AIMA

Charting the course: Lessons from AI leaders in alternative investment

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FOREWORD

When the AI tsunami hits, those who've made it out to sea will ride the swell – the rest will face the wave head-on.

That is the warning and the invitation offered by those who understand generative AI's (Gen AI) potential – and its risks – better than anyone.

This report is the product of AIMA's second in-depth exploration of how fund managers around the world are integrating these transformative tools across their organisations. It includes a comprehensive survey of fund managers and institutional investors spanning a wide spectrum of investment strategies and firm sizes (see Methodology), and is enriched by qualitative insights from those furthest along the Gen AI adoption curve.

These AI leaders argue that, while much of the conversation around Gen AI rightly focuses on governance and risk mitigation, the AI era will not reward those who are overly cautious. Moreover, harnessing the coming wave will require a skilled captain at the helm and a well-trained crew to keep things on course.

Therefore, this report emphasises the lessons learned from leaders in Gen AI adoption within the alternative investment space, providing a roadmap for others.

While many of the most advanced adopters are among the largest by AUM, several of the lessons shared here focus on cultural and operational practices that firms of any size can apply.

These lessons include how to establish a robust governance foundation for Gen AI; the key risks and limitations of the technology; how investors are responding to its use by fund managers; and what the most innovative adopters are aiming to achieve next.

We hope this report supports you on your own Gen AI journey.

METHODOLOGY

The findings presented in this report draw on a combination of quantitative and qualitative research conducted in the first half of 2025.

At the core of the study is a survey of 150 fund managers, representing an estimated US$788 billion in assets under management (AUM), alongside 18 of the largest institutional investors, including US state pension funds, endowments, and family offices across North and South America, Europe, and Asia Pacific. Respondents reflected a wide range of investment strategies, geographies, and AUM bands. By region, the UK, US, and APAC each accounted for roughly one-third of responses.

Throughout the report, we distinguish between "large" and "small" hedge fund managers, with large managers defined as those overseeing more than US$1 billion in AUM. This segmentation enables meaningful comparisons of perspectives and adoption trends across firms of different sizes. Notably, 60% of fund manager respondents fall into the large-manager category.

The survey results are complemented by dozens of hours of qualitative interviews and roundtables with fund managers, investors, and industry service providers. These discussions provided essential context and deeper insight into how generative AI is being adopted and reshaping practices across the industry.

To illustrate real-world applications, the report also includes case studies from hedge fund managers and service providers actively experimenting with and implementing generative AI tools within their organisations.

This study builds on AIMA's first dedicated exploration of generative AI, Getting in Pole Position: How Hedge Funds Are Leveraging Gen AI to Get Ahead. Where relevant, we present time-series analysis to highlight how sentiment and adoption have evolved since that initial research.

ACKNOWLEDGMENTS

As with all AIMA market research, this report was shaped by the insights of our fund manager-led Research Committee, with additional contributions from our Global Investor Board.

We are also grateful to the fund managers, investors, and service providers who generously contributed their time to ensure this report delivers meaningful value to AIMA's global membership and the broader alternative investment community.

Finally, we would like to acknowledge the large language models, which served as writing and research assistants throughout this project.

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SUMMARY OF LESSONS

Lesson 1: Build strong governance foundations
Establishing clear governance frameworks, including usage policies, risk training, and access controls, is essential for enabling safe experimentation with Gen AI. The most successful fund managers empower staff to innovate within well-defined guardrails that minimise risk.

Lesson 2: AI leaders have a Gen AI staff policy
Whether your firm is all-in on Gen AI or still in the exploratory phase, staff may already be using these tools and the risks of so-called "shadow adoption" are real. Therefore, a Gen AI policy isn't just a defensive play, it's a signal to employees, and investors that your firm is approaching innovation responsibly.

Lesson 3: AI leaders are aware of the risks and limitations of Gen AI use
Gen AI presents meaningful opportunities across fund manager's operations, but core risks – particularly data leakage, hallucinations, and misplaced automation require active management. Fund managers leading in Gen AI adoption are responding with targeted staff training, internal safeguards, and a clear understanding that Gen AI should augment, not replace, human judgement.

Lesson 4: AI leaders train staff to use Gen AI responsibly
For firms looking to embed Gen AI into their operations responsibly, training is not optional. Whether you hire, partner, or build in-house capacity, the baseline goal should be clear: ensure your team knows how to use these tools safely, understand their limitations, and follow firm-wide protocols. Failing to do so doesn't just introduce operational risk – it also leaves firms vulnerable to investor scrutiny and reputational damage.

Lesson 5: Match the right LLM to the right use case
No one LLM model is universally best. Fund managers should adopt a use-case-first mindset and stay responsive to an evolving ecosystem. Those that do will extract the greatest value from these tools – securely, efficiently, and ahead of the curve.

Lesson 6: AI leaders are innovative in finding use cases
AI use case adoption is widening beyond early administrative tasks into a broader range of business functions, including the front office. While governance requires a top-down approach, identifying valuable use cases depends on empowering teams at all levels. Leading firms are creating cross-functional forums that surface and share ideas across departments.

Lesson 7: AI leaders recognise the front office potential of Gen AI
Front-office usage of Gen AI is on the rise, particularly in investment research. A majority of fund managers now expect greater integration of Gen AI into their investment process, with Gen AI seen as a tool to enhance signal generation and research efficiency. However, human judgement remains essential, in areas like trade execution and risk management.

Lesson 8: Understand and address investors' concerns around Gen AI
Fund managers will come under growing pressure to demonstrate how they are exploring and adopting Gen AI, but overstating progress can backfire. While investors are broadly optimistic about the technology's potential to enhance operations and returns, they are also increasingly discerning. Credibility will come not from bold promises, but from clear, measurable actions.

Lesson 9: Balance optimism with realism when communicating with investors
Investors are increasingly optimistic about the potential of Gen AI but expect transparency and progress, not hype. Fund managers are under pressure to engage with the technology thoughtfully, balancing ambition with realism. Overstating capabilities risks damaging credibility. Clear communication backed by measurable action is essential.

Lesson 10: Make the most of AIMA's resources and communities
While the promise of generative AI lies in its ability to transform operations and investment strategies, the true advantage comes from learning with and from others. AIMA's unparalleled global network offers fund managers a unique platform to exchange ideas, experiences, and best practices in navigating this fast-moving landscape. By engaging in peer discussions, leveraging AIMA's growing library of resources – including the AI checklist, webinars, and podcasts – you can accelerate your understanding of where AI can create value in your business. Don't go it alone: the smartest approach is to draw on the collective expertise of your peers and the knowledge hub that AIMA provides.

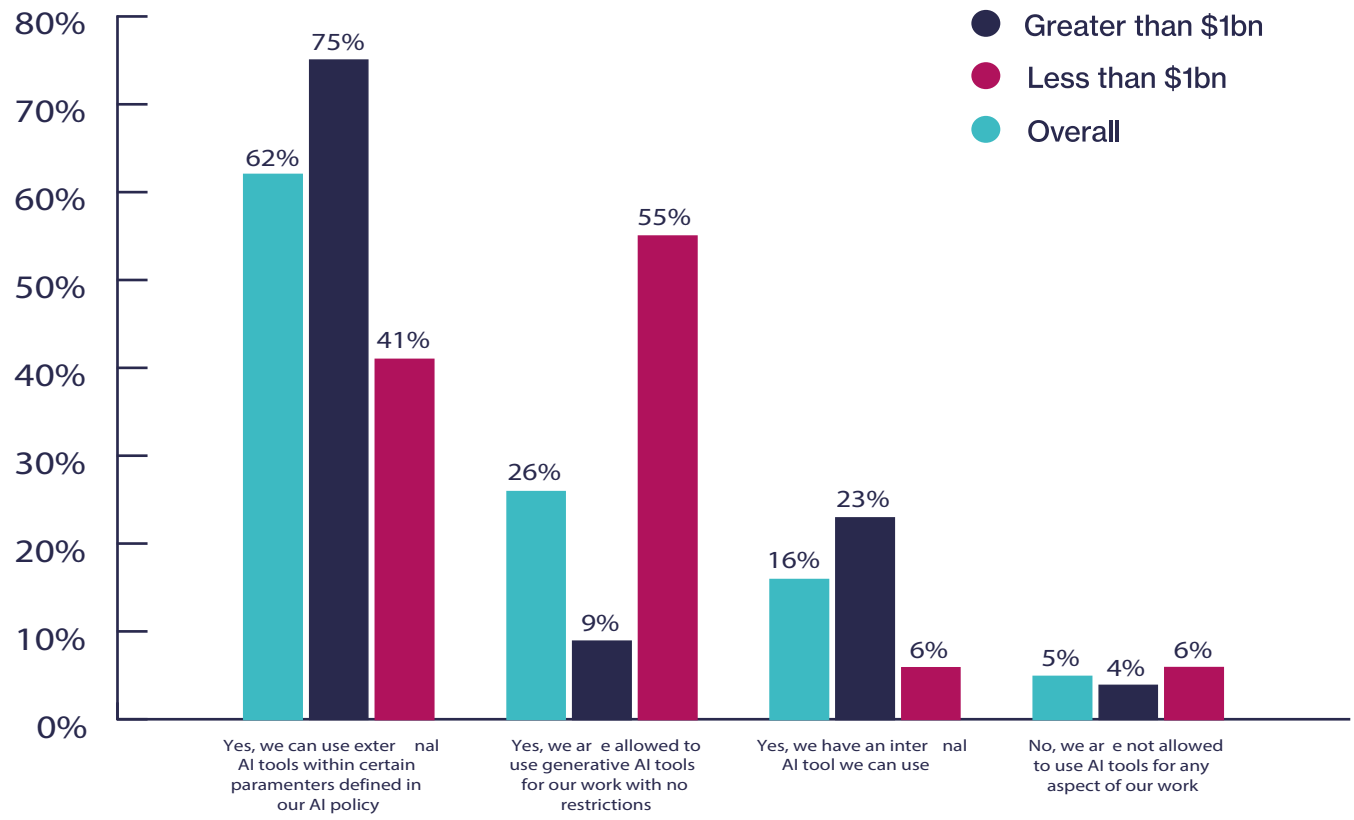
Lesson 1: Build strong governance foundations

The adoption of Gen AI across the alternative investment industry is widespread and accelerating.

According to this year's survey, 95% of respondents reported using Gen AI in their work. Notably, 75% say they're using it more than before, while 9% said usage has remained consistent.

But usage rarely comes without boundaries. Over 60% of firms have instituted formal restrictions on how Gen AI may be used and 16% reported accessing Gen AI only through internal platforms, see Figure 1.

Figure 1: Does your firm allow staff to use generative AI tools to support their work? Please select all that apply.



Notably, fund size appears to influence governance practices. Half of the respondents at smaller fund managers, (defined as those with less than US$1 billion in assets), reported having no restrictions when using Gen AI tools. This figure is six times higher than the rate of their larger peers. Industry experts, including fund managers and service providers, interviewed by AIMA pointed to this as a red flag, particularly given that smaller firms are less likely to deploy bespoke tools that help ring-fence sensitive data.

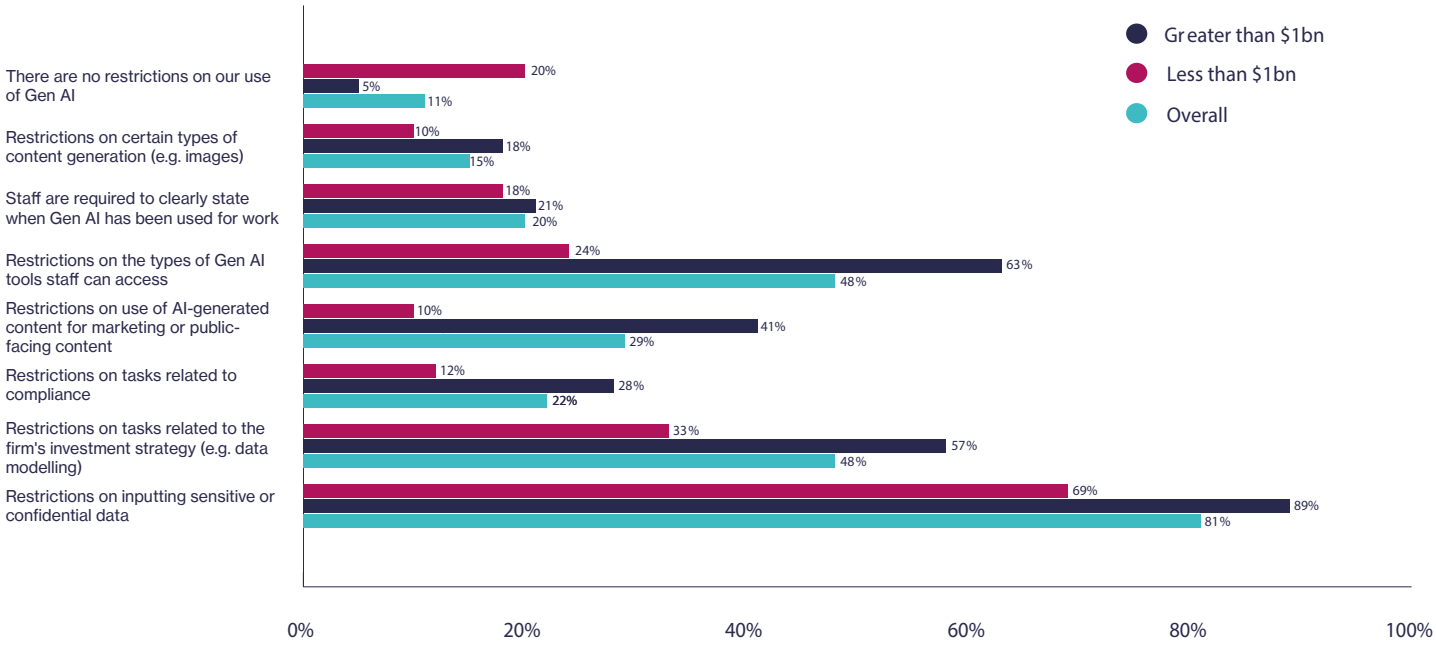
Across the board, AI leaders stressed that if staff are using Gen AI in the course of their work, firms should have clear protocols in place. Whether through formal guidance or hardcoded restrictions, guardrails for its use are seen as a baseline requirement for responsible adoption.

> *The adage 'if you don't pay for the product, you are the product' finds new meaning with Gen AI. When using these models, be aware that any data shared could contribute to the training of future iterations, potentially compromising confidential information.*
>
> *It's crucial to establish clear protocols for data use to mitigate the risk of leakage and safeguard sensitive information.*
>
> *Linedata*

Which restrictions are common?

Preventing inadvertent data sharing with external AI tools is the most frequently cited concern among fund managers of all sizes, see Figure 2. Other common safeguards include restricting certain tasks from being AI-assisted and banning the use of specific LLMs considered untrustworthy. These findings closely align with the priorities highlighted by the AI leaders interviewed.

Figure 2: Are there any restrictions to how you use external generative AI tools. Please select all that apply



Once again, however, smaller managers lag in policy implementation. AI leaders were firm in their view that a fund manager's size (i.e. AUM) should not dictate whether an AI usage policy document is needed.. The risks of ungoverned usage – such as reputational damage, regulatory breaches, or intellectual property loss – are not size-dependent.

A fund manager's size should not be a factor in whether clear staff guidelines exist.

Build or buy?

The gold standard in Gen AI deployment is via a secure, in-house Generative Pre-trained Transformer (GPT), a type of LLM architecture that can connect to one or more LLM. When trained or adapted, using a firm's internal data, and deployed in secure environments, these models offer a far more robust and risk-conscious solution than the generic, web-based tools many users access day-to-day.

However, barriers to entry remain high. Developing an internal proprietary Gen AI platform requires considerable investment, with ongoing operational costs that can scale significantly based on usage. This is in addition to the cost of hiring or retaining specialist expertise to design, oversee and maintain the system over time. Beyond development costs, fund managers must budget for ongoing infrastructure, staffing, integration, and operational costs that can scale significantly based on usage.

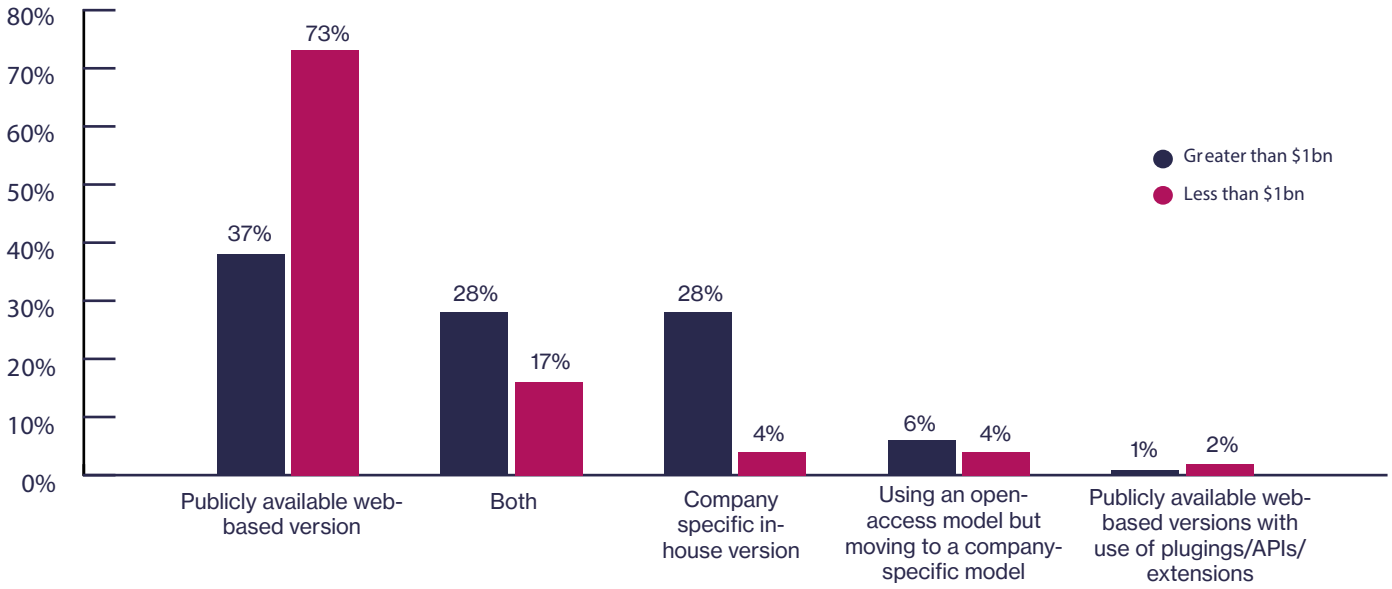
Unsurprisingly, most survey respondents still rely on open-access models, with smaller managers far more likely to do so, see Figure 3.

What is a GPT?

A Generative Pre-Trained Transformer (GPT) is like a smart firewall and traffic router. It filters, protects, and routes every AI request to the right model, while shielding internal users from external risk.

For example, Man Group's "ManGPT" (see case study on page 32) and those like it, provide a secure environment for staff to fully leverage the capabilities of various LLMs to assist in their work.

Figure 3: If you use generative AI tools for work purposes, does your firm use publicly available web-based versions or a company specific in-house version?



Importantly, AI leaders noted that open-access models can produce the same quality of responses to general prompts as an in-house model. But they would not be able to tailor their responses to the specific needs of an organisation or individual user based on company-specific data it could reference. However, while they can deliver real productivity gains, they're not trained on firm-specific data and carry higher risks – making governance and oversight even more essential.

Beyond the binary: A mosaic approach

For many firms, the "build vs. buy" question is not a clear-cut binary. Instead, a mosaic approach is emerging – one that combines secure vendor tools, purpose-built internal apps, and open-access tools under governance frameworks tailored to each use case.

Several AI leaders also predicted that falling costs and increasing modularity could soon make bespoke Gen AI tools accessible even to smaller firms.

Shadow adoption (ShadowAI) is a real threat that leaders need to be aware of. Having true visibility of Gen AI usage across your firm can be challenging because personal devices and desktop applications can undermine traditional cyber security and oversight. However, it's important to have at least the basic protocols in place, supplemented by training staff, to mitigate the major risk of oversharing of sensitive firm data with LLMs.

We are currently governing AI technology for clients to ensure its adoption is done in a safe, audited and secure manner while training on its uses. We have tools our clients can use from our secure DDQ population, through to chat and comms tracking, auditing and security tools using our, and the client's, data in a secure way to help them become more and more efficient and able to focus on performance of the funds and the firms.

RFA

While Gen AI adoption started from the back-office tasks e.g. writing due diligence reports, the potential value added by AI in the front office is tremendously larger e.g. thematic deal sourcing or identifying fundraising opportunities. The main value-add for back office tasks have been time and cost saving, while for the front office the main value add has been higher alpha in deals and higher fundraising success.

AIx2.ai

Lesson 1 Takeaways

Define clear staff usage policies, access protocols, and risk training.

Limit Gen AI access to encourage safe experimentation, not to stifle innovation.

Tailor governance practices regardless of firm size – risks are not size-dependent.

Understand common restrictions (e.g., preventing data leakage, banning untrusted LLMs).

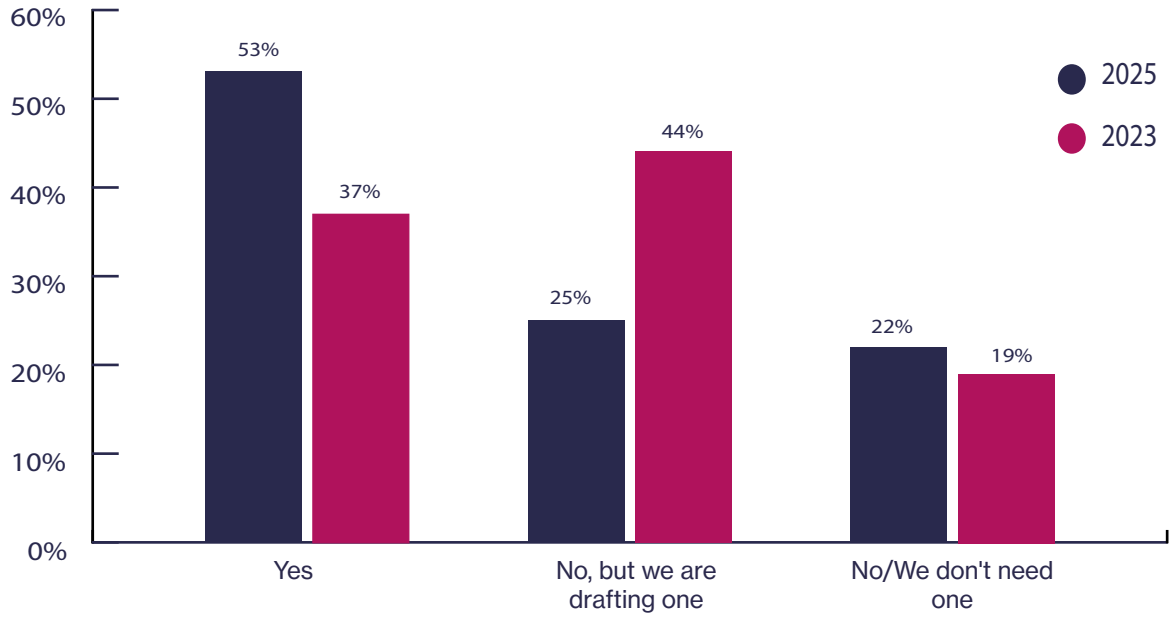
Explore a “mosaic approach” combining open-access tools, internal apps, and secure vendor tools under unified governance.

Lesson 2: AI leaders have a Gen AI staff policy

Regardless of a firm's size or its resources, the first line of defence in any Gen AI strategy is a clearly defined staff policy. This document establishes expectations, sets boundaries, and helps prevent avoidable risks, particularly when it comes to data security and responsible use.

In Q4 2023, when AIMA first surveyed the industry, only 37% of respondents said they had a Gen AI policy document. By 2025, that number had risen to just over half, see Figure 4.

Figure 4: Does your firm have a staff policy document for the use of generative AI tools? Please select one



While progress is clear, the percentage of firms that say they do not need a policy has remained stubbornly consistent. According to AI leaders interviewed by AIMA, many organisation are likely misguided. The leaders unanimously agree that a Gen AI policy, even a basic one, is becoming an essential safeguard. Without clear guidance, staff are more likely to inadvertently share sensitive data or use Gen AI tools inappropriately.

Perhaps most concerning is that many fund managers without a policy also rely on open-access Gen AI models without any restrictions on staff usage. This triple threat exposure (no policy + open tools + no usage restrictions) creates a significant and unnecessary risk of sensitive data ending up in external systems, where it may be stored, used for future training, or resurface in other user's responses.

Whether the restrictions are hardcoded blocks on using Gen AI for specific tasks or published in a policy document, the need for guardrails was repeatedly expressed by leaders in the space. Creating clarity on what is acceptable helps prevent both misuse and confusion. This becomes especially important given the growing trend of shadow adoption, which was identified as key concern by several experts, including fund managers and service providers.

The risks of AI shadow adoption

"Shadow adoption" refers to employees using Gen AI tools without the knowledge or approval of the firm's IT, compliance, or management. According to multiple AI leaders, shadow adoption is far more common than many fund managers realise. Much of this activity will not be malicious but, rather, may reflect a lack of education across the firm about best practices related to Gen AI use.

Even among firms that discourage Gen AI usage or don't yet have formal plans, it's highly likely that staff are experimenting with these tools in some capacity. The absence of oversight by senior leadership doesn't stop Gen AI adoption across the firm, it just stops visibility.

Moreover, as we will discuss in Lesson 4, gaining visibility into how staff are using Gen AI will become increasingly important as investors ask more complex and probing questions about how fund managers are approaching the technology.

> *The primary questions that we are asking investment managers relate to sharing a copy of their AI policies with us, asking for examples how the Investment and Non-Investment Teams are using AI, how the manager is reviewing information from AI models and understanding how public AI models are used, says a mid-sized endowment based in the Americas.*
>
> *Mid-sized endowment, Americas*

Lesson 2 Takeaways

Publish a clear, accessible Gen AI policy document for staff.

Use it to set expectations, define acceptable use, and prevent risky behaviour.

Address "shadow adoption" – staff are likely using Gen AI already, even if unofficially.

Ensure visibility into usage to respond effectively to investor questions and risks.

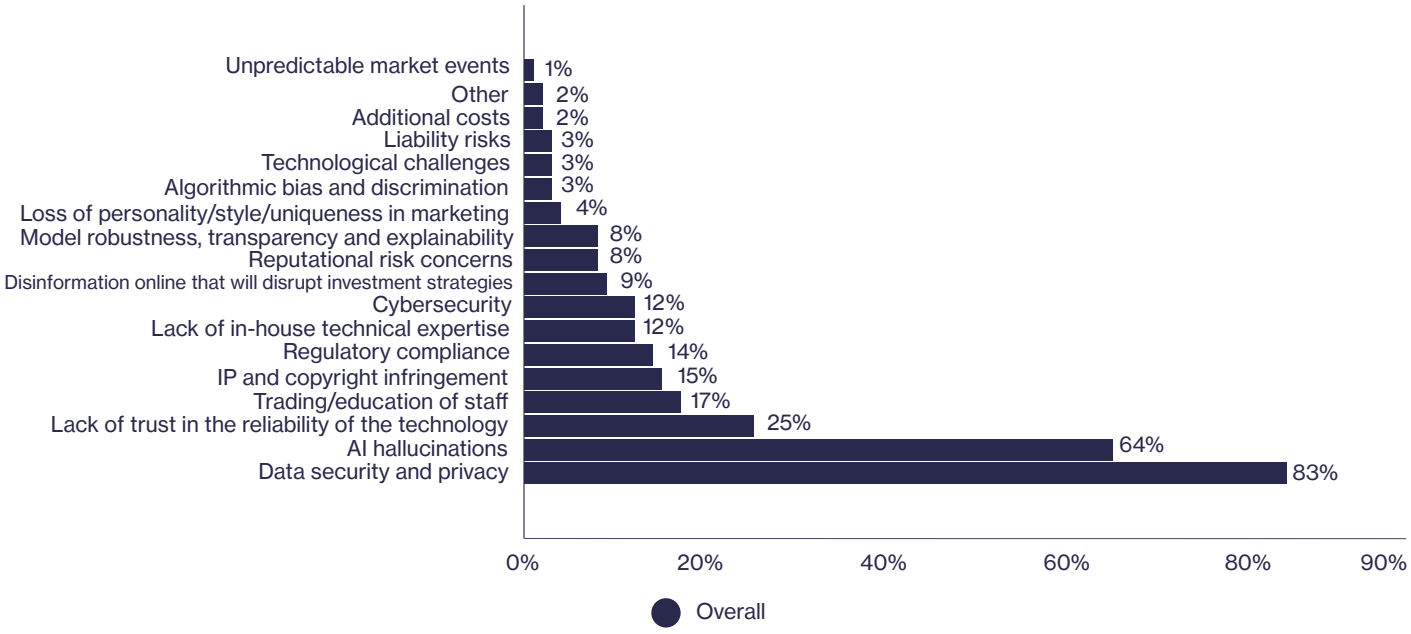
Combine policy with training and oversight to avoid triple exposure: no policy + open tools + no restrictions.

Lesson 3: AI leaders are aware of the risks and limitations of Gen AI use

The most pressing concern among fund managers, regardless of size, is data security, see Figure 5. Specifically, the firms that AIMA spoke with worry about employees inadvertently oversharing sensitive information with an unsecure Gen AI platform. Why? Because, as mentioned above, that data will be stored, used for future training, and may resurface in other user's responses.

Close behind this concern is the issue regarding "hallucinations", instances where Gen AI generates false or misleading outputs, and, relatedly, a broader lack of trust in the underlying technology.

Figure 5: What are the main risks you are concerned about from using generative AI tools? Please select the top three.



Understanding and mitigating Gen AI hallucinations

An AI hallucination occurs when a language model, like those powering Gen AI tools, produces an answer that is factually incorrect, misleading, or entirely fabricated – even though it may sound confident and plausible.

Hallucinations are a byproduct of how AI models generate responses, i.e. by predicting the most likely sequence of words based on patterns in their training data, not by verifying facts. As a result, hallucinations are a key risk consideration when using AI in sensitive or high-stakes contexts.

While hallucinations can't yet be eliminated entirely, the following techniques can significantly reduce their impact:

1. Use Retrieval-Augmented Generation (RAG): Connect the model to trusted internal data sources to ground its answers.
2. Fine-tune or embed internal context: Train or customise the model with your firm's documents, workflows, and terminology.
3. Apply guardrails and prompt engineering: Design prompts to limit speculation and enforce clear boundaries (e.g., "Only answer if certain").
4. Keep a human in the loop: Review AI outputs before use in high-risk or public-facing contexts.

According to AI leaders, all three of these concerns can in part be mitigated to some degree through staff training and appropriate guardrails, see Lesson 4. Given the probabilistic nature of LLMs, hallucinations are unlikely to be fully eliminated in the near term. Therefore, the focus must shift to user competence: ensuring that employees understand how Gen AI works, when to question its outputs and how to validate responses before incorporating them into business processes or decision-making.

Leading fund managers are taking a proactive stance. Many have already launched internal training programmes to build staff literacy around Gen AI usage, while others are developing usage guidelines tailored to specific business functions. These programmes often begin by raising awareness of the core risks when using gen AI tools – data privacy, hallucinations, and legal or ethical concerns – before progressing to more advanced use cases and techniques, such as prompt engineering, the practice of designing prompts given to an LLM to achieve accurate and relevant outputs.

Among the larger fund managers with more resources, bespoke in-house Gen AI platforms are being developed to create safer environments for experimentation, typically with enhanced controls and proprietary data isolation. In these firms, training is integrated into wider digital transformation efforts and frequently revisited as tools evolve.

What are the limits of Gen AI?

AI leaders were clear that human oversight of Gen AI is here to stay. While there is broad optimism about the growing capabilities of Gen AI, none of the interviewees expected entire business functions to be delegated to LLMs any time soon. Fundamentally, using Gen AI, even a third-party service, does not mean a firm abdicates accountability if something goes wrong.

This caution applies across all business areas, but two functions were consistently highlighted as especially unsuitable for full automation: the front office and investor relations (IR).

Gen AI doesn't add up for quants

LLMs are probability engines, not calculators. When prompted to calculate 2 + 2, an LLM does not perform a computation. Instead, it refers to its training data, identifies that 4 is the most probable response, and returns it. This makes LLMs fundamentally different from deterministic tools like Excel and underpins the scepticism among quantitative investment professionals.

Quantitative investment strategies typically require explainability and verifiability attributes that LLMs currently struggle to provide at a level acceptable to investors. The consensus among quantitative fund managers interviewed was that while using Gen AI tools may be helpful for idea generation and research, it lacks the reliability needed for data analysis and model execution.

This view is also reflected in the survey results: CTA and managed futures fund managers were among the least likely to use Gen AI in front-office functions, and many indicated they don't expect that to change.

Keep the human touch in IR

IR is among the business functions most significantly impacted by Gen AI, according to survey respondents, second only to Research, and on par with IT and technology. For example, some credited the use of Gen AI tools with meaningfully reducing friction during the due diligence process with prospective allocators.

However, multiple leaders in AI adoption cautioned against prioritising efficiency over relationship-building – the core value proposition of IR. While tools like automated message systems or AI-assisted

investor letters may reduce administrative burdens, they risk sending the wrong message to stakeholders and undermining trust – the true currency of the realm.

As in other areas of the business, Gen AI can deliver significant efficiency gains in IR, but speed is not always the right benchmark for value. When it comes to investor confidence, responsiveness, tone, and authenticity still matter.

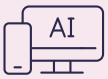
Establishing governance protocols and technical guardrails is important, but not sufficient. Leading AI adopters consistently emphasised that digital infrastructure alone will not protect your staff from missteps.

Training and ongoing education are also critical. Staff must be equipped not only to use Gen AI responsibly but to recognise and mitigate the associated risks. This is especially important given the rise of shadow adoption, as discussed in Lesson 2.

While tools like automated message systems or AI-assisted investor letters may reduce administrative burdens, they risk sending the wrong message to stakeholders and undermining trust – the true currency of the realm.

Lesson 3 Takeaways

Prioritise managing risks: data leakage, hallucinations, and misplaced trust in outputs.



Use techniques like Retrieval-Augmented Generation and prompt engineering to mitigate hallucinations.

Keep a human in the loop. Gen AI should augment, not replace, judgement.

Avoid full automation in high-trust areas like quant strategies and investor relations.

Build staff awareness of Gen AI's limits, especially in non-deterministic tasks.

Lesson 4: AI leaders train staff to use Gen AI responsibly

The training gap is widening

Staff training is one of the clearest areas of divergence between large and small fund managers. On the surface, this might seem intuitive, but AI leaders interviewed strongly advocated that even the smallest fund managers on the tightest budget should still ensure their staff are, as a minimum, educated about the risks of using Gen AI; especially given the concerns around shadow adoption previously discussed.

In 2023, only 13% of respondents had completed Gen AI training, with another 38% planning to do so within six months. Among smaller managers, 62% said they didn't need to offer training – either because they weren't using Gen AI or, more concerningly, despite using it without guidance.

In 2025, nearly a third of firms have now delivered training, and another 44% plan to do so, see Figure 6.

While that represents progress, Figure 7 (page 18) reveals a growing divide: larger firms are far more likely to have completed training and far less likely to consider it unnecessary.

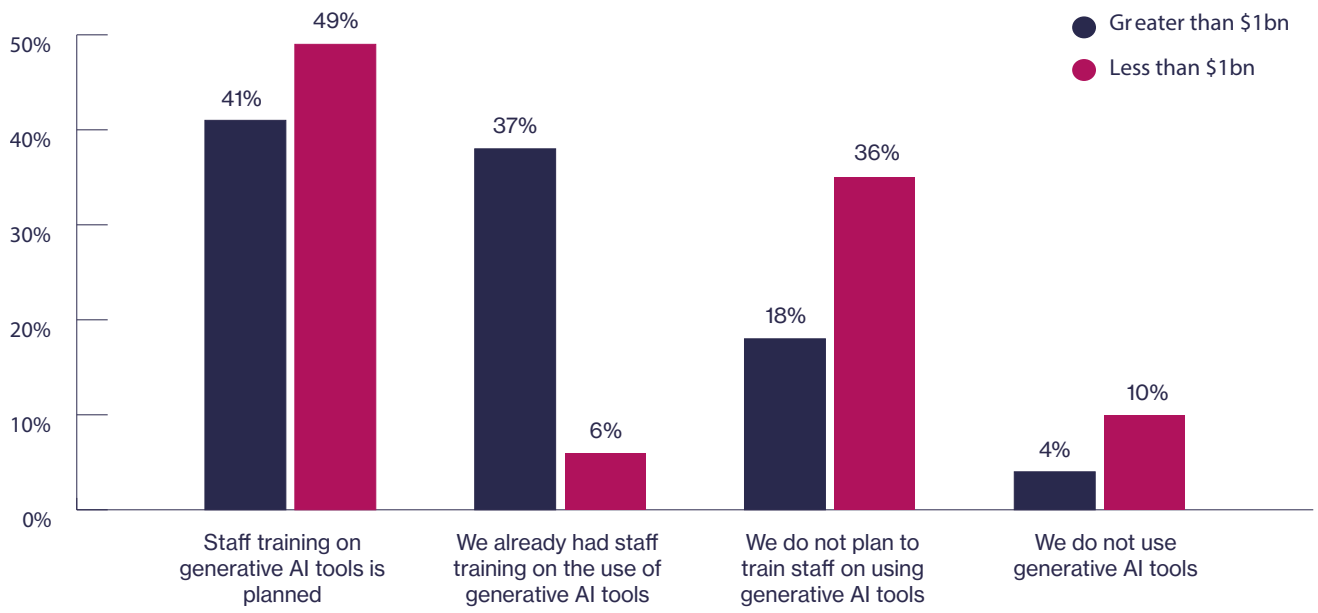
Encouragingly, a roughly equal proportion of large and small firms plan to train staff – suggesting awareness is spreading. But, overall, among smaller firms, training often remains a lower priority.

Making training manageable

Training staff in a fast-evolving space like Gen AI can seem daunting, but it doesn't have to be. Part of the difficulty comes from the fact that the rapid evolution of these tools and systems can make what is best practice today defunct tomorrow. Since these tools burst onto the scene, a bevy of educational courses – from one-hour online courses through to PHDs – have emerged to support those applying Gen AI tools to their work.

Figure 6: What types of training are offered to staff to allow for the effective use of generative AI tools? Please select one.

Figure 7: What types of training are offered to staff to allow for the effective use of generative AI tools? Please select one.



But training doesn't need to be complex. For most fund managers, the first priority should be helping staff understand:

- The core risks of Gen AI usage (e.g., data leakage, hallucinations)
- Firm policies and usage boundaries
- When to validate outputs and how to escalate concerns

Advanced topics like prompt engineering or custom GPT deployment can follow once the basics are covered.

How are fund managers training staff?

Among those that offer training, half of the fund managers that we surveyed aim to use existing staff, with another third using service providers, see Figure 8 (page 19).

Notably, only a smaller percentage of large fund managers plan to hire a dedicated AI expert to lead training. These figures approximately mirror the 2023 findings.

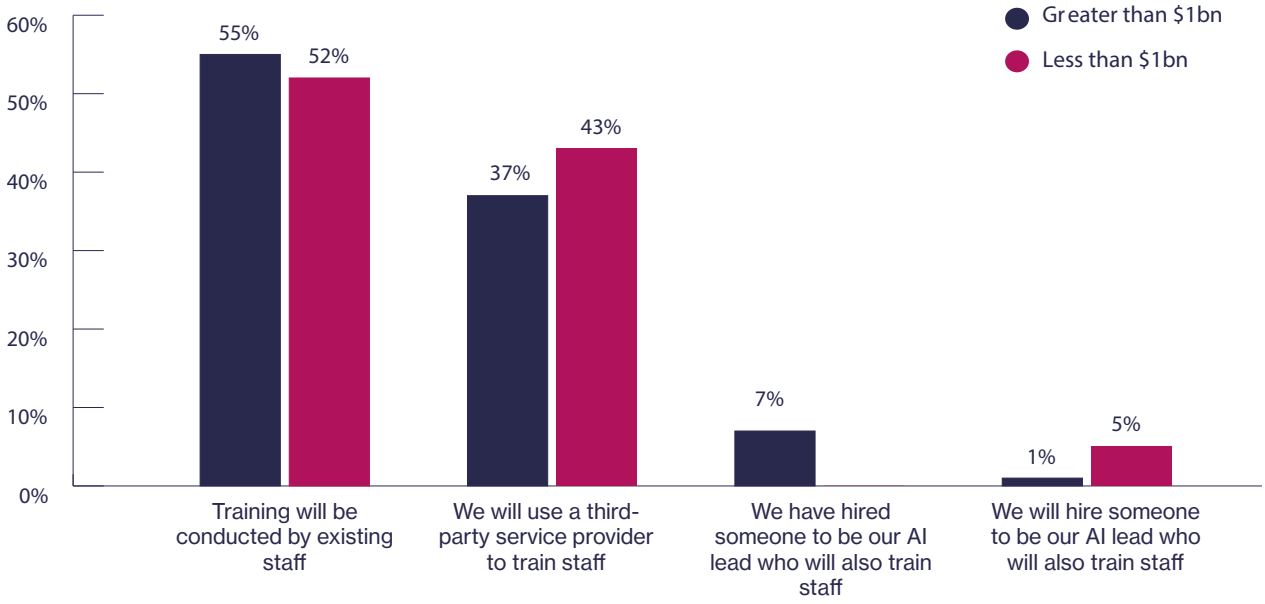
Who's hiring experts AI?

Just over a quarter of all respondents have hired, or plan to hire, at least one AI specialist within the next 12 months, see Figure 9 (page 19).

Hiring trends follow AUM bands: the larger the firm, the more likely it is to bring in specialist talent, see Figure 10 (page 20).

Drilling deeper, the firms most likely to be hiring are multi-strategy managers with assets under management (AUM) exceeding US$1 billion. Geographically, respondents are evenly distributed across North America, the UK, and APAC.

Figure 8: If you are organising training for staff on generative AI tools, which of the statements listed below applies the best to you?



These firms are twice as likely to prioritise AI experience when hiring for all roles, and almost all have already begun – or plan to begin – training staff on the use of generative AI. They also stand out as some of the most sophisticated users, given the range of generative AI use cases they have identified across their organisations, the variety of LLMs they employ, and the guardrails they have established to ensure responsible usage.

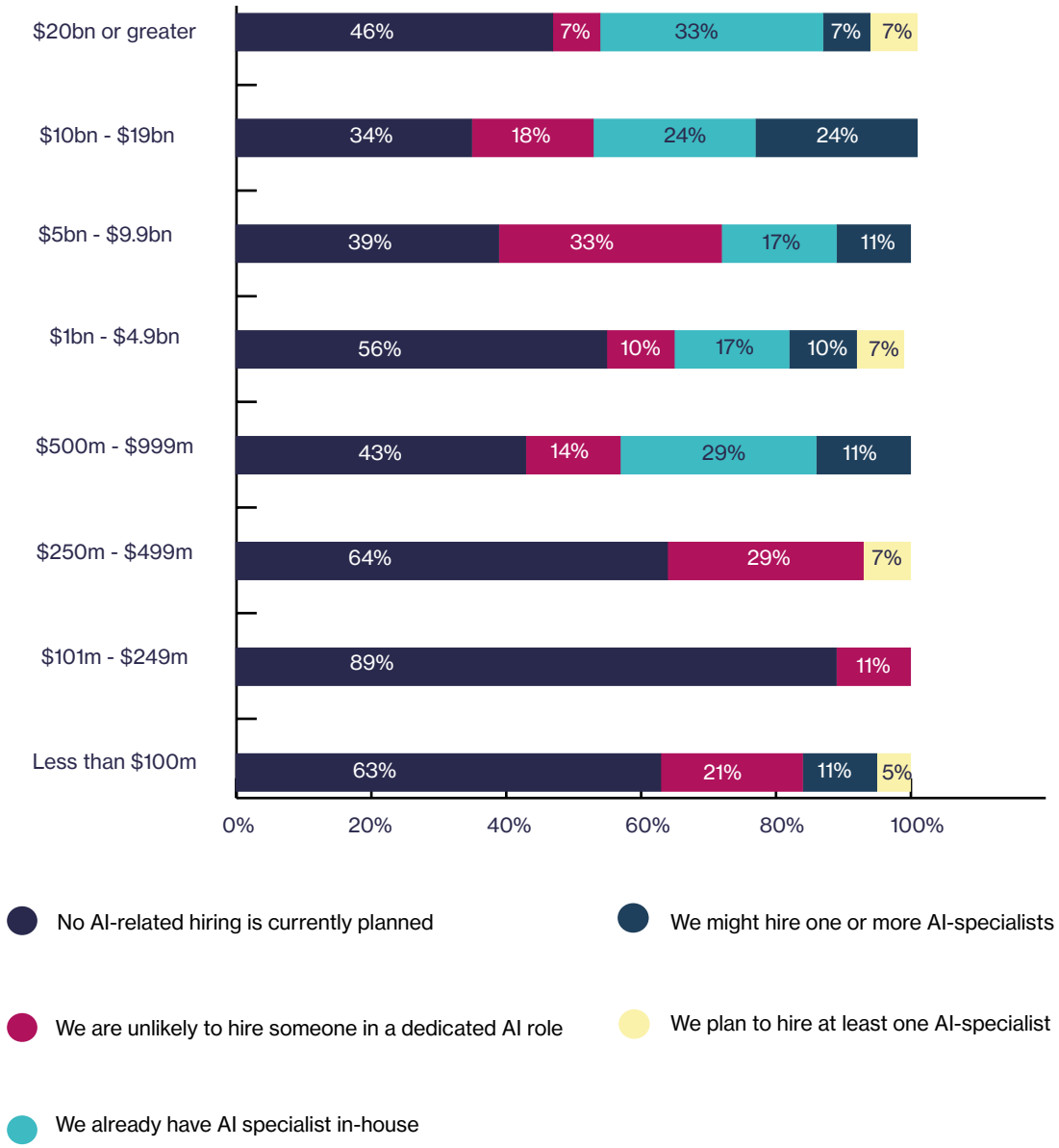
Figure 9: Will your firm hire any dedicated AI experts within the next 12 months? Please select one.

Why aren't more fund managers hiring AI experts?

Interviewees, especially recently hired AI leads, highlighted three main barriers:

- **Talent ambiguity**: The term 'AI expert' can represent a wide spectrum of skillsets, from machine learning researcher to data scientist or product manager. One hire may need to fill several roles, making finding the right person challenging.
- **Domain relevance:** Beyond technical skills, fund managers often want candidates who understand how to apply Gen AI in a finance context, representing a rare blend of AI fluency and financial acumen. In this respect an analogy was drawn more than once with same difficulties with hiring in the environmental, social and governance sector, where candidates can be anything from a climate scientist to a HR professional.
- **Cost**: Compensation expectations are high, especially as demand for AI talent soars across both Wall Street and Silicon Valley.

Figure 10: Will you firm hire any dedicated AI experts within the next 12 months? Please select one.

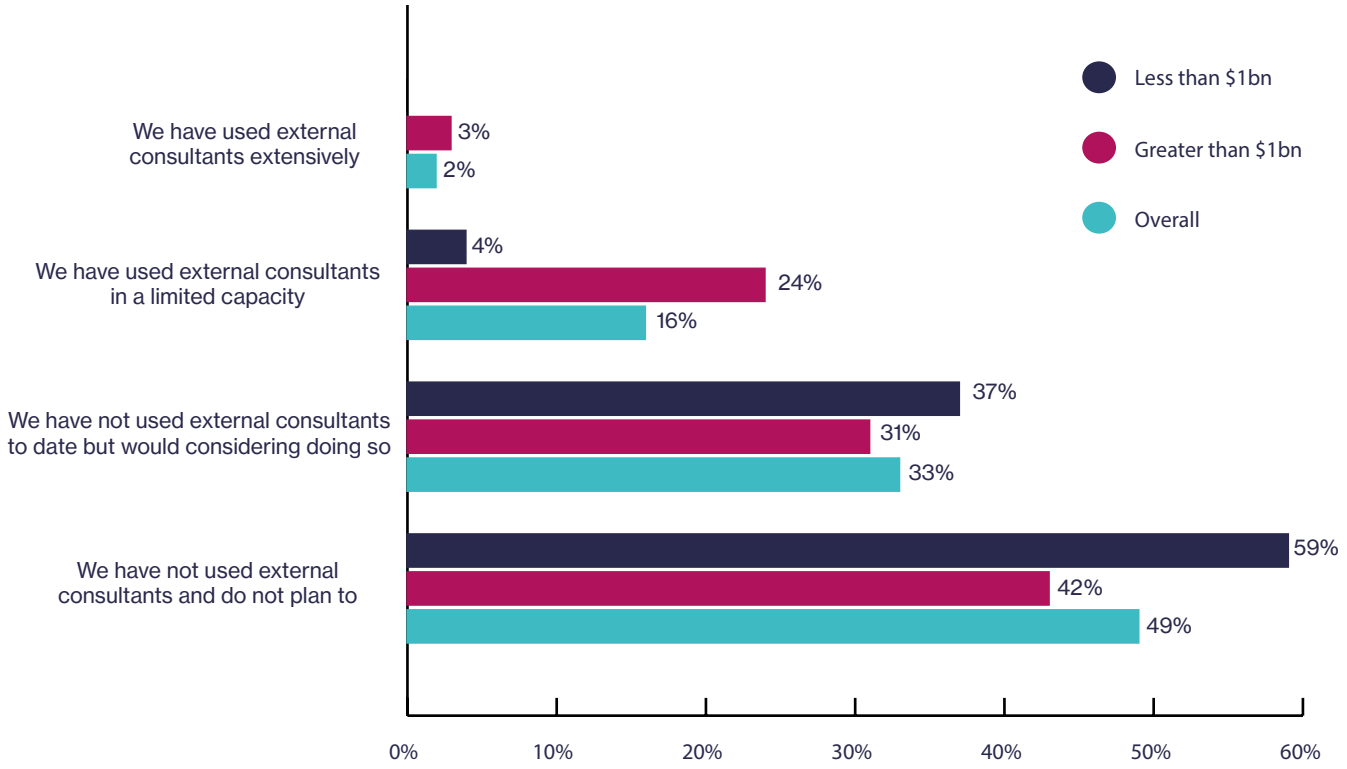


Are fund managers turning to consultants instead?

Some interviewees suggested that rising demand for vendor-provided AI tools might be dampening hiring appetite. However, survey data paints a modest picture of consulting uptake.

When asked about the use of consultants for Gen AI-related work such as training, integration, testing, or LLM fine-tuning, responses were fairly muted, see Figure 11.

Figure 11: In what capacity are you using external AI consultants to assist in your use of generative AI? Please select one.



> *While no one can say for sure what skills school or college leavers will need five years from now, what will matter most is their ability to keep learning, unlearning and relearning throughout their careers. Just as important is knowing how to work with technology not just as a tool but as a teammate, leading and orchestrating multi-disciplinary hybrid intelligence teams where human and artificial intelligence work side by side.*
>
> *McKinsey*

Training Employees to Spot AI-Driven Fraud

Although training of staff may focus on educating users on best practices, there is another, more malicious, aspect of AI that fund managers should make their staff aware of.

As artificial intelligence tools become more advanced, so too do the techniques used by cybercriminals. Fraudsters are increasingly turning to deepfakes, AI-generated voices, and convincing synthetic text to trick employees into sharing sensitive information, transferring money, or clicking malicious links.

To defend against these threats, organisations must train employees to recognise and resist AI-powered social engineering tactics. This training could cover:

1. Recognising Red Flags

- Unusual requests for money, data, or access, even if they appear to come from a trusted colleague.
- Urgent language or pressure to act quickly without verification.
- Audio or video calls where the speaker's voice or face seems slightly "off" or unnatural.

2. Verification Protocols

- Always confirm sensitive requests using a secondary channel (e.g., call back on a known phone number rather than replying directly).
- Use company-approved authentication steps before sharing confidential data.

3. Practical Exercises

- Simulated phishing and deepfake attempts can help staff practice spotting suspicious patterns.
- Regular refreshers keep awareness sharp as tactics evolve.

4. Culture of Caution

- Encourage employees to pause, verify, and escalate if something feels wrong.
- Reinforce that reporting a suspected attack is always safer than ignoring a potential breach.

By combining awareness training, clear policies, and a supportive culture, companies can reduce the risk of being deceived by malicious AI users.

Lesson 4 Takeaways

Make training a non-negotiable aspect of adoption, regardless of firm size.

Focus on basics first: data risks, firm policies, when/how to escalate concerns.

Advanced training (e.g., prompt engineering, sandboxed tools) can follow.

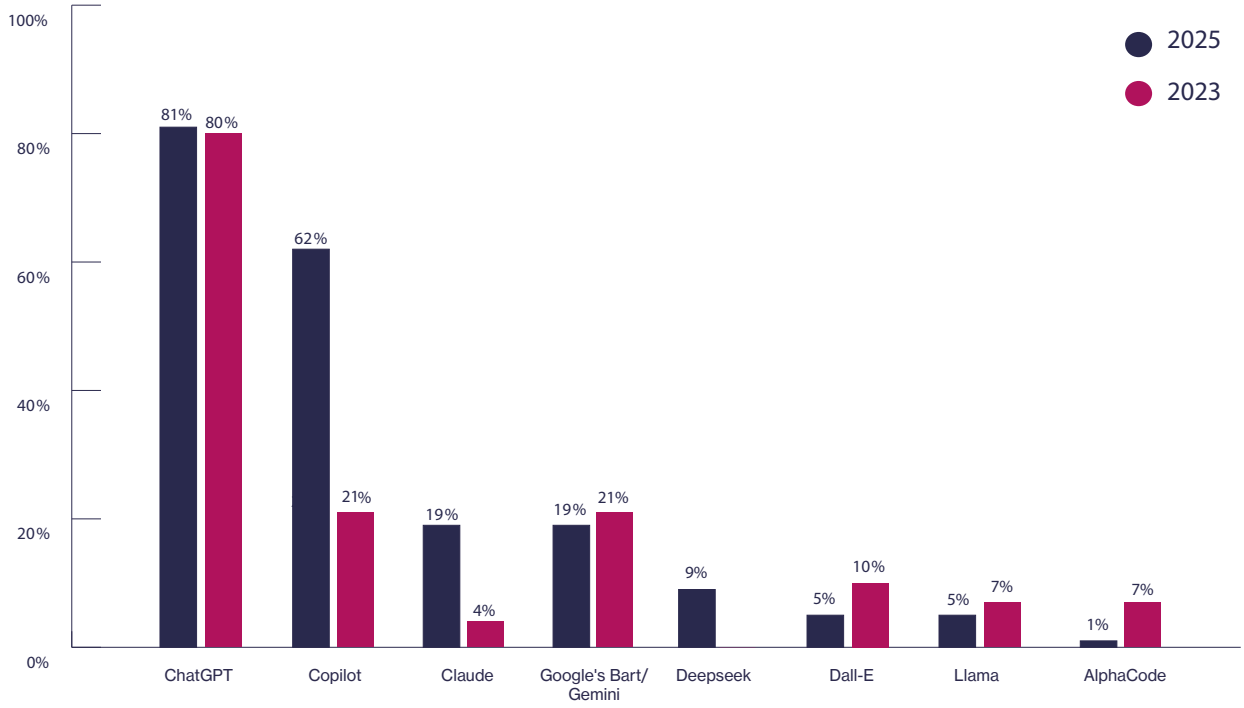
Hiring experts is constrained by talent ambiguity, domain-specific needs, and cost – plan accordingly.

Lesson 5: Match the right LLM to the right use case

As competition among Gen AI providers intensifies, different LLMs are emerging as leaders in specific task categories. Several AI leaders told AIMA that staff at their firms have started to develop preferences, such as using one model for coding, another for summarisation, and yet another for text generation. All LLMs will be capable of many tasks, but should not be viewed with one-size-fits-all approach by those looking for best-in-class tools.

Although *ChatGPT* continues to dominate usage, other LLMs and Gen AI tools are emerging as users become more familiar with the growing range of products available, see Figure 12. For example, several interviewees noted that *Claude*, by *Anthropic*, is highly capable at code generation and widely used to a degree that does not come through clearly in the chart below. AI leaders encouraged fund managers to rethink how they view LLMs. Rather than treating them like search engines, with high user loyalty and limited switching, they suggested a better analogy: the Microsoft Office suite, where each LLM is suited to distinct task.

Figure 12: Which generative AI tools have you used to assist you in your work? Please select all that apply.



While ChatGPT is widely recognised, the landscape of Gen AI is rapidly evolving and the best models evolve fast with certain models exceling at specific tasks. It is, at the minute, easy to switch between different models. Staying informed on developments and maintaining flexibility in model choice are key to leveraging the latest advancements.

Linedata

This mindset encourages a more flexible, modular approach. The best model for writing code today may not be the best one tomorrow, but LLM-agnostic users who are attuned to the evolving landscape will continue to benefit from whichever tool is best-in-class at the time.

As outlined in Lesson 1, the most advanced fund managers with custom GPT platforms are expanding their connectivity to additional LLMs, enabling users to toggle between multiple models depending on the task. That said, fund managers without a bespoke GPT product can still benefit meaningfully from open-access tools. For general prompts and non-sensitive workflows, the output quality across leading models is broadly comparable.

The key distinction lies in data exposure risk. Open-access models should be used with care, particularly when handling internal or client-sensitive information. Fund managers that have already laid strong governance foundations (Lesson 1) and understand the operational risks (Lesson 3) are well-positioned to safely explore the full range of external tools available.

LLMs will increasingly be seen not as search engines, but as tools in a productivity suite – each suited to a specific task, like Word, Excel, or PowerPoint.

Lesson 5 Takeaways

No single LLM is best for all tasks so adopt a modular, use-case-first mindset.

Understand that different models excel at different functions (e.g., summarisation, code writing).

View LLMs like tools in a productivity suite, not like search engines.

Monitor emerging competitors beyond ChatGPT (e.g., Claude, Gemini).

Use governance and data sensitivity to guide when to use open vs. private models.

Lesson 6: AI leaders are innovative in finding use cases

In the previous report, analysing/summarising documents, general research and writing/enhancing documents were the most popular use cases for Gen AI, followed by assistance with coding. The first point of note when looking at Figure 13 is that although it is still these straightforward administrative-type tasks that are the most popular, the percentage of respondents reporting using Gen AI for them has increased.

Another observable change is that a fatter tail is emerging on the distribution curve as more fund managers report using Gen AI for a wider variety of use cases, including in the front office.

In 2025, a fatter tail is emerging on the use case distribution curve as more fund managers report using Gen AI across more business functions, including in the front office.

How are AI leaders identifying use cases across the firm?

Many aspects of best practice, such as defining restrictions, around Gen AI adoption requires a top-down approach, but finding use cases requires the opposite.

It is common among AI leaders to have convened a working group or committee with representatives from across the firm that allows potential use cases, and concerns, to be fed upwards and discussed in a way that benefits the whole organisation. Individuals spearheading the rollout of Gen AI tools at fund managers were aware that their knowledge of the technology did not allow them to see all the niche use cases that might exist in the compliance department, or marketing, for example.

Once the parameters are set and the major risks are neutralised, staff at AI leaders are being encouraged to experiment with how these tools can improve their operational efficiency, with the best ideas brought to the committee and shared with other functions where relevant. Equally, as Figure 14, (overleaf) demonstrates, there are areas of the organisation that might have initially seemed ripe for disruption by Gen AI that now seem more difficult to innovate in, such as HR.

Figure 13: Which of the below activities do you use generative AI tools for today? Please select all that apply.

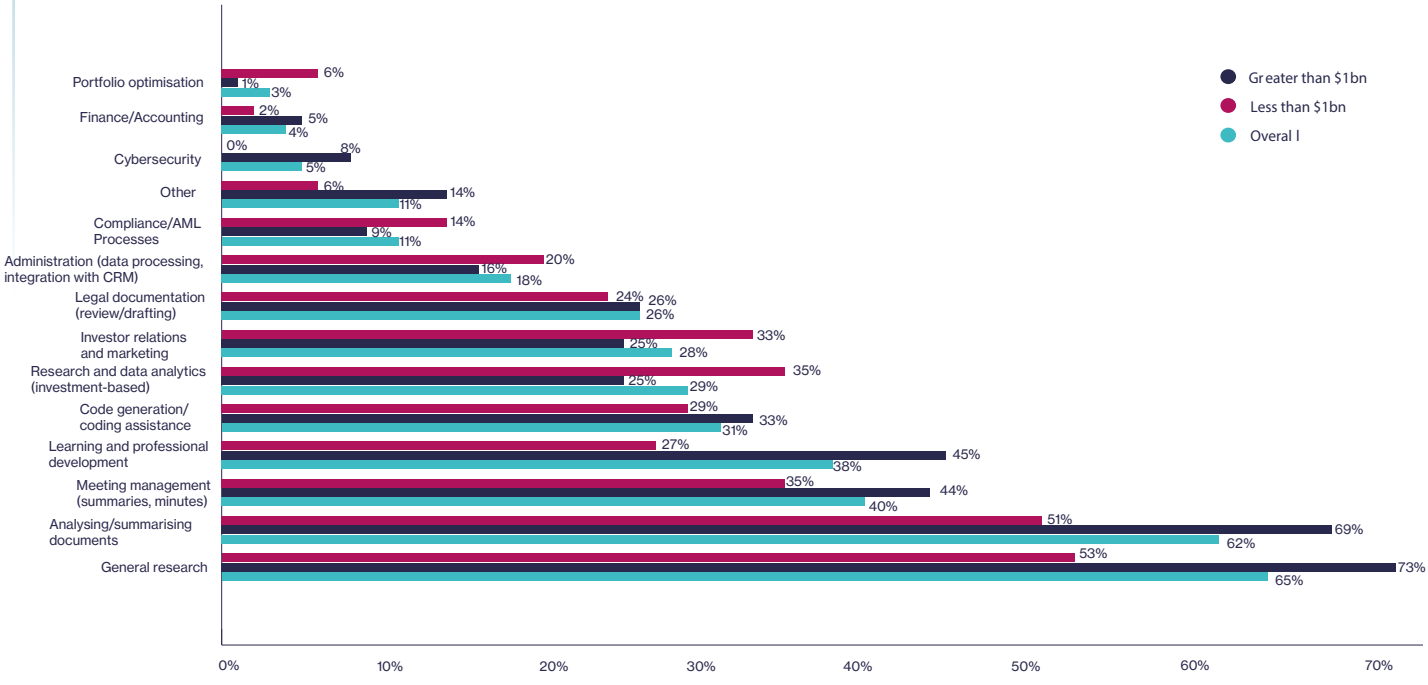
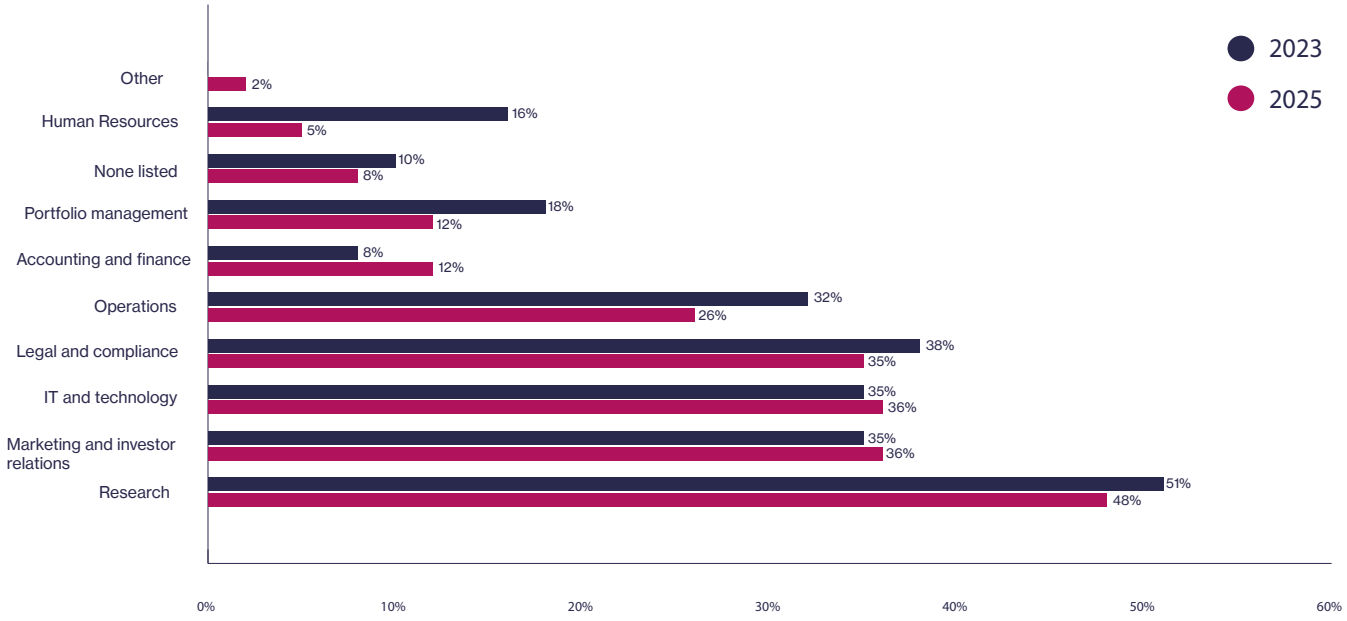


Figure 14: In which functions do generative AI tools have the most significant impact today? Please select all that apply.



At CFM, a US$18 billion quant hedge fund based in Europe, the firm is currently working to leverage AI agents for sandboxed code generation and execution, empowering non-IT services to seamlessly automate various tasks. While Gen AI is being explored across the firm, in this case, employees would be able to bypass the need for IT requests by manipulating Excel files and producing graphs using raw data and plain English instructions.

By supporting the addition of CSV, Excel, or even code in the sandbox environment, the CFM AI agent is focused on tackling complex tasks such as multi-step decisions by reading file structures, regenerating code on error, and iterating toward optimal solutions. The firm believes this tool can ultimately encourage safe experimentation, foster collaboration, enhance productivity, and lead to scalable problem solving.

CFM

“

AI in action for investor relations (IR)

In the pursuit of leveraging artificial intelligence for operational efficiency, our firm developed an in-house AI software which our IR team has been actively using. This AI software allows our employees to toggle between multiple AI models (i.e. ChatGPT, Anthropic, etc.), is customised for specific departmental needs and most importantly ensures robust data protection measures for all submitted information, maintaining stringent controls and security protocols to safeguard sensitive data outside and across our firm. The AI software has made our team much more efficient and has allowed team members to focus their time on more strategic priorities.

IR Use Cases:

We spent a lot of time brainstorming across our team and with IR peers to identify use cases for our AI software. Here's how we're making use of it.

- ***No more Googling**: Better to ask AI a question instead of Google to get an easily digestible response to anything.*
- ***DDQ/RFP**: We've uploaded relevant fund materials and prior DDQs/RFPs into the IR section of the AI software and we now use the AI software to answer new DDQ and RFPs based on the uploaded materials. We also use it to easily look up questions we may have from our OM for example.*
- ***Notes:** For those of us who still take handwritten notes we can upload a copy of our notes into the AI software which processes and transcribes handwritten notes, then edits and summarises them into concise bullet points.*
- ***Quarterly letters/emails:** Our team uses the AI software to help edit letters and emails suggesting grammar and wording improvements.*
- ***Summarising:** We use the AI software to summarise large documents, articles and even our own quarterly letters.*
- ***Marketing trips**: You can use AI to help identify investor groups in regions you are travelling to and have it help you with the order of visits based on location. If you're planning an investor group lunch or an investor day it can help you identify venues and their characteristics (capacity, location, ambience).*
- ***Recording and summarising:** There's a lot of chatter from peers about recording sessions and having AI transcribe and summarise those meetings. We're not comfortable doing that internally or externally for confidentiality reasons.*

A large US fund manager

“

AI helps investors surface key diligence areas earlier, bring investment memos to committee sooner for feedback and thoughtful consideration, and ultimately supports more confident, higher-velocity deployment of capital.

Blueflame AI

Lesson 6 Takeaways

Encourage bottom-up experimentation within defined governance frameworks.

Create cross-functional forums or working groups to identify and share use cases.

Recognise that adoption is broadening. Even front-office teams are finding uses.

Document and share use cases like automated DDQs, note summarisation, and IR support.

Be aware that some areas may not deliver the expected impact.

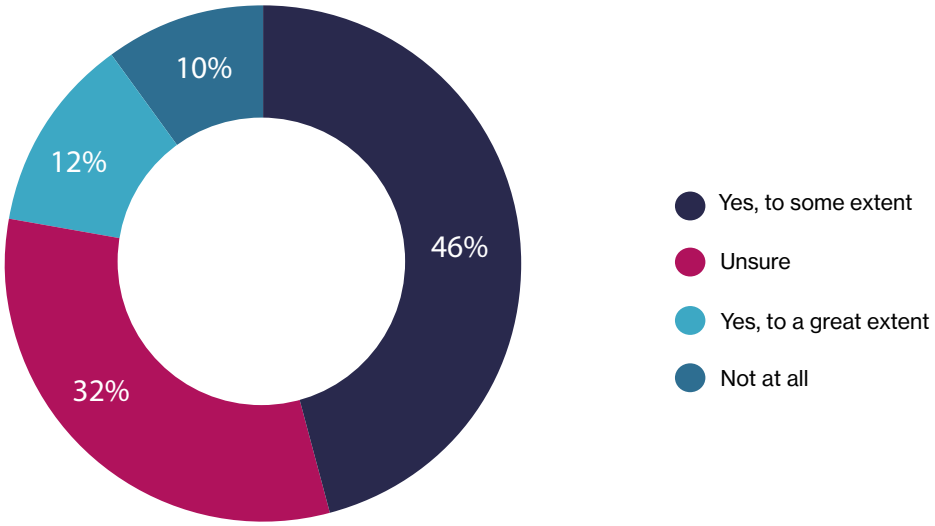
Lesson 7: AI leaders recognise the front office potential of Gen AI

Whether Gen AI can genuinely contribute to alpha generation remains one of the most debated topics in the public discourse. In 2023, none of AIMA's survey respondents reported using Gen AI in this way. This year, 3% of respondents overall – and 6% of smaller fund managers – report applying it to portfolio optimisation, see Figure 13, page 25. These numbers remain modest but may signal the early stages of broader Gen AI adoption as the technology matures and confidence grows.

Perception shifts: From 'if' to 'when'

Expectations have shifted decisively. In 2023, just 20% of fund managers anticipated a greater role for Gen AI in their investment process over the subsequent year. Nearly half were unsure. This year, 58% of respondents expect greater integration and use of Gen AI in the front office, compared to only 10% do not foresee any increased use. This is an indication that front office adoption is now very seriously being thought of when rather than if it will happen, see Figure 15.

Figure 15: If not now, do you think you will be increasing the use of generative AI tools in your investment decision-making processes in the next 12 months?

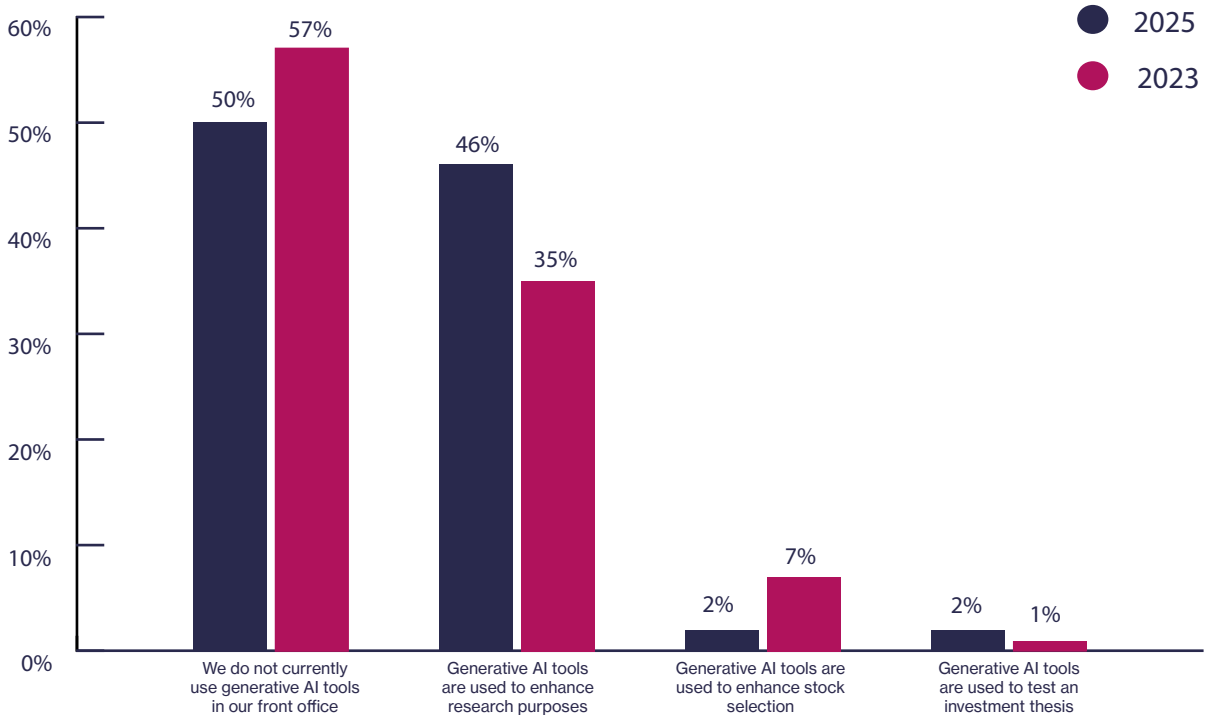


In AIMA's previous report, Gen AI was characterised as "the world's best intern", in terms of its abilities and technical understanding. The prevailing expectation was that these tools would evolve to match the capabilities of a more seasoned analyst. That trajectory now appears to be playing out, with Gen AI expanding into more complex, business-critical functions.

The latest data shows that 46% of respondents are using Gen AI to enhance investment research, up from 35% in 2023, see Figure 16.

One Head of AI at a UK-based manager says: "We are excited by the prospects of Gen AI and encourage our colleagues to use it proactively to enhance their day-to-day tasks. We are also using AI to develop sophisticated tools and analytics for our investment teams to supplement their more fundamental research.

Figure 16: Does your firm use generative AI tools for investment decision-making processes? Please select one.



Emerging use cases and cautionary boundaries

One AI leader AIMA interviewed noted that AI agents may soon be able to analyse such vast quantities of structured and unstructured data that they could generate signals offering a meaningful competitive advantage. A specific example given was that AI agents might be particularly well suited to sentiment analysis of investor calls or Fed meetings.

While optimism is growing, most AI leaders emphasised that human oversight remains essential. Even among the most advanced firms, Gen AI is viewed as an augmentation tool, not a replacement, for investment professionals. Trade execution and portfolio decisions, in particular, are expected to remain firmly under human control for the foreseeable future.

> *While generative AI has tremendous promise for helping employees increase their efficiency, these tools should always include a human in the loop. Generative AI tools can make mistakes, there can be biases in their foundational model, and the tools can "drift" over time where inaccuracies can slowly creep into the model. Without human oversight and judgment on and around the outputs of these tools, firms risk a wide range of negative outcomes both large and small.*
>
> *ACA Group*

Man Group: Case Study

Man Group's ambitions are to rebuild investment management with AI at its core. We believe this requires a mixed strategy: deploy industry standard tooling across the organisation for broad productivity gains, while investing in proprietary autonomous capabilities to create a lasting investment edge.

In terms of broad productivity gains, we've seen strong evidence over the last two years and expect another step change as AI shifts from an assistant focused paradigm to one centred on autonomous agents. We've learned, though, that to get the most from agents – whether designed in house for our investment teams or delivered off the shelf by vendors such as OpenAI and Microsoft – we must give models access to our domain expertise and the same tools and capabilities our teams use. Centralising and standardising how we do this across the organisation – effectively giving AI the same information we provide to new employees – is a key focus for our AI Engineering team.

Front office disruption is the second tenet of our long term approach. Modern language models, without extensive technical customisation, are already capable of automating elements of our research workflows. This isn't surprising: they combine knowledge of a vast corpus of academic financial research with strong programming skills and tireless execution. We see this as a baseline capability; the real edge comes from pairing these strengths with our technology and research platforms. Our aim is to build a frontier-quality set of distinctive agents that transform how we study, analyse, and predict financial trends.

Both strands require organisation wide buy in. Transformation at this scale cannot be purely top down or bottom up; it needs both engaged practitioners and explicit C suite sponsorship. This is already underway, with our CTO leading an AI implementation strategy that will guide adoption and execution across the firm.

Lesson 7 Takeaways

Front-office adoption is shifting from speculative to expected.

Gen AI is increasingly used for research, signal generation, and data synthesis.

Early signs of usage in portfolio optimisation are emerging but still limited.

AI agents may help analyse unstructured data (e.g., Fed minutes, transcripts).

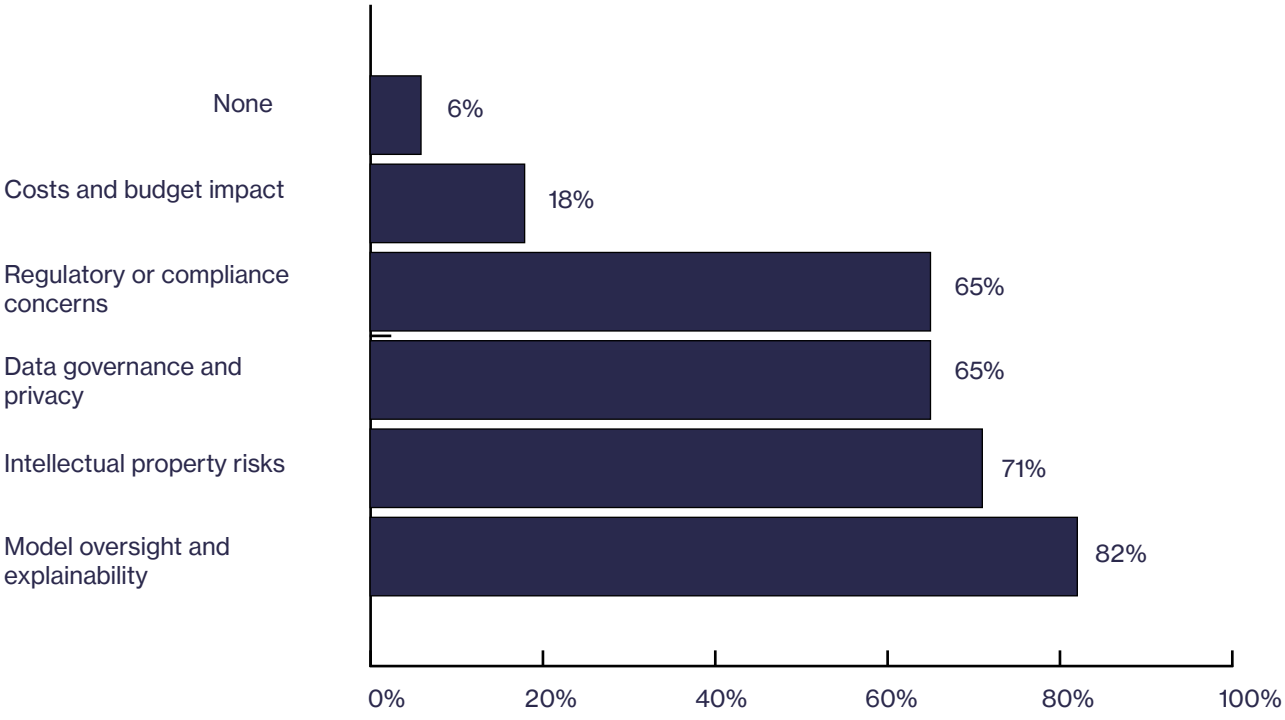
Maintain human oversight for execution and key decisions.

Lesson 8: Understand and address investors' concerns around Gen AI

In addition to speaking with fund managers leading in AI adoption and other industry experts from across the world, AIMA sat down with a wide variety of investors, led by AIMA's Global Investor Board, to hear their thoughts. These included state pension funds, endowments, family offices across North and South America, Europe and APAC to assess the extent to which their expectations of fund managers' use of Gen AI align with their adoption strategies so far. Most of the fund managers and investors interviewed confirmed that Gen AI was high-priority discussion point between LPs and GPs. Just under a third (29%) of investors now include specific questions on Gen AI within their due diligence questionnaires (DDQ), with a further 29% expecting to introduce them this year.

Those that already ask specific questions on the use of Gen AI focus on understanding how the various models work, and any data security and compliance concerns when doing so, see Figure 17.

Figure 17: What aspects of generative AI use are you most likely to scrutinise in your due diligence? Please select all that apply.



A recurring question raised during the interviews with investors and fund managers was how to budget for Gen AI adoption strategies. Who is going to pay? Interestingly, despite the potentially eye-watering price tags attached to the most sophisticated in-house products, investors appear to see the value of the tools and are relatively sanguine about the cost. Only 18% of investors surveyed currently have specific DD questions on the implications of using Gen AI tools on their fees. Moreover, 60% of investors said they would be more likely to invest in a fund manager that allocates a meaningful portion of its budget to Gen AI research and implementation, and none said they would be turned off by it doing so. This may be food for thought for many fund managers, given that less than a third of fund managers surveyed currently use Gen AI for investment-based research and data analytics.

60% of investors would be more likely to invest in a fund manager that allocates a meaningful portion of its budget to Gen AI research and implementation.

One institutional investor noted that he would view it as a turn off if a fund manager is not exploring how generative AI can enhance portfolio management. He argued that neglecting this could limit the manager's ability to generate alpha compared with peers who leverage the technology over the long term.

However, this is not to say fund managers have a blank cheque to indulge in the full suite of cutting-edge Gen AI tools. Overall, investors are divided on whether they'd pay more for AI-enhanced performance. Some are open to it if the results are clear and sustained, but others feel performance improvements should be achievable within existing fee structures.

Most investors who interviewed did not expect their fees to significantly increase due to fund managers' adoption of Gen AI as the costs should come of out of the existing research and development budget.

One institutional investor said he would consider it a turn off if a fund manager isn't looking into how Gen AI can improve one's portfolio management process as it could hinder the manager's ability to generate alpha relative to other managers in the long term.

AI: A compliance headache in the making?

Regulation specifically targeting the application of AI is, so far, slow in coming. Only the EU has a dedicated piece of AI legislation in the works – called the EU AI Act. However, as with other emerging trends, the EU's proactiveness may inspire other jurisdictions to seek scrutinise the development and deployment of these tools across financial markets and beyond.

The EU AI Act

The EU AI Act is widely recognised as the world's first comprehensive legal framework for regulating AI. The Act applies to any organisation that provides, deploys, imports or distributes an AI system in the EU. It sets rules for transparency, data governance, human oversight and accountability, with outright bans on certain harmful AI practices. For financial services, the Act means that AI tools used in areas such as algorithmic trading, portfolio management or credit risk scoring may be classified as "high-risk," requiring robust compliance frameworks.

While not yet a universal requirement, there is growing conviction that integrating generative AI technologies will be become a necessary baseline for remaining competitive in the search for alpha. However, true differentiation and sustainable advantage are more likely to come from proprietary applications and effective integration of human judgment alongside these technologies rather than generic applications.

APAC Sovereign Wealth Fund

In my opinion, fund managers no longer have an excuse not to fill in a DDQ. With an enterprise version of Gen AI, they can safely ask AI to answer customised investor questionnaires within minutes.

MENA Sovereign Wealth Fund

Lesson 8 Takeaways

Investors are optimistic about Gen AI but demand transparency over hype.

Due diligence questionnaires increasingly include Gen AI-related questions.

Most investors support Gen AI spend and 60% say it makes a fund more investable.

Be prepared to answer technical, compliance, and strategic questions from LPs.

Communicate how Gen AI adds value, not just cost.

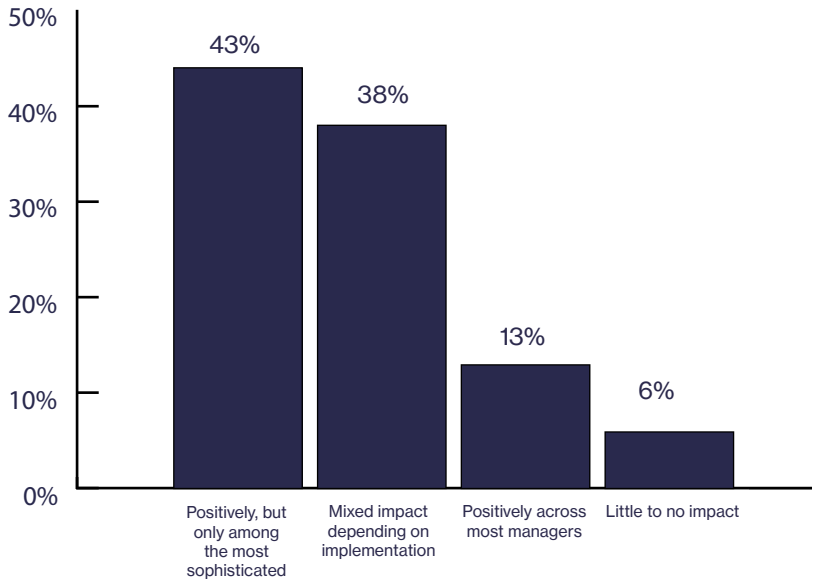
Lesson 9: Balance optimism with realism when communicating with investors

As explored in Lesson 8, investors are increasingly interested in how fund managers are deploying Gen AI across their organisations. This interest is accompanied by a broad sense of optimism as many believe Gen AI could not only improve operational efficiency but also, in some cases, enhance investment returns.

When asked whether Gen AI would give leading fund managers a competitive edge, respondents unanimously agreed it would – although they were split 50/50 on whether that edge would be sustainable.

Further, just under half of investors believe that only the most sophisticated fund managers will gain a positive impact on their performance thanks to Gen AI, whereas others feel the benefits will be felt more broadly, see Figure 18.

Figure 18: Over the next three years, how do you expect generative AI to impact the fund performances across your portfolio?



"AI washing" is bad for business

Given this optimistic environment, one AI leader advised that when a fund manager is asked about their experience with Gen AI, the wrong answer is: "We aren't looking at it." However, this came with a strong warning against "AI washing" – meaning to exaggerate or falsely claim that Gen AI is enhancing your operations – to try and impress potential allocators.

Beyond the ethical, legal, and regulatory implications of misleading investors, those interviewed said that, although they were optimistic about Gen AI's potential, they did not feel many fund managers were fully leveraging the possibilities these tools offer. One prominent investor said that they had heard lots of possible use cases, but far fewer live applications. His sense was that investors were positive about fund managers experimenting with the technology, but their patience was not infinite. Meaning, fund managers who talk up transformational AI strategies today will be expected to deliver measurable progress tomorrow.

Westcourt Capital is in the preliminary stages of integrating Gen AI into the ODD process. It is currently utilised as a writing assistant to polish or rephrase sections of the ODD report.

Westcourt Capital

Lesson 9 Takeaways

Avoid “AI-washing” – credibility relies on demonstrable, measurable progress.

Be honest about experimentation stages and implementation timelines.

Investors welcome innovation but expect delivery over time.

Show not just what Gen AI could do, but what it is doing at your firm.

Use clear, realistic messaging in pitchbooks and IR conversations.

Lesson 10: Make the most of AIMA's resources and communities

While the promise of Gen AI lies in its ability to transform operations and investment. strategies, the true advantage of working with these tools comes from learning with and from others.

Throughout the making of this report, a clear theme emerged among AI leaders worldwide: the value of engaging in peer discussions to learn what others are hearing and to understand what clients (investors) are thinking.

AIMA's unparalleled global network offers fund managers a unique platform to exchange ideas, experiences, and best practices in navigating this fast-moving landscape. That's why our tenth and final lesson is to make the most of AIMA's resources and committees, including:

Checklist for Use of Generative AI by Investment Managers

As this report has explored, Gen AI can be a game-changer for your firm, but it brings possible new risks – for example, data privacy, cyber security, and legal complexities.

AIMA has curated a comprehensive checklist to assist members in implementing policies to ensure the safe, compliant, and ethical use of these innovative tools.

Tech Vendor Directory.

AIMA's Technology Vendor Directory is an informational resource designed to support AIMA members in navigating the rapidly evolving landscape of technology solutions within the alternatives industry. The directory features a curated list of service providers across key categories – including regulatory compliance, information security, operational investment processes, and investor relations – to support members in identifying potential technology partners that align with their own operational needs.

The Long-Short podcast | Beyond ChatGPT – the real-world impact of AI in asset management

The Long-Short is a podcast by AIMA, focusing on the very latest insights on the alternative investment industry.

Each episode examines topical areas of interest from across the alternative investment universe with news, and in this episode of The Long-Short, co-hosts Tom and Drew visit the Gen AI revolution and its impact on asset management. Dr. Mohammad Rasouli, CEO of AIX2, joined us to discuss how hedge funds are deploying Gen AI, whether machines can make asset allocation decisions, and how his firm is helping investors future-proof their strategies.

Cyber and Technology Working Groups

Cyber risk continues to dominate the headlines, placing security issues at the top of the agendas of both businesses and regulators. Alongside the benefits of technological developments, investment managers are faced with a host of new and evolving cyber security threats. Enhancing cyber security and operational resilience plans at organisations is an important focus for regulators globally. There are multiple ways AIMA members can be involved in AIMA's ongoing policy and regulatory work on this.

Operational Resilience

Operational resilience is the ability of a firm to identify and prepare for, respond and adapt to, recover and learn from an operational disruption. It is expected to be a key regulatory focus over the coming

years. Regulators aim to bring about change in how the finance industry thinks about operational resilience in order to build a more resilient financial system.

AIMA's Operational Resilience Working Group is open to all members globally. It meets on an ad hoc basis to discuss operational risk and resilience related matters arising from national, regional and/or international authorities.

At AIMA, we will continue to keep a close eye on developments, hearing directly from our manager membership through our various working groups and committees, tapping into our investor membership, as we build out our growing library of resources and content – from our AI checklist, webinars, tech vendor directory, and podcasts.

Don’t go it alone: the smartest approach is to draw on the collective expertise of your peers and the knowledge hub that AIMA provides.

Conclusion: The future is agentic

When the first wave of LLMs reached corporate shores, the impact was sudden and profound. But in hindsight, the disruption was largely cultural — a shock driven by the novelty of conjuring prose or art in seconds. Despite the dire predictions of labour market collapse, most professionals soon recognised that these early tools were more an evolution of workplace productivity than a true revolution.

The next wave will be different. Agentic AI represents a step change: systems capable of acting with autonomy, planning, and executing complex tasks rather than simply responding to prompts. Among the advanced fund managers AIMA interviewed, agentic AI is already being explored as a means of adding real value — even alpha — to front-office operations.

Purpose-built agents promise to continuously monitor markets, rebalance portfolios within risk parameters, scan vast datasets for signals, and coordinate routine workflows — all without constant human prompting. The implications for financial markets are profound.

Fund managers that prepare today, by strengthening governance, training staff, and building robust data foundations, will be best placed to harness agentic AI as a force multiplier across research, risk monitoring, and operations. Those that delay risk falling behind, as allocators increasingly view AI capabilities as a marker of competitive edge.

Crucially, agentic AI does not remove the need for human oversight. If generative AI was the world's best intern, agentic AI has the potential to become a trusted co-pilot — operating semi-independently but always guided by professional judgment. The firms that thrive will be those that integrate these systems within resilient governance frameworks while keeping humans firmly in the loop.

In short: generative AI has been disruptive; agentic AI could be transformational. As it matures, it may redefine the very operating model of fund managers, turning today's efficiency gains into tomorrow's competitive breakthroughs.

What is agentic AI?

Emergence of AI agents (agentic AI):

Agentic AI – defined as systems capable of autonomous action, planning and adaptation – represents a notable evolution in the application of artificial intelligence. While still nascent – the potential for these technologies to support and extend the capabilities of fund managers is being recognised. At its core, Agentic AI differs from generative AI in its ability to operate with a higher degree of independence, executing tasks and making decisions within predefined parameters. In the context of fund operations, the use of agentic AI is being explored across a number of front office and middle office functions.

Potential applications

Investment research and analysis:

Agentic AI tools are increasingly capable of autonomously scanning large volumes of data (structured and unstructured) from market feeds and financial statements to macro-economic indicators and alternative datasets to identify signals, generate insights and/or flag anomalies. These outputs can support analysts in developing or validating investment theses more effectively.

Risk and compliance monitoring:

Deploying agents can support real-time surveillance by automatically scanning for compliance breaches, market exposures or position concentration as these tools becoming more sophisticated.

Portfolio optimisation:

Some early use cases suggest that the use of AI agents (agentic systems/tools) may be able to assist with dynamic portfolio construction. Example include having them monitor market conditions, rebalance the portfolio exposure in line with risk parameters as well as adjusting to meet evolving client mandates. While still experimental, such capabilities offer potential benefits.

Operational efficiency:

Beyond the front office, agentic systems can be deployed to automate a range of routine workflows, such as client query handling, CRM data entry.

Many of the market leaders that we spoke to described how they were exploring the use of these tools to automate complex tasks (autonomously, or semi autonomously). Agentic AI use is expected to play a more pivotal role in enhancing organisational workflows as well as taking a greater involvement in data analysis (see box out/section on Agentic AI for more).

Considerations and constraints:

Despite the growing interest, the deployment of agentic AI is not without its challenges. The quality and integrity of underlying data remains a critical dependency. Poorly integrated or incomplete datasets can compromise output.

In addition, questions regarding governance, accountability and oversight remain. As these systems become more sophisticated and technology supporting it advances, firms must ensure that they are deployed within a robust control framework.

Finally human judgement (or as some describe it “human in the loop”) remains critical. Most firms that we spoke to see the potential of agentic AI not as a replacement for investment professionals but as an additional supporting layer to the human in the loop.

While current adoption of agentic AI is limited to the more sophisticated and experienced market leaders, the direction of travel is clear. As capabilities mature and controls become more sophisticated, agentic systems are likely to become part of the investment management toolkit.

About AIMA

AIMA is the world's largest membership association for alternative investment managers. Its membership has more firms, managing more assets than any other industry body, and through our 10 offices located around the world, we serve over 2,000 members in 60 different countries.

AIMA's mission, which includes that of its private credit affiliate, the Alternative Credit Council (ACC), is to ensure that our industry of hedge funds, private market funds and digital asset funds is always best positioned for success. Success in our industry is defined by its contribution to capital formation, economic growth, and positive outcomes for investors while being able to operate efficiently within appropriate and proportionate regulatory frameworks.

AIMA's many peer groups, events, educational sessions, publications and practical tools like its Due Diligence Questionnaires and industry sound practice guidance available exclusively to members, enable firms to actively refine their business practices, policies, and processes to secure their place in that success.

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