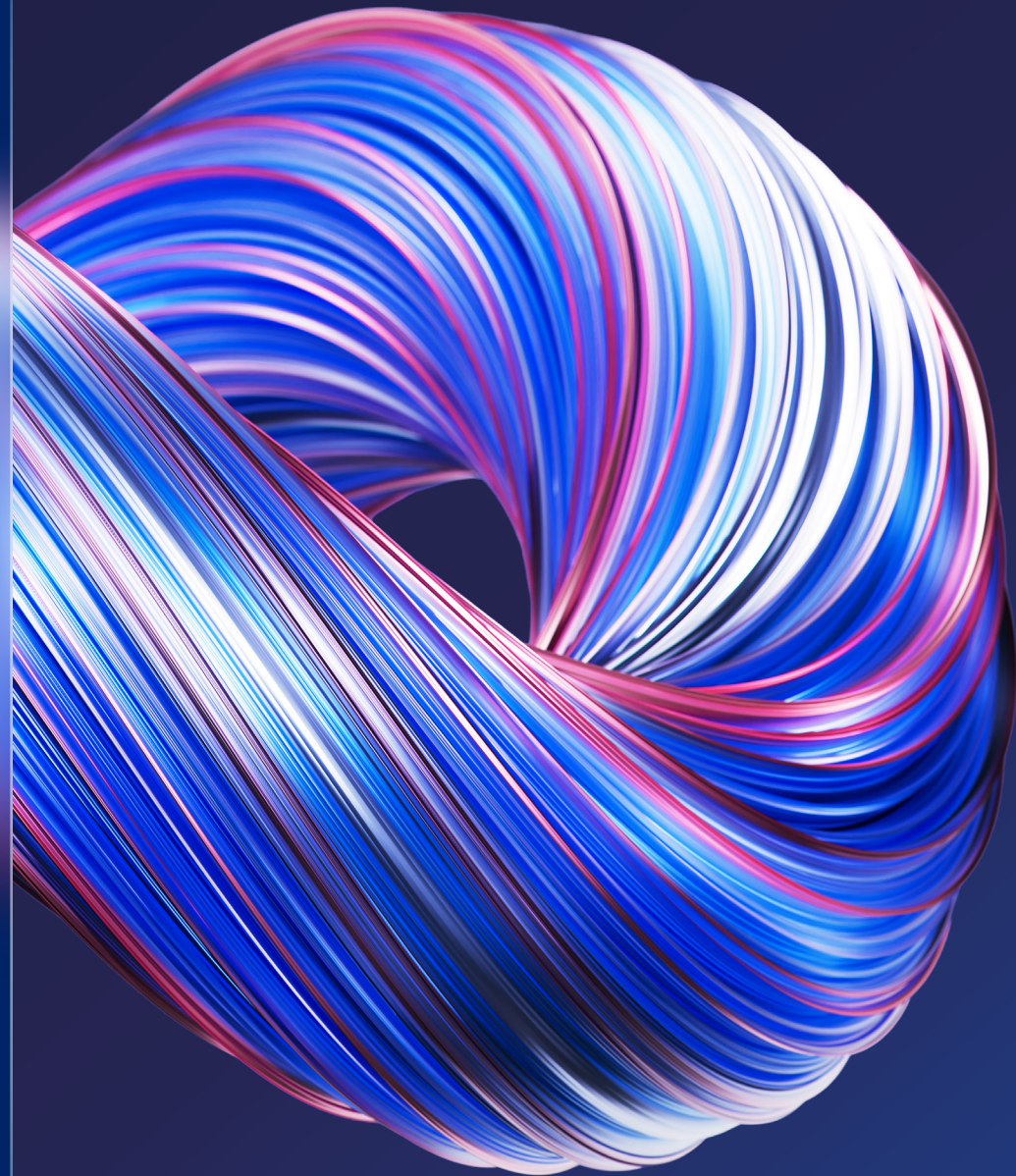


What AI Adoption Means for GPs and LPs

Perspectives from across
the private markets



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Introduction

Over the past two years, artificial intelligence (AI) adoption in private markets has accelerated sharply and is becoming faster, more sophisticated and more ubiquitous than many expected. General partners (GPs) — and limited partners (LPs) for that matter — increasingly view AI as a critical capability, shaping both investment strategies and day-to-day operations.

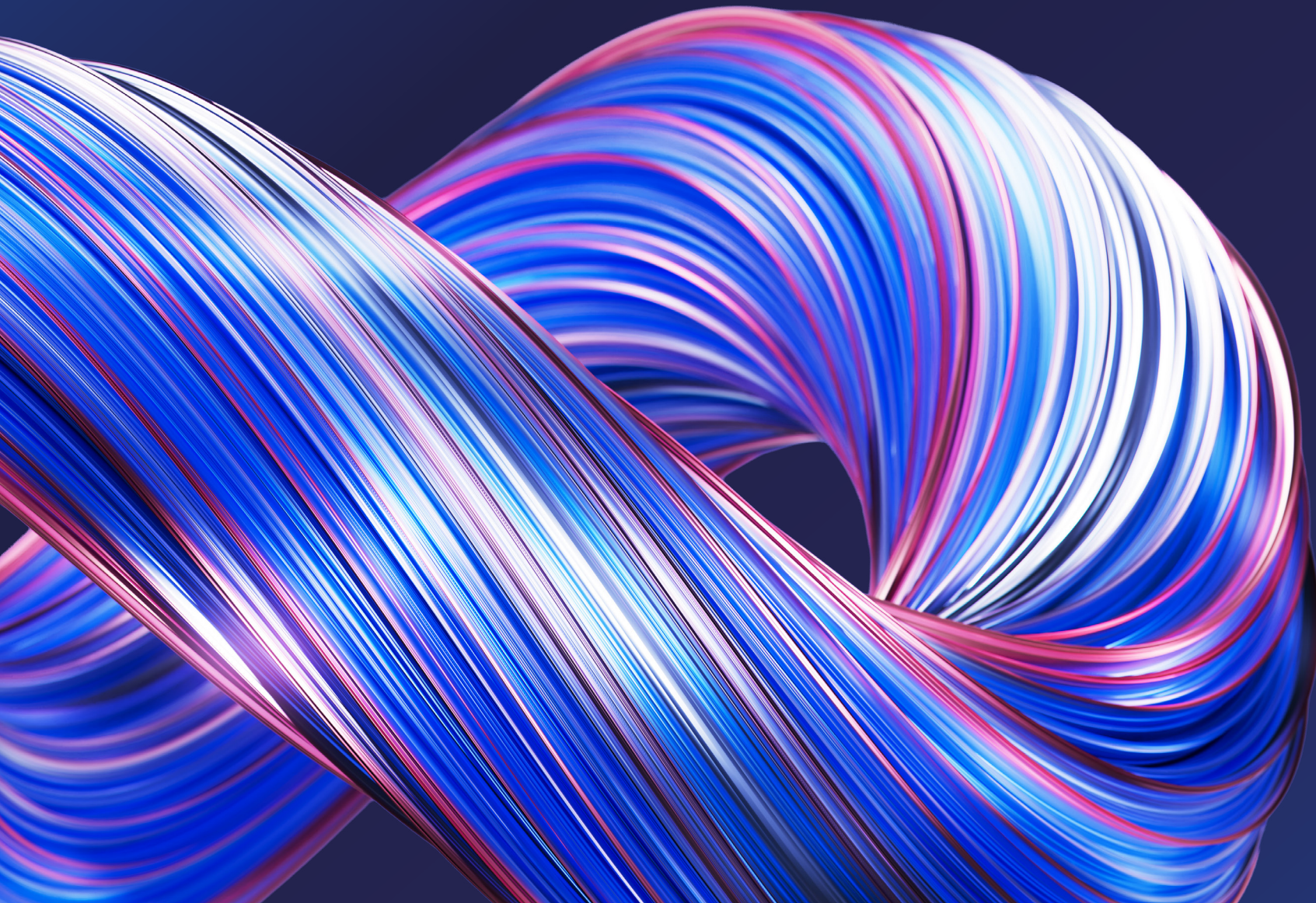
GPs are adopting AI in phases, starting with broadly applicable tools across deal research, origination and due diligence, then moving toward more specialized use cases. Fund allocators are also stepping up their AI efforts to gain a better understanding of their portfolio performance.

Data privacy remains a key concern. As a result, GPs are formalizing AI policies to protect clients and investors, maintain data integrity across internal workflows and third-party providers, and safeguard the reputation and operations of portfolio companies, particularly when it comes to protecting proprietary and customer data.

This report brings together various perspectives from GPs and fund allocators across the U.S., the U.K. and Europe to offer a view on how private markets are evolving as AI becomes embedded in the alternative investments industry. We thank them for generously sharing their insights and hope these learnings prove to be valuable to the global alternative investments community.

The AI journey so far

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Most organizations are now familiar with well-known public generative AI (GenAI) tools. The extent to which they enjoy economies of scale is largely a function of size.

There are many factors for GPs and investment managers to consider as their firms embark on their AI journey:

1. How strong is your data foundation?
2. Do you have a centralized data warehouse?
3. Do you have a modern data management strategy?
4. Can AI applications effectively leverage both structured and unstructured data?
5. How interconnected are your systems?
6. Have governance policies been updated to address AI-related risks?

“As a firm, we are at the early stage of AI adoption and trialling of tools has been more so on the investment side to date,” says Hugh Hadley, fundraising and IR associate at All Seas Capital, a pan-European mid-market buyout manager. We do not formally incorporate AI into any processes currently, but we are cautious to make informed decisions about the most appropriate tools to eventually embed into our processes, both from a capability perspective and from a security/privacy perspective.”

Clipway is a U.S.-based global private equity (PE) secondaries firm. Rather than retrofitting AI onto legacy investment processes, Clipway built TESS, a proprietary tech-enabled secondaries system. TESS leverages technology and machine learning to analyze secondary portfolios at the underlying company level.

“Clipway’s AI journey has been deliberate and purpose-built, shaped by a clear observation in the secondaries market: Large volumes of data are generated but remain underutilised, and innovation in data science has lagged across much of the industry,” explains David Enriquez, a partner at Clipway.

“The core early learning was that AI effectiveness is fundamentally constrained by data quality, governance and model oversight. As a result, we invested early in automation, internal controls, specialist engineering talent, and formal AI governance. This ensures transparency in assumptions, reduces bias, and allows insights to be continuously refined as outcomes evolve,” adds Enriquez. With AI reshaping the alternative

investments landscape, investment managers like LGT Capital Partners, a leading global fund-of-funds investor, are balancing risk and competitive advantage as they deploy AI firm-wide, both within their investment processes and in how they monitor external managers' use of the technology.

"There are key components to how you can unlock AI as a core strategic integrated capability," says Giles Travers, head of platform management at LGT Capital Partners.

"One is looking at sponsorship and enablement, i.e., how are teams exploring the technology and engaging with it in their day-to-day roles? Second, how do we provide the right skill sets to really leverage it? Third, how do we deploy training? Like any other technology rollout, you need to make sure that change management is supported and people have the right resources to adopt it."

At Mercer, a global professional services firm, its wealth division sits on a deep, rich dataset due to its research, advisory and outsourced chief investment officer (OCIO) business. It has taken the first steps to empower its manager researchers with an internal tool called RateSense.

"RateSense is evolving Mercer's research process for both investment and operational due diligence to drive the breadth and quality of our research across geographies and asset classes," explains Robert Ansari, global head of analytics and portfolio solutions at Mercer.

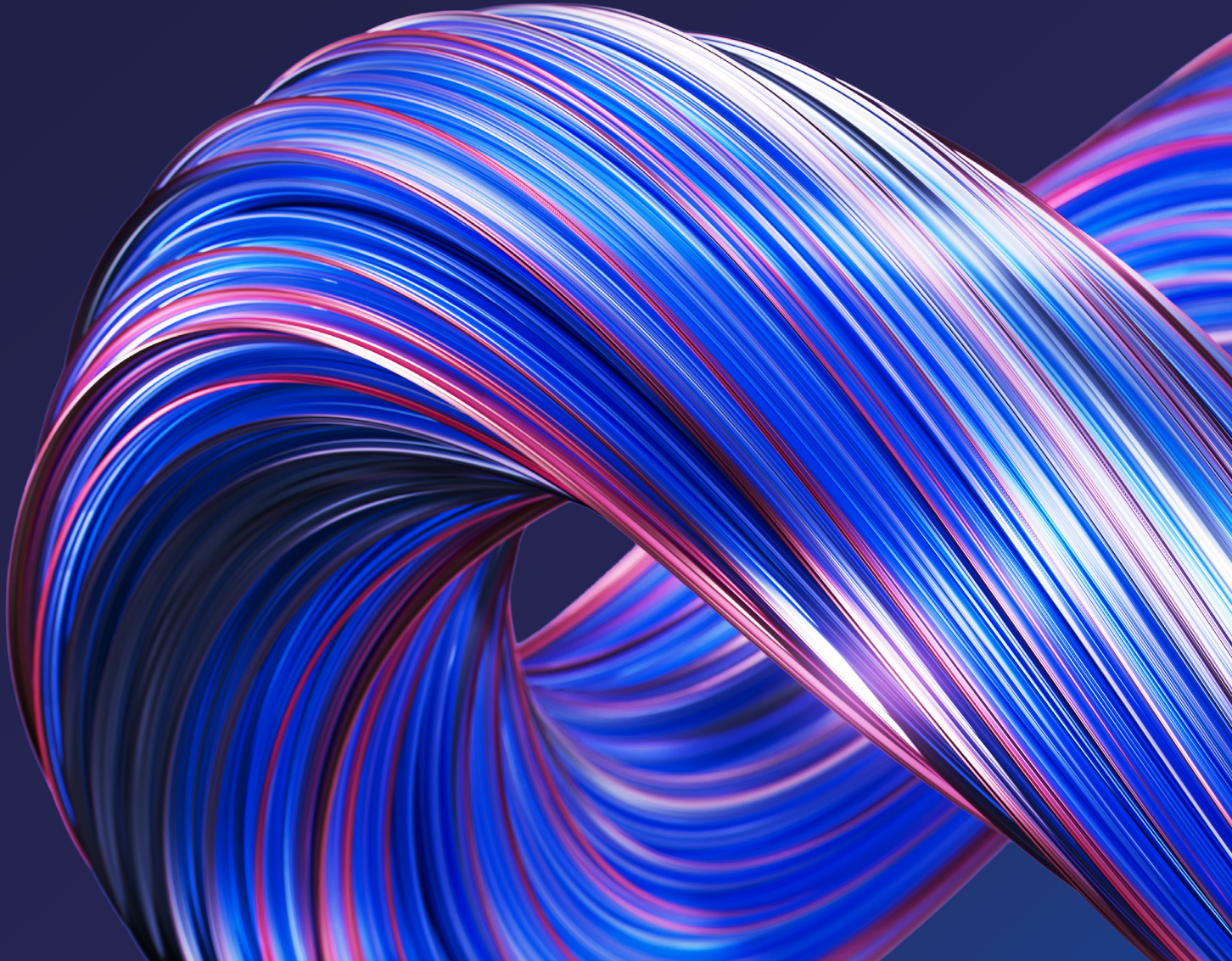
"MarketSense is currently in development and will draw on the rich dataset of allocator engagement through advisory and OCIO as we look to explore the possibility of quantitatively forecasting capital flows."

"We've gone through a couple of cycles of grassroots AI adoption now. We've looked at applications that fit into specific processes. Legora is a good example; it's a ChatGPT-like tool for legal teams. We've had unprecedented demand from our portfolio companies who have said, 'We're working internally but what can we expect from the owner?' This has helped us to up our game, both internally and externally, as we move into the second cycle of AI adoption."

Mark Peacock, CTO, Nordic Capital

Agentic AI use cases

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Agents have entered the financial vernacular in recent times. Unlike generic tools like OpenAI's ChatGPT and Anthropic's Claude, which generate responses to specific questions or prompts, an agent is a goal-directed program that operates autonomously. It receives information from its environment, decides what to do using internal rules or learning, and acts back on that environment to achieve its goal.

GPs and LPs are deploying agents to generate investment summaries, track fund performance over time and provide insights into deal pipelines, giving investment teams timely, automated information to improve decision-making.

At StepStone Group, a global private markets investor, the team has implemented a generative AI-powered one-page generator within its StepStone private markets intelligence (SPI) platform.

"The tool produces a draft, one-page investment summary formatted in our specific PowerPoint template and tagged to the deal ID in our database,"

says Qi Liu, director and head of AI at StepStone Group. "Trained on prior IC [investment committee] -approved one-pagers, it pulls structured and unstructured deal materials to generate a consistent, high-quality first draft that teams can quickly refine."

LGT Capital Partners have developed an agentic tool called GP Interact, which pulls all the portfolio and fund monitoring information from the firm's customer relationship management (CRM) and portfolio systems. This allows the user to interact with an AI prompt-based search window to analyze key performance and market trends.

"It allows us to search across all industry [knowledge] gained over the 25 years we have been investing to understand how funds are performing across different vintages, sectors and geographies," comments Travers.

Agellus Capital is a USD 400 million U.S. private equity (PE) group established in 2024. Last year, the firm integrated ChatGPT into its CRM and have since

built a custom agent. This sits within the CRM and automatically parses investment materials, analyzes them and populates fields with the relevant data.

“What used to take 30 to 45 minutes of data analysis and data entry per deal, now happens in three to five minutes. My colleague has an extra 10 hours a week to do other important work,” confirms Justin Smith, managing director, business development at Agellus Capital.

He adds that the team is currently working on another use case to query data inside the CRM:

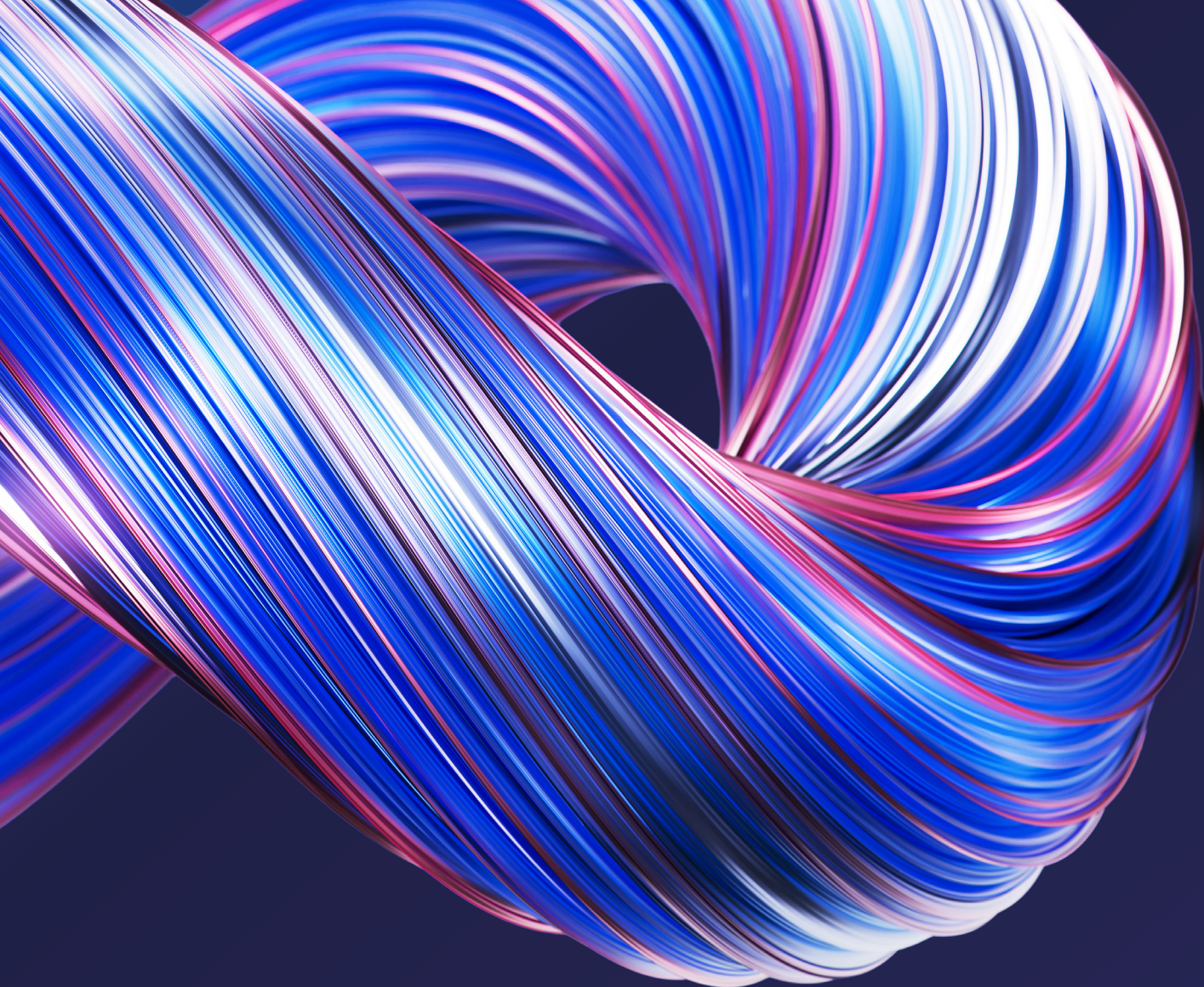
“For example, if I want to know how many deals Houlihan Lokey sent me last year and which ones advanced to a bid stage. Or, what was the average EBITDA [earnings before interest, taxes, depreciation and amortization] across every business that I saw in the IT services sector last year?”

One of the key questions facing private markets firms is determining the cost/benefit of adopting AI. Using

external consultants to develop a bespoke agentic tool might sound enticing if there is a clear proof-of-concept in place. Yet spending a significant amount only to discover that it does not translate into a meaningful return on investment (ROI) can be a costly exercise.

Some investors believe that real ROI is only really evident at the mature end of the spectrum, where generative AI is able to integrate into an organization’s source systems, interrogate the data, summarize it (depending on the task) and provide proprietary insights.

“We’ve seen some real advantages to building out internal AI engineering capabilities and being able to connect end-to-end workflows using AI tools. Training is also fundamental. Last year, we rolled out more than 25 AI-dedicated training sessions across 700 users within the organization,” explains Travers.



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AI adoption pre-investment

As the level of competition rises to compete for deals at optimal valuations, there is a growing sense of optimism among private markets firms over the role that AI tools can play at the pre-investment stage. GPs are exploring a range of options to help bring greater efficiency, analytical insights and accuracy to target company due diligence and market research as they build their deal origination pipelines.

Lateral Investment Management is a U.S. PE group that supports transformational growth in North America-based middle-market businesses.

“We have built tools to partially automate screener-stage write-ups for new opportunities so that our investment team can focus on higher-level thinking and deeper customized analysis relevant to the specific opportunities in front of us rather than routine analyses and document production,” confirms Richard de Silva, founder and managing partner, Lateral Investment Management.

One area of discussion at Nordic Capital is how the firm could find ways to utilize AI to streamline deal reviews and potentially reduce the time for a bid/no-bid decision from the investment committee from two weeks to 48 hours. This could lead to AI offering buyout firms more optionality and removing emotional bias within deal teams. However, it is still early days.

“Deal teams do a lot of pre-screening work at the early stages of a project and AI tools can support this process to save time, but it is important to find the right tools,” says Nordic Capital’s CTO, Mark Peacock. “For example, can we find a financial due diligence partner that is able to create financial due diligence at the speed that we want, to the level of quality that we are used to?”

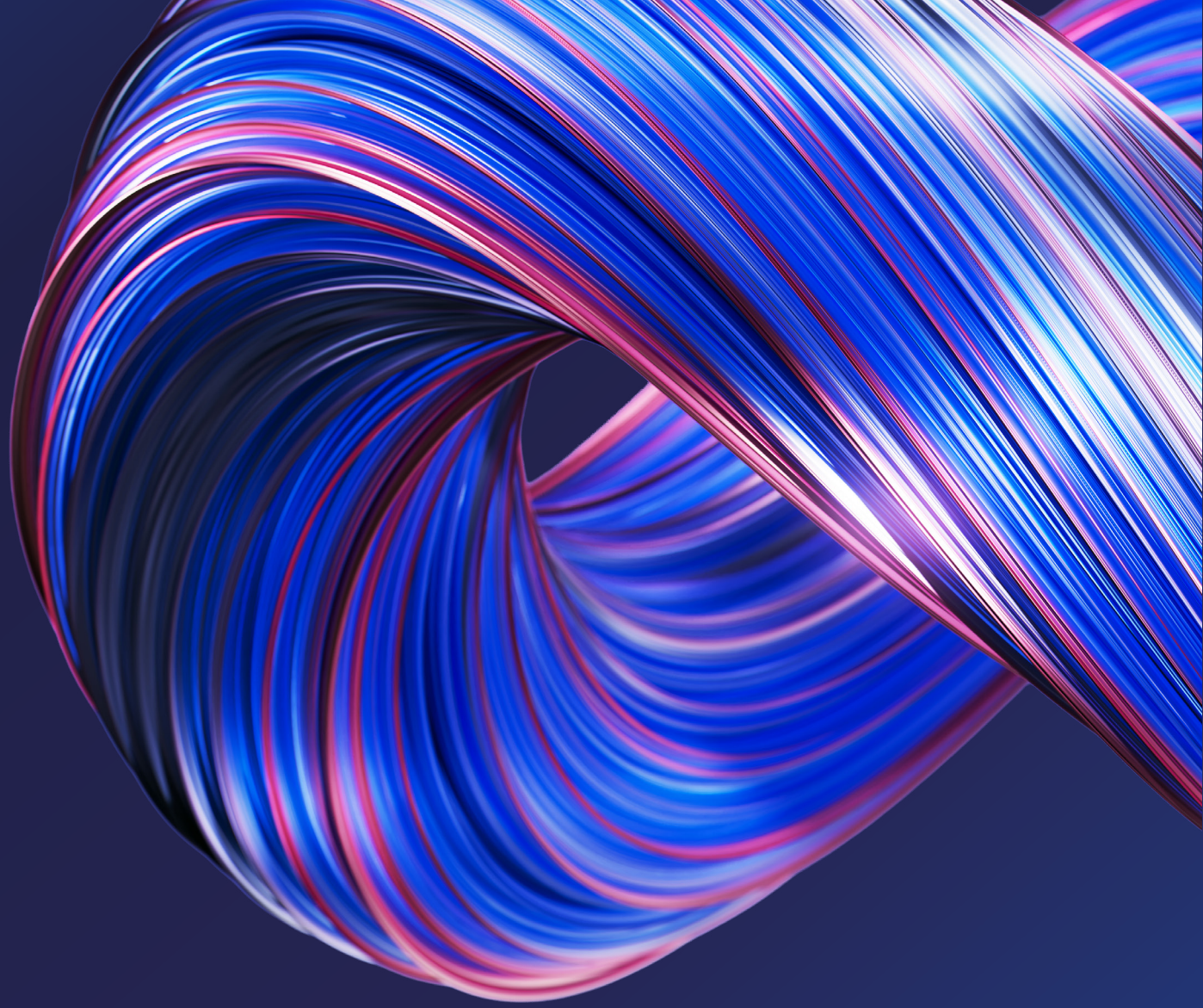
AI-native firms are discovering the benefits of using AI at the underlying company level to automate document extraction and structure financial and operational data. At Clipway, this is enabling the

team to generate instant, data-driven business plans across revenue resilience, margin durability, leverage, free cash flow characteristics, exit timing and valuation.

According to Enriquez, “This addresses a structural inefficiency in traditional secondaries due diligence, where investment teams can spend the majority of their time manually extracting and reconciling data in Excel, limiting the ability to analyze large datasets and increasing the risk of missed insights.”

Asked what tool they would most like to see being used by external GPs, StepStone Group’s Qi Liu responds: “An AI-driven competitive-intelligence engine for portfolio companies: continuously scanning the market to spot early competitive threats, protect revenue and surface growth opportunities. It would flag shifting customer needs, identify sales triggers and help teams shorten the path from lead to closed deal.”

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AI adoption post-investment

As PE rekindles its magic, focusing on margin expansion to drive future growth rather than merely relying on multiple expansion, there is a growing appetite to ensure AI adoption takes place at the portfolio company level to drive value creation.

Failure to do so risks exposing portfolio assets to technology disruption, rendering them obsolete and impacting valuations.

In its January 2026 newsletter, *G Squared*, a global VC fund manager, wrote, “As adoption moves into core operations, companies capturing real returns will separate themselves further from those still operating in pilot mode.”

While the extent of disruption will vary from industry to industry, it is nevertheless a megatrend that GPs must account for.

“It’s imperative,” says Agellus Capital’s Justin Smith. “We are considering onboarding an AI-dedicated

thought leader who can flex into our portfolio companies to help them identify and implement different AI tools as well as build our slate of trusted third party AI experts and surge resources. Our first platform investment was an IT services business. They’ve launched some AI tools and are planning to launch several more around automation of low-level support casework. We view it as a mandatory initiative.”

Lateral Investment Management believes code development represents the biggest impact of AI tools today, with new tools enabling rapid prototyping and software product development. Business-to-business (B2B) application software will, according to de Silva, increasingly move to fluid agentic AI systems that help to orchestrate the autonomous processing of routine business activities. “Agentic AI will make knowledge workers more productive and increase the value of historical experience and subjective

judgement in managing exceptions and edge cases,” says de Silva.

As well as applying AI to ongoing portfolio management, PE firms are also finding ways to leverage it for internal operations such as LP and regulatory reporting and financial modeling.

GPs note improved efficiency, as AI increases the breadth of reported metrics as well as the ability to tailor reporting to LP-specific requirements. Moreover, from a regulatory and fund administrator perspective, structured data and embedded governance controls provide clear audit trails and full visibility into how assumptions are formed and how outputs are produced and reviewed.

At Clipway, all AI workflows are logged, auditable and general data protection regulation (GDPR)-compliant, operating within a service organization control (SOC) 2 Type II-certified environment. As

regulatory scrutiny and LP expectations continue to rise, this level of data integrity, transparency, and oversight is becoming a core point of differentiation rather than a supporting feature, suggests Enriquez.

For financial modelling, GPs are considering several different tools including Blueflame, Metal, Hebba and Rogo. Rogo, for instance, takes financial statements and automatically spreads them across a GP's pre-built templates for financial forecasting, LBO modelling and related financial analysis.

"If you're not adopting these tools, you'll be outgunned by competitors who are. We're excited about it and not afraid to spend the money on it."

Justin Smith, MD, Agellus Capital

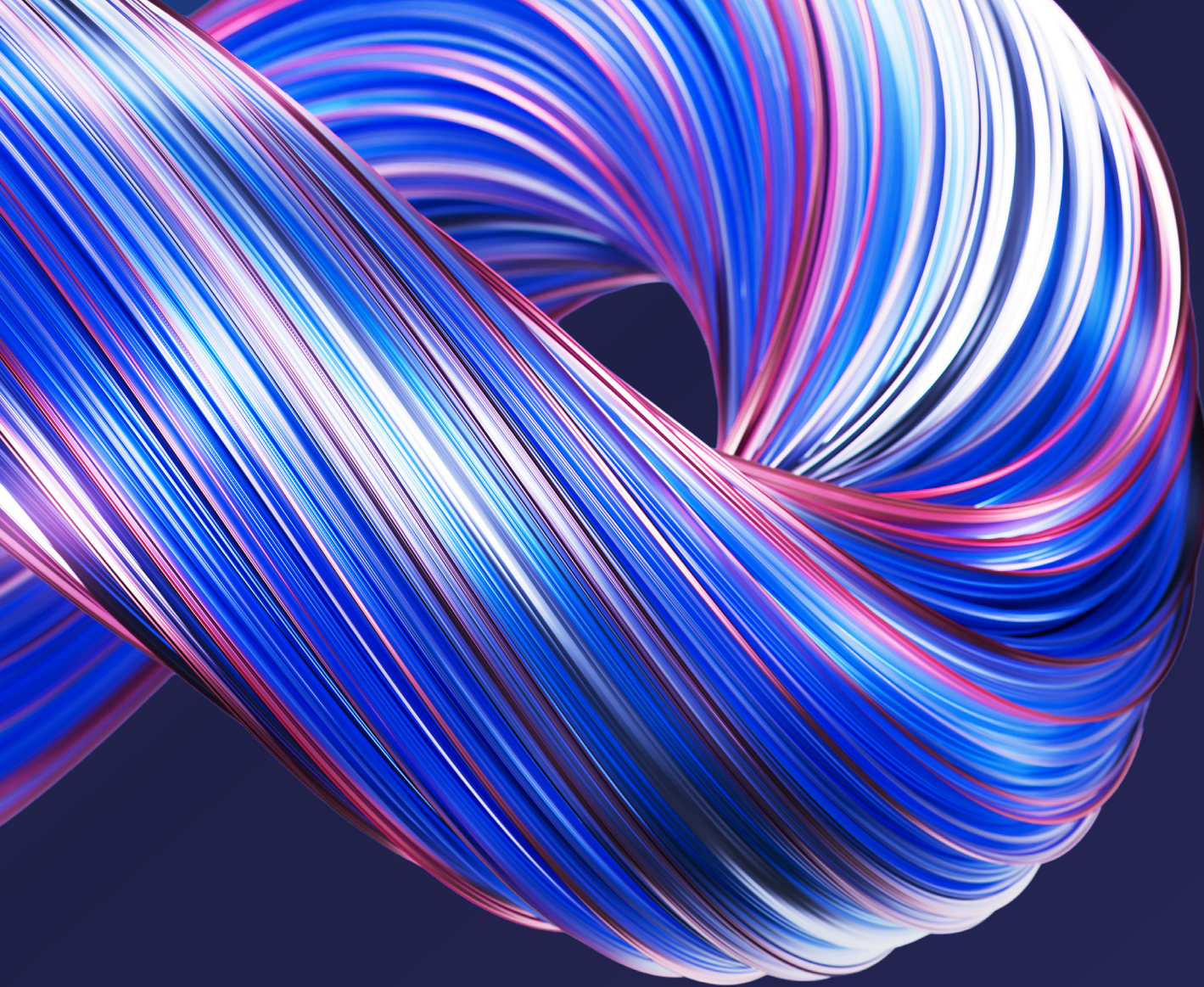
Using unstructured data to drive deeper insights

Nordic Capital uses a pre-existing proprietary tool called Cockpit, a portfolio company-level data lake. Overlaying this are multiple key performance indicators (KPIs), including classical financial metrics as well as operational metrics that link to structured data within the companies' own enterprise resource planning (ERP) systems. The next evolution of the platform could involve using generative AI to handle unstructured data sets. Its operating partners will play a role in determining the best approach for pulling in this unstructured data.

"In our portfolio HR functional stream, we're looking at how companies can best judge the performance of their organization. Typically that's done through a performance management cycle. Sales performance KPIs — how much someone sold, conversion rates —

is one thing but why can't we also start to capture information on how the company coaches salespeople, which tends to go into performance management? At the moment, it's subjective and it's time-consuming. Is there a way to make that less subjective?" explains Mark Peacock.

This is how Nordic Capital is thinking about its own knowledge management capabilities. Take deal memos as an example. For decades, Nordic Capital has collected a vast array of deal information in the form of unstructured data. Using AI to analyze this wealth of information — what happened to the deal? what was its value? — and combine it with structured data in Nordic's own data lake could build a much deeper picture. This represents a natural extension of how data warehouses are currently used by GPs today.



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Future applications

From front- to back-office, there is already a proliferation of AI tools for private markets firms to consider. However, few have been designed to perform the ideal task, the perfect function, given that no two PE firms are identical, operationally speaking. In an ideal world, future AI applications would incorporate a level of bespoke design capable of meeting the idiosyncratic needs of the individual organization.

StepStone Group says the ultimate AI tool would be a single, intelligent platform that sits across all of its data — structured and unstructured — and reasons like a senior investor.

“It would not only unify our quantitative datasets (SPI tables, operating metrics, fund cash flows) with qualitative

information (GP letters, IC memos, quarterly reports) but also interpret the relationships between them. In addition to obvious correlations, it would uncover nuanced signals: early indicators of portfolio stress, emerging themes within GP commentary, subtle shifts in operating performance, and pattern breaks that traditional processes miss,” says Liu.

The reasoning like “a senior investor” point was picked up on by Nordic Capital.

“It would be to have an all-seeing, all-knowing, unbiased IC member,” says Peacock. “I think it is possible but there are a lot of steps in between before we get there. On a more practical level, if I were to ask the team they’d probably say, ‘Please give me a tool that builds

PowerPoint decks to the standard that we currently produce.’ The difference in conversation is now we’re talking about how to make it happen. Not *if* it will happen.”

Easier data interrogation was cited as another area of interest among investors, specifically the ability for future AI tools to provide “in-the-moment analysis” on aspects such as future exits to aid discussions with GPs.

“However, there are still quite a few steps to go for GPs to reach that level of maturity,” remarks Travers at LGT Capital Partners.

Looking forward

Private markets have historically been slower to adopt technology than other industries, but that began to change after COVID. Since then, firms have invested in new capabilities for portfolio monitoring, CRM, investment management pipeline tools, and more advanced data analytics and reporting.

As private markets groups embark on their AI journey, agentic AI is starting to deliver meaningful benefits. With a robust data management framework, a well-devised data lake and proper risk governance policies in place, GPs can harness the potential of both structured and unstructured data to generate deeper insights into how they source, diligence and invest in companies best positioned to meet their investment performance goals.

AI represents a powerful discovery mechanism at the pre-investment deal stage with the potential to significantly enhance how GPs manage and prioritize their deal funnels across future fund vintages. Beyond sourcing and diligence, integrating unstructured data sets at the portfolio company level can yield new performance

insights, improving how value is created, measured and, ultimately, reported to investors.

Next generation AI-enabled platforms like [FundCentre AI](#) are now playing a pivotal role in how GPs manage their funds. Targeted outreach during fundraising, automated DDQ completion, guided investor onboarding that enhances the LP experience, streamlined investor reporting and stress-free document management means that GPs can achieve efficiency gains at every stage of the fund management cycle.

Greater portfolio transparency, faster, more accurate due diligence, improved GP/LP matching during fundraising, and time savings across both investment and operational workflows are collectively reshaping how private markets firms operate.

Those able to identify the best use cases will remain at the forefront, fully leveraging AI to stay one step ahead of their peers.

“With the relative scarcity of data across the private markets, the risk lies in populating private market databases with AI-generated data points. As we start to use AI-generated data to make AI-enabled decisions, the risk lies in minimizing or even dismissing potential ‘hallucinations’ given the apparent depth and completeness of an AI-generated dataset.”

Robert Ansari, Mercer

Source: Mercer

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