



AI: The state of the union 2025

Leveraging AI and GRC for operational excellence



Trends in the Alternative Investment Sector in 2025

As those of us in the alternative investment industry continue to navigate the technological revolution driven by AI, two key macro trends are emerging as defining forces:

- **AI-driven data analysis and operational alpha**
- **Enhanced GRC frameworks informed by AI advancement and regulatory pressures.**

As AI technologies mature, they introduce a new set of questions that Alts firms must address:

- **How do we protect sensitive data while leveraging AI's expansive capabilities?**
- **How can we ensure robust GRC with increasingly stringent regulations, without stifling innovation?**

These are not just theoretical concerns; they are critical issues that must be resolved as AI becomes a mainstay in driving knowledge, value and returns in the alternative investment space.

Firms that embrace innovation while addressing the associated risks will be the ones to thrive in this ever-evolving landscape.

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2024 marked a year of further exploration and proof-of-concept projects in Alts. In 2025, the conversation is no longer speculative. AI is more than a fleeting trend – it has entered a phase of maturity, delivering measurable value while redefining the competitive landscape. Alongside the opportunities, however, come challenges. GRC must be part of the conversation as businesses seek to integrate AI into our highly regulated environments.

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Jeff Schmidt, Chief Executive Officer, ECI



Sentiment analysis:

Sentiment analysis, also referred to as opinion mining, involves the use of natural language processing (NLP), machine learning, and data analytics techniques to identify, quantify and interpret the emotional tone or sentiment expressed in a piece of text, such as articles, reports, social media posts or investor communications. In the alternative investments sector, sentiment analysis plays a strategic role in offering insights into market sentiment, stakeholder opinions and emerging trends.



Broker research reports:

AI augments and complements the skills of human research analysts, allowing them to focus on higher-value activities like developing informed predictions, investment theses, and creative analytical approaches to drive better investment decisions. AI can supercharge analyst productivity, hyperpersonalize investor reporting and help teams gain the emotional and financial edge with investors.



News analysis:

There are a variety of use cases that already have significant impact on market intelligence. It can analyze vast amounts of market data from various sources to identify patterns, trends, and relationships that might be difficult for humans to detect. It can extract a meaningful insights from complex market data, enabling better understanding and an ariel view of market behavior.



Gaining operational alpha:

Increased operational efficiency is a continued goal in middle and back office environments in Alts teams. AI can automate some administrative tasks with greater speed and accuracy than humans. Managing errors more effectively in niche and complex reporting is a significant leap forward for finance. AI can process vast volumes of data with ease to identify discrepancies, offer insights, and run predictive analytics.

AI: 2025

AI is no longer just a futuristic concept, but a tangible force already driving measurable change in key areas such as operational efficiency, operational alpha, data set and research management.

AI: Established use cases

Tracking sentiment analysis	Analyzing alternative data sources	Enhancing operational efficiency	Information extraction
Supporting efficient GRC processes	Generating market intelligence	Assisted responses to client DDQs	Summarizing legal documents
Comms information extraction	Document & portfolio analysis	Assistance with information requests	Supporting internal communication

AI: Challenges

Despite these advancements, AI integration can come with challenges:

- Data quality
- Bias in AI models
- Regulatory hurdles

AI: In summary



Firms are using AI to drive efficiency and boost productivity by automating routine tasks in middle and back-office functions. Gone are the days of Excel spreadsheets and investor reports produced manually each month.

Natural language processing (NLP), is also being implemented to streamline responses to due diligence questionnaires (DDQs). By automating document analysis and generating precise, context-aware responses, NLP reduces the administrative burden while ensuring accuracy and consistency.

By leveraging AI-powered tools, firms can process vast datasets more efficiently, uncovering insights that drive better decision-making. In portfolio analysis, AI enhances precision by identifying patterns and trends that would be difficult or time-consuming for human analysts to detect.

ECI at a Glance

ECI's approach to embracing change is to lead the charge through innovation, including its proprietary large language application, ELLA.

ELLA is a state-of-the-art solution that can help businesses harness the potential of large language models (LLMs) within a secure and compliant framework that is dedicated to maximising performance in the financial services industry.

ELLA balances the expansive capabilities of AI and the specific requirements of a business, ensuring advanced insights while maintaining robust data security and regulatory compliance.

The BoE and FCA conducted a survey of artificial intelligence and machine learning across the UK's financial services – including UK banks, international banks, insurance, investment and capital markets, non-bank lending, and financial market infrastructure sectors. Published November 2024.

55%

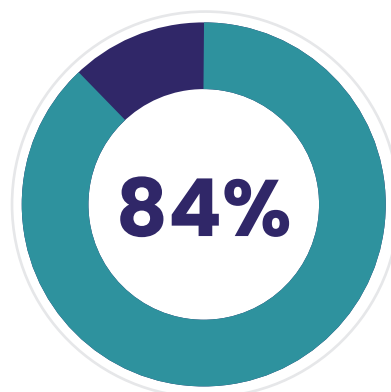
of all AI use cases have some degree of automated decision-making with 24% of those being semi-autonomous

75%

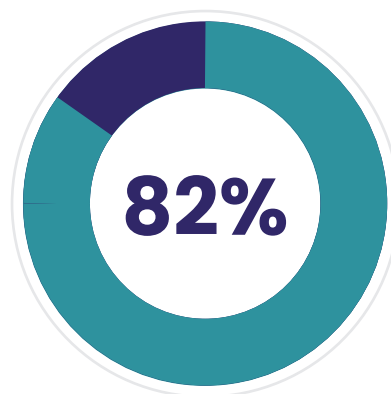
of firms in the financial services industry are already using AI, with a further 10% planning to use AI over the next three years.



Senior leaders are seeing positive ROI across a multitude of business priorities:



Operational efficiencies



Employee productivity

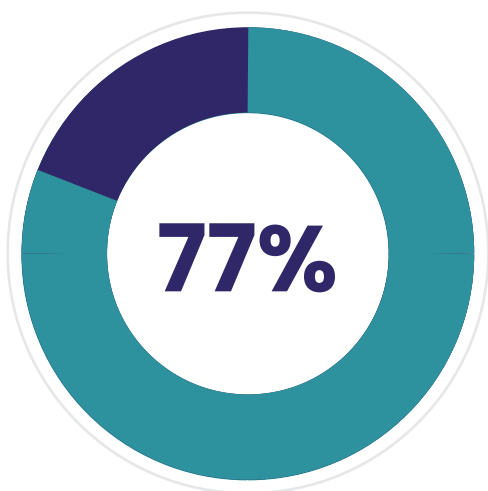


83%

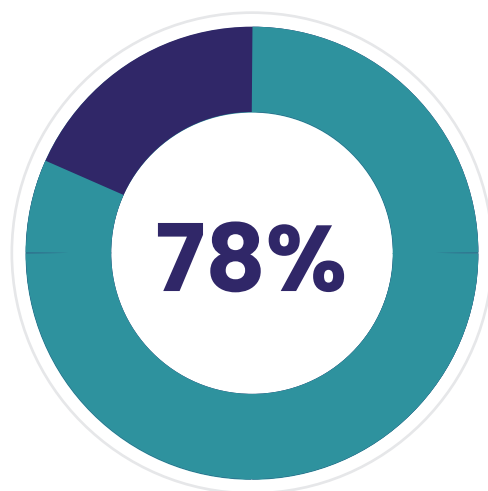
of senior leaders said AI adoption would be faster if they had a stronger data infrastructure.

67%

of senior leaders say they could move faster on AI adoption but the lack of infrastructure is holding them back.



Competitive advantages



Cybersecurity

The survey shows that as their AI initiatives are showing a return on investment, senior leaders are confronting the ethical implications and risks. It is reported their interest in responsible AI has increased over the past year – **61% in 2025, up from 53% six months ago**. By nearly the same margin, respondents say that interest will continue to increase over the next year.

As a result, significantly more organizations say they have spent more time on training teams in responsible AI and are increasing transparency with customers on how AI is used.

Governance Risk and Compliance

What do we mean by GRC? In a nutshell, GRC refers to the practice of adhering to regulatory requirements, industry standards and best practices for protecting sensitive data, systems and processes from cyber threats: governance, risk and compliance.

GRC encompasses measures to ensure the confidentiality, integrity and availability of digital assets, as well as the implementation of robust policies and procedures to safeguard against data breaches, unauthorized access and cyberattacks. GRC frameworks include guidelines on

data encryption, secure access controls, monitoring, incident response planning and reporting mechanisms. All firms must balance the demands for technological advancement with the necessity of safeguarding data and meeting regulatory requirements.



GRC: The current landscape

Global regulatory bodies are introducing additional measures to ensure the security of technology systems and investor information. Frameworks such as the SEC Cybersecurity Rule and DORA require evolving AI-related mandates and demand rigorous compliance.

However, for Alts firms, maintaining excellent GRC is more than just a regulatory obligation – it is a strategic imperative. Effective implementation supports several things, it:

- Mitigates regulatory, cyber and financial risk
- Reduces reputational risks and fosters investor trust
- Ensures seamless operations in an increasingly interconnected landscape.

Firms that prioritize robust GRC frameworks will be better positioned to protect their assets and clients while meeting the expectations of both regulators and stakeholders.

GRC: Data

It is essential to maintain a comprehensive, overarching perspective of your cloud setup to ensure robust data security. Cybersecurity efforts can often be divided into two approaches: top-down, where the focus is on securing SaaS platforms, and bottom-up, which prioritises endpoint protection.

The true value lies in safeguarding your data, as this remains a cornerstone of driving long-term business success. As the industry evolves, we will continue to see a shift towards increased reliance on third-party platforms, more complex cloud architectures and ongoing innovation. In this dynamic landscape, maintaining strong data security is paramount.



GRC: Cybersecurity

As technology adoption accelerates, so too does the industry's exposure to cyber risks. In 2025, the trends that will shape the cybersecurity landscape in Alts will continue to include proactive threat detection and advanced investor assurance.



Proactive threat detection:

AI-powered cybersecurity tools enable firms to identify and mitigate threats before they manifest, reducing financial and reputational risks.



Hightened regulatory requirements:

The SEC and FCA will continue to refine cybersecurity mandates, requiring firms to adopt advanced security protocols and demonstrate compliance through reporting and audits.



Advanced investor assurance:

Clients will require evidence via DDQs of robust cybersecurity measures to safeguard their personal and investment data, ensuring firms prioritize this aspect in their operations.



Innovation

Preparing for innovation: 2025 and beyond

AI tools are providing the perfect platform for enabling advanced investment processes. It is challenging to keep up with the pace of change. Out-the-box platforms are released and updated weekly, even daily, that can analyze news, create research reports or measure sentiment.

There is a temptation to onboard every new platform available. But technology is fast and regulation is slow so it pays to be cautious. The ROI on every new platform will be negligible to the last, so a planned approach to innovation and progression is advisable. Consistency is key to build effective and reliable workflows that truly benefit your firm without endless disruption.

As we embrace the integration of AI, robust GRC frameworks are essential for future-proofing operations. By adopting these technologies and strategies, Alts firms can not only safeguard their operations but also position themselves as leaders in a highly competitive and increasingly data-driven world.

ECI's role in securing the future

"ELLA enables AI solutions in a secure, governed and compliant framework. Now is the time to embrace innovation and secure sustainable growth for the future."

Rich Itri, Chief Innovation Officer, ECI



ECI is at the forefront of empowering businesses with secure, compliant AI solutions.

By delivering precise, governed AI solutions, ECI has positioned itself as a leading partner in future-proofing client operations. We ensure that firms can leverage AI's transformative potential while maintaining operational integrity and building stakeholder confidence.

Today's technology will require AI to process vast amounts of data, automate time-consuming tasks and generate real-time, actionable insights for demanding users and customers. This evolving landscape is compelling but with such speed comes concerns about data privacy and the likelihood of new regulations emerging soon.

ECI has developed a proprietary AI tool, ELLA, to solve these challenges. ELLA is designed with our highly regulated industries in mind.

Providing specific controls over the inputs, outputs and usage of AI, it brings real-time visibility, transparency and traceability on the use and adoption of tools. It allows for optimization and customization of the tools for specific business or client needs.

To thrive in a rapidly evolving, AI-driven landscape, firms need to take decisive action.

How ECI can help

ECI offers innovative solutions to help Alts firms unlock the full potential of AI while ensuring robust GRC.

- **AI for efficiency and insight:** AI technologies like predictive analytics and natural language processing are transforming asset management. These tools streamline operations, enhance decision-making and enable hyper-personalized client services. ECI's team have the insights and skillsets you need.
- **Strengthening GRC measures:** ECI has excellent cybersecurity and compliance pedigree, and we have continued to build on this legacy. Our proactive strategies and continuous monitoring mitigate risks. We aim to enable your business and help drive performance and revenue by standing up resources in a secure and compliant way that maximizes the value of your AI platform – all in adherence to SEC and FCA compliance frameworks to continue to ensure stakeholder trust.
- **Leveraging advanced tools:** ELLA empowers firms to securely manage data, enhance DDQ responses and achieve operational resilience with precision and efficiency.
- **ECI's AI Library:** Our client resource library is there to keep clients at the forefront of the latest AI developments and tools. Our team is always a step ahead in reviewing new features on existing business platforms alongside new releases.
- **Workshops and webinars:** At ECI we are happy to share our knowledge. You can join us at any time to plug in to our team's experience and understand how your contemporaries are approaching challenges.

Sources:

1. McKinsey & Company
2. Deloitte
3. Bain & Company
4. The Bank of England
5. The Investment Association
6. AI Pulse Survey report by EY