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Private Funds CFO

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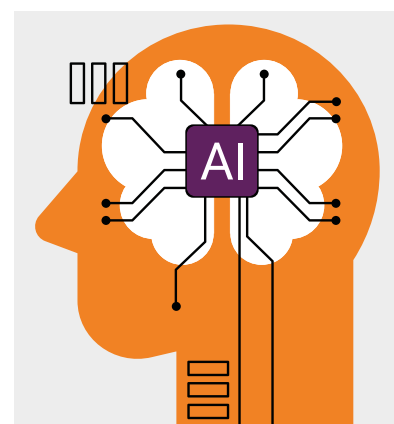
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"What CFOs should be really focused on is you only want to employ agents and AI in processes that are easily reversible"

Agents of change GPs are moving to agents that act alone, but autonomy must be earned



Key trends How private funds' approaches to AI are evolving

A few years ago, only a handful of finance and operations teams could have told you what artificial intelligence would mean for their day-to-day workflows, **writes Natalie Novakova**. Today, if you are not working out how to use AI and automation, you are already behind.

Private equity has been quick to act. According to *Private Funds CFO's Insights Survey 2026*, conducted in partnership with Aztec Group, just 8 percent of firms are not currently exploring AI tools in their internal operations, down from 15 percent a year earlier.

What that near-universal adoption masks is how few believe they are

doing it well. Only 2 percent say AI is fully embedded in their operations, and not one respondent rates their firm a leader in AI innovation. As Christina Houghton, CFO at Balbec Capital, told *Private Funds CFO* in 2025: "No one feels like they're a leader, because AI is quite new for everyone."

Experimentation has been the order of the day. Embedding AI in ways that actually change how the work gets done is the harder task, and it brings fresh challenges.



Compliance experiments with AI

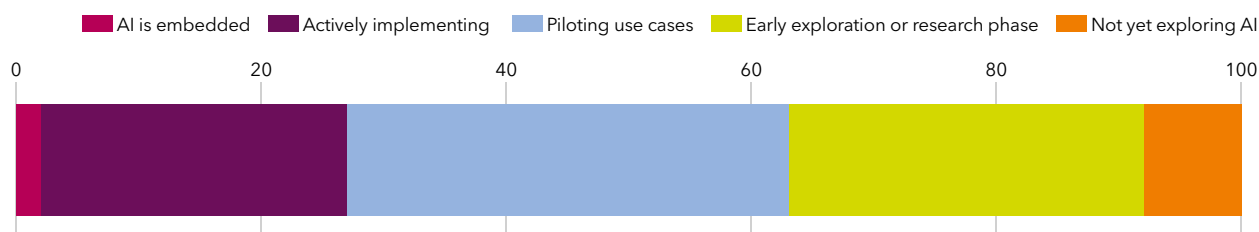
AI is reshaping every corner of private equity, and compliance officers are no longer watching from the sidelines.

Some 85 percent of respondents to the 2026 *Investment Management Compliance Testing Survey*, run by the Investment Adviser Association, ACA Group and Yuter Compliance Consulting, named AI the hottest compliance topic of the year, up 28 percentage points from 2025 and the most dominant single response in the survey's 21-year history.

"Normally, the hot topics are whatever was in the SEC's latest risk alert, or what the SEC is doing sweeps on, or what are they saying in public statements," Tracy Soehle, associate general counsel at the IAA, tells *Private Funds CFO*. "It's clear that the focus is now on developing AI strategies; even though most firms are still using AI largely internally, it's not necessarily externally facing."

Firms are backing that up with testing: 72 percent said they had increased compliance testing around AI, the single largest year-on-

GPs' adoption of AI tools has leapt forwards over the past 12 months (%)



Source for all data: Private Funds CFO Insights Survey 2026

year rise of any topic the survey tracks. Four in five have now formally adopted AI tools.

The survey also found that compliance teams are stretched thin and their budgets thinner. AI may be part of the answer. "What we've seen," Soehle says, "is that a lot of firms are finding that AI has become helpful in managing compliance expenses. There are a lot of [ways] you can use AI to help increase the efficiency of your testing but also allow you to continue to upgrade your compliance program without necessarily hiring more bodies."



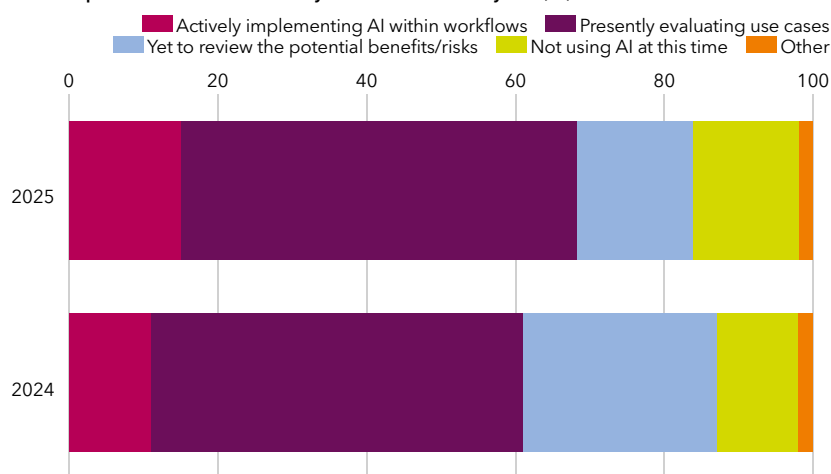
AI guardrails are no longer optional

As AI adoption deepens into compliance and legal work, the risks and concerns are mounting. "I don't want to sound like the AI alarmist here," Aaron Pinnick, senior manager of thought leadership at ACA Group, says, "but there are so many ways in which that can go wrong. Someone's got to manage those risks, or the firm potentially faces far greater cost downstream."

Law firms are reaching the same conclusion, with an extra layer of duty on top. "We recognized from the outset that law firms face not only the same concerns that other organizations have when adopting AI, but also legal ethics, confidentiality and attorney-client privilege concerns layered on top," says Nolan Goldberg, a litigation partner and co-head of the technology strategy committee at Proskauer. His firm responded with layers of controls including policies, technology, contracts, training and, importantly, monitoring.

The common thread is that humans must stay in the loop: firms should be looking for augmentation, not unmonitored automation. Some are going even further. Angel Reyes

GP's adoption of AI tools has steadily advanced in recent years (%)



III, founder and managing partner of Angel Reyes & Associates, has banned personal AI accounts from work devices. The firm also requires all AI-generated work to be reviewed. "Telling people 'be careful' is not a control," he says. "The review process needs to be built into the workflow."



Making the case for value creation

The loudest AI claims in private equity concern value creation, and skepticism is catching up with them.

The obstacle is often the underlying business rather than the technology. "It's not a magic wand - you need a foundation and a company built on data," Lee McCabe, a former AEA Investors operating partner who last year launched digital growth advisory Claymore Partners, told affiliate title *Private Equity International* in July. AI

may pay off where the data already exists, but many portfolio companies - especially those outside of the tech sector - are not data-led.

While AI can help with efficiency improvements, such as through streamlining internal processes, the gains are modest. Cost savings lift valuations via higher EBITDA rather than multiple expansion, Christian Mitchell, managing partner of valuations firm North Star Partners, told *PEI*, and they are low-hanging fruit that "eventually will become the price of entry rather than something a buyer pays a premium for."

But topline growth is harder, and that gap could potentially leave room for AI-washing. "The point to watch is whether GPs start selecting multiples at the top end of the observed range on the basis of AI adoption that in reality is not especially additive to value," Mitchell said.

LP scrutiny around this is intensifying. "GPs inflating their marks will get found out eventually, which will impact their ability to raise the next fund, and therefore from what we've seen they tend to be relatively cautious about boosting valuations without real evidence - especially with LPs' increased focus on this topic recently," he noted. ■

“Telling people ‘be careful’ is not a control”

Angel Reyes III, Angel Reyes & Associates

Editor's letter

Pairing AI speed and governance



Natalie Novakova

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Automation isn't coming. It's here. As private funds move past the pilot stage, the question is no longer whether AI can help, but where it should sit alongside the people doing the work. The gains are real but uneven, and the managers that pull ahead will be the ones that speed up execution without loosening the controls behind it.

According to *Private Funds CFO's Insights Survey 2026*, conducted in partnership with Aztec Group, 63 percent of firms are at least piloting AI, with a further 29 percent exploring AI applications somewhere in their internal operations. What they're exploring matters more than the headline numbers.

GPs are moving from experimentation toward agents that act on their own, drafting, reconciling and routing work with far less prompting than a year ago. But concerns remain. Humans still have to stay in the loop, and the firms moving fastest are often the ones spending the most time setting up controls and boundaries: what an agent may touch, what it must escalate and who owns the output when it gets something wrong.

Then there's the issue of ROI. Productivity gains are taken as a given, but returns are proving slower and costlier to reach. And this isn't a GP story alone. LPs are also using AI to sharpen due diligence and rethink how they assess funds, while law firms are deploying it to help emerging managers scale compliance, governance and fundraising. The shift is showing up on every side of the table.

One thing that holds throughout, however, is that the technology is only as good as the human judgment, controls and data behind it.

“ The technology is only as good as the human judgment, controls and data behind it ”

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KEYNOTE INTERVIEW

Where technology meets judgment



Scaling with technology doesn't have to mean losing the human touch, say Aztec Group's Akbar Sheriff and Jason Adams

For private markets fund managers, the challenge has often been how to make back-office processes more efficient. Fast-evolving technology means efficiency and high-touch service no longer conflict. Akbar Sheriff, chief client success officer and chief operating officer at Aztec Group, and Jason Adams, the firm's chief technology officer, explain how managers can streamline routine workflows while preserving the judgment, access and relationship quality.

Q How are firms deploying technology to improve operations?

Akbar Sheriff: Nowadays LP expectations are high, as they navigate multiple relationships with different

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managers and fund services providers. They expect greater access to information, intuitive processes and basic tasks to be completed without repetition. They want accurate, secure, timely and seamless interactions with technology, for instance during onboarding, NAV reporting and when addressing cross-jurisdictional regulatory requirements. They don't want tech for tech's sake or simply more data.

However, when judgment matters, or an LP has a complex request, or is seeking additional information, or requires assistance, they still expect

direct access to the GP. Using a high-touch, high-tech model, technology elevates the client experience for the LP, while team members at the manager can proactively nurture those relationships and become a trusted partner.

Jason Adams: There's huge variability and little standardization. Firms continue to grapple with highly variable data, use cases, nuanced fund structures and constantly evolving asset classes. Concurrently, the volume and time-sensitive nature of LP requests are increasing. As the industry scales, fund managers need technology to automate the routine, less-cognitive workflows to keep pace with LP requests and maintain a competitive advantage,

while offering specific human expertise and capabilities. This approach allows firms to be more effective and valuable to their clients.

Q What does a manager need to have to operate a high-touch, high-tech model?

AS: In the past, firms have focused on solving specific problems with separate point solutions. Particularly with AI, there is a risk of ending up with a collection of apps or isolated use cases that are difficult to scale across clients and lack supporting infrastructure. While encouraging the use of AI, firms need to monitor use cases to prevent duplication of effort, consider using existing AI platforms and measure effectiveness.

They also need a coherent plan for AI adoption and a governance framework. All this requires them to think strategically about business priorities and client impact. For example, reducing time spent on a single element of investor onboarding is not as effective as reviewing the entire process to identify greater efficiencies.

JA: For a manager, it makes sense to implement AI to tackle large volumes of unstructured documents, including PDFs and e-mails, and to automate rules-based workflows. The value isn't in any individual tool or platform; it's in the connection between them. Data fragmentation and quality are the biggest risks in scaling a firm's data architecture. Historic reliance on point solutions is compounded by the segmentation of asset classes and results in different teams using different data, which then requires reconciling before it can be accessed across the business.

Establishing a digital ecosystem is crucial for GPs to manage increasing complexity as they launch new funds or expand into new asset classes or jurisdictions. First, they need to standardize their data, structure it into a schema or a warehouse, then integrate workflow layers to access that information

efficiently and establish a data governance model that ensures data quality.

Once foundations are in place, managers can focus on delivering complex capabilities such as AI-augmented workflows, or modern user and LP experiences. That is likely to define operating models of the future: blending intelligent automation, connected data and specialist human expertise. Over the next five years, the firms that scale most effectively will be those that can industrialize routine processes while preserving service quality, judgment and trust.

Q Are firms buying or building infrastructure to support their ecosystems?

JA: Most CFOs are trialing AI pilots and building proofs of concept, but few are building production grade solutions. The foundational elements of agentic AI are expensive and difficult to execute and maintain. It makes sense to invest in industry-specific solutions that build on existing AI infrastructure developed by hyperscalers such as Microsoft, AWS or Google, including data pipelines and integration frameworks that connect different point solutions, accompanied by an AI policy and monitoring of output quality.

AS: Firms need to think about how they maintain their edge. Technology alone is no longer a competitive advantage; the differentiator is how firms combine technology with experience, judgment and service. They also need to retain control of their data and avoid dependence on any single provider. Firms need a technology roadmap and should empower teams to innovate and develop use cases that are responsive to market demands, built on a well-governed, scalable foundation.

Q How are firms measuring AI impact?

AS: One key measure is whether AI is contributing to broader business success, and how clearly the firm can

connect AI to those outcomes. On the client side, we track inputs like AI training, and outputs such as user numbers, which applications are being used and how frequently. The more meaningful question is whether AI helps the firm make better use of its context layer.

JA: Clients are using AI in three ways: using large language models and generative AI to write code and build products improving capabilities; using AI agents to improve operations and processes; and augmenting their offering to clients, by embedding agentic capabilities into a unified client experience.

One basic way to measure AI adoption is by how much a firm is spending on tokens. A more sophisticated way is how AI is used in workflows, tracking efficiency gains, quality improvements and novel insight generation. This method is more aligned to traditional product value measurement, helping the firm understand where AI is making a truly positive impact.

Q What do LPs expect in terms of cybersecurity and operational resilience?

JA: While there's been LP pressure on firms to adopt AI, they remain very sensitive to cybersecurity and broader operational resilience risks. The cyber threat is evolving with more frequent and complex cyberattacks, including impersonation and fully autonomous attacks.

But investors are also focused on governance, lifecycle management, controls and the resilience of the wider operating model. These concerns are reflected through in-depth LP due diligence questions around cybersecurity and technology governance.

Investors have moved beyond a tick-box approach and are now asking about infrastructure, AI policy enforcement, monitoring, proactive threat modelling, red team exercises that mimic malicious actors, and the controls in place to manage technology safely over time. No one can ignore the severity of the threat. ■

As AI technologies develop and GPs get more comfortable with implementing them within their workflows, the next step – fully automated AI agents capable of acting autonomously – is coming ever closer. More than half of CFOs surveyed by Deloitte at the end of last year said that integrating AI agents into finance operations would be one of their top priorities in 2026, but many fund managers may yet need to prioritize getting basic plumbing in place.

For a start, the front-runners are currently shifting from phase one of AI experimentation into a new phase of more targeted, business-wide deployment.

Griff Norville, head of technology solutions and co-head of innovation at Hamilton Lane, says: “About 18 months ago, we were encouraging everyone to experiment with AI and giving out AI innovation awards to teams that had taken AI and used it to create efficiencies in their processes. We saw all kinds of interesting capabilities surface, which was really helpful for getting comfort up and encouraging adoption.

“Then, like everyone else, we started to see the need for a more centralized approach to decision-making around this, because we do not need a team in London and a team in Hong Kong independently building things just for themselves. So, we have shifted our model, and it is now much more around distributed AI teams embedded across the business, which we oversee centrally. We are now trying to re-imagine workflows in every department.”

That shift to a more organizational approach calls for a business-wide discussion on where AI agents can deliver the biggest efficiency gains and the best return on investment. It also means a process of innovation that initially prioritized the front office can now be deployed more widely.

“We started with a focus on the

front office investment side, and we are now moving very rapidly to more of the back and middle office operational use cases,” says Norville. “We have learned a lot in the process, built skills and developed the knowledge base to deploy more strategically.”

He says the next focus for Hamilton Lane will be legal, compliance, portfolio management and managing cash, all of which are far along. Then will come treasury and corporate finance; Norville says those groups tend to have less bandwidth for experimentation.

A higher bar in the back office

Jason Snider is the CFO at Gauge Capital, a Texas-based mid-market investor. He says many managers have concerns about introducing agentic AI into the

back office: “The adoption of AI agents in the back office carries a higher risk for GPs in my opinion. Any time you are touching processes where the end users are investors and regulators, the level of precision needed is higher and the risk of misstatement goes up.

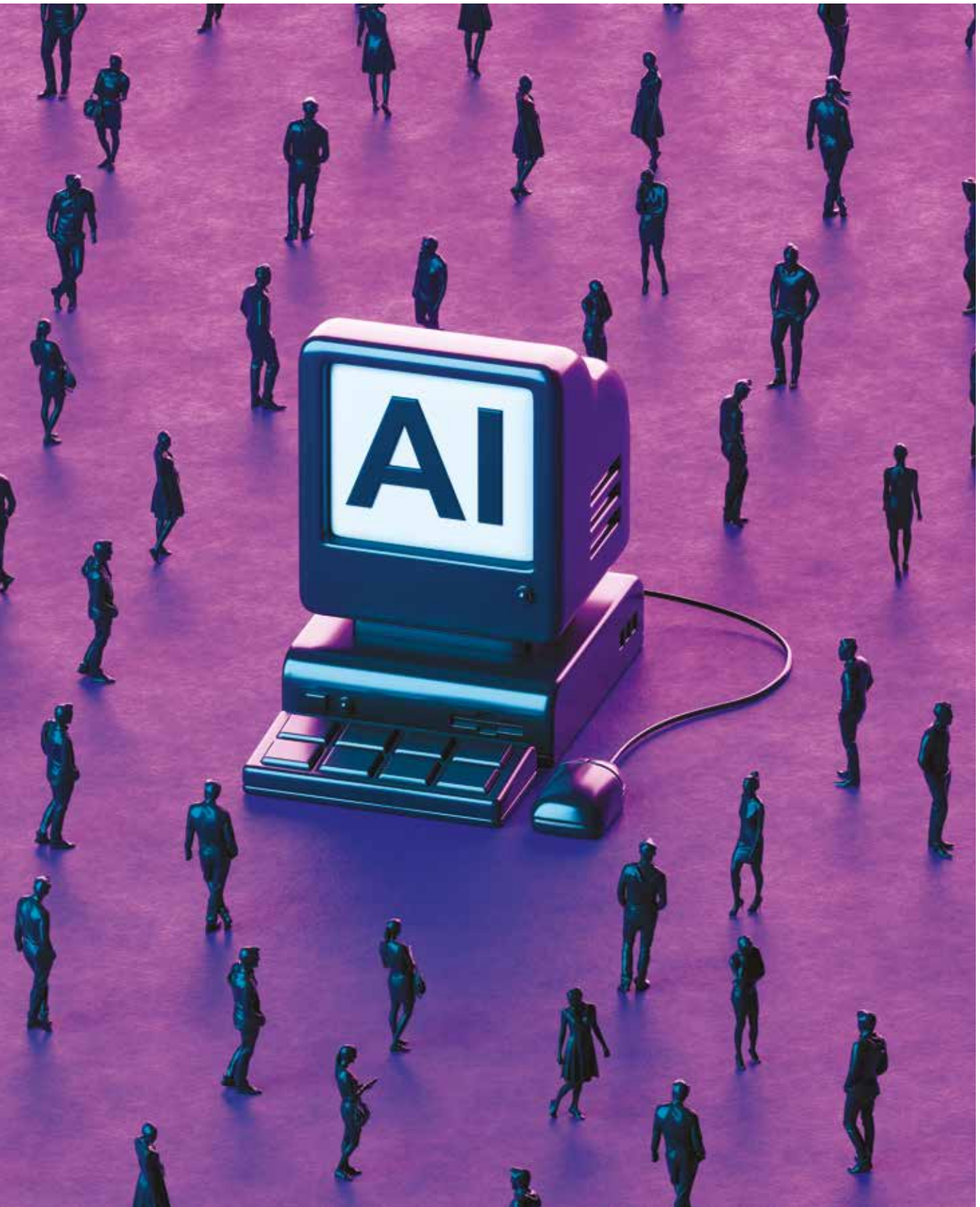
“But an agent is no different to any other resource you have doing work for you – if they produce a shoddy output, you better have good controls on the back end to catch that before investors or regulators see those outputs.”

Gauge Capital is far along the path of agentic AI adoption, with Snider making the distinction between AI, which involves asking a chatbot a question, getting an answer and then acting on that answer, and agents. “The next step is asking a tool to prepare

Agents of change

GPs are moving from AI experiments to agents that act on their own, but CFOs are finding that autonomy has to be earned.

By Claire Coe Smith



something, review something or action something – that is when we move into agentic workflows,” he says. “My assumption is that most firms are now using some form of AI, whether ChatGPT or Claude, and they are probably doing some agentic work.”

Snider is clear about what agentic AI usage currently looks like for him. “I have AI prepare models for me, review models and review documents and give me feedback on them. I have a set of agents that run daily over my e-mails and through some internal folders looking for information about portfolio companies or relevant news. AI puts all that into a format that I can review quickly before going into a meeting. So, I have it doing work that I might have asked a junior analyst to do before – the evolution is that it is now doing tasks rather than just running processes.”

Human in the loop

Others describe agents being deployed across a wide array of back-office responsibilities, automating workflows around invoicing, expenses, investor onboarding, reporting... really anything where information is flowing in large volumes and simple rules can be applied.

“In our world, what it looks like in practice is a human-led process of packaging up a set of directions for the model to reference and giving the model a set of data relevant to a specific department or workflow,” Norville says. “The output of that is usually 90 percent there, and then we fine-tune and deliver the final product. It is human-led, and there is always an expert in the loop. That is allowing us to do things we were not able to do before because we did not have the bandwidth.”

But no business can move forward with setting agents to work if it does not have the fundamentals right. There is broad agreement that agentic AI cannot work in private funds if firms do not first address their data



infrastructure, ensure the vast know-how that exists inside people’s heads is codified and then institute appropriate guardrails.

“Data has always been a challenge in private markets because it is often

fragmented, unstructured and spread across different systems,” says Christine Egbert, general manager of fund administration at Juniper Square. “The challenge now is bringing that information together in a way that makes it usable and gives AI the context to understand what it means.”

This presents a particularly interesting opportunity, explains Egbert: “AI can begin to understand the relationships between the data, the underlying documents and the economic rules of a fund, allowing it to move beyond assisting people with individual tasks and become part of how the work actually gets done.”

According to Gauge Capital’s

54%

North American CFOs who said integrating AI agents into finance would be one of their top finance transformation priorities in 2026

Source: Deloitte CFO Signals Survey, Q4 2025

“The technology tends to progress faster than the protection set around it”

GRIFF NORVILLE
Hamilton Lane

“You have got to trust the data, the clarity of the instructions and the output in order for agents to work well”

JASON SNIDER
Gauge Capital

“Data has always been a challenge in private markets because it is often fragmented, unstructured and spread across different systems”

CHRISTINE EGBERT
Juniper Square

Snider, the use of agents at scale and fully autonomously across an organization is no longer dependent on the technology getting better.

“The ability to do that comes down to the maturity of each firm, because if you don’t have documented processes and it is not clear how a process runs, then it is going to be hard to get an agent to run autonomously on that,” he says. “If the instructions are not clear, then the output is not going to be good. You have got to trust the data, the clarity of the instructions and the output in order for agents to work well.

“A lot of firms are spending time documenting processes right now, getting data pulled together in a structured format and making sure agents are pointing to single sources of truth.”

Setting the boundaries

Egbert’s colleague Brian Krump, Juniper Square director of product development, says that setting the appropriate guardrails is both critical and key to overcoming adoption fears.

“Everyone is excited about AI at this point. We have firms that are excited but don’t know how to implement it and are scared of compliance and data risks, and then firms that are using complex industry-leading tools and building their own internal agents. Most firms don’t know how to move from ‘I’m scared’ to joining the fully agentic world,” he says.

The solution is a clear and transparent control environment. “It is important to have an agreed set of controls in place that an agent must operate within,” says Krump. “Don’t let it train on your data, for example. When it takes an action, it should have a controlled blast radius, meaning the risk is controlled and it cannot be capable of deleting your whole system, for example. Your agent can do one thing, then it goes back to a human review.

“You also need full rollbacks, so if an agent changes something, it is easy to roll back to where you were an hour ago. People want to trust AI but have

also seen it be confidently wrong, so you need really strong observability and auditability so that you can see exactly what it did and why it did it.”

Hamilton Lane’s Norville agrees that the right protections are paramount: “One challenge that we and others have faced is that the technology tends to progress faster than the protection set around it. That is something we continue to press vendors on and is why adoption has involved a lot of testing and validation before we can go live, so we can put our own protections in place.”

What’s next

While no one can afford to deploy agents without considerable care, the fact is that dismissing agentic AI as too risky is not an option. “As the cost of compute comes down, there is going to be more pressure on GPs to deploy agents in the back office to speed up responses,” says Snider. “With that, there should be more scrutiny on behalf of GPs, and certainly on behalf of CFOs, to make sure agents are properly designed and working on the right data sets with the right instructions.

“What CFOs should be really focused on is you only want to employ agents and AI in processes that are easily reversible,” he adds. “If it takes more than 24 hours to reverse a mistake, that’s a problem. Verifying how an agent works, what sources it is pulling data from and what processes it is going through is critical, so you want to avoid black-box issues. It is never a good look for any organization to not know where a number came from.”

If agents are to take on roles previously handled by junior analysts, their work needs to be checked in just the same way before it is sent out to a critical stakeholder.

In the meantime, the arrival of agents in the workforce could help GPs do far more with less, while upskilling their teams to prioritize the most valuable elements of their roles. No back office can afford to stand still. ■

EXPERT COMMENTARY

*Using AI can liberate time for strategic thinking and value-added work,
write RSM US's William Andreoni and Neil Kumar Venkateswaran*



The AI-enabled private fund CFO

The last thing a private fund CFO needs is another abstract lesson on AI. Instead, they need a practical view of how AI can reduce time spent on routine fund finance work and create more capacity for judgment, oversight and decisions.

Over the past 18 months and more than 20 roundtables, seminars, webinars and workshops involving 700+ CFOs and fund controllers, RSM has heard a consistent story: AI adoption is real, but foundational at many firms. Leaders remain concerned about governance, data readiness and employee adoption, and how AI fits into daily workflows when data quality, permissions, confidentiality and human review matter.

As investment activity, investor expectations and reporting requirements increase, the burden on accounting and finance teams grows. When finance operations cannot scale at the same pace, the back office can become a constraint on growth and the LP experience.

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Turning routine work into repeatable instructions

The firms that are winning with AI are not the ones out-innovating everyone else. They are out-executing on the fundamentals, shifting time from gathering and reconciling information to analyzing, advising and deciding, and focused on ROI, not just speed.

They can use approved tools, such as Microsoft, to apply well-engineered prompts to recurring tasks to sort through information, summarize documents, analyze data and produce higher caliber outputs. The benefit goes beyond efficiency. Paired with source materials and human review, AI can help surface exceptions, unsupported assertions, missing approvals and governance gaps buried in documents, workflows or

reconciliations. As CFOs refine what works, successful prompts can evolve into repeatable AI skills and building blocks for AI agents and integrated workflows.

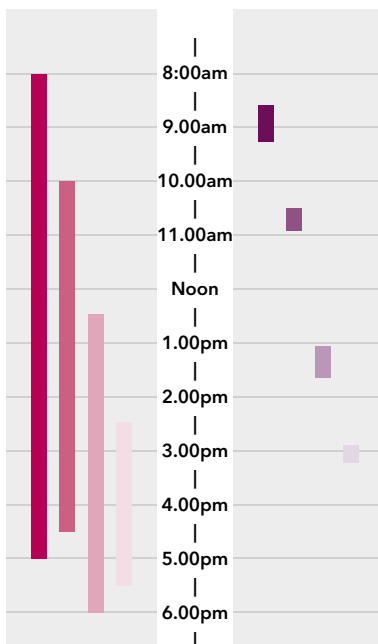
Not every use case requires the same level of enablement. Some begin with an approved AI assistant; others require standardized prompts, curated source materials and defined review protocols. The usefulness of the output improves meaningfully when prompts are grounded in governing documents, such as policies, side letters and investor records. More advanced use cases connect AI to governed data, workflow, approval and monitoring capabilities.

Here are four illustrative examples of how AI-enabled CFOs can shift routine work toward exception-based review and better decisions. Results will vary based on data quality, process complexity, technology integration, governance and the level of human review required.

A day in the life of the CFO

WITHOUT AI: THE HUMAN DAY

- **1 Waterfall & Carry Validation**
Starts 8:00am · finishes 5:00pm
Line-by-line tie-out against LPA and side letters; paused for the 10:00 capital call, restarted twice – basis and escrow breaks only surface at 5:00pm.
- **2 Capital Call Release Control**
Lands 10:00am · finishes 4:30pm
Drops in mid-tie-out. Notices and covenants checked by hand while the waterfall waits; release happens under deadline pressure.
- **3 Diligence DDQs & NDAs**
Picked up 12:30pm · finishes 6:00pm
120 questions answered from stale decks after lunch; NDA clauses still unreviewed when the 4:00pm deadline passes.
- **4 Cash, Expenses & Liquidity**
Squeezed in 2:30pm · finishes 5:30pm
Expenses keyed and coded by hand between calls; duplicates and miscodes found after the forecast is already out.



WITH AI: SAME DAY

- **8:40am Cited variance memo**
Basis, 17.5% cap and escrow breaks flagged with source citations.
40 min from task arrival · human path still open
- **10:25am Call pack cleared for release**
Short notice, excused LP and a wire mismatch caught before release.
25 min from task arrival · human path still open
- **1:05pm Draft DDQ responses + NDA redlines**
Stale AUM, unsupported claims and SEC gaps flagged for review.
35 min from task arrival · human path still open
- **2:50pm Exception list + reserve alert**
Duplicate, miscodes and an approval gap flagged against policy.
20 min from task arrival · human path still open

1 Reviewing and validating waterfall models

Quarter-end close culminates with the waterfall calculation. Long formulas, version questions and eight- to 16-hour turnaround cycles can limit the process to one or two iterations when analysis matters most.

In a governed environment, AI can organize fund terms, source data and calculation logic; compare model provisions with governing documents; and surface assumptions or inconsistencies requiring review. The CFO can shift time from mechanical review toward scenario analysis, allocation implications and judgmental review. Here is an example starter prompt to reduce waterfall review time:

Act as a private fund finance analyst supporting quarter-end close. Using the attached LPA, side letters and waterfall excel workbook, validate the waterfall model.

Your objective is to help the CFO understand:

1. Summarize the distribution waterfall structure
2. Identify key assumptions, hurdles, catch-up provisions, carried interest mechanics and allocation rules
3. Compare model logic to governing document requirements
4. Flag inconsistencies, missing inputs, unsupported calculations or provisions that may require human interpretation
5. Identify assumptions that could materially change allocation outcomes

Output format:

- Waterfall summary
- Critical assumptions
- Potential discrepancies
- Items requiring CFO review
- Relevant LPA citations by section

Use exception-focused language. Don't modify calculations. Focus on validation, transparency and items needing human judgment.

2 Executing capital calls and distributions

Capital events are visible to LPs, but can be fragmented internally. Even when an administrator performs key steps, the CFO remains responsible for oversight, timing, communications and exception escalation.

In an integrated, governed workflow, AI can assemble documents and data, identify inconsistencies, support allocation review, prepare draft notices and route defined approval steps. The accounting and investor relations teams still validate calculations, exceptions and messaging. The CFO no longer reconciles versions or waits for status updates; attention shifts to draw timing, liquidity implications, unresolved exceptions and communication quality. Here is an example starter prompt to strengthen capital-event control:

Act as a fund operations reviewer supporting a capital event. Using the draft capital call or distribution notice, compare it against the attached notice template, LPA, side letters and investor records.

Your tasks are to:

1. Validate investor-specific requirements
2. Identify inconsistencies across documents
3. Flag allocation, timing or approval issues
4. Highlight missing information that may impact the event
5. Identify items requiring legal, controller or CFO review

Output format:

- Executive summary
- Exceptions identified
- Investors affected
- Required approvals
- Recommended actions prior to release

Use concise, release-readiness language. Provide source references for each finding and do not approve the event.

3 Turning DDQs and NDAs into an exception-based review

A 120-question due diligence questionnaire can send investor relations, finance, legal, compliance and IT searching through prior responses, policies and data rooms. Reusing old answers creates risks from outdated metrics, inconsistent disclosures or unsupported claims.

For DDQs, AI can classify questions, retrieve approved language, map responses to sources and flag stale or unsupported content. For NDAs, it can summarize deviations from approved positions and route issues to legal reviewers. Subject matter experts remain responsible for validation, legal reviewers for legal judgment, and the CFO for sensitive disclosures.

The difference is that the CFO reviews true exceptions instead of managing a document scavenger hunt. Here is an example starter prompt to turn diligence into an exception review:

Act as a diligence review analyst.

Using the attached DDQ responses and approved response library, perform an exception review.

Your tasks are to:

1. Identify responses that match approved language
2. Flag stale information, unsupported claims and inconsistent disclosures
3. Highlight questions requiring legal, compliance, IT, finance or investor-relations review
4. Identify areas where supporting documentation is unavailable
5. Summarize material deviations from standard firm language

Output format:

- Summary of review
- Responses requiring updates
- Unsupported assertions
- Legal/compliance exceptions
- Recommended actions

Use audit-ready language. Cite the source supporting each response and issue, and separate confirmed exceptions from items needing review.

4 Managing cash and expenses by exception

Daily cash and expense management is fragmented and error-prone, creating risks around duplicate payments, coding errors and liquidity.

AI can extract invoice data, compare coding against policy and prior treatment, match bank movements to approved payments, and flag missing approvals or unusual activity.

Prior treatment can inform review, but should not override current policy or judgment. CFO's time moves from validating routine transactions to resolving judgmental allocations and testing liquidity choices. An example starter prompt to manage cash and expenses by exception:

Act as a fund finance reviewer for liquidity and expense controls.

Using the attached invoices, coding details, payment records and expense policies, perform an exception review.

Use only the materials provided.

Your tasks are to:

1. Compare coding treatment against policy and prior practice
2. Identify duplicate payments, allocation concerns, missing approvals or unusual transactions
3. Highlight transactions that may affect liquidity, covenants or fund reserves
4. Distinguish confirmed discrepancies from potential issues requiring investigation; flag items requiring judgment or escalation
5. Summarize significant risks requiring management attention and cite the applicable source and section for each finding

Output format:

- Executive summary
- Control exceptions
- Liquidity considerations
- Approval issues
- Recommended actions

Use concise, CFO-ready language.

Do not make or approve accounting, legal, tax, allocation or payment decisions. Clearly separate confirmed exceptions from observations requiring further investigation.

Impact of AI-enabled execution

By building fluency with AI prompting and applying it to routine tasks, CFOs can reshape their calendars around exceptions, judgment and decisions that create value. They can standardize effective practices across the team and engage technology providers and partners from a stronger understanding of where deeper automation belongs.

The objective is not to automate judgment or remove CFOs from the process. It is to focus CFOs' attention where it creates most value: interpreting exceptions, challenging assumptions, validating governance, assessing risk and guiding consequential decisions that require human expertise. ■

William Andreoni is a partner and Neil Kumar Venkateswaran is a director at RSM US

Secondaries market embraces tech

Buyers expect automation and analytics tools to enhance workflows, according to a Secondaries Investor survey.

Madeleine Farman reports

The secondaries market has gone from strength to strength on transaction volume in recent years, working through substantial dealflow to sort the wheat from the chaff. Should this data-intensive corner of the market unlock the strengths of artificial intelligence tools and data aggregation platforms in earnest in the years to come, secondaries could become even more efficient.

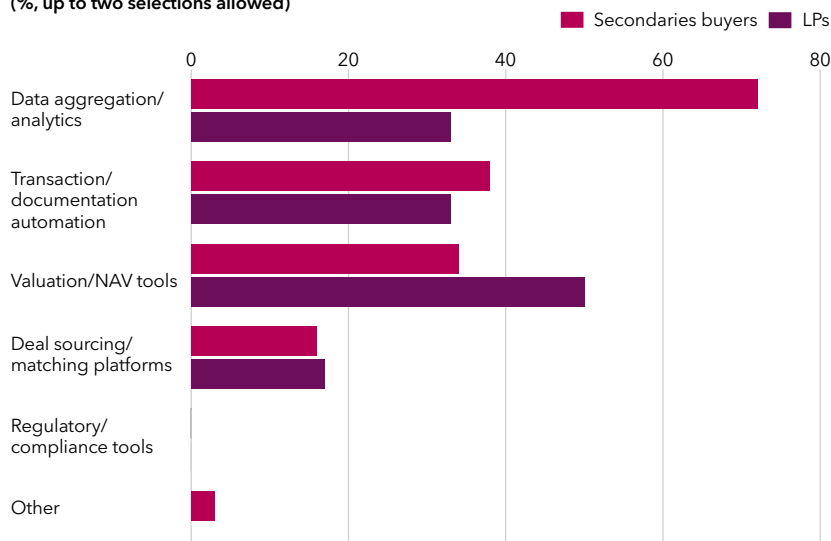
Almost three-quarters of secondaries buyers believe data aggregation and analytics tools would most improve their workflow, while half of LPs see benefits to technology with regards to valuation and NAV, according to affiliate title *PEI Secondaries Investor's Global Market Survey 2026*, conducted in partnership with law firm Goodwin. For the 2026 survey, *Secondaries Investor* polled 122 secondaries buyers, LPs, GPs, service providers, intermediaries and advisory firms globally in late 2025.

Both buyer and LP respondents

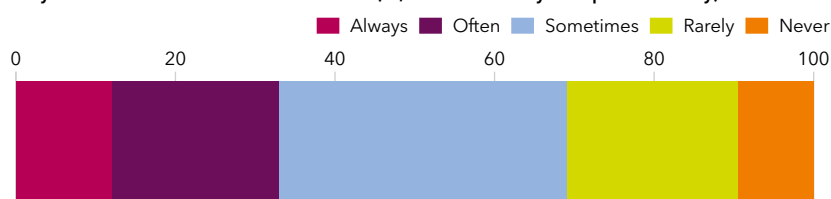
point to the potential value in transaction and documentation automation, with roughly one-third citing this among the top two tech tools for workflow enhancement. Meanwhile, 33

percent of secondaries buyer respondents already either often or always use AI to assess secondaries deals, with a further 36 percent sometimes taking advantage of the technology. ■

Which technology areas would most improve your secondaries workflow? (% up to two selections allowed)



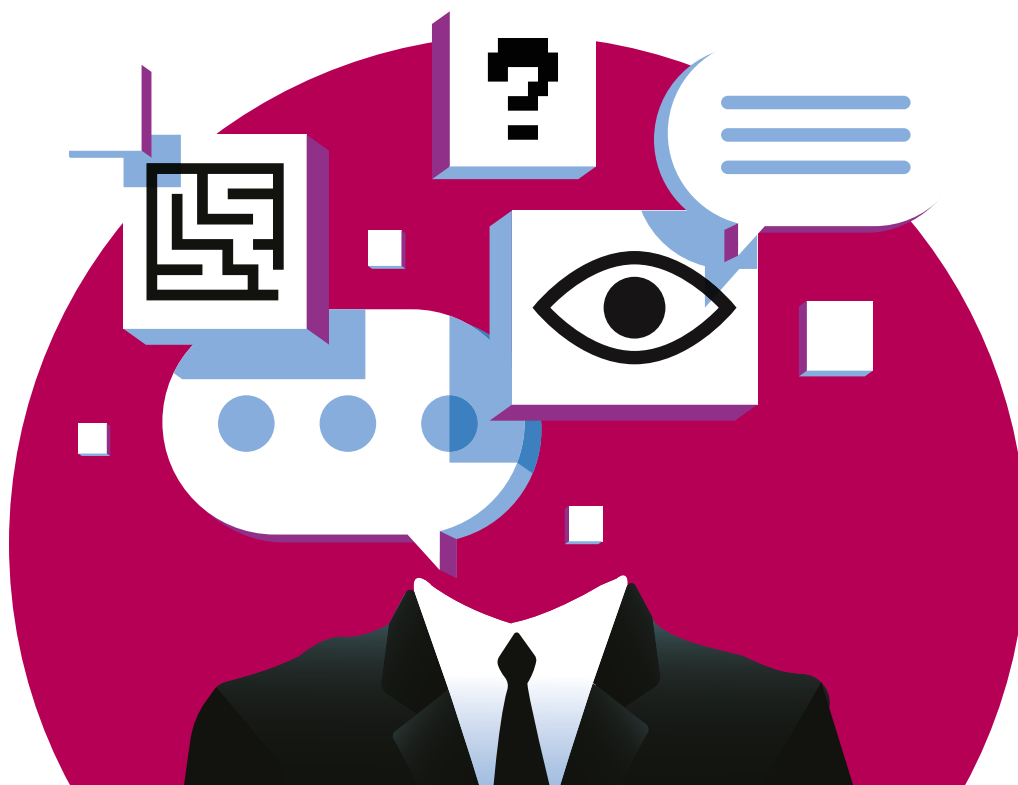
Do you use AI to assess secondaries deals? (% secondaries buyer respondents only)



Source for all data: PEI Secondaries Investor Global Market Survey 2026

9%

Secondaries buyers that have never used AI to assess secondaries deals



Manager due diligence 2.0 is already here

*AI is well on its way to reshaping how LPs evaluate PE funds, writes
Nicholas Neveling. But as the technology becomes increasingly widespread,
it's data quality and human judgment that are emerging as key factors*

Generative AI is rapidly moving from a technological novelty to a key part of the manager due diligence toolkit. So much so that it is now reshaping the ways in which LPs assess GP capabilities, through the likes of interrogable AI-powered data rooms and

automated analytics. Indeed, every LP surveyed by Edelman Smithfield for its 2026 *Global Institutional Limited Partner Survey on Private Capital* reported using generative AI tools, with more than a quarter (29 percent) of the LPs surveyed doing so to evaluate GPs' investment strategies and sources of differentiation. Meanwhile, 24 percent said they have deployed AI to review

team composition, leadership and recent people changes, and 23 percent have harnessed the technology to assess operational capabilities and infrastructure.

"It's absolutely clear that many LPs, particularly larger institutional investors, are already using AI to analyze due diligence questionnaires, consolidate information from data rooms

and identify inconsistencies,” says Matteo Stefanel, a managing partner at financial services-focused PE firm Apis Partners. “LPs are using AI tools to analyze language, confidence and presentations, to assess consistency and even indicators of truthfulness. The level of sophistication is increasing remarkably quickly.”

In a recent episode of PEI Group’s *Commitment Issues* podcast, for example, Joana Rocha Scaff, head of Europe private equity at fund-of-funds investor Neuberger Berman, spoke about her firm’s use of an in-house AI tool, ‘NB-GPT’. In one case, it had helped the team quickly determine that a GP’s recent comments were inconsistent with information held within the due diligence data room.

A mix of practices

While AI uptake among the LP community has been rapid, LPs are still figuring out where the technology works best and how to embed it consistently in their investment processes.

“The industry has reached the point where AI is becoming a standard part of the investment process, but investors are using it in very different ways and at different levels of sophistication,” says Natalia Sigris, managing director for business transformation at global multi-strategy alternative asset manager Sagard.

For most LPs and their advisers, the most obvious application of AI has been in the early and middle stages of the due diligence process, where it has expedited efforts to review large volumes of data and documentation.

“AI is a force multiplier across the entire due diligence workflow. It accelerates research, synthesizes information, improves documentation and helps us prepare much sharper diligence questions,” explains Mark Hoeing, president and CEO at CF Private Equity, an affiliate of non-profit fund of funds Commonfund.

“The greatest value comes in the middle of the investment process,

Deploying machine learning’s predictive powers

LLMs are not the only game in town for LPs looking to get deeper insights into GP performance

There’s good news for anyone looking for better investment decision-making. HEC Paris professor Oliver Gottschalg has developed a private equity-specific, machine-learning model that attempts to predict future manager performance. It uses large historical data sets to separate those GPs that generate returns through investment skill from those simply riding market tailwinds.

“Performance is always a combination of luck and skill,” he explains. “Luck is randomly distributed, but skill is more persistent. The challenge is identifying the indicators that genuinely measure skill, and AI is very good at doing that.”

Global alternatives investor Sagard has been using similar machine-learning systems for some time.

“We started building our own AI models back in 2019, well before the generative AI boom,” says Sagard’s Natalia Sigris.

“Initially, we used machine learning to predict the performance of our fund investments, then developed additional models to predict the performance of our direct company investments and forecast portfolio cashflows. By modelling multiple variables simultaneously, AI can identify relationships that may otherwise be difficult to spot, giving us a much richer picture of what has really driven performance.”

after the initial screening but before the final investment decision,” he says. “That is where information density is highest. You’re working through data rooms, financial statements, attribution analyzes, legal documents and reference calls, all under significant time pressure.”

The leverage AI gives investors to process large amounts of GP data and materials faster means that LPs have additional bandwidth to assess a larger pool of GPs, opening up opportunities for managers that may have otherwise been overlooked.

“AI can improve the top of the opportunity funnel,” says James Korczak, a partner covering primary investments at Adams Street Partners. “If it helps to identify a manager that might otherwise have received less attention, and if that turns into a successful investment, that’s a significant win.”

Investors are also using AI to fill in the gaps by extending their research beyond track records and portfolio company financials. One investor in a real estate manager, for example, reports being able to deepen their insight by including analysis of online client reviews of properties in the manager’s portfolio.

“One of the most valuable uses of AI is identifying things you may have missed,” says Jess Downer, managing principal and head of private market services at investment advisory firm Meketa Investment Group. “It gives another perspective on research and helps to identify issues that may deserve further investigation.”

Data: The key AI enabler

Irrespective of how LPs deploy artificial intelligence, the technology is only as effective as the data that

underpins it. Qi Liu, managing director and head of AI at StepStone Group, says that now LLMs are gradually becoming commoditized, the “real differentiator is the quality, organization and readiness of data.”

“AI absolutely widens the top of the funnel and you can evaluate far more opportunities than before, but more coverage doesn’t automatically lead to better investment decisions,” Liu explains. “AI can only reason over the information that’s been captured. If something important never made it into the data, AI has no way of knowing it exists.”

CF Private Equity’s Hoeing adds that AI “becomes significantly more valuable when it’s paired with proprietary institutional knowledge rather than relying solely on public information.” LPs with access to large, proprietary data sets will therefore benefit from a distinct advantage.

“Historical experience creates information asymmetry, because today’s opportunities can be compared against thousands of previous investments,” Hoeing says.

The advent of AI therefore raises the data stakes for GPs. If they hope to come out of the due diligence process well, managers must now be able to produce the data that LPs’ AI tools require. “Transparent reporting, consistent information and confidence in the accuracy of your data are prerequisites before any AI tool can deliver meaningful results,” Apis Partners’ Stefanel says.

Achieving data readiness as an LP, however, can be incredibly difficult. “Organizing, contextualizing and structuring data in a way that AI can use effectively is the product of years of investment, governance and understanding what that information will eventually be used for,” Liu says.

The data governance point is a particularly sensitive one that LPs will have to get a grip on before rolling out AI tools across their manager data sets, says Pavel Ermoline, head of



“If something important never made it into the data, AI has no way of knowing it exists”

QI LIU
StepStone Group

VC and direct investing at Moonfare. “Governance around what data can be used, where and how remains a crucial prerequisite. Manager data can be highly sensitive and demands appropriate privacy and confidentiality. This is particularly important as many traditional NDA frameworks were never designed to cover use of AI systems.”

The role of the human

One lingering question remains, of course. When correctly structured and comprehensive data sets are combined with machine learning and LLM

technology, how much room is left for human judgment in LPs’ investment processes?

Meketa’s Downer suggests the blind-pool structure of private equity funds means that manager selection can never be fully outsourced to AI. “Manager selection is not only an exercise in analyzing historical data. In private markets so much of the analysis is qualitative, and if you are investing in a blind-pool fund, there are no existing investments to analyze. You are evaluating people, their judgment and how they’ll execute a strategy in the future.”

Human oversight is also a crucial guardrail against the risk of AI presenting manager claims as established facts. Independent verification and critical thinking are crucial attributes that AI cannot replicate.

“AI can support high-level investment assessment, but it is generally strongest at identifying patterns and inconsistencies. Investment judgment remains firmly a human exercise, requiring qualitative evaluation, context and experience,” Moonfare’s Ermoline says.

StepStone’s Liu, meanwhile, is wary of relying on AI at the expense of developing human talent: “One of my biggest concerns is letting humans fall asleep at the wheel. If we stop developing analysts’ judgment because AI is doing more of the work, we risk losing something fundamental for the future.”

Another issue that is becoming more apparent is the cost of AI for LPs. Adams Street’s Korczak predicts that ultimately, given the cost of AI tokens, “we’ll increasingly see organizations focus on where AI genuinely creates value, rather than assuming usage should simply keep expanding.”

LPs’ aim here is to deploy AI to do what it does best. After all, that is the surest route to freeing up investment professionals to spend more time on the highest-value qualitative and decision-making work. ■

KEYNOTE INTERVIEW

Reshaping fund operations
with automation

*From data lakes to risk assessment to outsourcing models, the AI gains are real, but they are not evenly spread, says **Chris Patton**, regional head of funds at CSC*

Q How do you see private fund operations being reshaped by technological innovation?

We have used traditional automation for years and continue to develop it, alongside increasing use of LLMs. Traditional automation can get data from A to B in a coherent way and pool data from different sources reliably.

When you put AI agents on top of that, they can start making recommendations and decisions based on predetermined criteria you train them on. For example, onboarding can be an iterative process, with a human involved asking for additional information and

making a judgment on a risk rating for new investors. AI agents can now cover most of that process, with oversight from the “human in the loop.” Human review remains essential, particularly for higher-risk cases and final risk assessments. The same can be said for many other operational processes, and this is where fund operations are going to be reshaped next.

We have also observed an emerging demand for access to an increasing amount of underlying data. Investors

are also demanding more data, more often, rather than waiting for quarterly reports to come through and being restricted to that data.

Private fund managers may be working with several third parties that provide data they need, such as banks, private credit managers and operating partners, in addition to in-house portfolio-level data and their fund administrators. For instance, in our recent *Future Private Capital CFO Survey 2026*, 63 percent of CFOs said their biggest operational challenge was integrating facility data with fund accounting and investor reporting.

Instead of trying to aggregate all of

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that manually, a data warehouse or lake, once set up, can automatically ingest data from these various sources in a coherent way. In practice, processes and timetables need to be established for receiving, reviewing and reporting. It makes sense to centralize data maintenance in one place to enable this more nimble and efficient reporting.

Accounting and TA system license costs are expensive, and data warehouses/lakes require software developers to maintain them. It is not likely to be cost-effective for smaller managers to develop proprietary software to complement core third-party systems in-house, so many rely on outside platforms, like ours, to manage their data.

Some firms prefer to receive reports by e-mail, while others require access to the underlying data through a portal. In other cases, data is delivered as a file that can be ingested into their systems on a set schedule. Over the past five years, there has been a clear shift toward more data being available on demand to meet investor expectations.

Q Are firms starting to take a more targeted approach to AI and automation? What does that look like?

Yes, absolutely. Initially, there was a lot of uncertainty about how AI might affect people's roles, and many organizations encouraged teams to explore how the technology could be used within their own areas of the business. As firms gained more experience, however, it became clear that this approach could lead to duplication and significant compute costs.

As a result, businesses are now taking a much more holistic approach. They are looking across the organization at which processes they want to automate, where they can achieve the biggest efficiency gains and which processes are easiest to automate. From there, teams can focus on the areas that are likely to deliver the greatest return on investment first.

A lot of investment firms now have

AI and automation specialists in-house, who are not necessarily looking at their own back office but are certainly focused on driving value within their portfolio companies. Because they are doing that work in their portfolios, it is logical that the next step will be to use those same levers in their own back offices.

Q How are investor expectations evolving and what are their priorities for AI deployment?

With portfolio company multiples reaching levels that have made exits difficult in recent years, many investors have said they will invest in new funds,

but they need distributions back from previous funds first. So, we have seen a tough exit market and a challenging fundraising environment.

With the average fundraising now taking 20-24 months, versus 12-14 months a decade ago, big investors with cash to put to work are taking more time to scrutinize investment opportunities. At the same time, managers looking to raise capital are more willing to agree to investors' bespoke reporting requests than they were in the past, all of which makes the back office job a lot more challenging.

With technology and support, managers are now tracking a lot more data and reporting on that for

Q How is automation being used to support compliance, reporting and operational risk management?

We use a third-party system for compliance monitoring and business risk assessment handled in-house. It works from a register of hundreds of risks and runs an assessment before producing a categorization and a summary, supporting us to think through the impact of those risk factors crystallizing. It can also help us to work through scenarios where a number of risk events happen at the same time.

Previously, that kind of work was incredibly manual, with a big spreadsheet and a summary that could be quite an intellectual challenge. Using AI has been useful for grouping things together more effectively and getting a summary prepared more efficiently, but it does not replace professional judgment. We then go through that output with a fine-toothed comb, but it makes the whole process a lot faster and easier.

Depending on their jurisdictions, regulated clients require their own business risk assessments and compliance monitoring plans. The aim is to standardize how these are produced and reviewed, and to give boards better data, while keeping the output specific to each client's circumstances.



“Fund administration remains a relationship-driven business, so client time is not something automation displaces”

There is comprehensive governance over those services, but it still feels like one team working alongside our colleagues across the jurisdictions we operate in.

In a regulated jurisdiction, there is a requirement for sign-off to be done in the home market, so there remains a critical role for individuals based in those centers. A lot of preparation work is now being automated, and, for instance, our colleagues in India are implementing and managing those processes together with their colleagues onshore.

AI and automation will thus have an impact on what people are doing day-to-day, with many roles becoming much more about oversight of automated tasks and client relationship management.

We do not see it meaning a shrinking of our workforce, just doing more with the same number of people.

Fund administration remains a relationship-driven business, so client time is not something automation displaces; if anything, it is where the released capacity is being prioritized.

“AI is increasingly being deployed to improve data management and reporting efficiency”

clients who themselves have very specific and sometimes unique requests.

As a result, AI is increasingly being deployed to improve data management and reporting efficiency, helping managers meet these more complex investor requirements more effectively.

Q What does AI and automation mean for outsourcing and fund administration models?

The operating model is certainly evolving, with greater co-ordination between teams in the jurisdictions where clients are served and global delivery and technology teams, including teams like ours in India.

Select back office, accounting, know-your-customer and software development are supported through this model. Depending on the jurisdiction, this could be considered outsourcing from a regulatory perspective, so we have to oversee what is being done outside the regulated jurisdiction properly.

Q Beyond getting the technology right, what else must managers prioritize to support long-term sustainable adoption?

When LLMs first became available, many firms were telling their staff to go out and figure out how best they could use AI to automate elements of their jobs. Lots of agents were built for specific tasks, processes or judgments, but there was a huge duplication of effort.

We do not want different people in different places building agents to do the same things, not least because they could all end up doing them in slightly different ways.

The two priorities are getting the data lake in order first and then making sure processes are aligned across the business so that each process needs to be automated just once.

Going forward, people need to be careful about how they implement AI agents to make sure it is sustainable; there is always a team overseeing the output and able to fix or update instructions and judgment criteria as required.

Increasingly, regulators are going to be scrutinizing the safeguards around these tools and auditors are going to be checking to make sure AI is consistently producing the right outcomes. Firms are going to have to make a conscious effort to bring on junior talent to ensure they have the next generation of managers coming up through the business, because there are certainly risks there if hiring drops off.

Finally, we already see regulators in some jurisdictions being quite prescriptive about a percentage of work continuing to be done onshore rather than offshore to maintain resilience.

We may see that sort of approach becoming more of a theme in the future for AI-automated processes. ■

Where's the ROI in AI?

In theory, artificial intelligence should slash costs and ramp up productivity at the GP level, Victoria Robson writes. But achieving a return on that investment is proving to be a slow process

Fully implementing AI as a private equity manager is easier said than done. As many firms will have discovered by now, AI upgrades typically require significant investment. Two-thirds of PE managers expect to spend at least 25 percent of their total budget on AI tools this year, according to EY's Q4 2025 *AI Pulse* report. It's not just about cash, either. Time, energy and focus will also need to be dedicated to the cause. The question, then, is whether GPs are seeing a return on that investment.

According to PwC's 29th *Global CEO Survey*, the answer for now seems to be 'no'. In line with other business segments, most PE leaders say they are yet to see an AI-related revenue boost or reduction in costs. This echoes a

takeaway from *Private Funds CFO's Insights Survey 2026*, published at the end of last year, which found that more than half of PE firm CFOs consider unclear use cases and a lack of ROI to be the biggest challenges associated with adopting AI internally.

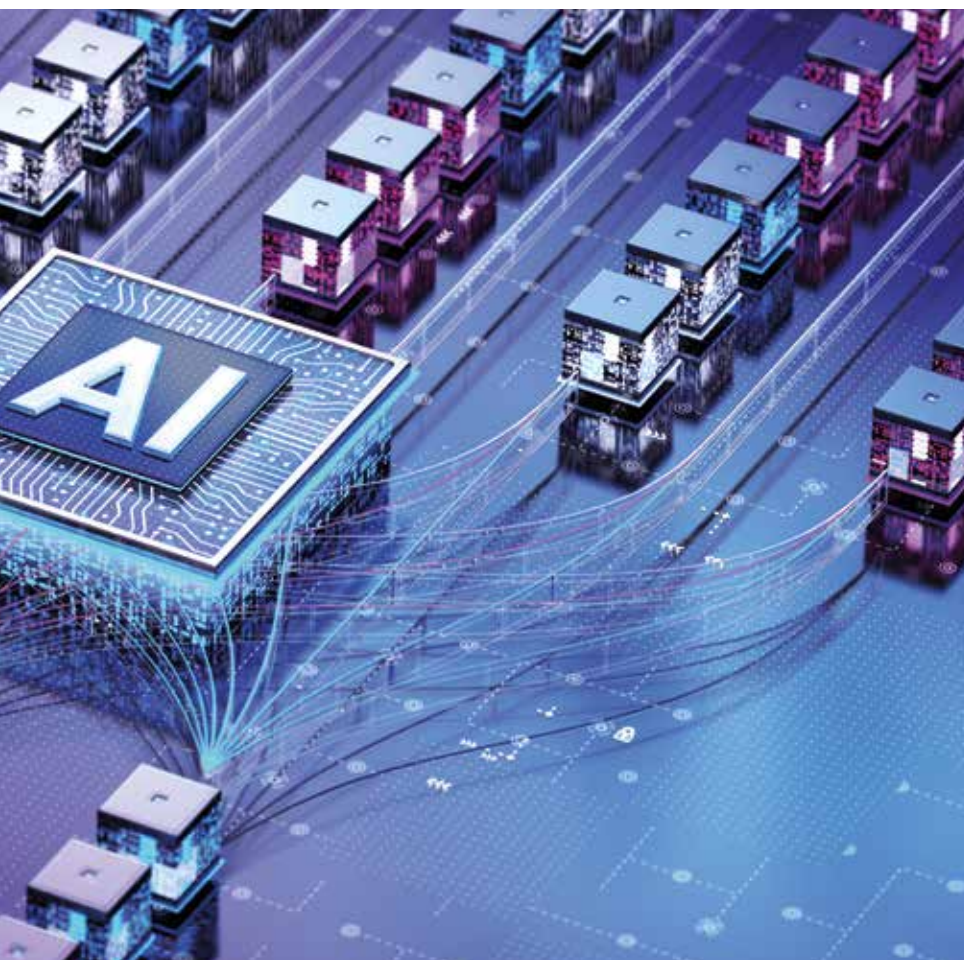
However, talk to those GPs working on AI implementation – typically with the support of external specialists – and a more nuanced picture emerges. Most agree that it's early days and that there's a necessary element of trial and error.

"We're still in building mode, standing up tools and pushing out AI in an effective way," says Sean Cahill, CFO at Veritas Capital. Among its AI investments, the firm is spending on employee education around specific AI workflows. It recently hosted an AI day in which members of the investment team pitched and tested

use cases to be integrated into its AI roadmap. "There's an unlimited number of ideas, so from an ROI perspective, we're constantly trying to think through the best use of time and the most productive way to deploy these tools," says Cahill. He adds that the firm "has started implementing and has already seen some key wins in terms of productivity."

It's a similar story at secondaries specialist Pomona Capital. John Stephens, CFO and partner at the firm, says: "We're not there yet on achieving cost savings from our investments in automation and AI, but we see a path to achieving an economic return in the near term. It'll be another six months or so to deploy these tools and to begin realizing cost savings."

Nordic Capital, meanwhile, has been ahead of many other firms on AI.



“Without putting in governance to feedback on what works, it’s going to be impossible to measure ROI”

JEREMY HOCTER
Holland Mountain

It established its AI taskforce back in 2022 and has since also drawn upon the implementation experiences of many of its portfolio companies.

“We expect to see really strong efficiency improvements, helping our teams work faster, make better-informed decisions and spend more time on higher-value activities,” says Fredrik Näslund, the firm’s chief investment process officer, who also chairs the AI taskforce. “But it’s yet to translate into cost reductions.”

After all, getting to this point has required “significant financial investment,” says Näslund, including establishing a data team and hiring AI engineers to sit alongside designated team members to help develop specific AI tools. “In six months, we’ll have agents talking to agents, but we’re not there yet,” he predicts.

Money (well?) spent

Whether a GP is investing in a firm-wide roll-out of AI or is leaving employees to experiment independently, almost all GPs are paying for AI technology in some form. That might involve accessing the big-name large language models (LLMs), spending on widely used software packages that include an AI component, paying for software upgrades or adopting AI-driven solutions for specific tasks.

“Generally, managers are already using tools that include an AI component, although they might not put an ROI on it,” says Jeremy Hocter, a director at private markets-specific data solutions consultancy Holland Mountain.

As a result, it can be difficult to calculate a firm’s total spend on AI. Unseen costs can easily ramp up

through uneven, siloed, uncapped use of LLMs, a lack of training around prompts, duplication of effort and lax oversight of how teams are using AI tools, Hocter adds.

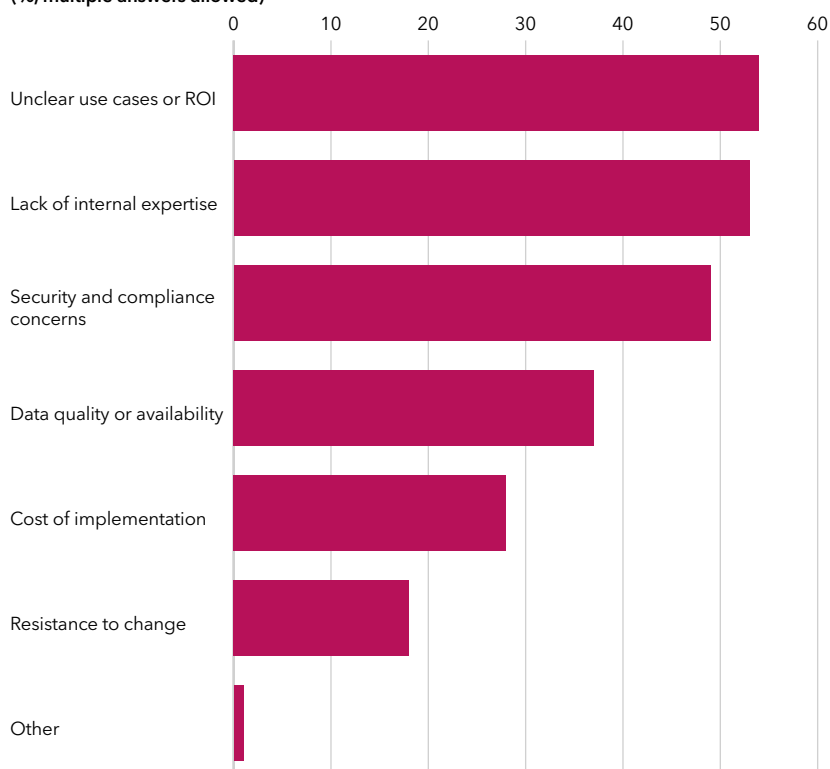
“Without putting in governance to feedback on what works, it’s going to be impossible to measure ROI. Some managers don’t actually know what they are spending until the bill comes in, and even then, it’s heavily discounted,” Hocter says, referring to introductory offers on LLM tokens. “The pricing on tokens and usage today is the cheapest it’s ever going to be. Once the discount ends, the cost may surprise many firms.”

For Pomona’s Stephens, though, the greatest investment has been in terms of internal resources.

“We need energetic leaders on each of our core teams to apply their

Analysis

Unclear ROI is one of the biggest challenges delaying PE firms' adoption of AI (%; multiple answers allowed)



Source: Private Funds CFO Insights Survey 2026

technical understanding of our data and of what good looks like in our target uses, and to design a governance model across teams,” he says. “This requires a lot of their time to get right. To help, we’ve brought in data engineers and outside expertise.”

These supportive resources all add to the bill, of course – on top of what already tends to be a costly exercise. “It can be very expensive, but I don’t think it has to be,” says Beau Thomas, a managing partner at lower-mid-market manager Agellus Capital. He notes that his firm’s core AI costs are Claude and ChatGPT subscriptions, “which aren’t too meaningful relative to broader costs.”

To see a return on a minimal investment, “it’s important, first, to get clear on AI use cases; second, to establish robust data architecture to get the best use; and third, to appoint an international AI champion,” says Thomas.

“It takes top-down leadership to say, ‘We’re going to lean into this technology’”

GARY DMITRIEV
CrestPoint Strategic Advisors

He acknowledges that there’s a time investment trade-off between focusing the firm’s 15-person team on maximizing AI implementation opportunities and keeping pace with normal investment activities. That’s something many GPs will struggle to get comfortable with.

Mentality and more

“What makes the difference is mindset,” says SQ Capital founder and CEO Mustafa Siddiqui, when it comes to extracting the most ROI from AI. SQ Capital launched in 2025 and positions itself as what Siddiqui calls an “AI-native” secondaries firm.

As the evolution of AI accelerates, “building a firm and tech stack that can incorporate incremental improvements in AI capabilities is essential, and you need the organizational structure and discipline to allow individuals to experiment and capture those learnings,” Siddiqui explains. “Without making the investment team and other functions central to this process, you run the risk of building tools that collect dust.”

Mindset aside, there’s also a laundry list of criteria that are essential to getting AI implementations right, according to Gary Dmitriev, founder and chief technology adviser at CrestPoint Strategic Advisors. Without a clear AI program, policy, governance and dedicated AI champions within different teams, “it’s going to be hard to generate ROI,” he says. He also encourages firms to set tiered budgets for LLM use, to live-track token usage and to train staff to use tools appropriate for the task.

“It takes top-down leadership to say, ‘We’re going to lean into this technology, it’s part of your job, now we’re transforming the business,’” Dmitriev argues.

Firms will ultimately need a framework for assessing AI’s impact. This might include quantifying the time saved on a specific task, or how many new tasks teams can perform that they didn’t have the bandwidth for



previously, as well as noting any quality improvements, Dmitriev adds.

Measuring success

Like many of his peers, Veritas Capital's Cahill stresses that it's difficult for now to pin a dollar amount on AI-related ROI, but proofs of value so far have included freeing up team members to "spend their time in areas of the business that are more value-add and potentially more revenue-generating."

That will naturally look different in every part of the business. "For the investment team, the goal is faster, better decision-making by, for instance, accelerating reviews of documents and research materials, and leveraging IP from past deals," Cahill explains.

At Agellus Capital, Thomas notes that while the firm does not apply AI-related dashboards or KPIs beyond the usage data generated by the LLMs, and is not at the stage where it can quantify the percentage of work supported by AI, it does assess effectiveness by the number of AI use cases adopted, and whether workflow cycles are moving faster. For example, the deal team can now arrive at investment decisions faster, thereby keeping pace with the compressed timelines of competitive auction processes, Thomas says.

"We're happy with the return on investment," he says. "We're a small firm. We need more people, not fewer, even with AI. Our team now gets to see more opportunities, vet them faster and process lower value-add work quicker, and our junior team also gets exposure to many more deals, which builds their investor intuition."

GPs may be happy to insist that AI is helping them scale and do more with the teams they have, but they might eventually question whether specific hires, particularly at the junior level, are necessary. To make that assessment, they will need robust metrics to discern whether a human hire or an AI tool delivers the best ROI. Only at that stage will AI's true impact on the future of the industry become clear. ■

KEYNOTE INTERVIEW

Getting the foundations right



*Data, people and controls underpin AI success, says **Christine Egbert**, general manager of fund administration at Juniper Square*

Q What industry trends are driving adoption of artificial intelligence in private funds right now?

Many GPs that work with fund administrators still maintain their own back offices to review their work. Over the last 15 years, that hasn't changed much beyond the ongoing push for more data and transparency.

Today, growth in private markets is accelerating, and investors are demanding greater transparency and faster answers.

That's created real demand for technological solutions. Everyone is talking about AI adoption and leadership is increasingly looking to CFOs to use AI and drive efficiency.

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Q How has AI use within fund administration evolved to date?

The earliest use of AI was tactical: drafting communications, researching, producing meeting notes and agendas, summarizing information, populating due diligence questionnaires and supporting RFPs. That was all tangible, easy and low risk because firms still reviewed everything they produced.

Now the focus has shifted to extracting data and transforming workflows. Funds want much greater visibility into their control environment, and they are

asking how to reduce the back-office headcount overseeing accounting processes and administrators. As the industry grows, that pressure only builds.

Q Where are the AI front-runners now embedding these tools into their fund management processes?

Today's front-runners are building toward agentic workflows, using AI to move through an entire process rather than a single task at a time. That is the trend driving differentiation.

Most firms we talk to are still at the early stages of their adoption, where AI tools and solutions are used in isolation with no holistic strategy behind them. One person might use AI to review

Q How is hiring and strategy shifting because of AI?

People remain critical. These are still complex structures, and there will always be new deals, new structures and new tax arrangements that need senior people to understand them and accommodate them. AI can accelerate the business, but it cannot drive the outcome without that underlying talent.

We are seeing a shift in the type of talent that we are hiring. We are in build and deployment mode, and we are continuing to hire. What is changing is the profile of who we hire: we are asking more of our people and investing in talent that can work alongside these tools, which lets us offer a better client experience as we build this out.



“Today’s front runners are building toward agentic workflows”

financial statements for errors; another might use it for something unrelated. Nothing connects the two.

The harder question, and the one that separates firms deriving real value from AI, is how an organization changes the overall workflow within a division, a department or firm as a whole. Layer AI on top of a bad process and you still have a bad process.

The next step for those firms is asking how to embed AI at the enterprise level.

That means building an orchestration layer that determines how work moves between agents, people, systems, controls and approvals — rather than deploying isolated AI tools.

It is moving up the value chain

instead of leaving every team to duplicate effort on its own.

Q What does an agentic workflow look like in practice?

It is no longer about taking an old process and looking for efficiencies. It is now about asking if we built this workstream from scratch, how would we redesign it to make it work better?

Take investor onboarding, for example. You can map that process end-to-end and use an agentic workflow to orchestrate it, from intake and document collection through AML/KYC review, exception handling and approval. The next frontier is reconciliations: using AI to compare

“The question that separates firms deriving real value from AI is how an organization changes the overall workflow within a division, a department or firm as a whole”

information, then building processes around that data to achieve that full agentic workflow.

Getting there requires firms to codify the institutional knowledge that historically lived in people's heads — the rules, judgment points, exceptions and controls that experienced professionals apply every day. That codified knowledge becomes the foundation the agents operate against.

It also requires pairing AI with deterministic code. In finance, you cannot have a model hallucinating or offering a different answer each time it looks at the same information. That means pairing probabilistic AI with deterministic logic, validation rules and human oversight so the same underlying facts produce controlled, explainable outcomes.

That pairing is what makes the output trustworthy, and trust ultimately comes down to the controls around it. If you are using AI in financial operations, you need the appropriate controls, validation and human oversight around the areas where judgment or risk requires it. Done well, that makes the control environment more transparent and more verifiable, not simply more labor-intensive. Only with the right controls can these workflows actually scale.

Q What are the biggest challenges that managers face around AI adoption?

Data is the biggest challenge, without question. It has always been hard in private markets, but now we are seeing just how directly AI's usefulness depends on the data it can access. Private markets data is often fragmented, unstructured and spread across different systems. The challenge is pulling it together so it's organized and centralized enough for AI to build on.

The second challenge is building the deployment team, which is what it takes to make AI change successful. Redesigning something that has been done the same way for years is a change

“Layer AI on top of a bad process and you still have a bad process”

“Only with the right controls can these workflows actually scale”

management exercise, and getting the right people to lead it is hard.

Q What provisions must be put in place to maximize the potential of AI and automation?

You need the foundations right before you can scale AI and automation, and that comes down to people, data, processes and controls. Each one does distinct work.

People is about domain expertise and about having people who can redesign the work itself. The right subject matter experts have to be involved in both building and testing. Technology people alone can't do it; they need multidisciplinary teams with fund administration experts if the tools are

going to actually work. Data has to be accessible, structured and trustworthy enough for agents to act on. If the data is fragmented, the workflow inherits that fragmentation.

Process means redesigning the work end-to-end rather than automating individual tasks inside a process that was never designed for agents in the first place. And controls means validation, auditability, approvals and human judgment applied where the risk warrants it. Get those four right and you can deploy AI and automation in a way that is safe, reliable and explainable.

Q Where do you see the market go next with AI tools over the next 12-18 months?

I genuinely believe that this is about AI not replacing people but changing their jobs to be much more rewarding by removing the lower-value, menial elements. Our future operating model will mix people and agents, using AI to get more done, more efficiently and effectively.

Private markets keep growing, and both private equity and private credit continue to scale, but the pool of people who truly understand this industry has always been small. Growth used to be constrained by how manual the work was: more volume meant more headcount. AI will allow us to do more work and better meet the demands of both GPs and investors.

Q What's your advice for CFOs just starting their AI journey?

This is like a whole new language and we are working harder than ever to help our people learn it. Every day is a week, every week a month, every month a year at the pace this is moving.

The firms that will create the most value aren't necessarily the ones deploying the most AI today. They are the ones building the people, data, processes and controls that let them scale it responsibly. ■

Conversations with people working on artificial intelligence in the private credit space indicate they do not believe there is any choice but to embrace the new technology – although no one is yet quite sure what that will entail.

AI's adoption in the asset class began with the preparation of credit memos and summaries of fraud alerts, but it has proceeded toward taking a large role in the search for exploitable inefficiencies.

"Everyone [in the credit space broadly defined] is still in the process of deciding what AI offers," says Kelly Byrne, founder and chief executive of Mountain Point Credit. "There is clearly a role for AI to play, but there is still a lot of noise in the process, and dangers of AI-generated 'hallucinations'." A hallucination in this case refers to an algorithmic gap-filling conjecture that sometimes, alas, will turn out to be false.

At the end of November 2022, OpenAI launched ChatGPT as the first mass-market large language model product. It would soon be combined with an open-source data layer, which came to be known as LlamaIndex, and digital history had thereby turned over a new leaf.

Even before 2022 had ended, Abrigo, a Carlyle-owned fintech, was deploying LLMs to generate credit memos, summarize fraud alerts and optimize loan workflow, bringing AI firmly into the private credit space.

Progress in the asset class

Henry Lindemann is co-founder and chief operating officer of Blueflame AI, a New York-headquartered corporation that was publicly launched in October 2023. Blueflame is a platform for agentic AI that executes multi-stage tasks in a goal-directed way and learns from feedback. The adjective 'agentic' suggests AI that moves much further into the heart of

AI in private debt: A modest start but rapid growth

Market participants need to get their heads around what has changed, what hasn't and what soon may.

Christopher Faille reports



decision-making than its precursor of the year before.

Blueflame describes itself as "LLM-agnostic." Strictly, that means that its system can work with any of the available LLMs, meaning that a fund manager can swap out one model for another in its role as a fintech router for clients in the private equity and private credit space. Fund managers can

direct tasks to the model most valuable for the specific purpose involved – perhaps to ChatGPT, Claude or Opus.

Lindemann tells affiliate title *PEI Private Credit* that the pace of change, once under way, doesn't give entrants many options other than to embrace the new technology.

Michael Jacobson, a partner at law firm Katten Muchin Rosenman,

outlined the market dynamics around AI adoption in private credit in an online note. He said geopolitical and macroeconomic considerations “have reinforced the importance of disciplined underwriting.”

He noted that “over the past year, firms have increasingly adopted AI-driven analytics to evaluate borrower performance, identify covenant risks and assess industry trends across large datasets that historically required substantial manual review.” He predicted that as sponsors and borrowers get used to faster underwriting timelines, speed of execution will be a point of greater competition among managers.

Providing AI services

Mountain Point Credit, which began operations in 2024, portrays itself as a systematic and tech-driven loan manager, in contrast with other shops that, in founder Byrne’s view, are overly

“There is clearly a role for AI to play, but there is still a lot of noise in the process, and dangers of AI-generated ‘hallucinations’”

KELLY BYRNE
Mountain Point Credit

beholden to human analysts. But there is also the sense that the underlying factors that are fed into the technological tools are familiar.

“Our system uses a multi-factor model to risk-rank each loan, drawing on similar factors to those that have been employed by analysts for decades.” These risk rankings, he adds, “are regularly updated.” So, although Mountain Point does not describe itself as an “AI company,” its outlook appears to be AI-adjacent.

Lamina, a West Monroe-incubated company, also founded in 2024, is more explicitly an AI firm. Corey Coscioni, one of the firm’s founders, says: “Artificial intelligence is central to Lamina’s platform, with application programming interfaces providing the connective layer.” The point, again, is efficiency, which can show up for example as the “easy flow” of data.

“Through our differentiated approach, we transform the documents used in origination, underwriting and adjacent processes into structured data that can flow easily into other enterprise systems,” Coscioni adds.

In April 2026, BLC Lending, a California-based lender focused on commercial real estate, adopted Lamina’s platform to expand its loan participation network and digitize its private credit origination.

“I was on-stage in December [2025] at the Opal CLO summit speaking on the topic of AI for private credit when the president and co-founder of BLC happened to be in the audience,” Coscioni says. “They didn’t even wait until I was finished – they left the audience and went to our booth. The rest is history.”

Such history is being made every day in the private credit world, and will continue to be made as long as the technology can find inefficiencies to exploit. For, as the Jacobson memorandum indicates, the inefficiencies are where alpha is to be found, and proper employment of AI looks set to prove a good way of enhancing profits. ■

Here come the data scientists

Private credit managers may soon be altering their hiring programs

When in the course of their growth do managers need to recruit data scientists? And how do they go about that when the time comes?

According to a recent report from Deloitte, which references the investment management market in general, US investment management job postings that referred to AI expertise rose roughly 25 percent from 2022 to mid-2025.

John O’Donoghue, principal at Vistara Growth, a growth-stage lender, made the point in a recent conversation that Vistara has not built its own AI team. For now, it uses off-the-shelf tools and independent consultants. But O’Donoghue indicated that as the firm grows, it may make sense to develop an in-house team and proprietary products.

A growth-stage lender like Vistara Growth might find itself competing with banks, private equity, hedge funds, big tech and cloud providers for the same people. How should the recruiting proceed?

Henry Lindemann of Blueflame AI said that although data scientists are tricky to recruit, firms that need them should understand that they care about something other than their income. “If you have momentum, and you can offer them fascinating work, then they will gravitate to you. We offer them a chance to serve as go-betweens for Silicon Valley and Wall Street.”

EXPERT COMMENTARY

The firms that make each subscription easier than the last will win the next allocation, says Nick Goss, senior vice-president and head of identity solutions at iCapital



Reusable digital identity as a growth lever

Securing an investor's first commitment is not the finish line. It is the beginning of a long-term relationship that may span multiple investments over time. The challenge is ensuring that the relationship never feels transactional. An investor who has already committed capital should not feel like a stranger each time they return.

The firms best positioned to win market share are those that can leverage what they already know about their investors to make the second, third and fourth investments feel increasingly seamless and personalized. Yet, many onboarding workflows still rely on repetitive, point-in-time verifications

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that treat returning investors like strangers.

Asset managers need to rethink this paradigm. As alternatives become a more meaningful component of portfolios, investors will increasingly expect firms to recognize and build on information that has already been collected and verified, rather than repeatedly asking them to start from scratch.

As private markets firms expand across products, structures and jurisdictions, the challenge is scaling

onboarding and AML/KYC operations without proportionally increasing costs or creating impersonal investor experiences. Reusable digital identity offers a compelling path forward.

Verify once, reuse everywhere

Picture investor information being captured once, maintained in a structured digital identity profile and reused across future interactions, including onboarding and AML/KYC events. Rather than repeatedly collecting and validating the same information, firms leverage a portable, reusable investor identity across multiple fund subscriptions and investment vehicles over time. This

reduces the time required to complete investments and the cost of regulatory compliance while helping create the seamless experience investors increasingly demand from the market.

The ability to reuse verified information becomes increasingly important as investors build larger alternatives portfolios. But the business case extends beyond reducing investor friction. Digital identity creates value for fund managers across four dimensions: operational efficiency, compliance effectiveness, onboarding velocity and revenue realization. The potential impact will vary based on each firm's onboarding volumes, operating model, investor complexity and level of automation.

Operational efficiency

As firms launch additional products and support a growing investor base, operations teams are asked to process more subscriptions, more documentation and more AML/KYC reviews, while maintaining the same standards of accuracy and oversight. Meanwhile, firms are often collecting and reviewing the same investor information repeatedly across different funds, products and investment vehicles.

A reusable digital identity model can reduce repetitive work by enabling verified information to be leveraged across future onboarding events while automating routine tasks and limiting manual touchpoints. Centralized validation and governance also improve consistency across workflows, strengthen compliance controls and create a more efficient investor experience.

The result is greater operating leverage: the ability to support increasing onboarding activity without adding operational complexity or cost at the same rate. By reducing duplicate reviews and automating routine workflows, digital identity can help organizations support higher volumes without a proportional increase in staffing needs, allowing teams to focus on higher-value activities and exception-based reviews.

ACAMS' *Global AFC Threats Report 2025* found that a lack of skilled resources and sufficient training remains a significant risk for financial crime functions, while 43 percent of respondents identified inadequate AI and technology adoption as a high or very high risk. These findings underscore the growing importance of technologies that help firms scale compliance and onboarding operations more efficiently.

Streamlined compliance

Compliance teams manage due diligence, recordkeeping and ongoing monitoring across an increasingly complex investor base. In alternatives, trusts, LLCs, family offices and other layered ownership structures add additional documentation and review requirements. When investors subscribe to additional funds, portions of that process are often repeated, even when much of the underlying information has not changed.

Reusable digital identities address this challenge at its source by improving data quality and reducing duplicate data collection, so fewer reviews

begin from scratch. By creating a governed source of verified investor information that can be reused across future onboarding events, firms can improve consistency across workflows while reducing the amount of information that must be collected, validated and reviewed each time an investor subscribes to a new fund. Centralized validation and record-keeping can also support more efficient screening, monitoring and exception management.

Organizations that automate AML processes have reported meaningful efficiency gains. In its 2023 *Automating Anti-Money Laundering* report, KPMG estimates that financial institutions can reduce annual compliance costs by approximately 25 percent through automation initiatives. As compliance obligations continue to expand, digital identity can provide a foundation for more efficient screening, monitoring and due diligence activities by improving both the quality and reusability of investor information.

Additionally, ACAMS' *Global AFC Threats Report* also found that 75 percent of respondents expect the majority of regulatory changes to occur in AML, highlighting the ongoing compliance demands facing financial institutions. In that environment, trusted data, automation and governance can help firms scale compliance operations more effectively while maintaining appropriate oversight.

Frictionless onboarding

Traditional onboarding requires investors to navigate document collection,

43%

Percentage of respondents that identified inadequate AI and technology adoption as a high or very high risk

Source: Global AFC Threats Report, ACAMS, 2025

25%

Estimated reduction in annual compliance costs for financial institutions through automation initiatives

Source: Automating Anti-Money Laundering Report, KPMG, 2023

75%

Percentage of respondents who expect the majority of regulatory changes to occur in AML

Source: Global AFC Threats Report, ACAMS, 2025

“Identity is becoming an increasingly important component of long-term competitive advantage”

“The ability to simplify the second, third and fourth onboarding may prove as much a differentiator as the products themselves”

“An investor who has already committed capital should not feel like a stranger each time they return”

verification, due diligence and approval workflows before they can fund. In alternatives, the consequences extend beyond inconvenience. Delays can slow capital deployment, create uncertainty during the subscription process and, in some cases, force investors to wait for a subsequent close or miss an intended allocation altogether.

Reusable digital identities can help streamline onboarding by reducing the administrative burden associated with collecting, validating and reviewing investor information. Given that verified information is maintained in a governed profile, firms can create a more consistent onboarding experience and reduce the need for repeated document requests when investors participate in additional products or funds.

Beyond speed, a more transparent and predictable onboarding process improves the investor experience, reduces frustration for advisers and operations teams, and shortens the path from investment decision to completed subscription. By reducing delays and repeat verification requirements, reusable digital identities can also help firms bring assets onboard more efficiently while supporting ongoing investor engagement.

When each subsequent investment is easier than the last, a single allocation is more likely to become an ongoing alternatives program, where adviser relationships are built and sustained.

Identity as strategic lever for growth and margins

As the AML/KYC environment continues to evolve, forward-thinking firms should shift their view of identity from a compliance requirement to a strategic lever for growth and profitability. That shift matters even more as alternatives become a recurring component of portfolio construction rather than a one-time allocation.

In a market where investors are increasingly allocating across multiple funds, structures and vehicles, the ability to simplify the second, third and

fourth onboarding may prove as much a differentiator as the products themselves. Firms that create a seamless experience for returning investors may be better positioned to deepen relationships and encourage repeat participation across an investor's alternatives portfolio.

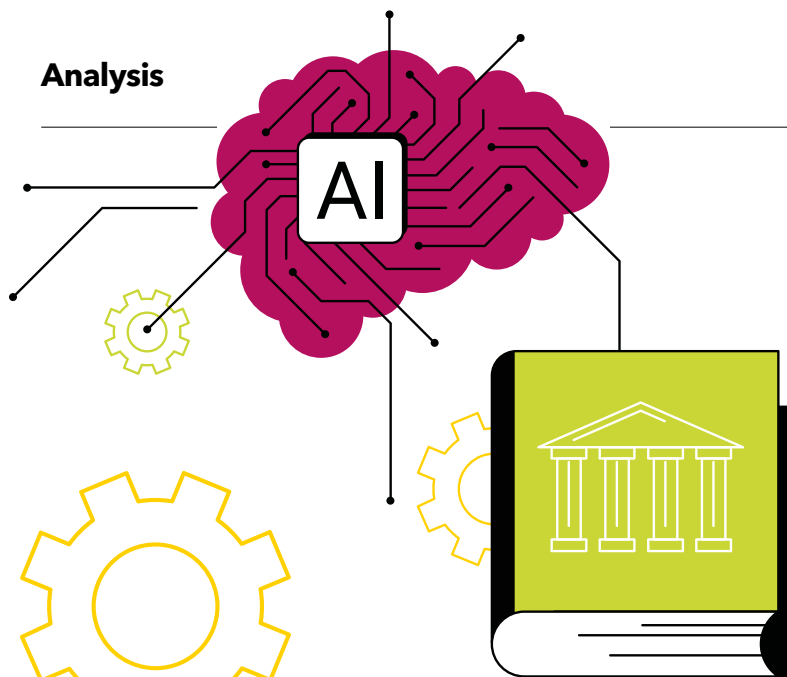
Reusable digital identities also strengthen data governance and privacy practices by reducing the repeated collection, transmission and storage of sensitive investor information across onboarding processes. According to Deloitte's *Digital Identity of Your Customers: Opportunities and Responsibilities* report, 70 percent of customers are more likely to buy from an organization demonstrating the highest privacy standards. These benefits reinforce the idea that identity is becoming an increasingly important component of long-term competitive advantage.

The path ahead

As alternative investment volumes continue to grow, firms will face increasing pressure to scale investor onboarding, AML/KYC obligations and operational workflows without increasing costs and complexity at the same rate. Reusable digital identities can help address that challenge by reducing duplicative work, improving compliance efficiency, accelerating onboarding and improving investor experience.

More than a technology upgrade, adopting a reusable digital identity foundation represents a shift in how firms manage investor information. Rather than initially treating onboarding as a series of isolated events, firms can begin treating identity as an asset that supports future subscriptions, compliance reviews and investor relationships.

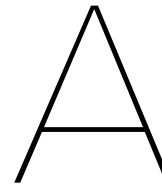
As alternatives become a larger, recurring component of client portfolios, the firms that establish trusted, reusable identity frameworks may be better positioned to scale efficiently, improve investor experience and support long-term growth. ■



How AI is reshaping legal counsel

As AI automates routine legal work, law firms are helping emerging managers scale compliance, governance and fundraising.

By *Jennifer Banzaca*



Artificial intelligence is doing more than making lawyers faster. It's reshaping the role of outside counsel.

For emerging private equity firms, AI allows law firms to move beyond drafting documents and closing deals to support governance, compliance, investor obligations and institutional knowledge throughout the investment lifecycle.

The shift is already under way at the industry's largest firms. Kirkland & Ellis recently announced a multi-year partnership with Palantir to build AI tools for its investment funds practice. Its proprietary fund formation engine helps lawyers draft fund documents, negotiate side letters, monitor investor obligations and advise clients throughout fundraising.

According to a Kirkland spokesperson, the platform combines decades of the firm's fund formation experience, market intelligence and partner judgment into a single operating environment. Built on Kirkland's proprietary precedents rather than publicly available data, it gives lawyers access to insights from thousands of fundraises and investor negotiations. That allows teams to identify market trends faster, respond more efficiently to investor requests and deliver more consistent advice across global fundraising.

Maximizing expertise

The aim isn't to replace lawyers, but to amplify their expertise.

That's consistent with what Michal Netanyahu, a partner in Clifford Chance's private equity group, is seeing in the market.

Clients still hire lawyers for judgment, experience and trusted advice, she says. AI simply reduces the time lawyers spend gathering information, allowing them to focus on commercial decision-making. While every AI-generated output still requires review, the technology is making legal advice more proactive and better aligned

with how private equity firms operate.

Nigel van Zyl, partner and co-head of Proskauer's private funds group, sees the same evolution, but with an important distinction.

"The relationship stops being a series of engagements and becomes something closer to continuous," he says. Rather than taking over a manager's operations, AI makes continuous legal support both practical and economically viable. Van Zyl argues that the real innovation isn't the technology itself but redesigning legal workflows around it.

A new standard of service

That continuous model is changing client expectations.

Historically, PE firms hired outside counsel around discrete events, such as fundraising, acquisitions and exits. Today, clients increasingly expect legal advisers to remain connected throughout a fund's life.

"Five years ago, a client might have asked me to summarize a contract," Netanyahu says. "Today, they're more likely to say, 'I've already had Harvey summarize it. Can you tell me where the real business risk is?'"

Routine work such as diligence and document review is becoming increasingly automated, meaning clients expect lawyers to spend less time gathering information and more time negotiating transactions, solving problems and giving commercial advice.

Van Zyl says clients also expect far greater visibility than they did even a few years ago. Rather than waiting for status calls, they want real-time access to fundraising progress, investor negotiations and outstanding issues through shared platforms. They also expect benchmarking against market practice to be built into legal advice, not delivered as a separate exercise.

'Emerging' capabilities

The implications may be greatest for emerging managers.

Smaller sponsors face many of the same governance and regulatory

obligations as multibillion-dollar firms but often lack dedicated legal or compliance teams. AI allows outside counsel to deliver support that previously would have been difficult or too expensive to provide.

Netanyahu points to a recent financing amendment that AI assembled in less than an hour by finding years of amendments, waivers and related agreements. Instead of searching through files, lawyers could immediately focus on advising the client.

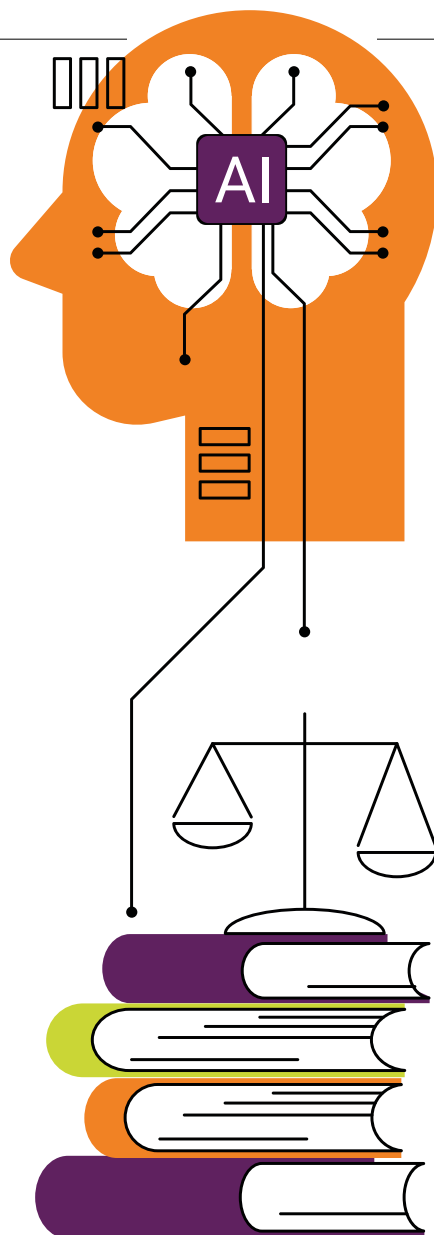
Beyond transactions, AI helps firms monitor side-letter obligations, track covenant deadlines, organize governance records and preserve institutional knowledge, giving emerging managers institutional-quality processes without building large internal teams.

Van Zyl believes side-letter administration may be one of AI's biggest opportunities. Proskauer has developed structured workflows that extract investor-specific rights into a continuously updated composite, simplifying MFN elections, obligation tracking and future fundraising.

"The point of building it that way is that support does not stop at the final closing," he says. "When a client later wants to extend an investment period, waive a restriction or launch a successor fund, we already know what was promised, to whom and across which vintages."

Compliance is also becoming more continuous. Rather than relying on periodic reviews, AI can monitor obligations, find agreements affected by regulatory changes, flag policy deviations and surface incomplete records before they become larger problems. Lawyers still determine what is legally significant, Netanyahu notes, but AI helps ensure fewer issues go unnoticed.

For emerging PE firms, AI isn't replacing outside counsel. It's transforming the best law firms into an extension of a manager's operating infrastructure, supporting fundraising, governance, compliance and investor management long after the deal closes. ■



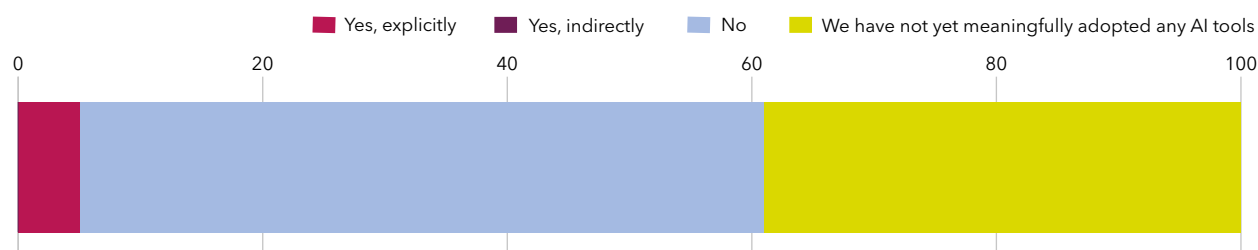
"The relationship stops being a series of engagements and becomes something closer to continuous"

NIGEL VAN ZYL
Proskauer

AI is cutting costs, but not fees yet

PEI Group's new podcast miniseries analyzes the key findings from Private Funds CFO's latest Fees & Expenses Survey, including the role of AI and automation

Have cost savings from automation/AI reduced your operating budget and therefore management fees? (%)



Source: Private Funds CFO Fees & Expenses Survey 2026

Managers face a growing set of expectations as the fees and expenses landscape evolves. *Private Funds CFO's Fees & Expenses Survey 2026*, conducted in partnership with advisory and accounting firm Withum and law firm Troutman Pepper Locke, and drawing from 132 US alternative asset managers, found that nearly 80 percent of respondents reported experiencing moderate to heavy scrutiny during their last SEC exam.

Investors are equally keen on cost allocation and disclosure practices. As continuation vehicles grow in popularity, questions are surfacing around ambiguity in fund documentation, with many LPAs devised before these structures went mainstream.

Another central thread is whether automation will ever reach the fee line. So far it hasn't. Just 5 percent of

managers said automation-driven savings had indirectly reduced their management fees, and nearly 40 percent had not meaningfully adopted AI tools at all. According to Colleen Fay, financial services practice leader at Withum, those figures are surprising, given what the technology is already delivering in document review and investor monitoring.

In this episode of *Data Dive*, PEI Group's miniseries digging into our proprietary data, surveys and rankings, senior content producer Evie Rusman is joined by Fay; Theodore Edwards, a partner at Troutman Pepper Locke; and Bill Myers, Washington correspondent for *Private Funds CFO* (pictured from left), to analyze the survey data, including how managers are preparing for an influx of retail capital and where AI is landing in fund operations. ■



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