

What's Changing in How You Run the Firm

Asset Management

You have seen this before the next LP meeting

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01

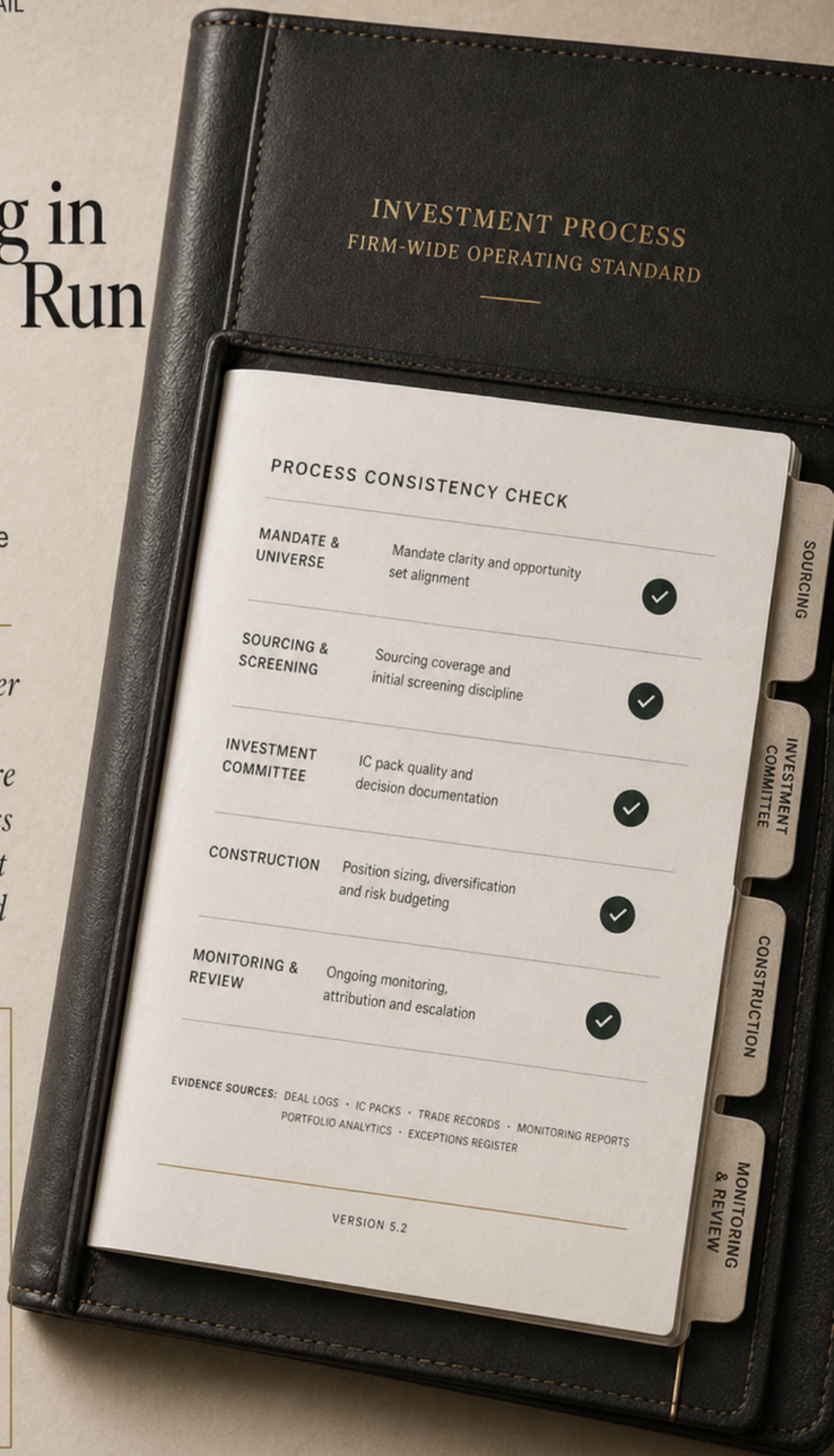
Can our operations scale without our costs scaling at the same rate?

02

Can we show LPs how our investment process is applied consistently?

03

What happens to our LP relationships when key people leave?



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Every COO or Head of Operations at a mid-sized active manager in Europe has had the same Monday. An LP sends a due diligence questionnaire ahead of their quarterly review. Section 7: describe how your investment process is applied consistently across all portfolio decisions. Provide examples of how it is codified and how adherence is monitored. Your senior portfolio manager is on a flight to Tokyo. The briefing is due Friday. Who in the firm actually knows the answer?

You have run this function for twelve years. The pattern used to be manageable. The portfolio managers make the calls. You handle settlement, compliance, and reporting. LPs trust the track record. But something changed. They are arriving to due diligence meetings armed with AI screening tools. Section 7 is no longer a formality. Allocation committees are flagging key-person concentration risk where they once accepted it.

Your operations cost is climbing against a fee revenue base that has not grown at the same rate. Your middle office runs on analyst hours that could run on infrastructure. Your best relationship manager carries three LP relationships in their head with no institutional record behind them. This is not a you problem. It is an industry problem and an operations problem, happening at the same time.

This briefing covers what is happening in your sector, what it means inside your operations function, and the three questions your team should answer before the next LP review.

Active management just lost the benefit of the doubt

For two decades, active management sold the same proposition: trust the team, the process delivers alpha. LPs accepted this because they did not have a better way to evaluate it. Track record was the proxy for process quality. If the numbers held, the process was assumed sound. Every DDQ answered "we have a rigorous investment process" in slightly different language and nobody probed too hard.

That has changed. Institutional allocators now arrive with AI-powered due diligence tools. Platforms built for automated fund screening, key-person concentration flagging, and systematic process assessment. The CFA Institute published a framework in late 2025 outlining how augmented LP workflows assess process repeatability and institutional durability. The LP who used to read Section 7 in twenty minutes is now running a structured analysis against it. The fund that answers "trust our team" is losing allocations to the fund that can show the process systematically.

Your LPs are no longer comparing you to last year's returns. They are comparing your process documentation to what the firm down the road can demonstrate.

Fee compression from passive investing has been structural for fifteen years. Management fee rates on active equity are thirty to forty percent below where they were in 2010. The revenue side is under permanent pressure. The cost side grows with headcount because the operations infrastructure has not been redesigned around what is now possible. The firms that redesign run settlement, compliance reporting, and LP preparation on infrastructure rather than analyst hours. They are pulling their operations cost curves away from the industry average while the revenue pressure is the same for everyone. The firms that do not are watching margin compress from both sides.

Your middle office, your compliance, and your LP relationships are feeling it every day

Your middle office. Settlement runs, NAV calculation, reconciliation, and corporate actions processing consume analyst hours that AI-assisted infrastructure now handles at a fraction of the cost. The exception-handling and judgment calls still need your senior staff. But the routine processing is running on human time in 2026 when it could run on infrastructure. The work that takes four hours a day from your operations analysts. The cost saving is real. More important is what your senior staff does with the time.

Your compliance and risk function. AIFMD, UCITS, SFDR, AML/KYC filings, and portfolio transparency reporting arrive on fixed cycles and consume your compliance officer's week in preparation and cross-checking that documentation tools now handle in an afternoon. Your compliance calendar has not changed. The hours it takes to clear it have not changed either, and they should have. The compliance officer who is drafting the same reconciliation note for the fourth time this quarter is not doing the regulatory interpretation work that actually requires their judgment.

Your LP reporting and servicing. Your quarterly reports, DDQ responses, and investor meeting preparation pull from the same two or three people who carry the detailed history of each LP relationship. When Emma goes on leave or moves firms, the LP relationship her team built over eight years goes to a colleague who has never had the 2023 allocation committee conversation and cannot find it in any system. The relationship is biographical. Every LP departure risk you have is a people-dependency risk dressed up as a relationship risk.

Your technology and data. Your investment data pipelines, market data subscriptions, and systems architecture run on vendor relationships and configuration knowledge your technology lead accumulated over a decade. A new hire takes six to twelve months to understand why things are set up the way they are. The decisions made in 2019 that constrain what you can do in 2026 live in one person's memory.

Your senior operations staff and relationship managers. The four to eight people who carry the accumulated institutional knowledge of this firm carry it as biography. Your LP history, your compliance approach, your vendor relationships, your internal workarounds. None of it has been extracted. When they leave, the firm runs a year at lower quality before the replacement finds the footing the predecessor had built over a decade.

The firms building the next decade are solving one problem

Your sector is compressing from the revenue side because fee rates on active management have been sliding for fifteen years. Your operations function is compressing from the cost side because middle-office work that used to require analyst teams now runs more cheaply on infrastructure. Both pressures are real. But there is a third dynamic that most asset management COOs have not named yet, and it is the one that determines whether the firm survives the next LP meeting and the next succession event.

You do not have three problems. You have one. The institutional knowledge that makes this firm fundable has never been separated from the specific people who carry it. The investment process rationale, the LP relationship history, the compliance approach, the operational workarounds. Every DDQ difficulty, every LP retention risk when a senior departs, every operations cost that scales with headcount rather than AUM, is a symptom of that single unsolved thing. The firm has not built the infrastructure to hold its own knowledge.

Look at what the firms pulling ahead have in common. They are not just running a cheaper operations function. They have built the infrastructure that makes LP due diligence a reference exercise instead of a Friday scramble. That same infrastructure holds the investment process rationale, the relationship history, and the operational decisions. The LP who asks about key-person risk gets shown how the judgment is captured and carried. The new senior hire operates inside the institutional record the previous one built.

You can tell which camp a firm is in from a single question. If your two most senior people took six months away tomorrow, what would happen to your LP relationships, your compliance standing, and your ability to answer Section 7? Most funds cannot answer confidently. The ones that can have already made the shift.

You have eighteen to twenty-four months before this becomes a competitive disadvantage that shows in your fundraise numbers. The LP due diligence environment has already changed. The firms that moved first are already showing up to allocation committee meetings with the infrastructure that wins.

What most firms are doing. What the winners are doing instead.

Every asset management COO has had the AI conversation. Most are making the same four decisions. A smaller group is making different ones.

THE DEFAULT PATH

Answer LP due diligence manually each cycle

Section 7 is a new Friday scramble each quarter. The same questions get answered freshly each time from memory.

Let LP relationships remain biographical

Relationship managers carry LP history in their heads. Departure means re-introduction. Allocation committees treat this as key-person risk.

Run middle-office processing on analyst hours

Settlement, NAV, compliance reporting consume the team's week. Senior staff spend time on routine cross-checks.

Let technology decisions stay in one person's head

System configuration and data architecture accumulated over a decade. One departure is six months of re-learning.

THE WINNERS' PATH

Build the process documentation as a living asset

Extract investment rationale from what the team already produces. Each cycle the answer improves. LP confidence compounds.

Encode the relationship context institutionally

LP communication history, preferences, and portfolio discussion captured so the relationship holds when the person rotates.

Run routine processing on infrastructure

Agent-assisted processing handles high-frequency work. Senior staff hold the exceptions and LP relationships.

Extract operational knowledge as a side-effect of decisions

Every system decision adds to the institutional record. The next person starts where the last left off.

Same firm. Same LP base. Same investment team. Opposite outcomes at the next fundraise. The difference is whether the operations infrastructure carries the institutional knowledge or depends on the people who built it.

AUM Retention. Process Integrity. Institutional Resilience.

Three questions every asset management COO is tracking. None of them used to be the same question. They are now.

01 · AUM RETENTION

Can our operations scale without our costs scaling at the same rate?

Fee revenue has been compressing for fifteen years. Operations cost tracks headcount because the middle-office infrastructure has not been redesigned. The firms that run settlement, NAV, compliance reporting, and LP preparation on infrastructure rather than analyst hours are pulling their cost curves away from the industry average. AUM can grow without the operations line growing proportionally. But only if the infrastructure has been built to carry it.

02 · PROCESS INTEGRITY

Can we show LPs how our investment process is applied consistently?

Allocation committees are asking this question with AI-powered DDQ analysis tools. The fund that answers "trust the team" is losing allocations to the fund that can show the process systematically. Your investment process exists. It has never been extracted into a form that LP due diligence can assess. The gap between what your CIO believes the process is and what you can demonstrate to an LP is the risk your next fundraise will price.

03 · INSTITUTIONAL RESILIENCE

What happens to our LP relationships when key people leave?

Two of your three most important LP relationships are biographical to specific people on your team. When one of them moves firms, the LP's allocation committee notes the change and flags it as a review point. The relationship can be rebuilt. It takes twelve to eighteen months and often costs you one allocation cycle before confidence is re-established. The firms that have encoded the relationship context institutionally do not lose that cycle.

What the firms winning this play are actually doing

Four concrete moves any asset management COO can start this quarter. Each touches one part of the operations function. Together they become one infrastructure the firm runs on.

1**Middle office: run routine processing on infrastructure, not on analyst hours**

Identify every middle-office workflow where agent-assisted processing reduces hours without reducing accuracy. Settlement exception-handling, NAV cross-checks, compliance documentation, and standard LP reporting are the starting points. Senior operations staff move from routine processing to exception oversight and judgment-dependent work. The cost curve separates from the headcount curve. This is the move the CFO notices first.

2**Compliance and LP servicing: make Section 7 a reference exercise, not a Friday scramble**

Extract investment process rationale from what the team already produces: investment committee minutes, PM notes, portfolio commentary, trade decision logs. The documentation is a side-effect of the work already happening, captured systematically. Each LP cycle the answer to Section 7 improves because the infrastructure grows with every decision the team makes.

3**LP relationships: encode the context so it holds when the person rotates**

Treat every significant LP relationship as a small intelligence asset under active construction. Communication history, allocation committee dynamics, portfolio preferences, past concerns, and the unwritten rules of the relationship. When a relationship manager rotates or moves firms, the next person inherits the institutional record rather than starting from a business card. The LP does not experience the transition as a reset.

4**Technology and data: make every system decision add to the institutional record**

Design the data architecture so configuration decisions, vendor rationale, and system trade-offs are captured as a side-effect of making them. The next technology lead starts where the previous one finished rather than spending six months reconstructing decisions made in 2019. Institutional knowledge compounds in the infrastructure, not in one person's tenure.

The only firm that joins operations to working knowledge infrastructure

The asset management COO has four places to go. None can do what we do, and each for a specific reason.

The big consulting firms' financial services practices will sell a multi-month engagement that produces an operating model deck. They cannot put working investment process documentation into your LP reporting cycle in a quarter. Their revenue model requires the billing hours the engagement takes.

Investment operations platforms handle transactions, not judgment. Settlement accuracy improves. NAV speed improves. None of it answers the Section 7 DDQ question. The LP due diligence question is about process repeatability, which platform vendors do not build.

RegTech and compliance vendors keep the firm on the right side of regulators. That is the floor. LP confidence in systematic process is the ceiling. A RegTech vendor addresses one. The fundraise requires the other.

Your internal data and technology function optimises for what can be measured in a dashboard. Investment process reasoning and LP relationship context are precisely the things that cannot be measured. So they remain biographical.

The market offers four things you have already considered. GRAIL is the fifth option.

WHAT YOU GET

Senior advisory in investment-operations language, not consulting language

Working infrastructure your operations team uses from week one

Process documentation LPs can assess at the next DDQ

LP relationship context that holds when the person rotates

WHY IT MATTERS

Founded by operators who have run knowledge-organisation delivery

Business first, technology second

Your team keeps the infrastructure. You own the IP.

Every next step earned by what just shipped, never assumed

Three sessions with your operations leadership. Working from week one.

We start with your operations leadership because the change cannot outrun the team's understanding of what is possible. Three workshops. Each delivers standalone value. Each earns the right to the next.

WORKSHOP 01

How to think

Walk through what is happening in active management and inside your operations function. Build the first piece of infrastructure in the room: an LP-specific knowledge asset extracted from your own reporting archive and investment committee record. Your operations team leaves with a shared view of what to do next and the first piece of working infrastructure already in their hands.

WORKSHOP 02

Your operations infrastructure

A half-day build. Your Head of Operations, Head of Compliance, Head of Investor Relations, and technology lead each leave with five to ten pieces of working infrastructure tuned to their function. Investment process documentation. LP relationship context. Middle-office workflow redesign. Compliance preparation. Infrastructure your team is using the same week, not decks about infrastructure.

WORKSHOP 03

Ready to run

Refined infrastructure from real use. The rollout plan to your operations organisation. The knowledge-extraction plan for your senior staff. And the CEO and CFO conversation with numbers they can check: operations cost per AUM, LP retention through transitions, the fundraising argument for systematic process.

Three weeks. No IT project. No board approval needed to start. The infrastructure your operations function is already running on when we finish.

For your next operations review

The questions where your team cannot agree on an answer are the ones worth an hour on the agenda.

If your two most senior operations people took six months away tomorrow, what would happen to your LP relationships, your compliance standing, and your ability to answer Section 7 at the next DDQ? If you cannot answer confidently, what specifically is the gap?

What percentage of your middle-office analyst hours last month went to routine processing that could run on infrastructure today? If you freed that time, what would those analysts do instead?

When your most important LP last asked about investment process consistency or key-person risk, how did you answer? If you answered with "trust the team," what would you need to show them next time instead?

Can you point to one thing in the firm's operations infrastructure that is measurably better this quarter than last quarter? If not, what are the next four quarters going to add up to?

Which member of your operations team is already working the way the rest of your function needs to work by 2027? What would it take for that to be the default across your operations organisation?

If any of these produces a disagreement in your operations team, that is the conversation worth having before the next LP review.

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