WHITE PAPER

From Infrastructure to Intelligence

How AI Is Redefining Scale in Operations for Asset Managers and Servicers

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Introduction

Alternative investments are no longer niche. On the contrary, they are now reshaping the future of asset management. But as capital flows accelerate, a growing disconnect is also emerging. Investor demand is scaling rapidly, while operational infrastructure remains stuck in a legacy paradigm. Middle-office and back-office functions are still dominated by fragmented systems, manual workflows, and siloed data, thereby creating a bottleneck to growth just as Limited Partner (LP) expectations, regulatory scrutiny, and cost pressures intensify.

This model is no longer sustainable. And the industry knows it.

Artificial Intelligence is now making possible an entirely new way to scale. Not through more people or incremental automation, but through intelligent infrastructure that captures, structures, and activates data across the entire value chain. What started as an aid to back-office efficiency is fast becoming a front-office performance engine.

This paper explores how AI is not just streamlining fund operations, but redefining them. It maps the structural shifts that are now underway, the strategic imperatives for asset managers and asset servicers, and the architecture required to scale private markets in an intelligent way. The future will not be built by retrofitting outdated systems, but belong to those who build for intelligence right across the value chain.

Strategic Shift – From Labor-Heavy Operations to Intelligent Fund Infrastructure

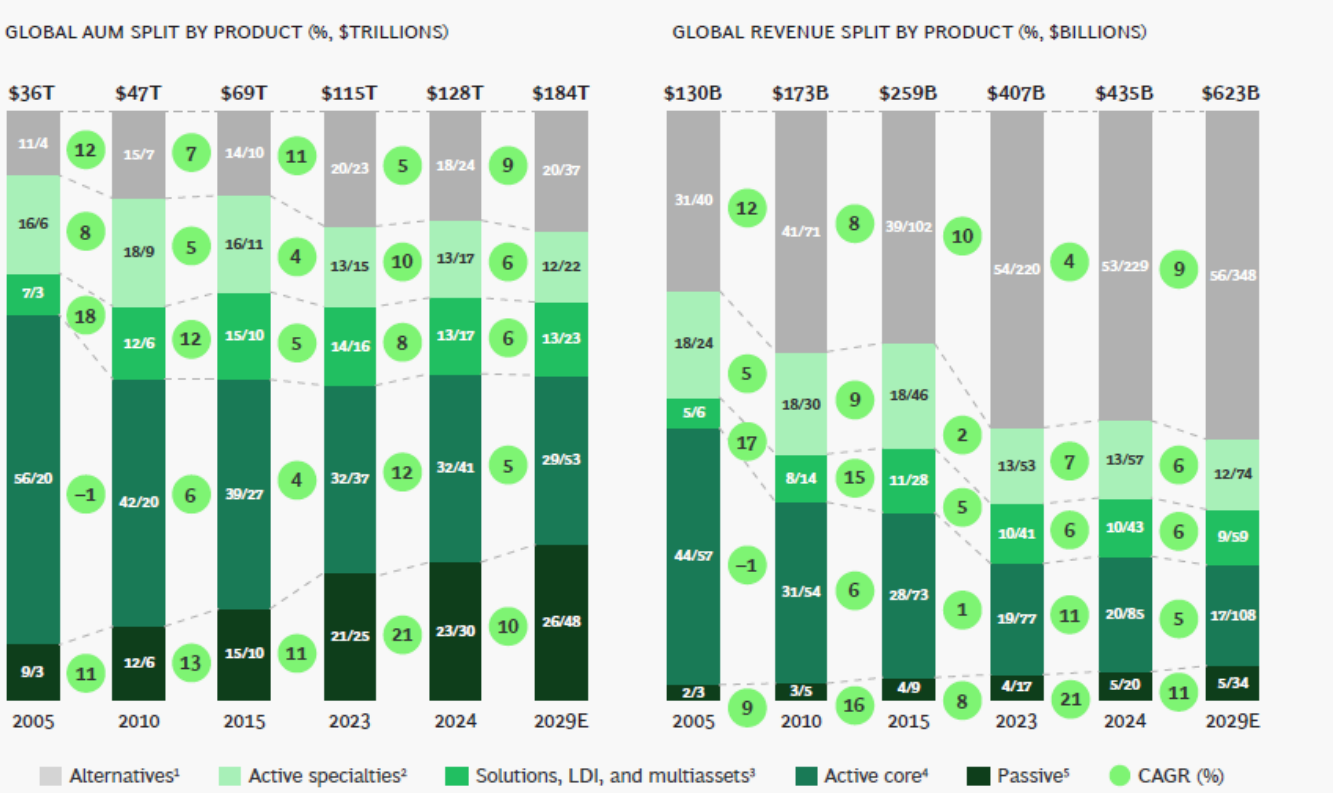
The global asset management industry reached $128 trillion in assets under management (AuM) in 2024, marking a 12 percent year-over-year increase and a continued recovery from the downturn in 2022.[1] However, while these headline figures appear robust, they obscure a deeper vulnerability. More than 70% of revenue growth in the past year was driven by market performance, rather than by net inflows.[1] As a result, many firms remain structurally exposed to external volatility and macro-driven tailwinds. At the same time, operational cost bases continue to rise. Total costs have grown at a compound annual rate of 6% from 2022 to 2024,[1] ramping up the pressure on already strained margins.

Against this backdrop, *private markets* remain one of the few asset classes with attractive margins. Alternative investments may represent less than a quarter of global AuM (see Exhibit 1), but they generate more than half the industry's revenue[1], thus highlighting their strategic importance in an environment where fee compression is eroding profitability. At the same time, Alternatives are attracting new investor segments — particularly high-net-worth individuals (HNWI) and retail investors — placing private markets on a path toward broader democratization.

However, this opportunity also leads to escalating complexity for asset managers and asset servicers. It entails more investor interactions, more fragmented processes, and more regulatory obligations, all in the context of a product set that is inherently less liquid, more opaque, and more operationally demanding. For asset managers and asset servicers, this shift in demand presents more than just operational strain. It also exposes the structural inadequacy of existing infrastructure. Traditional systems were not built to support the scale, heterogeneity, and regulatory demands of today's alternative investor base. Manual workflows, fragmented data environments, and highly customized fund setups still define the operational core. Onboarding remains paper-heavy, reconciliation is slow and error-prone, and capital calls are often managed via spreadsheets and bilateral communications. In this context, these systems are no longer just inefficient; they are becoming structural limitations for growth. To stay competitive, a strategic shift is therefore underway.

1. Source: BCG Global Asset Management Report 2025.

EXHIBIT 1 – Alternative Investments Generate More Than 50% of Global Revenues, with Less Than 25% of Global AuM



Source: BCG Global Asset Management Market Sizing Database 2025.
Note: Because of rounding, not all bar segment values add up to 100% or to the specified sum. AuM = assets under management; CAGR = compound annual growth rate; LDI = liability-driven investment.
[1]Includes these instruments: hedge funds, private equity, real estate, infrastructure, commodities, private debt, and liquid alternative mutual funds (such as absolute return, long/short, market-neutral, and trading-oriented); private equity and hedge fund revenues do not include performance fees.
[2]Includes these actively managed instruments: equity specialties (global equities [excluding US], emerging market, all sector and thematic, and undefined [if market is not known]) and fixed-income specialties (emerging-markets fixed-income, high-yield, convertible, inflation-linked, and global [excluding US] and undefined [if market is not known]).
[3]Includes these instruments: target date, target maturity, liability-driven, outsourced chief investment officer, multiasset balanced, and multiasset allocation.
[4]Includes these actively managed instruments: developed-market and global equity, developed-market government and corporate fixed-income, global fixed-income, money market, and structured products.
[5]Includes exchange-traded funds and passively managed equity and fixed-income instruments.

The AI and Data Opportunity for Asset Managers and Asset Servicers in Middle and Back Offices

To overcome the persistent barriers to operational scale, asset managers and asset servicers are rethinking the design of their middle-office and back-office architecture. Traditionally viewed as cost centers, these functions are increasingly recognized as strategic enablers. This is especially true in private markets, where operational complexity and investor expectations are rising. The current shift goes beyond incremental automation, and instead requires intelligent infrastructure built on modern and interoperable data architecture.

Middle-office and back-office systems sit on vast, underused data reserves that, when properly exploited, can power real-time decision-making, streamline compliance, and enable scalable delivery across investor types and jurisdictions. This transformation is not just about reducing cost. It can create the operational foundation for sustainable growth and competitive differentiation in a data-driven market environment.

But while the strategic imperative is clear, the industry's current capabilities often fall short of what scalable, intelligent infrastructure demands.

Excursion: How Far Have Asset Managers Come On Their AI Journey?

The asset management industry increasingly views Artificial Intelligence as a strategic necessity. According to BCG's Global AI in Asset Management Survey 2024, 83% of asset managers rank innovation among their top three priorities. Indeed, significant investments have been made in Generative AI (GenAI), particularly in relation to fund servicing and reporting.[2]

However, ambition continues to outstrip readiness. Around 65% of firms have yet to adapt their core technology stacks, and nearly 85% lack the foundational data architecture required to support seamless AI integration. These shortcomings highlight a fundamental challenge - aligning infrastructure with strategic intent.[2] Furthermore, asset managers will only be able to capitalize on AI’s full potential if they overcome deep-seated limitations in legacy systems and invest in purpose-built, interoperable data environments - especially in the middle and back office, where much of the industry’s untapped potential lies.

Building the Foundation: Why Data Comes First

For asset managers and asset servicers operating in private markets, the ability to scale no longer hinges on operational headcount, but on the quality of their data architecture. In most firms today, fund data — ranging from investor commitments and legal documentation to capital calls and ESG metrics — is fragmented across systems, embedded in static PDFs, or maintained manually in spreadsheets. These legacy arrangements were never designed for the volume, variety, or velocity of data now required to serve institutional, HNW, and retail clients at scale.

2. Source: BCG Global AI in Asset Management Survey 2024.

In this environment, reconciling fund flows, tracking investor-level performance, or responding to regulatory requests become labor-intensive, slow, and prone to risk. Intelligent, AI-ready infrastructure offers a fundamental shift. By capturing and structuring operational data at the source — and ensuring it flows seamlessly across fund administration, investor servicing, and compliance functions — asset managers and asset servicers can achieve a new level of responsiveness, control, and productization. A clean, interoperable data layer becomes the foundation not only for real-time decision making, but also for AI agents, analytics, and automated reporting.

Laying the Groundwork for AI: Making Data Work

AI-driven technologies are poised to reshape middle-office and back-office architecture in asset management by creating a unified data flow across the entire fund value chain. When properly implemented, these technologies enable real-time visibility and intelligent process execution – whether in cash management, onboarding, investor queries, or reconciliation.

In contrast, the traditional model operates in functional silos. Repetitive data entry, reconciliation bottlenecks, and fragmented reporting are still widespread. This is particularly problematic when managing multiple feeder structures, semi-liquid vehicles, and cross-border fund wrappers.

Crucially, all meaningful AI use cases, whether for asset managers or asset servicers, depend on a single foundational requirement – namely, structured and persistent data. Without it, even the best AI tools will produce brittle, non-scalable results. Furthermore, AI agents can only operate effectively when embedded in system environments designed for end-to-end orchestration - ingesting data once, standardizing it at the source, and reapplying it consistently across fund accounting, investor communications, tax reporting, and compliance. This shift demands more than automation. It requires a system architecture built specifically to reduce process entropy, enable modular service layers, and reveal actionable insight.

Creating Impact Across the Private Markets Value Chain

When properly executed, AI can have a transformative effect along the asset management value chain, leading to more scalable operations. Key functions such as onboarding, reporting, and compliance are particularly ready for disruption. They not only involve high manual effort, but also generate critical data points which, when structured, generate downstream automation and insight.

1. Onboarding

Investor onboarding remains one of the most fragmented and manual processes in private markets, with responsibilities often split between asset managers and asset servicers. Both sides still currently rely heavily on PDFs, email exchanges, and bespoke portals to process subscription documents, KYC/AML forms, and tax declarations. The outcomes are high error rates, long processing times, and inconsistent investor experience. AI-powered Optical Character Recognition (OCR) and Natural Language Processing (NLP) can extract and structure data from subscription documents and compliance forms, turning unstructured information into actionable datasets. This process accelerates onboarding and reduces error rates, minimizing LP friction and ensuring compliance from day one. Crucially, onboarding generates foundational data that feeds directly into downstream processes such as capital calls and investor reporting. Especially for multi-investor feeder structures or evergreen funds with rolling closes, structured onboarding is not a one-time efficiency boost, but a prerequisite for scalability.

2. Investor Reporting and Portfolio Analytics

Investor expectations for reporting are rising sharply, demanding not just accuracy but also speed and customization. In private markets, where NAVs are less frequent, structures more layered, and data less standardized, delivering timely and tailored insights remains a challenge.

With AI-enabled reporting tools built on structured data, asset managers can move from static quarterly PDFs to near-real-time, investor-specific dashboards. These systems draw from fund accounting, legal entity structures, ESG datasets, and risk systems. They not only generate bespoke outputs, but also trigger analytics feedback loops (such as market trends, exposure risks, and performance outliers) into portfolio management.

Asset servicers benefit by reducing manual reporting cycles and providing value-added data services to their clients. Managers gain transparency, faster decision support, and stronger client relationships.

3. Risk and Compliance

The compliance burden in private markets is intensifying, particularly in relation to suitability, distribution permissions, AML/KYC rules, and sustainability disclosure (such as SFDR). At the same time, many asset managers and asset servicers still rely on fragmented review processes, static document repositories, and separate compliance systems. AI transforms this system by embedding controls directly into operational workflows, and enabling real-time, data-driven oversight across regulatory reporting and KYC/AML processes.

NLP engines can identify contractual triggers from LPAs or side letters as soon as the deal is signed. Automated ESG/SFDR scrapers can pull metrics directly from portfolio companies to meet rising sustainability disclosure demands. Machine learning models can detect anomalies in investor transaction patterns or update entity profiles in a dynamic fashion. Meanwhile, automated pipelines can pre-populate regulatory filings based on upstream fund data, thereby saving time, reducing errors, and ensuring auditability. These advancements not only have the potential to enhance efficiency and accuracy, but can also support a more scalable and resilient risk framework.

From Automation to Orchestration: The Rise of AI Agents

With this data infrastructure in place, firms can move beyond automation to orchestration, the next evolution enabled by AI agents. These agents do not just complete tasks; they also manage end-to-end workflows. For example, an AI agent can monitor investor onboarding progress, trigger follow-ups for missing KYC elements, pre-fill fund documents, and alert teams to inconsistencies, and all without any human intervention.

For asset managers, AI agents generate scalable and consistent investor engagement by enhancing critical front-office touchpoints, from onboarding support to investor query resolution. For asset servicers, AI agents minimize reliance on manual teams, eliminate time-zone dependencies, and facilitate real-time processing across complex fund structures.

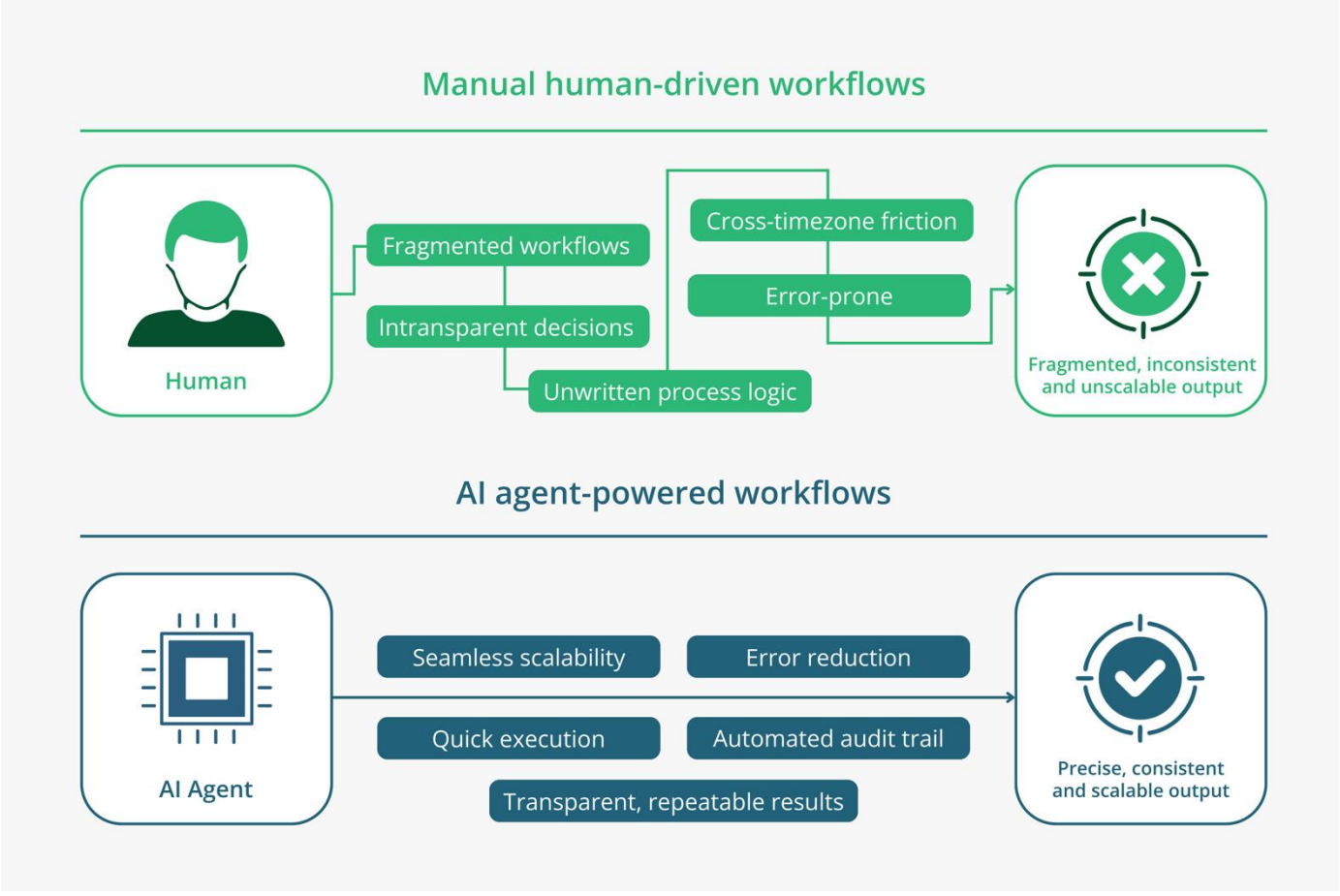
This shift toward intelligent service delivery creates entirely new value pools across the fund lifecycle. It enables firms to bring key capabilities in-house that were once deemed too operationally intensive. As such, this evolution is not merely a cost play, but a reinvention of scale. The influx of middle-office and back-office support agents enables asset managers to service a broader investor base (including HNWIs and retail investors) at significantly lower marginal costs, and creates the infrastructure required to access this largely untapped channel.

While AI agents are poised to automate core operational activities such as reporting, reconciliation, and performance monitoring, human involvement nevertheless remains indispensable in those areas where precision and regulatory compliance are critical. Asset managers will continue to play a key role in oversight, exception handling, and strategic decision making, ensuring that automated processes align with industry standards and client expectations.

As firms move from experimentation to full-scale deployment of AI-driven use cases, the role of human oversight is evolving. Instead of overseeing routine manual tasks, managers are shifting toward supervising AI-enabled workflows, refining insights, and enhancing investor engagement. This transformation is not solely about optimizing labor. It also releases capacity for high-value activities such as innovation and client service. In doing so, operational scalability is redefined, acting not just to boost efficiency but also conferring a strategic advantage.

Once again, the relevant effectiveness hinges on the right infrastructure – structured data, interoperable systems, and clearly defined process logic. When those are in place, AI agents can transform core operational functions - capital call coordination, investor servicing, and query resolution – into productized, scalable flows.

EXHIBIT 2 - Process flow of manual labor vs. AI agents



Source: bunch and BCG analysis.

2025 Outlook and Conclusion

As Artificial Intelligence redefines the operational core of asset management and servicing, the question is no longer whether the middle office and back office should be modernized, but to what extent. The firms that take the lead during the next decade will not be those that simply digitize existing workflows. Rather, leaders will build for intelligence from the ground up, designing infrastructure that makes operational excellence scalable, data interpretable and transparent, and service delivery almost immediate.

Private markets in particular require this shift. As investor volumes grow and expectations rise, the ability to serve diverse investor types - across jurisdictions, wrappers, and fund structures - demands more than simply automation. It requires orchestration. The future operating model will be productized and data-driven. Reporting will happen in real time, interactions will be digital by default, and manual interventions will become the exception, not the rule. This shift will reduce costs and raise the bar on investor experience, but realizing its full potential will require more than technology upgrades. Bold, foundational choices - on systems architecture, data strategy, and ownership of the operational core – are essential.

Middle and back offices are no longer just cost centers, but can become a source of competitive advantage

To navigate this shift successfully, Asset Management and Asset Servicing COOs and CFOs must move beyond incremental thinking. The first stage in this process is to ask the right questions.

Here are five such questions that every COO or CFO should be asking themselves when redefining private markets asset servicing for the AI era:

I. If we rebuild our servicing stack from scratch today, what would we eliminate, and why are we still running it?

II. Is our data infrastructure designed for actionability, or are we just accumulating information without any significant strategic utility?

III. Which high-effort, high-frequency processes could be delivered tomorrow by AI agents as scalable, productized outcomes?

IV. Can our servicing infrastructure meet investor expectations if the next LP demands real-time performance snapshots and instant onboarding?

V. Is our current operating model truly built for scale, or are we compounding complexity with every new fund, investor type, and jurisdiction that we add?

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