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Meeting the Demand for Precision: AI-powered Data Transformation in Fund Administration

The fund administration industry is navigating a rapidly evolving environment, shaped by complex regulatory demands, rapid market expansion, and increasing client expectations.

To understand how leading firms are adapting, we interviewed senior executives at 16 prominent companies in the private capital asset servicing space, responsible for over $13 trillion in assets and employing a combined workforce of more than 53,000 worldwide.

The findings reveal regulatory demands, market trends, and client priorities that are reshaping the landscape and how AI-driven data transformation is emerging as a pivotal solution to enhance both operational efficiency and client satisfaction.

Increasing pressure on fund administrators

The fund administration industry faces pressures from both clients and regulators, creating a dynamic, fast-evolving environment. Our research revealed that a number of factors are collectively challenging traditional fund administration models.

Regulatory pressures: Increasingly stringent frameworks, such as AIFMD II and ELTIF II, require fund administrators to provide frequent, comprehensive reports to multiple stakeholders. Our survey found that 78% of respondents face growing pressure for timely, accurate reports to multiple participants including regulators, general partners (GPs), limited partners (LPs) and auditors. This trend is only set to intensify as global regulatory demands continue to rise.

Increasing demand for real-time reporting: As the global market for private funds continues to expand, so too does the complexity of fund structures. Despite this, nearly two-thirds (64%) of investment managers expect fund administrators to provide near real-time access to data and reports. Above all else, clients prioritize timeliness and accuracy in reporting, expecting reports that are error-free and delivered on time. While some service providers may opt for standardized offerings, clients are requesting more bespoke and customized reporting. Market growth, especially for Private Debt and Private Equity in the US and Europe, presents huge scalability challenges for service providers.

Rising churn rates: up to 20% of investment managers change service providers annually, with 67% switching due to quality issues, while only 33% change due to pricing concerns.

This keeps some asset servicers up at night, as it underscores the importance of addressing these critical quality gaps or risking a growing churn rate.

In this challenging landscape, fund administrators must adapt quickly and prioritize quality, accuracy, and responsiveness to meet rising expectations—or risk falling behind.

Data and talent are fund administrators' biggest operational challenges

Our survey found that data governance is the most significant operational challenge for fund administrators. Specifically, 55% of respondents cited data acquisition from unstructured sources like PDFs, Excel files, and emails as their biggest hurdle.

Manually extracting critical data from these documents is time-consuming, error-prone, and often delayed—directly impacting the accuracy of reporting and client satisfaction.

Additionally, talent retention remains a pressing issue for many firms. As fund administrators compete for the same specialized talent, high turnover rates impact service consistency and quality, further compounding these operational challenges.

High employee churn, especially in skilled positions, limits companies' ability to deliver the level of service clients expect, contributing to their frustration. For example, one risk manager expressed: "I spend 80% of my time on data collection, and only 20% on actual analysis." This highlights the frustration many skilled professionals face when time-consuming tasks limit their ability to focus on high-value, strategic activities.

The disconnect: addressing challenges through strategic initiatives

Despite these challenges, the initiatives fund administrators are pursuing do not fully align with the critical issues they face.

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For instance, while 55% of administrators cited data acquisition as their biggest challenge, only 9% of strategic initiatives focus on this issue, and just 5% are directed at improving talent retention.

Instead, 35% of initiatives target automation, which, while beneficial, does not solve the data quality and talent retention issues essential to delivering consistent, high-quality service.

This gap between strategy and execution, evident among some service providers, underscores the need for a more comprehensive approach to operational improvements that tackle these critical areas.

AI as a strategic lever for transformation

AI offers a powerful solution to close the gap between challenges and initiatives. By automating data extraction from unstructured sources, AI can drastically reduce manual workload while improving accuracy.

For instance, one company reduced data extraction time by a factor of five, achieving 99% accuracy using AI solutions.

AI allows companies to scale operations and boost service quality, ensuring that employees can focus on high-value tasks such as client relationship management and strategic decision-making. By effectively blending AI with a skilled workforce, both onshore and offshore, fund administrators can bridge the gap between the challenges they face and the initiatives they are implementing. In doing so, they can enhance operational efficiency, improve data accuracy, and provide the level of service quality that today's clients demand.

In a market where scalability and accuracy are essential, those who master this balance will be best positioned for long-term success.

Achieving excellence with a balanced approach

While AI offers a powerful lever to improve operational efficiency, it will not replace human capital. Instead, the optimal approach involves balancing AI with onshore and offshore human talent. The most successful companies will be those that integrate AI into their processes to handle routine and repetitive tasks.

Client relationship management will remain essential to capture evolving client requirements through closer relationships, ensuring that the AI-driven processes align with client expectations. Historically, offshoring provided scalability for companies dealing with talent shortages in high-cost regions. However, AI now complements these efforts, enabling firms to process data faster, with higher accuracy, and at a fraction of the cost.

Those who master the balance between AI innovation and skilled human oversight will be poised not only to meet rising demands but to lead the industry.

By blending technology with talent, forward-thinking fund administrators can deliver exceptional value, earning client loyalty and gaining a powerful competitive edge. ●

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