September 2026

The Alternative Investor

Performance

News

Trends

Regulatory updates

How AI is Reshaping Capital, Infrastructure, Risk & Competitive Advantage

AI is rapidly moving beyond the investment case to reshape how alternative investment firms operate, compete and allocate capital. This edition explores AI across fund operations, investment processes, regulation and credit markets. **Digiata's Diederick Kruger** examines why AI in private markets must earn trust before it can replace long-established workflows, while **Sycamore Tree Capital Partners' Trey Parker** argues that the AI boom is becoming as much a credit story as a technology story. **Jon Freedman of Quant Fin** looks at what firms can realistically achieve with AI on a modest budget, and **Farrer & Co's Alan Baker and Jeremy Evans** assess the evolving regulatory expectations surrounding AI adoption in financial services. While **Lexolent's Dr Nick Rowles-Davies** picks up AI in litigation funding. Elsewhere, **CAIA's Georgina Tzanetos** argues that human capacity remains one of private markets' biggest overlooked constraints, **AIMA's Kher Sheng Lee** examines how Hong Kong and Singapore are competing to attract global alternative investment managers, **Simon Brewer's Money Maze interview with Davidson Kempner CIO Tony Yoseloff** explores the return of a "golden age" for absolute return investing, and, in Letter from America, **Prosek Partners' Mark Kollar** considers why private equity is eyeing US law firms.

A Brodie Consulting publication in conjunction with Capricorn Fund Managers and RQC Group.

#63

Macro managers steal the show in August

August marked a change at the top as macro managers took control. Rising government bond yields, stronger commodity markets and renewed tensions involving Iran created a richer trading backdrop, while equity markets continued to edge higher. Against that backdrop, the HFRI Fund Weighted Composite Index gained 1.7% during the month, taking year-to-date performance to 8.0%.

Equity managers still produced solid returns, with the HFRI Equity Hedge (Total) Index up 1.5%, lifting year-to-date gains to 8.7%. Quantitative Directional led the main styles, rising 2.6%, followed by Fundamental Growth at 2.4% and Long/Short Directional at 1.5%. Energy/Basic Materials rebounded 4.1% as commodity prices strengthened, while Technology gained 1.5%. Equity Hedge Multi-Strategy was the only notable weak spot, slipping 0.6%.

Event-driven strategies lagged, with the HFRI Event-Driven (Total) Index adding just 0.2%. Credit Arbitrage rose 1.6%, closely followed by Merger Arbitrage at 1.5%, while Distressed/Restructuring and Activist strategies were broadly flat. Special Situations fell 1.6% and Directional Event-Driven declined 0.6%.

Macro was the clear winner. The HFRI Macro (Total) Index climbed 4.1%, led by Commodity managers, which surged 10.1% as energy markets reacted to geopolitical tensions. Active Trading gained 4.5%, while Systematic Diversified, Discretionary Directional, Discretionary Thematic and Trend Following all returned around 3.3-3.5%. Currency strategies were the only laggard, down 0.3%.

Relative Value remained steady, with the main index up 0.3%, led by Multi-Strategy (+1.0%) and Fixed Income Asset-Backed (+0.7%).

Regionally, MENA led with a 5.2% gain, followed by Japan at 3.4%. Emerging Markets Global rose 2.2% and India added 1.5%, while North America gained 0.7%. Western Europe fell 1.1% and Latin America declined 2.0%, making it the weakest regional performer in August.

*Data sourced from HFR

Upcoming Events

14 September 2026
ALTSUK

14 September 2026
Future Proof Festival 2026

14 September 2026
SuperReturn US West

14 September 2026
ACC Private Credit Investor Forum 2026

15 September 2026
AFIRE 2026 Annual Member Meeting

Click here to see all the listings

$125bn

Est. financial services AI spend by 2028, up from today's $75bn

Source: Statista

20%

Financial services percentage of global AI expenditure

Source: IDC

$10bn secondaries close cements CVC's strong fundraising run

At $10 billion, CVC Capital Partners' sixth global secondary private equity fund ranks among the largest closes of the year, reflecting continued investor demand for secondaries. The vehicle invests across both traditional LP portfolio transactions and GP-led continuation vehicles, providing liquidity solutions to investors and fund managers in an increasingly active secondaries market. The business, originally established as Glendower Capital before being acquired by CVC in 2022, has now raised around $15 billion across its secondaries platform and expanded into credit secondaries. The latest close adds to one of the industry's strongest fundraising records in recent years. Alongside its secondaries business, CVC has raised a record €26 billion flagship buyout fund, approximately €3 billion for its European mid-market Catalyst strategy and has continued to expand across infrastructure and private credit, while continuing to build its secondaries franchise.

Japan logistics fund closes at ¥612bn

Japan Logistics Development Partners V closed at ¥612 billion ($4 billion), making it the largest closed-end institutional real estate fund ever raised by Ares Management's real estate business. The vehicle closed at its hard cap and is almost 50% larger than its 2021 predecessor, underlining continued institutional demand for specialist logistics strategies despite a more challenging fundraising environment. The fund invests in the development of modern logistics facilities across Japan's major metropolitan markets, including Greater Tokyo, Osaka and Nagoya, where demand continues to be supported by e-commerce growth, supply chain modernisation and limited availability of high-quality warehouse space. The fundraising attracted pension funds and sovereign funds, with Canada Pension Plan Investment Board acting as a cornerstone investor.

Institutional investors commit $3bn to EM infrastructure

Institutional investors committed $3 billion to Copenhagen Infrastructure Partners' Growth Markets Fund II. The fund is almost three times the size of its $1 billion predecessor and has already committed around $1.6 billion across nine investments spanning renewable energy, energy storage and green hydrogen projects in high-growth economies. The close extends Copenhagen Infrastructure Partners' expansion across specialist infrastructure strategies, with the firm now managing one of the industry's largest dedicated renewable infrastructure platforms.

UPDATES (cont.)

Infrastructure services strategy exceeds hard cap

More than 60 institutional investors backed Warren Equity Partners' Fund V, which closed with approximately $2.8 billion in commitments, exceeding its $2.25 billion target and hitting its hard cap in less than 12 months. The fund continues Warren's strategy of investing in businesses that maintain and upgrade essential infrastructure across sectors including power, water, transportation, waste and digital infrastructure. The close takes the firm's AUM to around $9.6 billion, highlighting investor appetite for businesses providing essential infrastructure services.

StepStone enters infrastructure secondaries with $1.7bn

StepStone Group closed its first dedicated infrastructure secondaries fund with $1.7 billion of commitments across the fund and related separate accounts, exceeding its fundraising target. The vehicle marks a further expansion of the firm's private markets platform into one of the fastest-growing areas of infrastructure investing. The strategy acquires LP stakes and GP-led secondary opportunities, with a particular focus on the middle market. StepStone said its broader infrastructure platform provides proprietary deal flow and helps identify opportunities before transactions are widely marketed. The fund is already around 50% invested across 26 completed transactions.

Blackbird delivers Australia's biggest venture fundraise

Australia's largest venture capital fundraise to date saw Blackbird raise A$1.05 billion (US$680 million) across the latest vintage of its flagship funds. The capital will be invested through the firm's early-stage and growth strategies, allowing Blackbird to continue backing founders from seed funding through to later stages of development. Existing investors were joined by new international institutions including Morgan Stanley Investment Management, Schroders and Adams Street Partners. Blackbird's portfolio includes companies such as Canva and Airwallex.

G Squared raises $2.3bn flagship venture fund

Chicago-based G Squared closed its seventh flagship venture fund with $2.3 billion of commitments, making it the firm's largest vehicle to date as institutional investors continue to increase allocations to growth-stage technology companies through private markets. The fund will invest across direct secondary transactions, company-led tender offers, structured investments and selected primary financings, providing liquidity to founders, employees and early investors while backing companies that remain private for longer.

The latest fund is almost equal to the firm's previous two flagship funds combined, highlighting growing investor appetite for specialist venture secondaries. Founded in 2011, G Squared has built its business around acquiring stakes in high-growth technology companies before public listings, with investments including SpaceX, Anthropic, OpenAI, Stripe and Canva. The latest close adds further scale to one of the venture industry's best-known specialist growth investors.

UPDATES (cont.)

BlackSun launches with $1bn and outlines growth plans

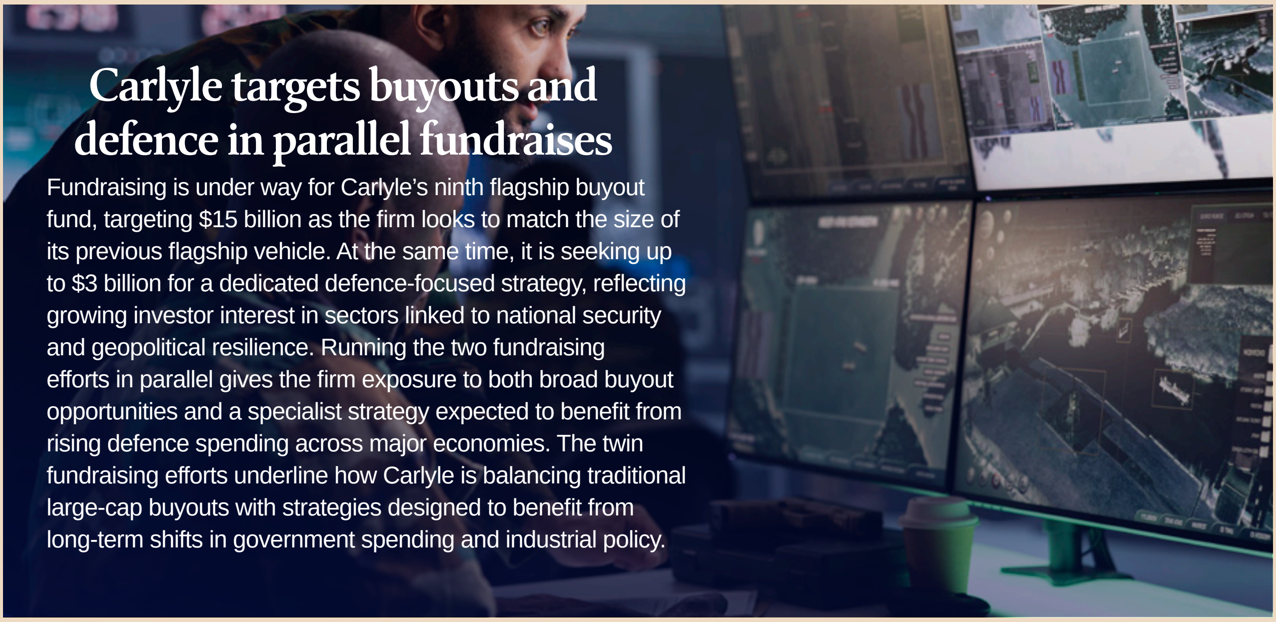
An inaugural $1 billion vehicle gives New York-based BlackSun Private Equity fresh capital as it pursues a longer-term ambition of building a $7 billion investment platform. The fund invests across sports, media, entertainment and technology, with professional sports franchise ownership forming the cornerstone of the strategy alongside investments in related media rights and commercial businesses. BlackSun is already part of a consortium seeking to return an NBA franchise to Seattle through league expansion. The debut fund is looking to capitalise on the rise of sport investments, with investors drawn to the recurring revenues, global brands and scarcity value associated with leading sports franchises.

Private credit appetite lifts Crestline's latest European fund

Private credit may be attracting attention for liquidity challenges elsewhere in the market (see later story), but institutional investors continue to back specialist strategies. European Capital Solutions Fund II closed with $625 million, making the vehicle almost 75% larger than its predecessor. Crestline Management's strategy provides tailored capital solutions ranging from senior debt to structured equity for asset-backed and lower middle-market businesses across Northern and Western Europe. The successful fundraising adds further scale to Crestline's European private credit platform as institutional investors continue to seek flexible, asset-backed lending strategies.

Hybrid credit strategy tops $500m in Asia

Granite Asia raised more than $500 million for its Libra Hybrid pan-Asia private credit strategy, surpassing its original fundraising target. The strategy provides hybrid capital to mid-market businesses across Asia, combining debt and equity features to address financing gaps. Investors include DBS Private Bank, alongside sovereign-backed institutions including Temasek, Khazanah Nasional Berhad and the Indonesia Investment Authority. The successful close extends Granite Asia's private credit platform beyond the private equity franchise on which the Singapore-based firm built its reputation.



Carlyle targets buyouts and defence in parallel fundraises

Fundraising is under way for Carlyle's ninth flagship buyout fund, targeting $15 billion as the firm looks to match the size of its previous flagship vehicle. At the same time, it is seeking up to $3 billion for a dedicated defence-focused strategy, reflecting growing investor interest in sectors linked to national security and geopolitical resilience. Running the two fundraising efforts in parallel gives the firm exposure to both broad buyout opportunities and a specialist strategy expected to benefit from rising defence spending across major economies. The twin fundraising efforts underline how Carlyle is balancing traditional large-cap buyouts with strategies designed to benefit from long-term shifts in government spending and industrial policy.

UPDATES (cont.)

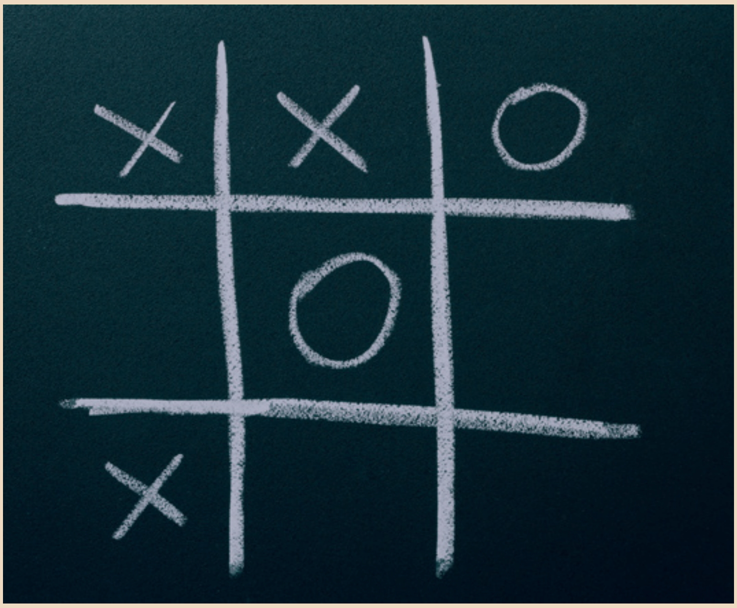
Redemption pressures refuse to ease in retail private credit

Liquidity management is becoming one of the defining issues for retail private markets as managers balance investor demand for periodic liquidity against portfolios built around long-term private assets. Blackstone again limited withdrawals from its flagship Blackstone Private Credit Fund after redemption requests exceeded the fund's quarterly repurchase limit for a third consecutive quarter. The restrictions are designed to avoid forced asset sales and came despite continued investor inflows into the vehicle.

Partners Group also announced sweeping leadership changes after reporting lower first-half profits, with the firm acknowledging that elevated redemptions across parts of its mature evergreen platform, slower fundraising in private wealth and weaker performance fees are expected to weigh on growth over the next 12 to 18 months. Concerns that first emerged around liquidity in retail private credit have broadened into a wider focus on evergreen private market funds, making liquidity management, investor communications and distribution increasingly important priorities for managers.

Saba returns with fresh board challenge

Saba Capital has shown little sign of backing away from its campaign against UK investment trusts, renewing its push at Baillie Gifford US Growth Trust by proposing three new directors ahead of the trust's November annual general meeting. Saba, which owns around 29% of the trust, argues governance changes are needed following prolonged underperformance and the persistence of a wide discount to net asset value. The vote is likely to be closely watched across the UK investment trust sector as activist investors continue to press boards to narrow persistent discounts to net asset value.



One to Watch: Jeff Wang preps $2bn launch

One to watch is what could become one of the largest hedge fund launches of the year. Former Sequoia Capital Global Equities chief Jeff Wang is preparing to launch Augnition Global Investors in October with more than $2 billion. The firm will be co-led by Alan Lo, a long-time partner and director of operations at SRS Investment Management. Operating as a hybrid public and private technology crossover fund from Menlo Park, California, the business is backed by significant personal capital from its founders. Wang built Sequoia Capital Global Equities into one of the industry's largest crossover investment platforms, giving the new venture immediate visibility with institutional investors.

Capula enters the world of quant commodities

Capula Investment Management has broadened its product range with the launch of a quantitative commodities strategy led by former AQR portfolio manager Yao Hua Ooi.

The Capula Alternative Markets Alpha Fund is targeting capacity of between $2 billion and $3 billion and is currently fundraising. Ooi previously co-led macro strategies at AQR and was involved in running its Helix systematic platform. The new strategy also expands the product range of one of Europe's largest hedge fund managers, which has traditionally specialised in fixed income relative-value and macro investing.

Are Law Firms the Next PE Investment Focus? Interest Seems High, but Opportunity Faces Hurdles

One of this summer's spectator sports has been watching the big-money moves by private equity firms and their owners into US sports teams. A tally of the most consequential include Arctos' 10% investment in the Atlanta Falcons; Sixth Street's 3% stake in the New England Patriots; and Carlyle's, Sixth Street's and Dynasty Equity's just-announced undisclosed ownership of Seattle Seahawks. And this is just a few.

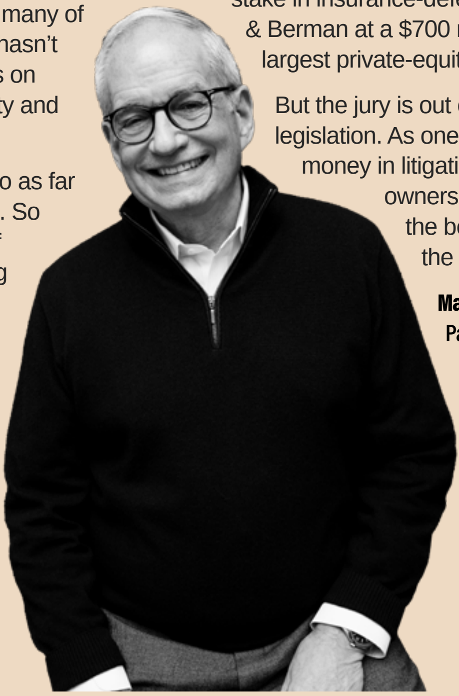
In the background, however, there is another story where PE firms are taking a look at what seems like an unlikely industry but with similar dynamics as sports teams: Law firms where profit margins are soaring and some of the executives are earning in some cases athlete-like salaries.

> ...law firms posted the strongest annual growth in five years at 12.9% with margins at just over 40%.

Granted, law firms have been having a colorful moment on their own in recent months: White House attacks on DEI and other issues, AI beginning to reshape traditional hourly billing structures and consolidation/mass departures impacting the complexion of many of the corporate and litigation shops. That hasn't changed the opportunity. Fee revenue is on the rise from robust M&A and IPO activity and data-center financings.

Like the sports teams, you can almost go as far as calling this the golden age of lawyers. So why wouldn't PE firms look at that pot of gold for the next opportunity? (According to Thomson Reuters, law firms posted the strongest annual growth in five years at 12.9% with margins at just over 40%.)

But let's add a twist to this story. California has just issued legislation banning private equity firms from taking stakes in law firms. Known as Assembly Bill 2305 and awaiting Gov. Gavin Newsom signature, the development is significant because the state is in effect trying to shut down some of the sponsors that have been working on taking economic ownership of the firms.



Outright ownership of law firms is not allowed in California as well as most states in the US. As a work around (or better yet, an "own around"), PE firms have been developing structures such as MSOs, where managed service organizations provide or even own services at law firms such as technology, HR, marketing, finance, or other "non-legal" operational infrastructure. The law firm pays the MSO for these services so law firms can focus on being lawyers.

Under the pending legislation, an investor could not influence core legal activities such as client selection, scope or financial terms of representation, litigation strategy, settlements, choice of counsel, litigation-funding decisions or other substantive legal decisions.

This is not just happening in California. Illinois and Colorado are considering similar moves, and Charlesbank Capital Partners reportedly plans to take a stake in insurance-defense specialist Wood Smith Henning & Berman at a $700 million valuation. That would be the largest private-equity law deal to date.

But the jury is out on how far this will go beyond potential legislation. As one lawyer observed: There's a lot of money in litigation, which is the attraction here. PE ownership may change the focus away from the best approach for the client and more to the best financial outcome for the firm.

Mark Kollar
Partner, Prosek Partners

How Asia's Asset Management Hubs are Raising their Game

Competition between financial centres is nothing new. Jurisdictions have long competed to attract capital, talent and investment expertise, recognising the wider economic benefits that a thriving asset management industry can bring. What is changing, however, is the intensity of that competition.

Across Asia, governments and regulators are taking a fresh look at how they can strengthen their appeal to global asset managers. Recent developments in Hong Kong and Singapore suggest that the race to attract alternative investment firms is accelerating, with policymakers increasingly willing to adapt tax, talent and investment frameworks to support industry growth.

Hong Kong has been at the forefront of this trend. Earlier this year, the Hong Kong Government unveiled a series of significant reforms to its asset management tax framework. The changes substantially expand the scope of the city's Unified Fund Exemption regime, extending coverage to private credit, virtual assets and real estate funds, alongside hedge funds, private equity and other alternative investment strategies. At the same time, proposed reforms to the carried interest regime would provide an effective tax exemption for carried interest and performance fees, not only for fund managers and general partners but also for investment professionals involved in managing those strategies.

As alternative investment strategies have evolved and diversified, firms have increasingly sought tax frameworks that better reflect the breadth of the modern asset management industry. Competitive treatment of performance-related compensation has also become a key factor in attracting and retaining investment talent, particularly as professionals become more globally mobile.

AIMA has been closely involved throughout this process. Working alongside members and industry partners, AIMA engaged extensively with the Hong Kong Government, the Securities and Futures Commission, the Hong Kong Monetary Authority and the Inland Revenue Department to help shape the proposals. The reforms reflect years of dialogue on how Hong Kong can reinforce its position as a leading centre for alternative investment management and ensure its policy framework remains fit for the future. Singapore has now undertaken a similar exercise.

In August, the Monetary Authority of Singapore (MAS) announced a package of measures designed to strengthen Singapore's position as a leading asset management hub. The measures include a proposed tax exemption for qualifying profit-related returns from fund management services, a new Hedge Fund Investment Programme that will invest alongside managers establishing or expanding their presence in Singapore, and a new Investment Management Track within the ONE Pass framework aimed at supporting the attraction of global investment talent.

The announcement followed extensive engagement between MAS, AIMA and its members. In July, AIMA submitted a detailed paper to MAS outlining the industry's perspective on the challenges and opportunities facing Singapore's asset management sector. The submission argued that the debate should not be viewed simply as a response to developments elsewhere, but as an opportunity to renew and strengthen Singapore's broader proposition for global asset managers.

The themes raised by members highlighted the importance of maintaining Singapore's competitiveness for internationally mobile talent, ensuring tax and incentive structures remain attractive, supporting business growth and reducing barriers that can affect firms' location decisions. The submission also emphasised that competition for asset managers is increasingly global, extending beyond Hong Kong to jurisdictions across Asia and the Middle East.

Taken together, these developments point to a broader shift in how financial centres think about competitiveness. Talent availability, immigration pathways, access to capital, technology infrastructure, regulatory predictability and overall ease of doing business increasingly influence where firms choose to establish and expand their operations. As I put it on Channel News Asia, the reforms should not be looked at in isolation, but as part of a holistic interlocking that will drive the region's asset management industry forward.

The recent reforms in Hong Kong and Singapore also demonstrate the value of engagement between policymakers and industry. In both cases, governments consulted extensively with market participants and introduced measures designed to strengthen their competitiveness. Competition between financial centres can drive meaningful improvements for the broader asset management industry.

As Asia continues to grow as a centre for global capital, competition between financial centres is likely to intensify. [Both Singapore and Hong Kong listened widely, and then moved fast. The industry's job now is simple: help make it work.]

Kher Sheng Lee
Managing Director, Co-Head of APAC and Deputy Global Head of Government Affairs, AIMA

One of the Biggest Unpriced Risks in Private Markets is Human Capacity

Private markets' capacity problem is well understood but poorly addressed. Industry groups, academics, and market participants all recognize that limited partners (LPs) face growing difficulty evaluating increasingly complex private-market transactions. Research on pension governance has shown for decades that allocator organizations are structurally understaffed relative to their responsibilities, while industry reporting consistently cites limited internal bandwidth as a key reason LPs decline continuation fund opportunities. Yet most analyses treat these challenges separately rather than as a cumulative burden on the same investment teams.

The problem is essentially a mismatch between growing decision complexity and largely static organizational capacity.

On one side, LPs must now navigate four expanding areas of responsibility. First, continuation vehicles have become a major component of private-market activity, requiring LPs to make asset-level roll-or-sell decisions involving valuation, conflicts of interest, and fairness assessments under tight deadlines.

Second, NAV-based financing is growing rapidly. These fund-level loans alter portfolio risk after commitments have been made and increasingly require LP scrutiny despite demanding specialized expertise many allocators were not built to provide.

Third, co-investments have become a strategic priority because they offer lower fee structures. However, they require direct company-level underwriting on GP timelines, and LPs frequently cite insufficient internal resources as the primary reason they cannot pursue more opportunities.

Fourth, LP-led secondary sales require investors to value and price their own portfolios, a skill once largely confined to specialist secondary-market buyers.

Against this growing workload stands a denominator that has changed little: allocator staffing. Research consistently shows private equity is one of the most labor-intensive asset classes to oversee. Even the largest, best-resourced institutions face limits in monitoring vast portfolios, while smaller endowments and foundations often rely on consultants or outsourced CIOs rather than dedicated alternatives teams.

The mismatch persists because expanding internal capability is politically difficult. Staff compensation is visible and easily scrutinized by boards, stakeholders, and the public, while external fees are embedded in net returns and attract less attention. As a result, organizations often outsource complexity instead of building internal expertise.

Most existing solutions fail because they address information rather than capability. Disclosure templates, longer decision windows, consultants, and software platforms can improve access to information, but they do not create the expertise needed to evaluate increasingly sophisticated transactions. Evidence from continuation-fund elections suggests many LPs choose liquidity not simply because they want cash, but because they lack the resources to underwrite alternatives within available timeframes.

This capacity gap remains under-discussed because it implicates nearly every participant in the private-markets ecosystem. Yet its consequences are significant. Under-resourced decisions can lead LPs to sell attractive assets prematurely, accept risks they have not fully evaluated, or forgo valuable opportunities.

If the constraint is human capital, the solution is human capital. The industry's greatest need is not more information, but more trained judgment. Building competency in continuation vehicles, NAV facilities, co-investments, and secondary-market analysis is increasingly essential. One of the largest unpriced risks in private markets is not market structure, but the shortage of expertise on the buy side.

Georgina Tzanetos
Director, Content, CAIA

The Golden Age of Absolute Return

Adapted from a Money Maze Podcast interview conducted by Simon Brewer with Tony Yoseloff, Managing Partner and Chief Investment Officer, Davidson Kempner

Tony Yoseloff does not believe investors are living through a difficult period for alternative funds. Quite the opposite. Speaking with Simon Brewer on the Money Maze Podcast, the Davidson Kempner CIO argued that markets have quietly entered what he describes as "a golden age of absolute return strategies". For Yoseloff, the explanation is straightforward; the easy-money world that compressed risk and made capital exceptionally cheap has ended; capital once again has a meaningful cost, creating greater dispersion, more complexity and, ultimately, more opportunity for investors whose job is to distinguish winners from losers.

It is a perspective shaped by experience rather than theory. Yoseloff joined Davidson Kempner as an intern in 1998 when, he recalls, the firm had fewer than 15 people and managed about $1 billion. Nearly three decades later, the business manages over $40 billion, with eight offices in the US, UK and Asia. Over that period, he has invested through the technology bubble, the global financial crisis, the prolonged zero-interest-rate era and the subsequent return of higher borrowing costs. Those contrasting regimes underpin much of his thinking today.

The central difference, he argues, is not simply that interest rates have risen. It is that today's cost of capital needs to be viewed in a longer historical context. "Just because the cost of capital today is higher, doesn't mean the cost of capital is high," he says, noting that a US ten-year rate in the mid-fours is unusual principally in comparison with what preceded it. "Having a ten-year rate in the mid fours isn't extraordinary. It's just extraordinary based upon where things were."

That distinction matters because higher rates expose differences between businesses. Davidson Kempner looked back over roughly three decades of market history and concluded that higher-rate markets contain greater dispersion and idiosyncratic risk than lower-rate environments. Yoseloff distills the point more simply when he says, "Higher interest rates do separate winners from losers." For investors specialising in opportunistic credit and event-driven situations, Yoseloff argues that widening distinction between companies and capital structures expands may expand the opportunity set.

Davidson Kempner's own approach reflects that philosophy. Rather than separating public and private markets into distinct silos, the firm operates across both. Yoseloff describes Davidson Kempner as a "crossover credit investor," arguing that exposure to private companies provides information and knowledge that can be useful when assessing public businesses.

Much of that thinking informs Yoseloff's assessment of private credit, although he is careful to challenge the way the term is commonly used. "When you read in the papers about private credit, what you're really reading about is direct corporate lending market," he says. He separates that activity from asset-backed or specialty lending and opportunistic credit. The distinction matters because direct corporate lending has grown rapidly over the past 10 to 15 years and, in Yoseloff's assessment, is now roughly the same size as the bank syndicated lending market. There is nothing inherently wrong with the asset class. The

Continued:

danger, in his view, comes when capital grows faster than the opportunity available to deploy it.

That concern reflects one of Yoseloff's recurring investment principles: that capital chases returns and markets become more efficient over time. As money poured into direct corporate lending, competition increased. A decade ago, lenders could offer speed and one-stop financing while seeking somewhat higher coupons and stronger terms. Over the past five or six years, Yoseloff says that sponsors have increasingly been able to avoid giving lenders those protections. Covenants have moved closer to those found in public leveraged finance, while competition has also put pressure on price. "If everyone's in the same asset class, and your asset class ultimately outgrows the size of borrowers that are available to lend to, that's where you can start to have real issues."

This concern extends into private equity because sponsor-backed borrowers form an important customer base for direct lenders. Yoseloff says around 40% of private equity dollars in recent years have gone into software businesses, alongside a low-to-mid-30% share of direct corporate lending. Concentration matters at a moment when he believes software is under pressure from artificial intelligence. He does not suggest that every software business will suffer; some will be AI winners that improve their offerings or retain competitive advantages that markets currently underestimate. His point is that the sector-wide assumptions that supported previous investment decisions cannot simply be taken for granted.

> **What we discovered fundamentally is there's a much higher dispersion and much higher idiosyncratic risk in higher interest rate markets than lower interest rate markets.**

Where Yoseloff differs from those looking for a rapid clearing of private-market problems is in the timing. He believes the process could take considerably longer than many expect. In his telling, private equity firms have incentives to protect valuations and raise subsequent funds, while sponsors have time and considerable flexibility within loose documentation. Some businesses will recover and others will be restructured, but he believes the excesses accumulated during roughly the 2018 to 2021 period cannot be resolved quickly. The underappreciated risk for investors is therefore duration, with capital potentially remaining tied up in low-returning funds for longer than expected.

Artificial intelligence adds another layer. Davidson Kempner had anticipated compelling investment opportunities in US opportunistic credit during 2023 and 2024. Yoseloff says those opportunities were good but believes some of what the firm expected to happen was pushed out by several years. Part of his explanation is the strength of the US economy and, specifically, the enormous capital expenditure going into AI-related infrastructure.

Even so, Yoseloff sees parallels with 1999. He is not arguing that enthusiasm for AI is misplaced. Demand is real and he expects the technology to continue developing. The lesson from the internet boom is more subtle. Investors can correctly identify a profound technological shift while getting ahead of the timing, economics or eventual winners.

Beyond the United States, Yoseloff continues to see opportunities for active investors prepared to look further afield. He believes there is genuine alpha available internationally because of differences in market structure, regulation and the number of investors competing for opportunities. Europe remains cheap relative to the US on a long-term basis, particularly once differences in technology exposure are considered. "Sometimes you can buy cheap and sell cheap and still do really well," he says. Within Europe, Davidson Kempner has become relatively more focused on southern Europe, where Yoseloff sees stronger growth but less capital than in parts of the north. He also highlights India, where changes to the bankruptcy regime and improved lender protections have helped expand opportunities in credit.

The discussion concluded with a broader reflection on investment cycles. Asset classes inevitably move in and out of favour, sometimes for many years. Yoseloff points to venture capital, where he says investors made little or no money during parts of the 1980s and 2000s. Abandoning the strategy entirely, however, could have meant missing the funds formed later in the cycle that invested in businesses such as Uber or Airbnb.

For Yoseloff, the return of higher rates is therefore not simply a headwind. It has restored conditions in which businesses, capital structures and investment outcomes can diverge much more sharply. At the same time, he believes that problems accumulated during the easy-money era are likely to take years to work through rather than disappear overnight. If he is right, investors may ultimately remember this decade less for the end of easy money than for the return of genuine opportunity in absolute-return investing.

Click link to listen to the full interview

GUEST ARTICLES

Beyond the Spreadsheet: Why AI in Private Markets Has to Earn a Fund Manager's Trust

Diederick Kruger, Senior Manager, Digiata

Ask anyone in fund operations what actually runs the business, and most will point past the shiny platforms to a spreadsheet: the one that's been quietly patched, extended and refined for a decade, and that nobody dares touch without asking first who built it.

That's not a confession of failure. It's survived because operations teams are cautious, and because most of the automation on offer over the years has never really understood what it was automating. A spreadsheet is visible. You can trace the formula and know exactly who signed off on which cell. Move that same process into an opaque system, and you're not just asking operations, compliance and IT to adopt new software. You're asking them to hand over years of institutional memory to a black box they can't interrogate.

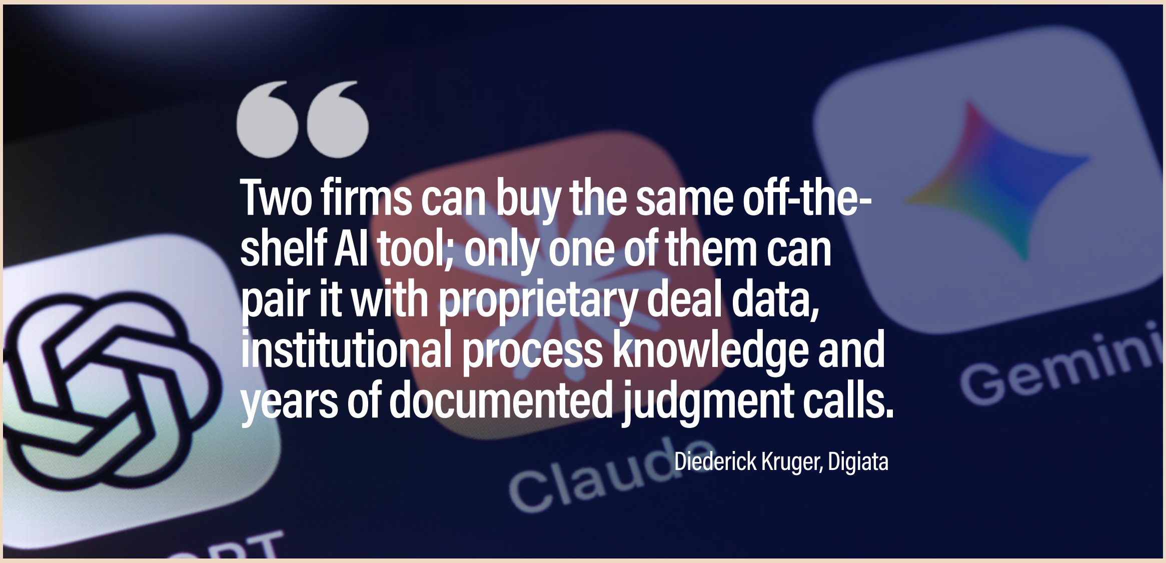
That history matters because it's exactly the barrier AI now has to clear, and private markets are a harder test than most. Where public markets have decades of clean, structured, machine-readable data, private markets run on PDFs, side letters, LPAs, capital call notices and email threads, each one shaped by bespoke terms negotiated deal by deal. Generic AI tools trained on generic data don't cope well with that. What we need is intelligence built for the specific shape of this business: models that understand why an approval sequence is ordered the way it is, why a particular clause in a side letter overrides the standard template, and why a capital call needs to reconcile against a waterfall structure nobody outside the fund would recognise on sight.

That's the real test of "AI for private markets" right now: not whether it can process language, but whether it understands the domain well enough to be trusted with it.

Where We're Actually Willing to Start

The AI rollouts that have stuck, in our experience, weren't the big-bang overhauls promising to reinvent the operating model overnight. They started by identifying where trust already existed, in a person, a process, or a system that worked well enough,

GUEST ARTICLES (cont.)



and used AI to strengthen it rather than replace it. One case that stands out: a fund manager's Excel-based launch tracker, refined over the years by the team that lived in it daily. Rather than ripping it out, the firm layered AI-driven extraction and validation around it, reading incoming documents, flagging inconsistencies, routing approvals, while leaving the tracker's own logic intact. Processing time fell without anyone being asked to abandon a tool they'd spent years perfecting.

That's the pattern worth watching across the industry now: AI as an operational accelerator sitting alongside existing judgment, not a replacement for it. It reads the side letter and flags the deviation; a human decides what the deviation means. It reconciles the capital call; a human signs it off. That sequencing, rather than any single model's sophistication, is what determines whether an AI deployment survives contact with a real fund's working day.

The Case for Being Selective

Trust, once broken, is expensive to rebuild, and fund managers have good reason to be cautious about ceding judgment to a system trained on data that has nothing to do with how this industry actually works. That caution shouldn't be mistaken for reluctance to adopt AI. It's a filter for which AI is worth adopting: does it understand fund structures, jurisdictional variation and approval hierarchies well enough to add real operational leverage, or is it a generic layer bolted onto a business it doesn't understand?

That distinction is also where competitive advantage will increasingly sit. Two firms can buy the same off-the-shelf AI tool; only one of them can pair it with proprietary deal data, institutional process knowledge and years of documented judgment calls.

Generic AI, applied generically, flattens that advantage into something anyone can replicate. Domain-specific AI, built around a manager's own operational reality, protects it.

None of this is an argument against AI adoption in private markets. It's an argument for being clear-eyed about what would actually earn our trust: not the newest model, but one built by people who understand why that clause matters and why the spreadsheet earned our confidence in the first place, so that whatever replaces it can earn it too.

Diederick Kruger, Senior Manager, Digiata

This article is based on original insights from Digiata, a workflow automation and integration partner to banks, insurers and asset managers, building bespoke solutions across South Africa and the UK for over 25 years. For more information, visit digiata.co.uk.

GUEST ARTICLES (cont.)

Who Will Finance the AI Boom? Credit Markets Have the Answer

Why the next phase of the AI buildout is increasingly a credit market story

Trey Parker, Co-Founder & Chief Investment Officer, Sycamore Tree Capital Partners, L.P.

The debate around the unprecedented investment required to build AI infrastructure has largely centered on whether the returns will justify the capital being spent. For credit investors, the more consequential question may be how the buildout is being financed and where the resulting risk will ultimately reside.

Credit is Filling the Financing Gap

Global data center capital expenditure is expected to reach roughly $2.9 trillion through 2028, with hyperscaler cash flows covering approximately $1.4 trillion and leaving a financing gap of roughly $1.5 trillion before incremental power investment, according to Morgan Stanley estimates.[1]

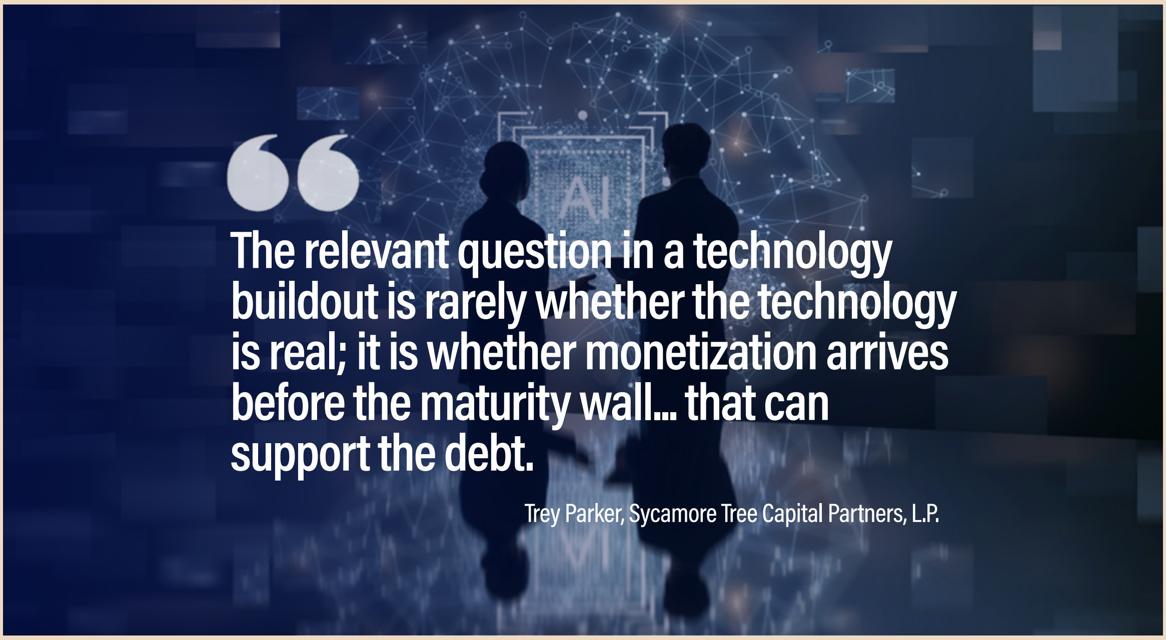
Credit markets are increasingly filling that gap through corporate bonds, securitizations, project finance, private credit, and asset-based finance. For context, AI related fixed income issuance in the first five months of 2026 already exceeded all of 2025.[2]

Rapid external financing is creating significant new supply across the credit stack, with the sheer weight of that supply beginning to influence pricing before broader stress emerges. Financing structures that historically developed over decades are being created at scale virtually overnight.

Where the Risk Resides

By conventional measures, hyperscalers remain among the strongest credits in the world, yet reported debt captures only part of the exposure. Lease commitments across the largest technology companies approach $932 billion, much of it outside the reported debt line, while guarantees and multi-year purchase commitments add further obligations that increasingly behave like debt.[3]

[1] Morgan Stanley Research, "Bridging a $1.5tr Data Center Financing Gap" (July 2025). Figures exclude power infrastructure; incremental power investment is estimated at $300 billion or more.
[2] Morgan Stanley Research, "Data Center Financing: Faster, Broader, Deeper" (May 2026). AI-related gross issuance approached $250 billion in the first five months of 2026, exceeding full-year 2025.
[3] Morgan Stanley Research (May 2026); company filings. Comprises approximately $675 billion of operating leases, $175 billion of finance leases, and $82 billion of committed leases not yet commenced.



GUEST ARTICLES (cont.)

Much of the financing is pre-leased and guaranteed, but those protections remain conditional, finite, and concentrated among a relatively small number of counterparties.[4] As the composition of financing changes, a growing share of the risk sits in structures that are less visible, less liquid, and less able to reprice.

The Telecom Precedent

The telecom buildout of 1996 to 2002 offers an instructive precedent as another debt-financed infrastructure cycle built around enormous expectations for future demand. The demand thesis ultimately proved right. Internet traffic grew and the infrastructure remained essential, yet lenders were still impaired because monetization came after the debt matured.[5]

That distinction is critical for lenders. The relevant question in a technology buildout is rarely whether the technology is real; it is whether monetization arrives before the maturity wall at economics that can support the debt. Being right about long-term demand does not protect lenders whose maturities come first.

Repricing Will Create Opportunity

For credit investors, market structure will determine both where adjustment occurs and where opportunities emerge. The weight of new supply is already beginning to reprice primary markets, creating opportunities for investors who can distinguish between supply driven spread widening and deteriorating fundamentals.

If conditions turn, stress should surface next in traded credit, where risk can continuously clear through price. Private credit's illiquidity can defer that adjustment, but it does not diffuse it, potentially routing pressure into the secondary market at discounts reflecting both liquidity and spread. The opportunity should follow the same sequence, from new issue selectivity to tactical opportunities in traded credit and ultimately private credit secondaries.

The AI buildout may ultimately earn its return. What matters now is how that growth is being financed and whether those structures can withstand the path from investment to monetization. As the cycle evolves, understanding where risk resides and retaining the liquidity to act as markets reprice will be critical.

Trey Parker, Co-Founder & Chief Investment Officer, Sycamore Tree Capital Partners, L.P.

These are the opinions of Sycamore Tree Capital Partners. The information is intended for sophisticated investors and should not be relied upon as financial advice.

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[4] Deal structure characteristics (pre-lease terms, construction and lease guarantees, approximately 180-day delay options, and non-amortizing refinancing exposure) — Morgan Stanley Research (May 2026). The characterization of these protections as conditional, finite, and concentrated reflects the views of Sycamore Tree Capital Partners.

[5] Telecom sector default and recovery experience, 2000–2004 — Moody's and S&P long-term corporate default studies; FDIC, Atlanta Regional Outlook (2001).

GUEST ARTICLES (cont.)

What $100,000 of AI Buys a Hedge Fund

Jon Freedman, co-founder, Quant Fin Ltd

Every capital markets firm says they are investing in AI, but there are two ways to do so: building a team with a multi-year roadmap, or giving existing staff both tools and time to experiment. Employing staff is expensive, and expertise in both finance and AI is scarce, so what can you get for under $100,000?

Every employee who can benefit should have access to an enterprise version of ChatGPT, Claude or Microsoft 365 Copilot. Corporate data should be securely available through connectors. Meetings should be transcribed, searchable and shared with relevant colleagues whether they attended or not. At $50-100 per employee per month this is in the same bucket as your office tools.

The next step is using those tools to do more with the same staff.

An analyst can review ten documents or use AI to make a first pass at 100 and decide which ten deserve their attention. Research from multiple sources can be summarised into one place before someone starts work. The person remains responsible for the output, but the amount of information they can process increases.

This also requires a different approach to procurement. Perplexity gained traction through research, access to the internet and citations. ChatGPT and Claude can now do much the same thing. A firm might change provider twice in twelve months, or pay for two or three products that appear to do the same thing. Both would traditionally be signs of poor procurement, but locking into a three-year contract while the market changes every three months may be worse.

The same problem has caught up with AI start-ups. Connecting proprietary documents to an LLM is no longer sufficient differentiation. The more interesting vendors either have

GUEST ARTICLES (cont.)

technology beyond the LLM, using machine learning or other data processing to improve reliability, or access to data and redistribution rights that would be expensive for a fund to acquire independently. Six months ago we were asking whether a tool would help us operate our business better, faster or cheaper. Now we're also asking whether Claude will be able to do it to a "good enough" standard next month.

There should also be a clear boundary around investment decisions. LLMs are non-deterministic and shouldn't be making investment decisions simply because their research output is useful. A human needs to remain accountable unless the firm is capable of building and operating the same controls it would around a systematic strategy, including pre-trade risk, limits and automated kill switches.

Experimentation itself needs managing. Ken Griffin described asking for a list of Citadel's generative AI projects and finding around 200. His response was to select five and stop the rest. For a smaller firm the numbers are different, but the problem is the same: either turn successful individual experiments into tools other people can use, or stop doing them. You need a clear route to take something useful from single-player to multi-player. Swap "AI Agent" for "spreadsheet" and these are problems we've been dealing with for decades.

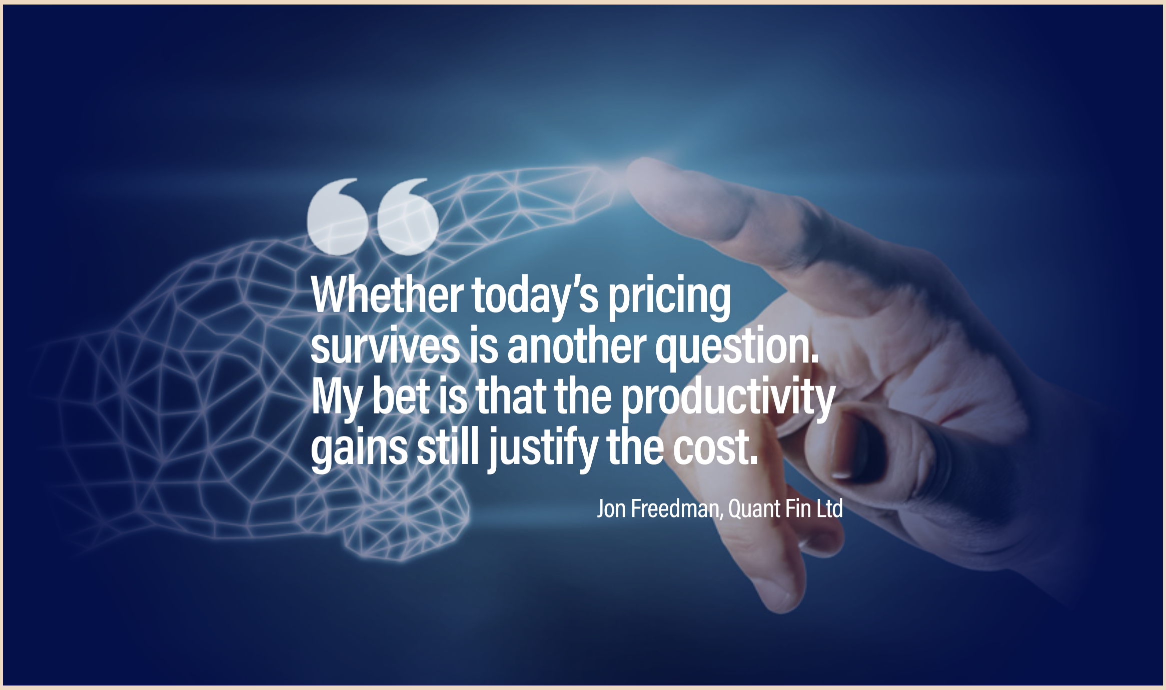
Over the next year, the biggest change may simply be what \$20 buys. I recently diagnosed a problem with a central heating system in five minutes by describing the symptoms to an AI and uploading a few photographs. Previously that meant waiting for a plumber and spending \$100+ for someone with expertise to diagnose it.

The same thing is happening at work. Expertise that was expensive or impractical to access for small tasks is becoming available on demand and at close to zero marginal cost. For a small hedge fund, that doesn't mean replacing the experts making important decisions. It means letting the people you already employ attempt things that previously required more time, more people or outside expertise.

Whether today's pricing survives is another question. Foundation model providers have spent billions training models and acquiring users while backed by private capital. That shouldn't stop firms using AI. For a firm spending under \$100,000, the opportunity today is to buy the commodity tools, give staff room to experiment and turn the things that work from individual productivity gains into firm-wide capabilities. Once the market finds the real price, the question will be whether those productivity gains still justify the cost. My bet is that they will.

Jon Freedman, co-founder, Quant Fin Ltd

Quant Fin works with capital markets buy-side firms, engaging directly with c-suite leadership to help scale their business without linear increases in fixed costs or technology slowing them down. Quant Fin helps firms review, enhance or even build their technology, which could be a mature firm looking for an experienced operator that's solved their current problems before; or a trusted advisor to provide an outside perspective on their current approach.



GUEST ARTICLES (cont.)

AI in Financial Services: Regulatory Change, Governance and Investment Risk

Alan Baker, Partner, and Jeremy Evans, Senior Associate, Farrer & Co

The financial services industry has been an early adopter of AI, initially for improving automation in internal or 'back office' processes such as fraud prevention, and now increasingly in developing products such as agentic payment solutions.

As part of its growth agenda, the Government is keen to support the sector in realising the potential productivity gains. A barrier to innovation is currently the lack of regulatory certainty - firms developing financial services AI products may need to consider the application of rules from multiple regulators, including the PRA, FCA, CMA and ICO. For now, the approach is to rely on existing rules, and regulators have emphasised that an outcomes-based approach works well in an environment of rapid innovation.

In July 2026 HM Treasury published a *Financial Services AI Adoption Plan*. One of its key recommendations is that regulators should work together to ensure expectations of firms are clear. It identified positive regulatory support initiatives, such as the FCA's AI Sandbox, but noted concerns from industry that some of these initiatives are difficult to access, and recommends the development of an information portal.

Jeremy Evans, Farrer & Co

Consumers are increasingly using AI tools for advice in all aspects of their lives, and this includes seeking financial advice. They may be doing so without sufficient awareness that there are no regulatory protections or access to redress in such circumstances such as those that would otherwise apply when dealing with authorised firms. Accordingly, the Government is recommending that there should be an industry-led effort to assist consumers in identifying AI-enabled financial guidance and the risks involved.

In July 2026 the FCA published *The Mills Review: AI and the Future of Retail Financial Services*, which examines how AI is reshaping retail financial services, and the regulatory implications of AI-enabled finance. It envisages a market in which increasingly sophisticated AI systems and consumer-facing agents help individuals compare products, manage their finances and make investment decisions. However, the review also highlights significant challenges, including the

GUEST ARTICLES (cont.)

growth of cyber risk, financial crime and the possibility of consumers becoming increasingly reliant on automated decision-making.

In common with the Government's approach, the Mills Review does not recommend a programme of AI-specific regulation. Instead, it suggests that existing regulatory frameworks, including the outcomes-based Consumer Duty, provide a strong foundation for overseeing AI-enabled financial services. The FCA frequently emphasises its technology-neutral approach, and firms should not expect to see AI-specific rules in the near future. Recognising the need for more regulatory clarity, the FCA is intending to publish some examples of 'good and poor practice' in the autumn of 2026.

Further to the May 2026 joint statement from the Treasury, Bank of England and FCA on "frontier AI" models and cyber-resilience, in September 2026 the FCA published the findings of a multi-firm review of how firms were using these latest and most advanced AI models. The FCA reported some themes emerging from their engagement with firms, and emphasised that firms should consider whether their use of frontier AI was supported by clear ownership, appropriate guardrails, access to system information and specialist review.

For investment firms and portfolio companies, the regulatory message is clear: the use of AI does not diminish existing responsibilities. Senior management remains accountable for regulated activities, and firms must continue to comply with governance, systems and controls, operational resilience and conduct requirements. Effective AI governance should include clear ownership of AI systems, ongoing model monitoring, robust risk management processes and mechanisms for challenging and overseeing automated decision-making.


Alan Baker, Farrer & Co

For fund managers, AI may be used across the investment lifecycle, including investment research, portfolio construction, trade execution, risk and liquidity management, valuation support, compliance monitoring, investor onboarding and reporting. Consideration should therefore be given to whether their applicable frameworks adequately capture material AI use. In addition, appropriate disclosures should be put in place in the prospectus and other investor communications.

As AI becomes more deeply embedded in investment processes, firms will also need to manage a range of emerging risks. These include model risk, data quality issues, and algorithmic bias. The Mills Review identifies the potential for AI to amplify cyber threats and financial crime, while also raising concerns that market participants may become reliant on a relatively small number of technology platforms and AI providers.

For the moment, firms will need to consider how existing laws and regulatory requirements apply. Firms that invest in strong governance, effective oversight and robust risk management are likely to be best placed to realise the benefits of AI while meeting regulatory expectations and maintaining trust among customers, investors and regulators.

Alan Baker, Partner, and Jeremy Evans, Senior Associate, Farrer & Co

GUEST ARTICLES (cont.)

How litigation funders are using artificial intelligence

Dr Nick Rowles-Davies, Founder & CEO, Lexolent

A litigation funder underwrites a claim it did not bring, against a defendant it has never dealt with, before a judge it cannot choose, over a period it cannot control. Every element of that exposure is an information problem that the industry has historically solved late, at high cost, on material gathered by hand. Funders have begun attacking that constraint with machine reading at three separate stages of their process.

Funders felt the change first in origination, having traditionally waited for law firms to bring them matters, which made deal flow a function of relationships and left the funnel no wider than the network. Court listings, filed claims, company registers, insolvency notices, regulatory findings and published judgments are open records, most of them for years. The cost was always in the labour of reading all of it, every day, across several jurisdictions at once. Systems that ingest and cross-reference that material assemble a candidate universe before anyone lifts a telephone, reaching claimants who do not yet know that funding exists.

At the triage stage, underwriters apply the same filters they always have, weighing merits, quantum, enforceability, likely duration, the defendant's capacity to pay and the ratio of legal budget to realistic recovery. A model applies those criteria consistently across thousands of matters without tiring or drifting. A funder gains most on the matters it turns down. Its scarcest resource is the attention of an experienced underwriter, so clearing the hopeless files in the first week buys time for the ones that deserve a proper reading.

Predictive analytics come last, drawing on prior decisions, judicial behaviour, counterparty settlement patterns and case duration so that an underwriter can test the instinct formed on reading the papers against how comparable disputes

GUEST ARTICLES (cont.)

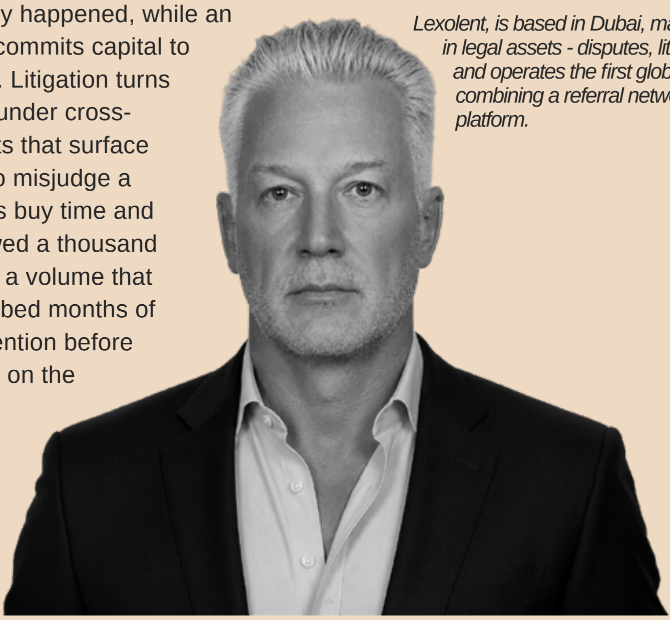
actually resolved. Duration modelling counts for a great deal, because a funder's return depends more on how long a case takes than on almost anything else. The limits are real, since docket data in the United States supports this work far better than the English record, where most first-instance decisions go unreported and settlements stay private by design.

None of it decides anything, because a model scores what has already happened, while an investment committee commits capital to something that has not. Litigation turns on witnesses who fold under cross-examination, documents that surface late and advocates who misjudge a tribunal. These systems buy time and consistency. We reviewed a thousand cases for our first fund, a volume that would once have absorbed months of senior underwriting attention before anyone reached a view on the handful worth backing. The sorting a machine now completes before an underwriter opens a file is the part of the work that was never worth a lawyer's day.

For an allocator, the useful questions are whether the funnel has widened, whether rejection has become faster and whether the hours released at first stage have gone into deeper diligence on the cases that survive. A manager who deploys these tools and cannot answer those questions has bought software, not changed a process.

Dr Nick Rowles-Davies, Founder & CEO, Lexolent

Lexolent, is based in Dubai, manages funds which invests in legal assets - disputes, litigation and arbitration and operates the first global legal finance network, combining a referral network and a technology platform.



REGULATION — Presented by RQC GROUP

UK

UK asset management reform: A more proportionate regime

In July 2026, the Financial Conduct Authority ("**FCA**") published a package of proposals to update the UK asset management industry. This includes a UK-specific Alternative Investment Fund Managers ("**AIFM**") regime, a new fund reporting framework and a single remuneration code.

From EU AIFMD to a UK-specific framework

July's Consultation Paper CP26/28 proposes to consolidate most rules for managers of unauthorised alternative investment funds ("**AIFs**") in a new Alternative Investment Funds sourcebook, ALTS, while HM Treasury consults in parallel on the statutory perimeter.

The FCA proposes common baseline standards for all AIFMs, with additional requirements determined principally by firm size and, in selected areas, by fund characteristics and investor type.

The key change for AIFMs: three size tiers

The current distinction between sub-threshold and full-scope AIFMs would be replaced by small, medium and large categories. Classification would use the aggregate net asset value ("**NAV**") of all AIFs managed, including collective investment schemes ("**CIS**") and non-CIS AIFs and residual non-AIF CIS operated by the firm: small, up to £750 million; medium, above £750 million and up to £5 billion; and large, above £5 billion.

Large AIFMs would remain closest to the substantive standards of the current full-scope regime. Medium AIFMs would be subject to a comprehensive but less prescriptive framework. Small AIFMs would face baseline rules. Full-scope AIFMs becoming Small AIFMs would likely experience a material reduction in requirements, whereas the converse may be true for sub-threshold AIFMs becoming Small AIFMs. Such firms will likely be subject to more prescriptive requirements on valuation, risk management, liquidity where relevant, delegation, annual investor information and other operating conditions.

FRAME: Annex IV simplified but scope increases

CP26/26 proposes Fund Reporting for Asset Management Entities ("**FRAME**"), a single fund reporting framework calibrated by fund type, size and activity. For AIFMs it would replace Annex IV. Funds below £500 million NAV would complete essential reporting; funds above that threshold would provide enhanced information, with further modules triggered by characteristics or activities. Reporting frequency and data fields would vary, so implementation planning

should be based on the firm's fund inventory rather than an assumed strategy-wide cadence.

FRAME also reaches beyond AIFMs. Certain MiFID investment managers and advisers carrying on portfolio management or investment advice would submit a streamlined annual return covering areas such as derivatives, borrowing, funds under management and assets under advice. Residual CIS operators would provide a short annual return about the number, size and type or purpose of relevant schemes. Those firms are principally affected by FRAME and any perimeter consequences, rather than by the full AIFM operating regime.

A single remuneration code

CP26/27 proposes one remuneration code for in-scope solo-regulated asset managers, replacing the separate AIFM, UCITS and MIFIDPRU codes. For AIFMs, the intended end state is that medium and large firms are in scope, while small AIFMs are not. MiFID investment firms classified as small and non-interconnected ("**SNI**") would also be out of scope. The proposals emphasise governance and outcomes, with greater flexibility in areas such as deferral and the use of malus and clawback, and would remove MIF008 reporting.

Prudential reform is not yet settled

CP26/28 includes a discussion chapter on reviewing the prudential regime for fund managers (covering AIFMs, UCITS management companies and residual CIS operators). The regime is currently overly complex, inconsistent and with significant omissions.

The FCA is considering capital, liquid assets, professional negligence, group structures, wind-down and the interaction between AIFMD and MIFIDPRU requirements, including for collective portfolio management investment firms.

Fund managers would be brought into the remit of "**COREPRU**", a new sourcebook within the FCA Handbook that contains the common baseline for firms prudentially regulated by the FCA.

This initiative is aligned with a review of MIFIDPRU, the adoption of which is approaching its 5th anniversary. Additional FCA communications on the prudential framework will follow in 2026 and 2027.

Firms should keep this workstream separate from the draft ALTS operating rules and avoid building to an assumed final prudential model.

Timing

The consultations are part of a package, but they have separate response dates and workstreams. The FCA expects final policy and Handbook rules in 2027, aligned with HM Treasury's legislation, and currently envisages implementation of the AIFM and asset management reporting regimes in 2028.

Changes to the remuneration framework are anticipated to take effect in Q1, 2027, the day after the final policy statement is published. The new framework would apply to remuneration performance periods that begin on or after the commencement date.

Presently, there is no proposed timeframe for amending the prudential regime for fund managers and MIFIDPRU investment firms.

FCA finalises a leaner UK transaction reporting regime

On 3 August 2026, the FCA published Policy Statement PS26/15, finalising a *"more proportionate, streamlined and agile"* UK transaction reporting regime. This broadly follows consultation CP25/32, and reflects the government's decision to repeal the existing UK Markets in Financial Instruments Regulation ("**UK MiFIR**") provisions and replace them with FCA Handbook rules.

The overall policy objective is to simplify and reduce reporting burdens, whilst maintaining robust regulatory oversight.

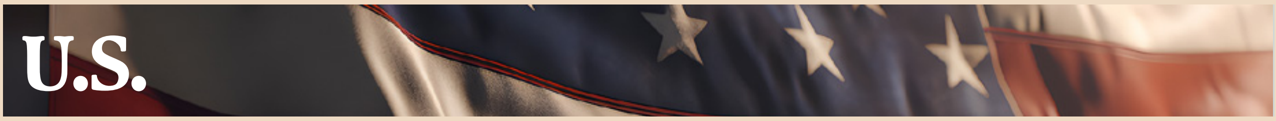
The precursor consultation proposed targeted changes to scope, content and operation, alongside a longer-term vision that data should be collected only where needed, reported once and shared where appropriate. PS26/15 states that respondents broadly supported this direction, while seeking early schemas, proportionate back reporting and adequate implementation time.

The final package broadly preserves the consultation architecture. This includes:

- Reducing transaction reporting fields from 65 to 52;
- Limiting scope to instruments tradeable on UK venues, removing obligations for approximately seven million instruments tradeable only on European Union venues;
- Removing foreign exchange derivatives, most corporate actions and specified low value fields from scope, while retaining coverage for initial and secondary offerings, placings and debt issuance; and
- Reducing the default correction period from five to three years, although the FCA may exceptionally require five years – reducing transaction report re-submissions by one third.

Collectively, the FCA estimates net annual industry savings of £108 million, against current UK MiFIR reporting costs of £493 million.

The new rules take effect on **3 April 2028**.



Compliance deadline for Form PF further extended

The U.S. Securities and Exchange Commission ("**SEC**") and the Commodity Futures Trading Commission ("**CFTC**") have issued a Joint Final Rule further extending the compliance deadline for the Form PF amendments adopted on February 8, 2024.

Under the new rule, the compliance date has been extended from **October 1, 2026** to **July 1, 2027**. The *original* compliance date was March 12, 2025.

The delay is intended to help Form PF filers avoid potentially significant implementation costs associated with amendments that the SEC and CFTC have since proposed to revise or eliminate under a separate rulemaking issued in April 2026.

By extending the compliance date, the agencies will have additional time to evaluate and fully consider comments received on the proposal before requiring compliance with the amended reporting requirements.

SEC proposes electronic delivery as the default for regulatory information

On July 16, 2026, the SEC proposed Regulation E-Delivery, which would allow issuers, broker-dealers, investment advisers and other covered entities to use electronic delivery as the default method for information required under the federal securities laws. Unlike the current approach, which generally relies on paper unless a recipient affirmatively elects electronic delivery, the proposal would permit e-delivery without first obtaining affirmative consent, subject to specified conditions. Recipients could opt out and request paper copies free of charge.

The proposed rule would become the SEC's primary e-delivery framework and generally supersede its 1995 and 1996 guidance. It would cover a broad range of information, including fund and issuer prospectuses, fund shareholder reports, proxy materials, trade confirmations, Form CRS disclosures, and Form ADV Part 2 brochures. Covered entities would include registered investment companies, broker-dealers, SEC-registered investment advisers, transfer agents and other persons with delivery obligations under the federal securities laws.

SEC moves toward reform of investment adviser pay-to-play rule

On August 12, 2026, the White House's Office of Information and Regulatory Affairs received a proposed rule from the SEC concerning Rule 206(4)-5, the investment adviser pay-to-play rule. The submission follows the SEC's inclusion of "pay-to-play reform" in its 2026 Regulatory Flexibility Agenda. White House review is a procedural step that may precede publication of a formal proposal; the substance of the contemplated rule proposal has not yet been disclosed.

Adopted in 2010, Rule 206(4)-5 generally prohibits an investment adviser from receiving compensation for advisory services to a government entity for two years after the adviser or a covered associate makes certain political contributions. Current *de minimis* limits are $350 per election for an official the contributor may vote for and $150 for other officials. The rule also restricts certain fundraising activity and the use of third-party solicitors.

The SEC has described the initiative as an effort to address identified compliance burdens. Industry commentators have suggested that potential reforms included in this proposed rule include higher contribution thresholds, a narrower definition of covered associate, changes to look-back and look-forward provisions, and reconsideration of the rule's strict liability approach. However, the proposal submitted for review could differ, and available materials do not establish whether the SEC will amend or repeal the rule.

CFTC proposes CPO and CTA registration relief for certain SEC-registered advisers

On August 18, 2026, the Commodity Futures Trading Commission ("**CFTC**") published a Notice of Proposed Rulemaking that would amend its commodity pool operator ("**CPO**") and commodity trading advisor ("**CTA**") registration framework. The proposal is intended to reduce duplicative and overlapping regulation while preserving market integrity. Comments will be accepted for 45 days after publication in the Federal Register.

The centerpiece is proposed Rule 4.13(a)(4), which would create a CPO registration exemption for certain SEC-registered investment advisers operating privately offered commodity pools limited to specified sophisticated investors. The exemption would be available on a pool-by-pool basis and, unlike the *de minimis* exemption under Rule 4.13(a)(3), would not depend on the amount of commodity interest trading by the pool.

New NFA fingerprinting process effective October 1st, 2026

The National Futures Association ("**NFA**") has announced that, effective October 1 2026, all individuals required to submit fingerprints to the NFA must do so through Fieldprint, its newly designated fingerprinting service provider. This change does not require all existing registrants to submit new fingerprints; rather, this change applies only to individuals who are required to provide fingerprints in connection with a new registration or filing category.

On July 28 2026, it issued a Notice to remind firms.
Key points for firms:

- A Business Information Group ("**BIG**") account must be activated before individuals can schedule fingerprinting appointments.
- Account activation is a one-time process and should be completed well in advance of the deadline.
- $17.50 fingerprinting fee can be paid by the firm or the individual.
- Existing BIG account holders won't need a new account but may need to sign an amended agreement.

Once activated, firms will receive a unique Fieldprint code that individuals will use to book appointments. Fingerprint processing results are typically available within one hour.

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