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The role of **AI** in future investment strategies

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The new generation of AI has the potential to transform companies and industries. The timeliness and effectiveness of its implementation will be determinative of who the winners and losers will be.

Stephen Schwarzman, Blackstone

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Today, traditional investment processes face significant limitations

The traditional investment landscape, shaped by legacy practices, has kept funds reliant on manual processes across the investment cycle.
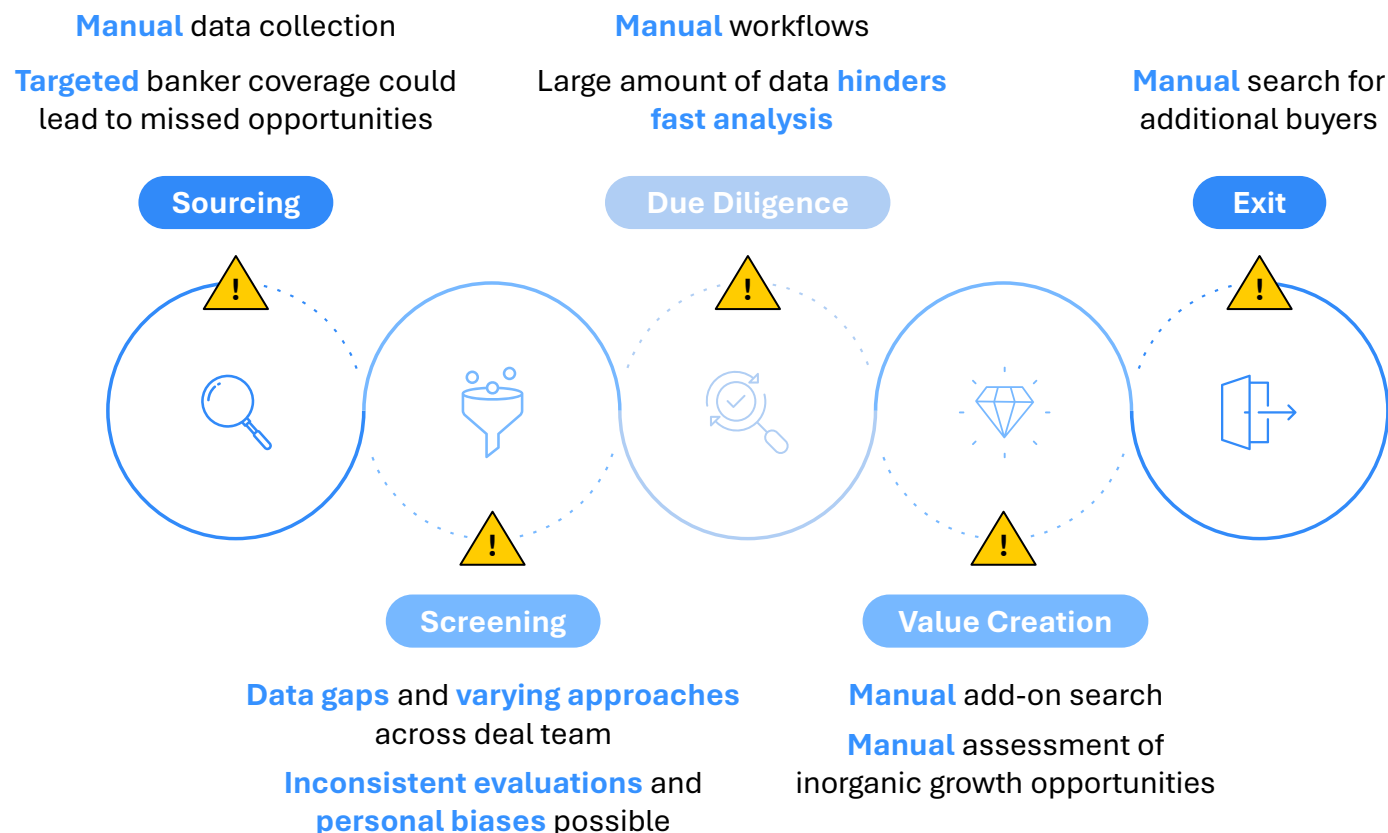
With growing volume of data and increasing complexity in deal structures, human effort remains the core driver of analysis and execution.

However, manual workflows are time-consuming and prone to errors, which leads to review circles within deal teams.

Therefore, valuable human capital is tied up in tasks like document review, spreadsheet analysis, and repetitive reporting.

This approach limits scalability and responsiveness, keeping funds back from focusing on strategic decision-making as well as relationship-building.

In a fast-moving, competitive environment, funds risk falling behind without exploring new technologies to streamline operations and unlock efficiencies.
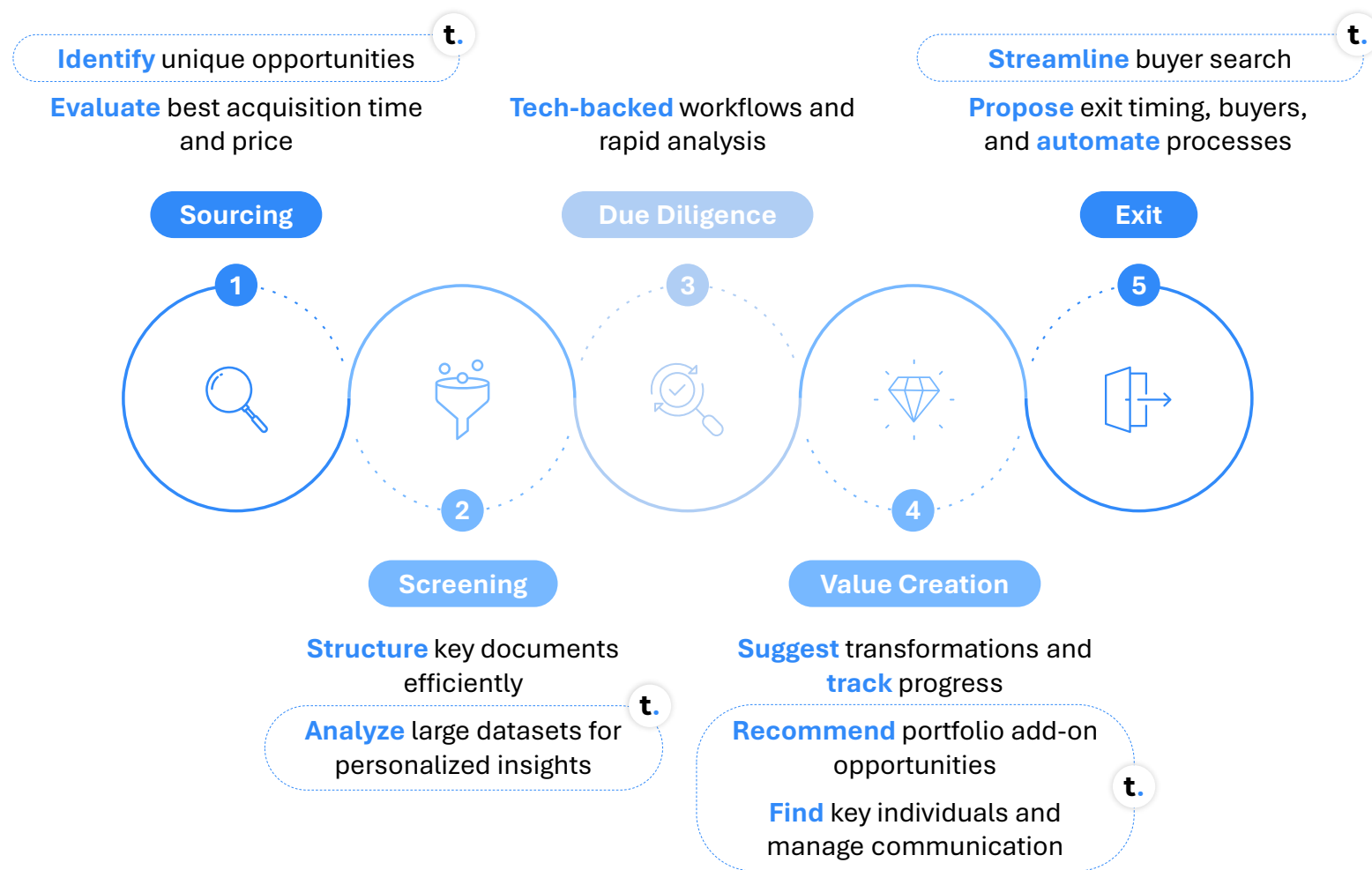
Manual data collection

Targeted banker coverage could lead to missed opportunities

Manual workflows

Large amount of data **hinders fast analysis**

Manual search for additional buyers

Sourcing

Due Diligence

Exit

Screening

Value Creation

Data gaps and **varying approaches** across deal team

Inconsistent evaluations and **personal biases** possible

Manual add-on search

Manual assessment of inorganic growth opportunities

AI-shaped processes remove these limits – adding depth & speed

The increasingly competitive investment landscape, driven by economic megatrends, has prompted funds across asset classes – both private and public – to seek ways to enhance efficiency and gain a competitive edge.

With more funds and dry powder, but fewer opportunities and deals, competition has intensified.

Funds that outperform often have one thing in common: they empower their teams to focus on relationships and investment judgment – areas where human insight makes the biggest difference.

Recent advancements in AI, particularly large language models like ChatGPT and DeepSeek, have made it possible to automate many processes across the investment cycle at a high quality.

Identify unique opportunities

Evaluate best acquisition time and price

Sourcing

1

Tech-backed workflows and rapid analysis

Due Diligence

3

Streamline buyer search

Propose exit timing, buyers, and **automate** processes

Exit

5

2

Screening

Structure key documents efficiently

Analyze large datasets for personalized insights

4

Value Creation

Suggest transformations and **track** progress

Recommend portfolio add-on opportunities

Find key individuals and manage communication

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AI is revolutionizing deal sourcing and screening, enabling higher efficiency and quality insights
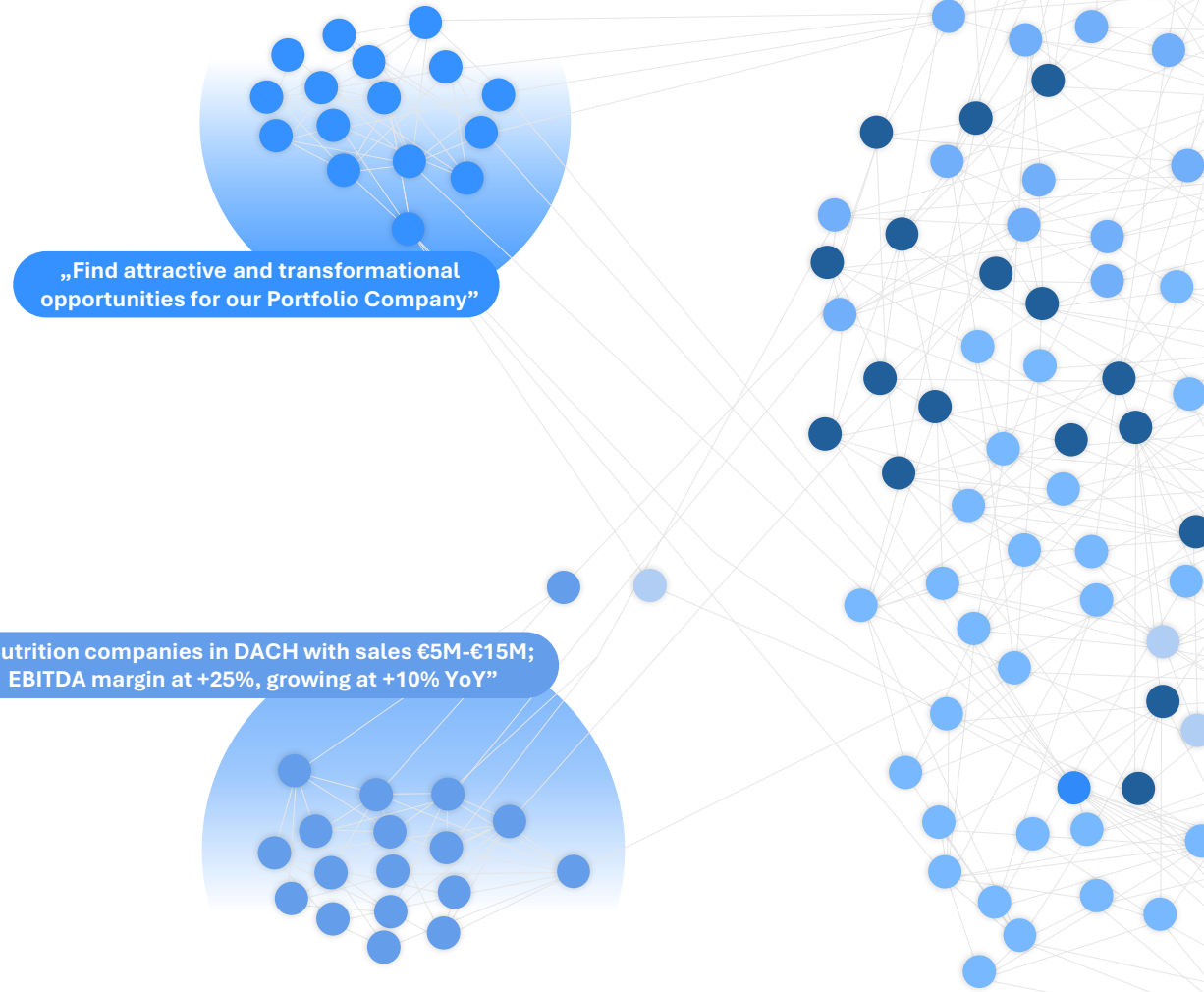
Traditional deal sourcing and screening in private equity are resource-intensive and constrained by the scope of manual analysis.

AI fundamentally transforms these processes by **automating the evaluation of thousands of potential investments**, incorporating variables like growth potential, market dynamics, and financial performance.

This approach greatly enhances the quality and scope of deal flow while allowing for more tailored and strategic decision-making:

1 Users can define the weighting of specific factors, such as market size or financial performance, allowing the system to align closely with their investment strategies and unique priorities.

2 AI assesses these insights and rank opportunities based on customizable criteria, helping firms to prioritize effectively.

3 Proprietary AI-powered systems further refine this process by analyzing historical data and predicting market shifts, offering individualized frameworks that adapt to each firm's strategic approach.

By combining AI precision with human expertise, private equity firms enhance deal coverage, reduce miss rates, and gain a competitive edge, enabling faster and even smarter investment decisions.

„Find attractive and transformational opportunities for our Portfolio Company"

"Nutrition companies in DACH with sales €5M-€15M; EBITDA margin at +25%, growing at +10% YoY"

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Due diligence is being transformed by AI, delivering unprecedented accuracy and speed
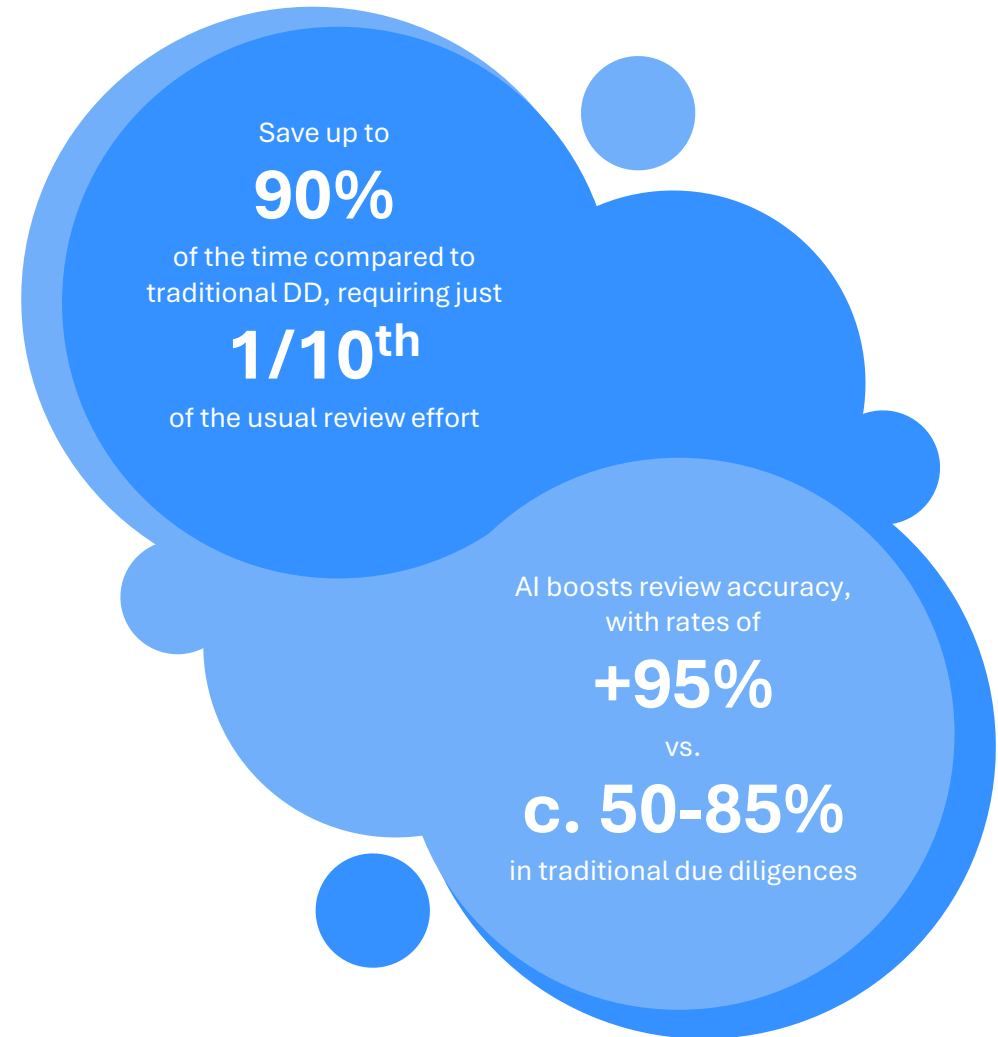
Traditional due diligence (DD) is a time-intensive, error-prone process, with juniors spending countless hours manually reviewing contracts, financial reports, and legal documents.

For investors, the key value of AI-powered DD lies in enabling deeper, faster, and more informed decision-making, rather than focusing on the result delivered by DD providers.

Unlike traditional approaches, AI integrates seamlessly into workflows without requiring disruptive changes or pre-training. The system dynamically adapts, learning from user interactions to improve search accuracy, offering key benefits like:

1. **Time Efficiency:** AI reduces review times up to 90%, freeing professionals to focus on strategic analysis.

2. **Risk Mitigation:** With accuracy rates of 95%+, AI identifies hidden liabilities or risks that could be missed in traditional manual reviews, helping investors safeguard their portfolios.

3. **Customization:** Unlike generic DD workflows, AI tailors its outputs to specific investor needs, such as sector-specific KPIs, financial anomalies, and compliance risks, ensuring tailored insights.

AI empowers investors to challenge or validate DD provider reports with data-driven insights, enhancing negotiation leverage, enabling smarter and faster decisions, and shifting focus from operational tasks to high-value strategic analysis.

Save up to
90%
of the time compared to traditional DD, requiring just
1/10th
of the usual review effort

AI boosts review accuracy, with rates of
+95%
vs.
c. 50-85%
in traditional due diligences

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Unlocking new opportunities for value creation in portfolio management

AI is transforming value creation by moving beyond traditional cost and revenue-focused strategies to a technology-driven approach that enhances performance, uncovers opportunities, and builds competitive advantages.

(!) **Nearly 60% of private equity firms now view AI as a primary catalyst for value creation**, making it an integral part of the value chain rather than a supportive tool.

Exemplary fields of application:

(1) **Data Integration:** AI combines internal data (e.g. historical transaction insights, portfolio metrics) with external data (e.g. market trends, competitor benchmarks) to identify opportunities and mitigate risks.

(2) **Operational Enhancements:** AI improves supply chain optimization, customer engagement, and pricing strategies by leveraging real-time and historical data.

(3) **Deal Origination and M&A:** AI streamlines add-on searches and identifies acquisition targets aligned with a fund's expertise, enhancing strategic positioning.

As private equity evolves, AI has become essential for integrating insights into portfolio management, driving greater value creation and fostering innovation in an increasingly technology-driven market.

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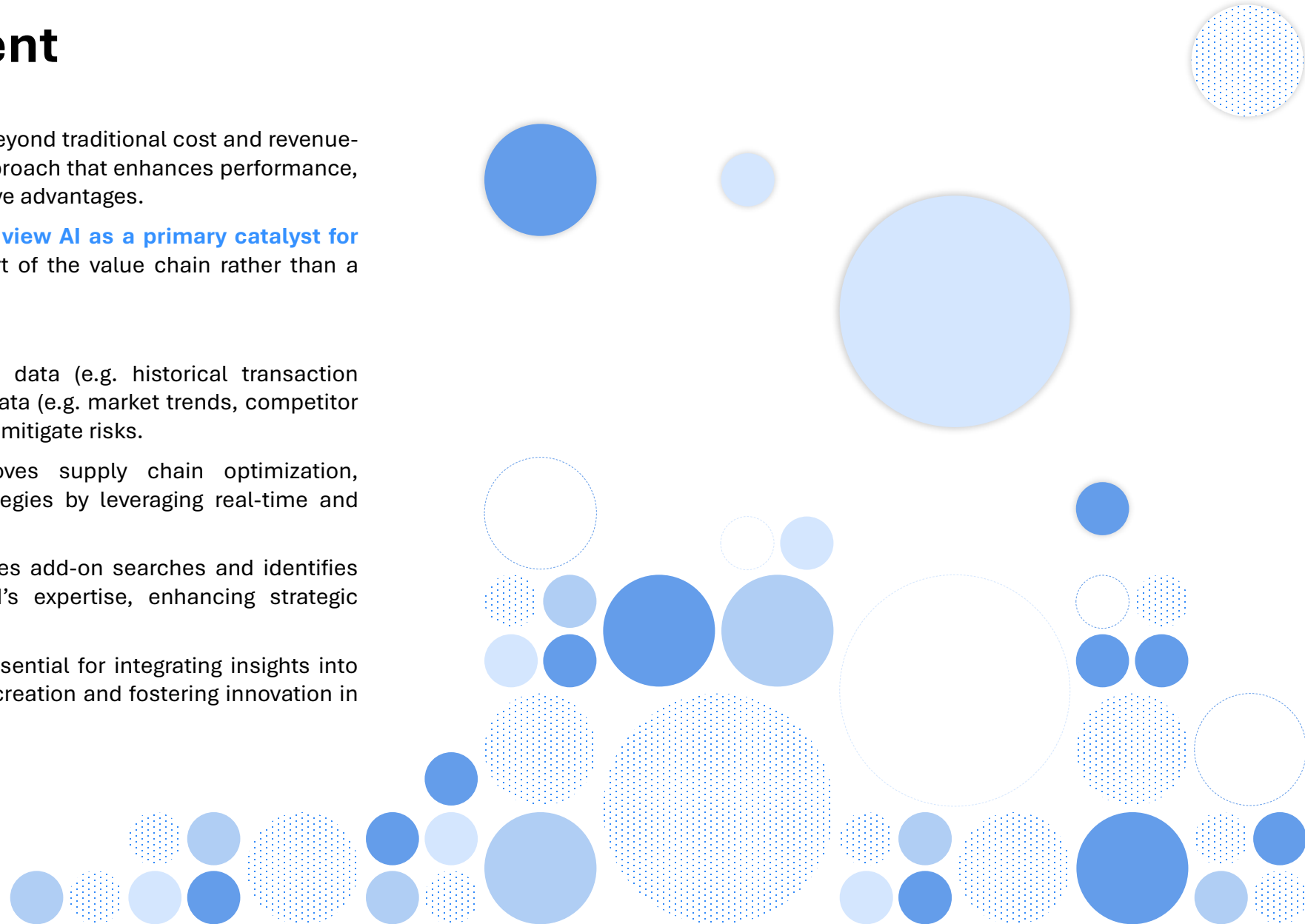
AI-driven decision-making tools support precise and strategic exit planning

AI enables new approaches how private equity firms plan exits by introducing data-driven tools that refine timing, valuation, and buyer selection. This shift allows firms to make more precise decisions compared to traditional analysis approaches.

1 **Timing:** Predictive analytics evaluate market trends, economic indicators, and industry performance to identify the most favorable time for exits.

2 **Valuation:** AI systems assess financial forecasts, industry benchmarks, and comparable transactions to calculate accurate valuations, ensuring competitive positioning.

3 **Buyers:** AI algorithms analyze market signals, buyer behavior, and industry trends, incorporating factors like preferences, acquisition history, and strategic alignment to efficiently match portfolio companies with the most compatible buyers or partners.

4 **Scenarios:** AI models simulate multiple exit scenarios, providing insights into how market fluctuations might impact potential returns.

By offering these capabilities, AI boosts decision-making in a fast-paced environment, enhances decision-making, and streamlines the transition process during exits, optimizing outcomes for both funds and their portfolio companies.

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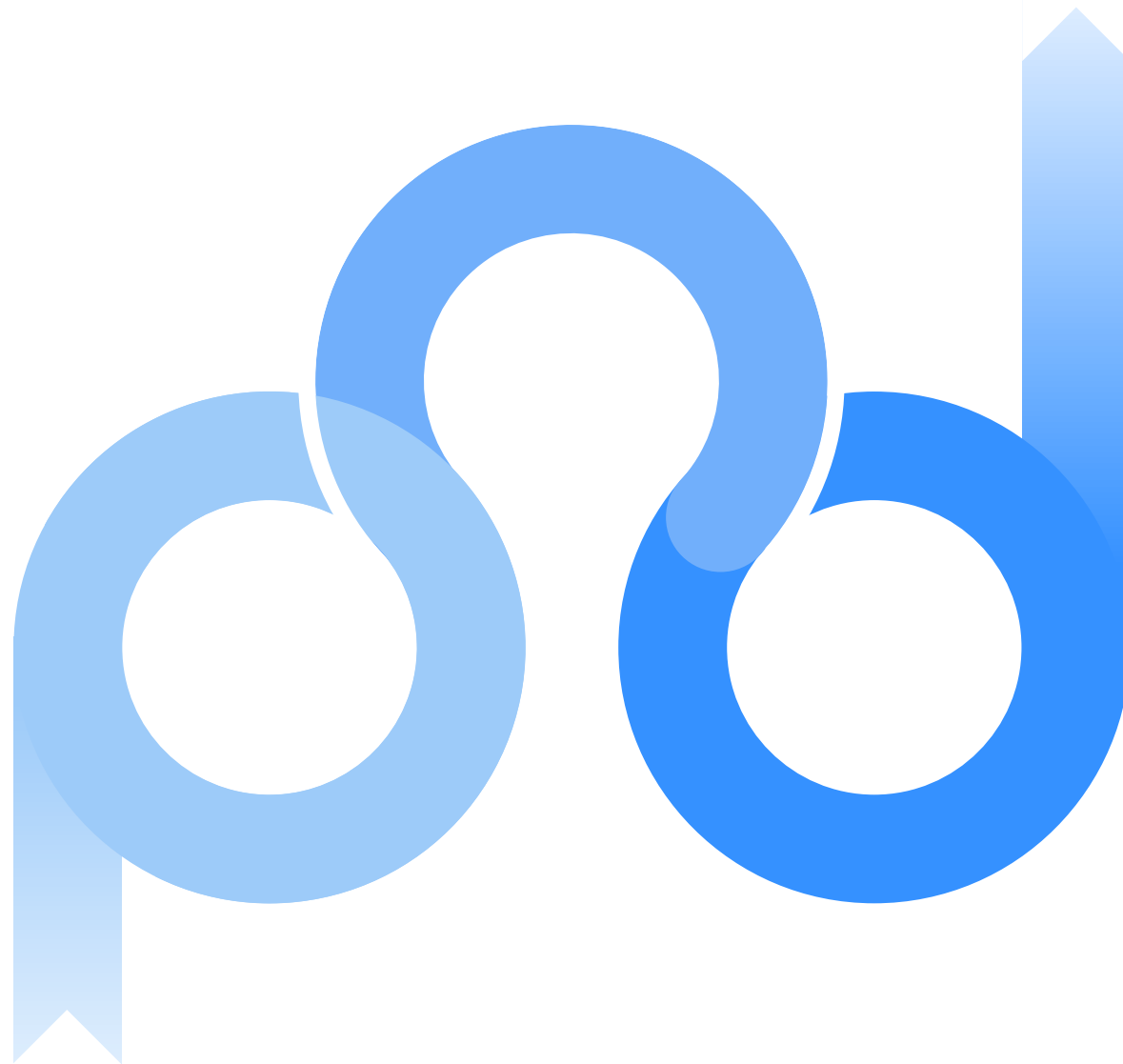
AI-Driven Transformation – Accelerating Deal-Making

	Today's Process	AI-Enhanced Workflow
Source and screen targets	Weeks	Hours
Build initial investment case	Days	Minutes
Draft market	Days	Minutes
Analyze financial statements	Hours	Minutes
Build valuation model	Days	Minutes
KPI reporting and tracking	Days	Minutes
Detect risks or underperformance	Reactive alerts	Predictive alerts
Update presentations	Days	Minutes
Create buyer list for exit planning	Weeks	Hours

! **Leveraging advanced technology sharpens market position, accelerates decisions, and unlocks hidden opportunities by streamlining workflows and enhancing insights.**

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Why **deal sourcing** and **deal insights** have become priority automation use cases?

The increasingly competitive investment landscape has made scaling deal sourcing and improving deal quality essential for success.

Enhanced deal sourcing allows funds to reach out more quickly, while improved insights **support high-quality deal selection**.
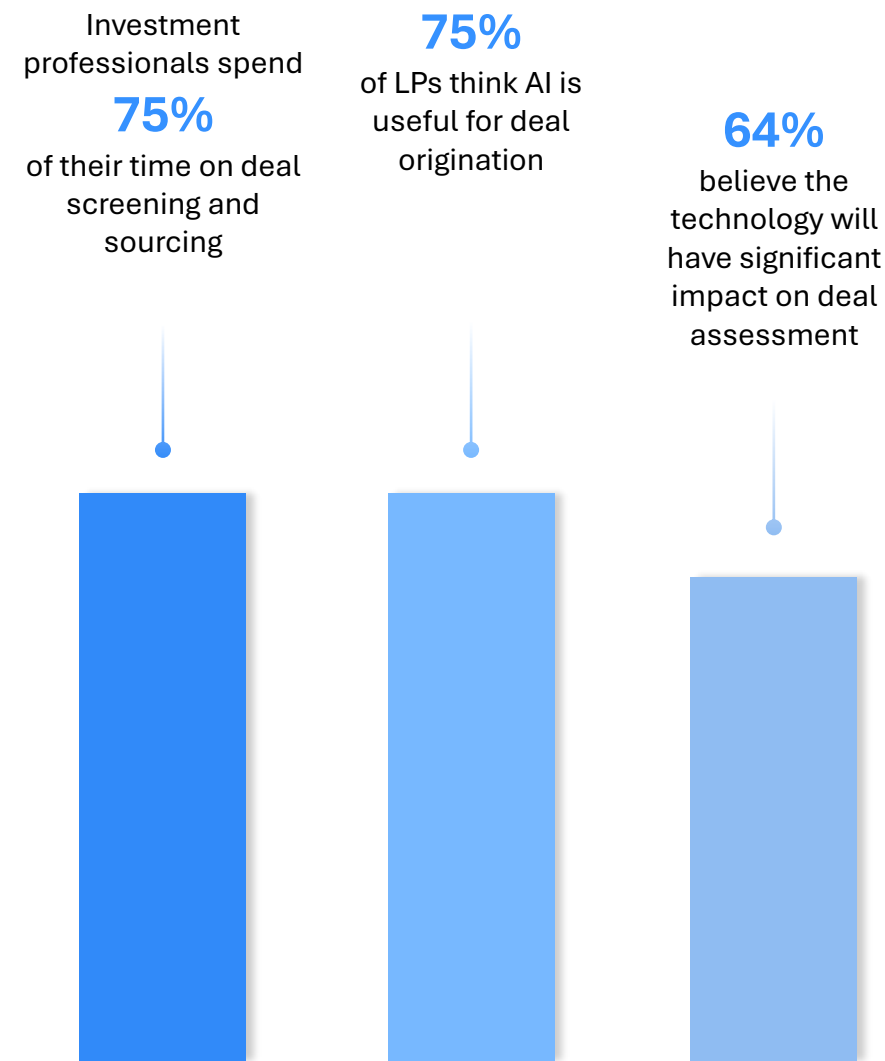
Traditional methods for deal sourcing and insights – such as networking, online searches, and marketing campaigns – are expensive, time-consuming, and hard to scale.

On average, funds spend 75% of their time on deal sourcing and due diligence, incurring significant opportunity costs by reducing focus on relationship-building and high-value tasks like investing.

To overcome these inefficiencies, funds are turning to AI and automation:

- **Adopting AI provides a competitive edge**, as 75% of LPs find AI valuable for deal origination, and 64% believe it will significantly impact deal assessment.

- **The growing use of alternative data** – such as social media, satellite imagery, and market trends – is reshaping private equity strategies.

Machine learning algorithms enable funds to efficiently process complex data, identify meaningful patterns, and extract actionable insights, ensuring funds remain competitive in sourcing and assessing deals.

Investment professionals spend
75%
of their time on deal screening and sourcing

75%
of LPs think AI is useful for deal origination

64%
believe the technology will have significant impact on deal assessment

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Private equity funds are already leveraging AI to stay competitive, with industry leaders setting the benchmark

The adoption of **AI in private equity is progressing rapidly**, with both large and small firms investing into AI to stay competitive. Leading examples include EQT's *Motherbrain*, Blackstone's *BXDS*, BlackRock's *Aladdin*, *Advent Lab*, and KKR's data science team.

These platforms are designed to integrate AI across the investment lifecycle, offering capabilities such as deal recommendations, insight generation, and opportunity alignment with fund strategies. They have already played a role in numerous successful transactions.

Recent advancements in AI technology have further accelerated this trend. Over 200 academic papers, some funded by investment firms, have focused on machine-learning algorithms for predicting company success, analyzing alternative data, and tailoring investments to match fund strategies.

These innovations allow AI to map entire industry ecosystems and identify optimal investment opportunities, cementing its role as a critical tool for modern private equity operations.

The widespread importance of AI is reflected in its adoption rates:

⚠️ **Around 75% of private equity firms are actively investing in or planning to adopt AI within the next year.**

As the technology reshapes the industry, firms that miss to integrate AI risk losing their competitive edge in an increasingly data-driven and technology-focused market.

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What is **the future of AI** in private equity?

1   AI systems can **continuously assess and predict risk factors**, from geopolitical events to supply chain disruptions, enabling proactive adjustments to investment strategies.

2   By accessing internal data, AI can **track fund activities, manage emails, schedule meetings, and facilitate personalized stakeholder communications.**

3   AI can **simulate highly complex, multivariate economic scenarios** to better prepare firms for potential macroeconomic disruptions and their impacts on portfolio companies.

4   **Generative AI-powered agents** handle research, pipeline tracking, and inter-agent communication, streamlining workflows and enhancing efficiency across investment processes.

5   Generative AI can provide **personalized updates, reports, and communication to investors**, improving transparency and building stronger relationships.

6   AI can **facilitate ongoing assessment of ESG factors**, allowing firms to align with sustainability goals and respond proactively to compliance risks.

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How to **win** within these new market conditions and getting **ahead of the curve**

Private equity funds are navigating new market conditions where **AI is transforming the way deals are sourced, evaluated, and executed.**

Leading firms are already adopting AI to improve efficiency, while new entrants leverage advanced technologies to capture market share from the start.

To **stay competitive**, funds could embrace innovation through either building **in-house solutions or adopting external platforms**.

External solutions are often faster to implement, more cost-effective, and customizable to specific business needs, offering immediate impact.

High-quality data is critical for AI success, as it directly influences the accuracy and quality of results. Access to reliable and comprehensive data enhances decision-making, instills greater trust among investors (LPs).

Additionally, AI drives operational efficiencies **by automating the first layer of analytical work**, identifying opportunities and risks at scale, and **significantly reducing the workload for teams**.

This allows professionals to focus on higher-value tasks, such as building strong relationships, strategic decision-making, and creating long-term portfolio value. By integrating AI, private equity funds can deliver **superior results**, stay ahead of competitors, and position themselves as leaders in this rapidly evolving market.

Ensure Data Quality

Adopt AI Early

Empower Teams with AI

Communicate Value to LPs
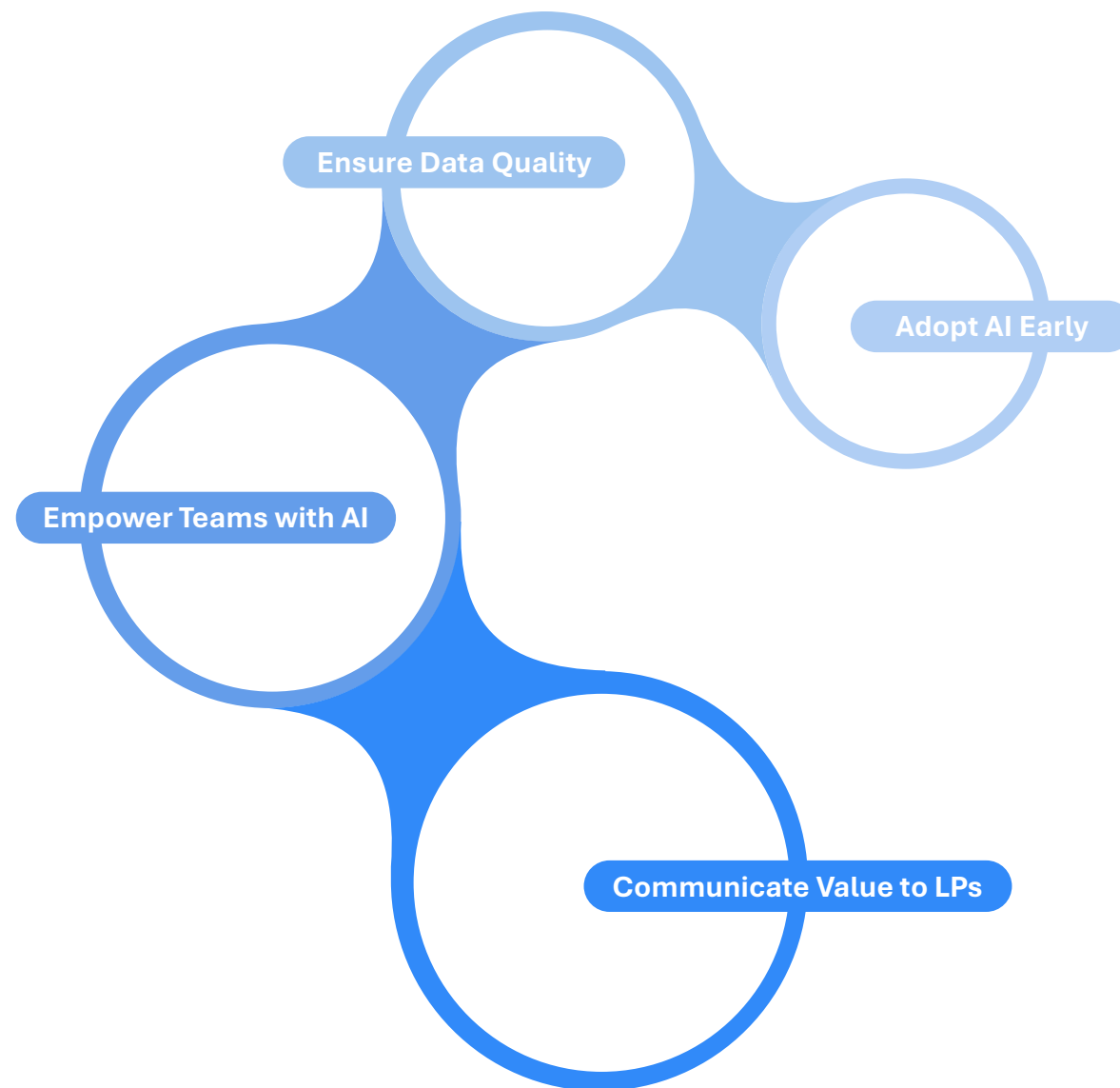
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Transforming ways of working
for tomorrow.

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