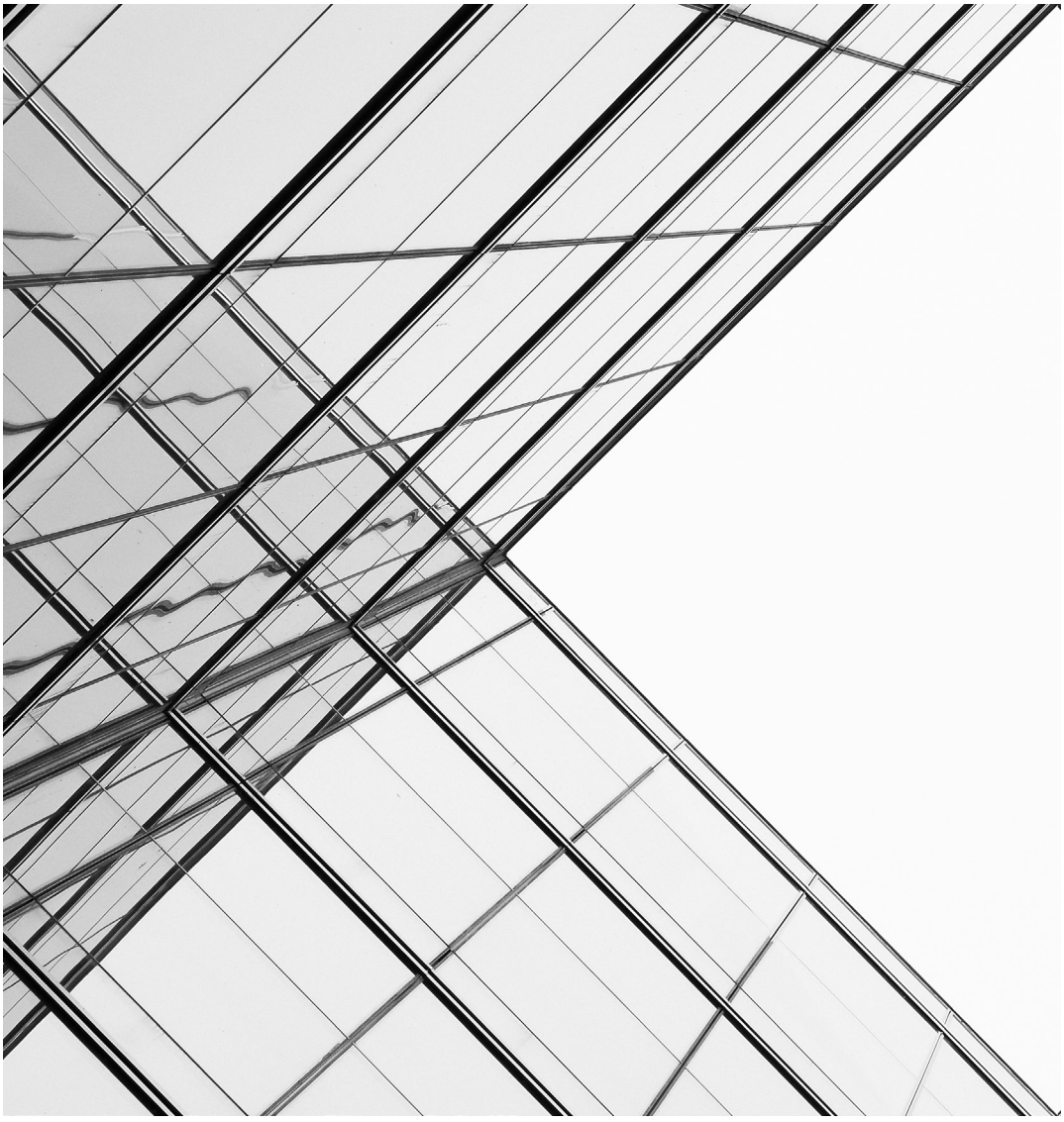
Gen II



EMERGING IN ACTION

The AI-driven differentiators for new private markets managers

PRIVATE EQUITY WIRE®

KEY TAKEAWAYS

People and technology present the biggest challenges for emerging managers

AI's greatest value is in improving speed and accuracy of investment research

Smaller firms seek scalability, larger firms seek sophistication in reporting

Allocators to private markets have seemingly adjusted to the ongoing liquidity crunch. Longer fundraising cycles have eased the urgency to buy into mega funds – the upshot of which is a more considered due diligence process that carves out time to evaluate emerging strategies. And with value-based, active asset management firmly in vogue, there are plenty of first-rate opportunities to appraise.

For emerging managers grappling for these expanding buckets of capital, the market remains fiercely competitive. Fundraising persists as their primary challenge and the battle of differentiation is being fought on two fronts – people and technology.

The modern private markets outfit is data-driven in its decision-making, sophisticated in its reporting and flexible enough to cater to the idiosyncratic requirements of a diversifying pool of investors. Achieving this end state relies on sourcing the right talent profiles and building an effective operational infrastructure – both of which are defining challenges for emerging managers according to our latest quarterly survey (see Figure 1).

Challenges vary by firm type. For instance, more than two-thirds (70%) of smaller managers – those with less than $1bn in assets under management (AUM) – say assembling the right team is their primary challenge, compared to just a third of managers above the $1bn AUM mark. Split along the same size threshold, only 15% of smaller managers struggle with establishing the right operational infrastructure – compared to 45% of larger firms.

AI EDGE

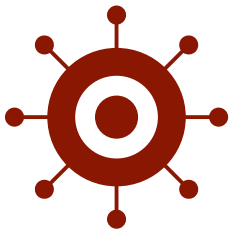
With scale comes a bigger operational imperative, and better infrastructure entails greater differentiation. At the heart of this journey is the rapid advancement of AI in private markets.

Asked about the role of AI in differentiation, 72% of managers cited the speed and accuracy of investment research as the top use case. Competition for deals is high, and for emerging managers to punch above their weight they not only need to source investments outside of mainstream arenas – they need to do so fast. AI's ability to scan a wide range of data sources within unique parameters is critical to this objective.

Figure 1 Biggest challenges facing emerging managers (exc. Fundraising)



48%
Assembling the right team



24%
Building the right operational infrastructure

Second on the list of use cases is sophisticated investor reporting – cited by 40% of firms. A convergence of reporting practices in the private and public spheres is widely notable – the former gradually gravitating towards the latter. As frequency and accuracy of reporting become the norm, AI can help automate and digitalise the private markets investor experience.

Around a third (32%) of firms say AI's role in the speed of deal execution could be a key differentiator, while a fifth say the volume of deals it could facilitate would help firms stand out. Closely related, 32% of firms also say AI has a significant role to play in business scalability.

The data presents some variance by firm size. For 58% of smaller firms, with less than $500m in AUM, the greatest value of AI is in scalability. At the other end of the spectrum, 60% of firms with more than $10bn in AUM say sophisticated investor reporting is a top AI-driven differentiator.

STRONG FOUNDATIONS

The overarching story is the apparent advancement towards a faster and more accurate private markets proposition – this being unanimously cited by firms of all sizes as a substantial value add.

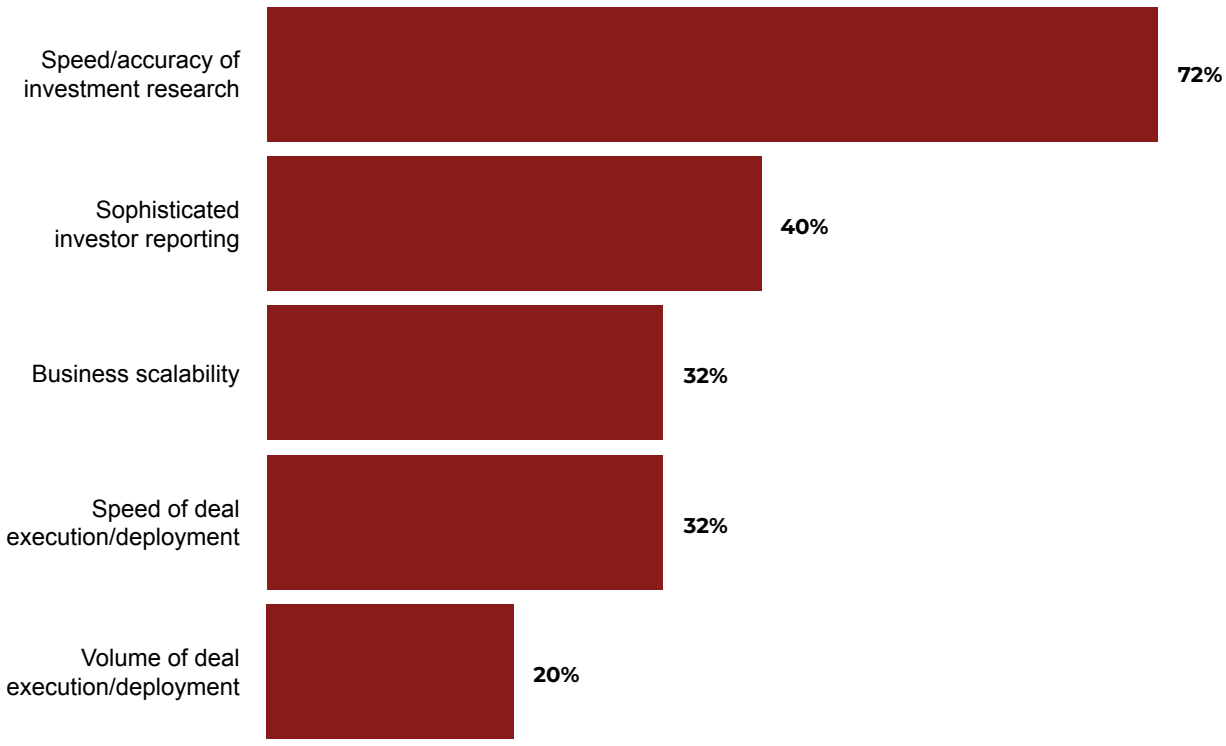
Alex Di Santo, Head of Private Equity, Europe at Gen II, says: "The survey shows something we often see at Gen II: emerging managers are under cost pressure which poses a challenge when building their team and infrastructure. In this environment, support from partners with a leading technology suite who are deploying AI becomes a critical lever to maximise fund operations while keeping cost at acceptable levels.

"AI can be a powerful force multiplier, but its promise hinges on foundation: an enabling culture, clean data, strong governance, validation layers and seamless integration with reporting and operations. When those building blocks are in place, AI becomes less about automation and more about insight, helping firms make faster, better-informed decisions.

"Across the market, we're seeing early adopters move from experimentation to practical application. Tools that began as pilots for data screening or portfolio monitoring are now being embedded into fund operations and investor communication processes. Over time, that shift will normalise AI as an operational standard rather than a differentiator, which raises the bar for all managers.

"From our vantage as a fund administrator partner in the market, the combination of operational strain and AI opportunity is exactly where Gen II aims to add visible value. Teams that are small but smart need infrastructure that can scale and which is reliable, flexible and robust from day one. It's no secret that as capital allocators sharpen their due diligence, they will increasingly ask: 'What drives your process? How are systems, data and AI woven into your operations?" The managers able to answer those questions credibly – with clarity and proof, not just aspiration - will be the ones to distinguish themselves."

Figure 2 AI-driven differentiators for emerging managers



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