot evidence the path from input to output. Explainability and traceability are non-negotiable.

A practical approach is to embed AI inside governed workflows. That includes model ownership and change control, role-based access to training data and outputs, validation against business-relevant acceptance criteria in a sandbox or user acceptance testing environment and documented explainability so that reviewers understand the rationale behind the results.

Alignment on taxonomy is critical, so systems use the manager's definitions for terms, calculations and reference data. Where processes are judgment-heavy, such as nuanced valuation adjustments or drafting narrative disclosures, human oversight stays integral to ensure conclusions are defensible to investment committees, LPs and regulators.

Q What impact are ever-higher levels of automation and AI adoption having on the skill set of back-office teams and their relationship with a third-party provider?

Automation reassigns human effort rather than eliminating it. Teams are pivoting from manual input toward exception handling, data stewardship, controls testing and analytical review. This shift raises the premium on skills such as systems integration, data quality management and vendor oversight – competencies that help the technology stack deliver consistent outcomes as the organization scales.

Core accounting and reporting expertise remains essential, but the focus is moving from producing the number to validating the number's lineage and communicating its implications to stakeholders.

In a co-sourcing model, managers can access specialist skills on demand without building full internal capability on day one. Co-sourced specialties may involve digital investor onboarding for new strategies, ESG data pipelines aligned to disclosure frameworks, or implementing and governing new accounting platforms as the product set expands.

For firms transitioning from outsourcing to co-sourcing, internal roles typically evolve to include stronger ownership of data models and control frameworks. This is especially important for evergreen and semi-liquid products, where frequent processing and investor servicing demand throughput and resilience. Being able to scale capacity and align technology quickly, without disrupting the operating rhythm, is critical to sustaining growth and meeting rising investor expectations. ■

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The firms that are using AI are more often building internal systems tailored to their specific needs, rather than buying an off-the-shelf solution. "We're creating our own AI that meets our firm's needs. And we have people across the firms and our software providers working together to build an AI tool that makes our legal and compliance processes more efficient," the CCO of an energy PE firm points out.

"AI is not a magic bullet. It's an amazing tool, but it still needs human input to be effective," the CCO says.

Firms also need to notify LPs and regulators that they use AI. With investors, Mayer Brown partner Jon Dhanawade says firms need their permission to input their data into AI.

"You're not allowed to feed any client confidential information into AI without permission unless you redact or anonymize sensitive data before uploading, especially if you're not using a proprietary AI tool," Dhanawade says.

Before implementing AI, Sprung suggests using a pilot program to see how it will work so you can work out the kinks and make sure it "actually delivers what's being promised."

Jack Pitts, global chief operating officer of Blackstone legal and compliance, says the firm piloted it customized AI program with its real estate and credit businesses, running about 200 materials through the system in the past four to six weeks.

When firms follow best practices, AI can streamline compliance and legal document review, enhance regulatory reporting, detect risks earlier and improve the accuracy and consistency of disclosures.

Where AI works

AI's ability to manage and organize large volumes of data is invaluable, as the technology could save the GC or CCO hours of work each week

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JON DHANAWADE
Mayer Brown

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GPs can run marketing materials, various funds documents and DDQs through AI-powered tools to answer common questions LPS ask, rather than the compliance team having to respond to each request, Pitts says.

Blackstone chief legal officer John Finley says with the huge volume of documents to review, the firm turned to AI to make this process more efficient and help the firm manage the volume and complexity. Even with AI, Finley says his firm's LP communications team reviews all marketing materials, as required under the Advisers Act, FINRA and other regulations.

Firms are also using AI for regulatory compliance monitoring to make sure their internal processes comply with regulatory requirements by continuously monitoring activities and generating compliance reports.

AI tools can also track changes in regulatory frameworks, automatically flagging investments or companies at risk of non-compliance, helping firms stay ahead of regulatory updates and avoid costly penalties.

Dhanawade says firms are also using AI for legal document review, such as NDAs, which PE firms use during acquisitions, divestitures and auctions. "You still need a human to spot-check the results, but AI dramatically reduces the initial review time and cost," Dhanawade says.

Firms are also using them to draft letters of intent. While economic terms vary by deal, the structure and boilerplate language in LOIs are usually consistent. Using AI to generate these documents can save firms hours that would otherwise be billed by external counsel.

AI can also be used to analyze transactional data to identify unusual patterns indicating potential fraud, safeguarding assets and minimizing reputational risk. Chandrasekhar says using AI makes sense in AML or for sanctions name matching.

Some firms are also using AI to automate internal checks. AI tools help companies stay compliant by keeping an eye on personal trading, political donations, and outside business activities. They can automatically approve trades, track political contributions and spot possible conflicts of interest from outside jobs or connections.

So, GPs can streamline their processes with the help of AI, provided they have the right framework and sufficient oversight to mitigate any risks that are very much a part of this bleeding edge tech. ■

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AI too risky for some legal and compliance tasks

GPs still rely on human oversight to avoid costly errors in regulatory filings or investor communications, writes Jennifer Banzaca

Legal and compliance pros have been slower to adopt artificial intelligence than other teams within a PE shop, since AI generated errors could lead to regulatory fines or cause investors to flee, hurting a firm's reputation and finances.

GPs worry about AI making mistakes in regulatory filings, disclosures to current and potential LPs and marketing materials that could lead to compliance problems, reputational damage or loss of trust.

Several sources talk about best practices for using AI safely and mitigating risks, having human oversight and not using sensitive information in AI tools that are not proprietary.

Marshall Sprung, Blackstone's global head of compliance, says the biggest risks he sees with using AI are accuracy and data security. "We have to ensure there are no 'hallucinations' in AI output," he says.

Because of the risk of errors and their potential cost, Debevoise & Plimpton partner Charu Chandrasekhar notes that there still needs to be human oversight of AI to try to catch mistakes in any LP correspondence or before submitting regulatory filings. These risks are largely why compliance and legal professionals have been reluctant to use AI.

GPs who are using the technology are mostly using it to review marketing materials and legal documents, manage various compliance tasks and assist with risk management. Firms are also using AI to scan such content as marketing materials, expert network transcripts and investment research for potential compliance risks.

Debevoise & Plimpton partner Avi Gesser says legal and compliance use is increasing because the tools have only recently become good enough to consistently add value without producing too many errors.

However, because many legal and compliance functions still need significant human involvement, AI isn't as efficient to use as it can be for other operations.

Firms must recognize the limitations of AI and ensure appropriate human oversight and governance frameworks are in place to manage the inherent risks associated with its use, such as data privacy and ethical considerations.

Biggest risks with AI

GPs want to keep their sensitive information private and secure, not shared with public models or stored in the cloud without consent. That's why GPs should use closed, secure systems and train to use AI properly. Strong guardrails only work when people follow them.

AI hallucinations are another concern. Tools like ChatGPT or Harvey can sound convincing even when they're wrong. They might create well-written but inaccurate summaries or recommendations. "That's why we always fact-check their output. AI helps with drafting, but it's not the final product," Chandrasekhar says.

Private equity firms must navigate ethical and regulatory gray areas with caution. Since regulators are still catching up, GPs face uncertainty around key issues like copyright, accountability and how much they can rely on AI in decision-making. Without clear rules, PE firms must set their own high standards to avoid legal risks.

Regulatory focus

Regulators and prosecutors are paying attention to AI. The US Securities and Exchange Commission has been focusing on the use of AI in both exams and enforcement actions. "Regulators still care about how AI is used in fund marketing, communications and even in negotiating fund terms, especially where there's asymmetry of information or algorithmic decision-making involved," Chandrasekhar says.

The SEC has handed down fines for AI washing. Last year, the regulator charged two investment advisers, Delphia and Global Predictions, for making false and misleading statements about their purported use of AI. The firms agreed to settle the SEC's charges and pay $400,000 in total civil penalties.

The SEC has used the marketing and private fund advisers rules in connection with AI oversight. Under the Marketing Rule, firms are still responsible for any misleading claims in AI-generated materials like pitch decks or performance summaries.

The Private Fund Adviser Rule requires firms to clearly tell LPs if they use AI to make investment or risk decisions. Firms must also follow books and records rules, making sure AI tools do not cause gaps in documentation.

The SEC recently shelved proposed cybersecurity and AI-related rules, which included mandates on rapid incident reporting and requirements to mitigate conflicts in AI systems. However, this regulatory rollback doesn't mean the SEC is easing its scrutiny over AI, and enforcement and oversight continue through comment letters, examinations and litigation.

A 'safety first' approach

If GPs are going to use AI in legal and compliance functions, they need to follow best practices to reduce risks.

Gesser says a good place to start when using AI is to identify when the risk of using AI rises significantly. "Accuracy and quality control are obviously critical. You're always responsible for the final product – you can't blame an error on AI," he notes.

Firms should also avoid putting confidential info into AI unless using a proprietary tool. PE firms handle sensitive, non-public information about target companies, LPs and internal financials. Feeding this data into AI tools, especially third-party models,

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CHARU CHANDRASEKHAR
Debevoise & Plimpton

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PE ENERGY FIRM CCO

KEYNOTE INTERVIEW

Embracing tech to break down boundaries

Private equity leaders are under pressure to embrace technology while balancing investor demands, regulation and operational resilience, says FIS's Ferhat Ansari

Technology is transforming the private equity landscape. From the rising demands on CFOs and COOs, to the opportunities presented by hybrid fund structures, AI and automation, Ferhat Ansari, head of private capital at FIS, shares his insights on the challenges firms face today and the strategic steps they can take to future-proof their businesses for tomorrow.

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Q What are the most salient issues currently facing CFOs and COOs in an increasingly competitive marketplace?

That is such an important question right now. What I am seeing among CFOs and COOs that we work with today is that they need to manage quite a few things at once. They find themselves operating at the intersection of rising investor expectations, increasing regulatory compliance demands, fast-moving regulatory change and pressure on margins to do more with less. They have a lot to consider.

The most pressing issue is really data transparency and timeliness when it comes to dealing with limited partners. LPs now expect near real-time performance insights and connectivity; the days of simply sending over quarterly reports are behind us. Today, delivering accurate and timely data is both a differentiator and a challenge at the same time.

The other big issue that we are seeing is the need to focus on operational resilience, with market volatility and geopolitical conditions having brought operations to the forefront. Those matters used to be in the background, but today CFOs and CEOs must ensure there are robust controls in place to drive cybersecurity resilience. The private equity industry has experienced a significant uptick in cyberattacks and a growing need for scalable processes.

The last important salient point is margin pressure and fund economics. Those are increasingly under the microscope and leaders must drive efficiency across their businesses without sacrificing accuracy. This industry is all about accuracy, so without that you lose investor trust.

Q What challenges and opportunities are created by the expansion into hybrids and semi-liquid fund structures?

The expansion into hybrids, or semi-liquid fund structures, is reshaping the whole private equity industry and landscape.

One of the big challenges associated with that is the many different variations of those fund structures. We are talking about interval funds with different entry points, different exit points, different levies, and then there are Long Term Asset Funds, tender funds and so on – the list continues. They are all different from each other, and so that is the first challenge.

The other challenge is that the private equity operating model is changing significantly – it is evolving with a blend of traditional asset investments and private equity asset investments. That means you are bringing in daily strikes, liquidity windows and more complex investor servicing needs that require more reporting, more risk management, more technology and essentially more of everything from an operational perspective.

The processes designed for quarterly private equity funds reporting are not sufficient and traditional private equity technology is not sufficient for what these hybrid and semi-liquid funds need.

When we think about the opportunities there for the managers that get this right – and there are not many that are currently on top of this – the prize is getting access to a much broader pool of investors. The retail investors coming into private markets, the wealth channels and the institutional investors coming in all have the potential to significantly increase the amount of capital in GP fund structures.

Managers that can diversify their assets under management will also be well positioned to capture new markets that they could not penetrate in the past.

So, at the end of the day, the firms that succeed here will be the ones that industrialize private markets, blending traditional PE accounting at a scale

Q What steps can firms take now to future-proof their businesses ahead of the next wave of transformation?

There is a lot going on and CFOs and COOs need to be thinking three or five years ahead. They need to balance future requirements with immediate efficiencies, which means they need long-term adaptability. Firms should definitely think about investing in modular architecture, which means building technology stacks that are flexible, extendable and avoid lock-ins.

When you look at this from a GP's perspective, each GP has a different proposition and their own unique requirements for flexibility. I am seeing the future in API-driven interconnected ecosystems where GPs can select what fits their business and run those ecosystems in a SaaS-based cloud-based architecture.

The other key element of future-proofing is embedding a real culture of innovation. That cultural change is important, and that means encouraging teams to experiment with new tools and rethink traditional processes. All too often, we put our heads down and do the same thing over and over. We don't always question whether it is the best way.

That encouragement to innovate needs to be embedded across the board, from the partners making the investment decisions through to the back office, accounting, middle office and customer service. We need to encourage our teams to use the technologies in front of us, and that is when we can truly leverage their capabilities.

And lastly, we should not forget about the regulators. As private equity shifts, funds are increasing their assets, new investor bases are coming in and that drives more regulatory scrutiny. If you think about where the market will be five years from now, compliance needs to be a bigger focus, alongside enhanced investor reporting and transparency.

that did not exist before. But it is a big challenge, because the increasing operational requirements are something that most firms are not currently equipped to deal with.

Q What should fund managers prioritize when contemplating the adoption of AI and automation?

That is one of my favorite topics as a tech partner. AI and automation have hugely powerful potential but, and this is a big but, only if they are executed with clarity and purpose. AI is only as strong as the data it consumes, and ensuring data consistency, lineage and governance is the absolute foundation for delivering the success and ROI possible with AI usage.

One of my recommendations is that before you jump into the AI journey, focus on your data and data quality. Build a central data warehouse, put the data management layer in place and make sure that data lineage, consistency and governance is your first step. That should be the priority.

The next thing to think about is target use cases. There are a huge number of opportunities out there and we are seeing an AI boom not just in our industry but much more broadly. However, to get that ROI, you need to be very targeted on your use case.

First, focus on your pain points. Then build measurable outcomes so that you can accurately measure the value AI is bringing to your operations. We often recommend starting with data reconciliation, which is a big pain point within the industry. We can easily measure whether AI adoption is successful there or not, looking at time spent before and time spent after.

You can also easily measure the impact of investor reporting with AI. LPs are all asking for AI-based reporting where they get to interact with the data instead of just receiving boilerplate reports, and you can deliver that and see how they respond.

The other use case I would highlight is compliance monitoring, which is a particular passion of mine. In our industry, we have these long-form LP agreements. When we convert those using AI technology, we can easily monitor compliance.

However, one thing a lot of people forget when thinking about AI adoption is the human element. The goal is not to replace judgments at the end of the day, but to augment what we are doing. The human element is extremely important to making sure we can actually trust AI, so you need to make sure that is always built into your use cases too.

“Most private equity firms are moving their ecosystems to cloud native solutions”

Q How can PE firms best take advantage of technology today to transform their businesses for growth?

What I am seeing is that private equity firms are no longer seeing technology as a cost. Now, they are seeing tech as a growth enabler, which is leading to significant shifts in the way private equity firms are modernizing platforms.

Most private equity firms are moving their ecosystems to cloud native solutions, for example, which give them the on-demand scalability that they need to respond to investor and regulator demands. The other big shift is to API-driven platforms that integrate seamlessly across the ecosystem. Those are definitely changing the way private equity firms look at technology.

We see the treatment of data as an asset, and as a strategy, also becoming more important. Data warehouses are creating a single source of truth for performance, risk and investment analytics. That is driving transformation across the private equity ecosystem. The boundaries between the front, back and middle offices are slowly disappearing, and we are moving toward a situation where they are all leveraging the same data in real time. That drives value from both a technology perspective and a business growth perspective.

That data is also really enhancing the investor experience through digital portals that deliver real-time insights, real-time ROI information and real-time capital balances. With those retail user groups coming in, those fresh sources of capital are looking to leverage automation and scalable operations.

We still see a lot of Excel, which I love, but those processes are very manual. Using technology to drive the automation of workflows addresses both complexity and scale, positioning firms to launch new products faster, which is going to be extremely important in the competitive landscape moving forward. ■

AI impact on talent

Artificial intelligence is retooling the back office and the teams that work there, writes Victoria Robson

Even just a few years ago, ask a private funds CFO what they knew about prompt engineering, and you might have received a blank look. Fast-forward to today and the adoption of artificial intelligence is transforming back-office workflows from accounting and finance to investor reporting, reconfiguring workloads and adjusting skill sets.

"The finance function was always backward-looking and reporting-driven. Now, if you can leverage AI for a lot of reporting and data summarization, then you can serve more as interpreter and storyteller and really help shape the firm's roadmap," says Pete Keenan, vice-president of finance at 645 Ventures.

The result is that back-office teams are shifting focus from "transactional execution to being able to do more strategic analysis," notes Keenan. "Instead of chasing numbers as in years past, now finance can really take a step back, interpret those numbers and help investment and portfolio decision-making."

Removing the burden of routine tasks is also allowing individuals to reapportion their workload. "I spend probably about a third of my time supporting our investing team on growth stage diligence," says Keenan. "I spend another portion of my time on value creation, working with founders in our portfolio. The last third is overseeing the firm's financial operations. I could not be in so many places at once if I weren't leveraging the technology at my disposal."

For Keenan, AI adoption means being able to do more with less. "We're a 20-person firm right now, with $550 million under management. When we go out and raise our next fund, we're going to be able to get increasingly more operational leverage from our own finance function, which consists of myself and a controller," he says.

The CTO function

While private fund back office and IT teams are typically small, employing a chief technology officer is no longer a rarity, and with the increasing adoption of AI, the role is only growing in importance and complexity.

In the past, the CTO's focus was "around making sure that laptops worked and e-mails flowed," says Nordic Capital CTO Mark Peacock. "Security was definitely on the agenda, and that has only increased. But there's a growing expectation for me to understand what each team does. Different teams [within the business] are looking to me to partner with them to find the technology, including AI, that will help them in their context."

Finding the right solution is no easy task. "When I first joined Nordic Capital six years ago, it would have been relatively easy to list five key systems that most PE companies use. I don't think that's possible anymore," says Peacock. "There's been an exponential increase in the number of AI tools and suppliers to manage and a huge increase in time spent evaluating them."

In response, "firms have really beefed up their internal technology and teams, especially the biggest firms, and have done a lot of hiring in their technology department in particular," says Troy Pospisil, founder and CEO at Ontra, a specialist private market AI solution provider.

"There's a lot of interest [in AI tools] and a lot of testing," he says. "Managers now have people who are capable of evaluating and deploying these technologies. Individual functions are hiring non-functional professionals to help manage and deploy this technology. For instance, the legal function is hiring legal operations professionals – non-lawyers – to deploy and manage the technology into those workflows at scale."

Optimizing specialist tasks

While teams of tech specialists may be growing in size, for Wesley Wilson, CFO and CIO at real estate investor Avanath Capital Management, using AI for tasks such as monitoring the firm's portfolio, cashflow forecasting and compliance has reduced the number of people involved in these processes, as well as delays.

"We have a central database and would have to contact a data specialist to write code to get data, and then that data would need adjustments," says Wilson.

"It's an iterative process involving multiple people. Whereas now, with AI and its ability to help with code, individuals are able to query databases and get information without knowing the full syntax pretty quickly."

> *"There's been an exponential increase in the number of AI tools and suppliers"*
>
> **MARK PEACOCK**
> **Nordic Capital**

For Peacock, a busy CTO managing this tech transformation, AI is an enabler and a time saver.

"I am a coder," he says. "With AI, I can do some coding and produce a valuable product, whereas before, I would have had to have focused on it for days, which is just not possible.

"I can now do that as part of a relatively packed schedule because I can dip in and ask AI to complete some tasks."

In the back office, to implement AI effectively requires a level of data fluency to be able to navigate different systems such as ChatGPT or other large language models.

This allows teams to really understand their own data and be "more analytical and outward facing, not just preparing information, but being able to interpret it and share insights from it," says Keenan.

However, "the most important skill set remains being incredibly sharp from a finance perspective," says Keenan.

"Being able to understand fund administration, tax, accounting and being a problem solver and having an insatiable appetite for learning, because there's always going to be new tools that come out that are going to help our workflows. The top talent in the top performers are going to be the ones that find opportunities to integrate AI into their existing workflows."

Cautious approach

However, not all teams are eager to adopt AI. Fear of job displacement and a reluctance to adapt to new ways of working may create some cultural resistance to new technology, notes Arthy Kumar, industry principal at Workiva, an AI-powered reporting and data platform.

On the flipside, deploying up-to-date AI technology is a "big, big consideration when hiring and retaining staff," she says.

New hires expect to use AI tools and to benefit from AI efficiencies, speed and time-saving that alleviates hours of routine processes. "Hires expect to have automation. Nobody wants to go back to a legacy system or manual workflows. They expect that to be pretty much at their fingertips."

Wilson says Avanath has been working to automate workflows for the past decade with the intention that staff have more time for free thinking and less time spent on the minutia of tasks. He sees a direct link with the firm's low staff turnover.

"[Our staff] know that they're not just punching a clock, crunching numbers and pushing paper. They're coming to work to make a difference and to think more broadly and to enhance their skill set."

It seems that the prospect of more enriching work and increased job satisfaction presents a powerful antidote to any lingering entrenched resistance to AI-driven change. ■

They said it

Expert insights on technology, automation and artificial intelligence

"The most critical prerequisite for success in automating fund monitoring processes is establishing a clear and coherent digitalization strategy from the outset"

NATALIA SIGRIST
Unigestion

"The top talent in the top performers are going to be the ones that find opportunities to integrate AI into their existing workflows"

PETE KEENAN
645 Ventures

"Deploying automated fund monitoring effectively requires co-ordinated technology and data infrastructure on both the LP and GP side"

MELISSA FERRAZ
Aladdin Alternatives

"We're still on the cusp of a lot of unique tools that can be developed for the investing space"

WESLEY WILSON
Avanath Capital Management

"Data scientists are likely to become essential parts of the day-to-day functionality within both LPs and GPs, ensuring AI is implemented as smoothly as possible"

PHILIPPE FERNEINI
StepStone

"We have to ensure there are no 'hallucinations' in AI output"

MARSHALL SPRUNG
Blackstone

"We are building a list of the AI tools that we as a community use. It's pretty extensive now and grows every day"

MARK PEACOCK
Nordic Capital