THE FUND OPERATING MODEL

AI changes the fund's production function: time, team and best-of-breed partners

The question is not which tools to add to today's model. It is what a fund looks like when first drafts are instant, and decision-grade insight, judgement and access become the scarce resources.

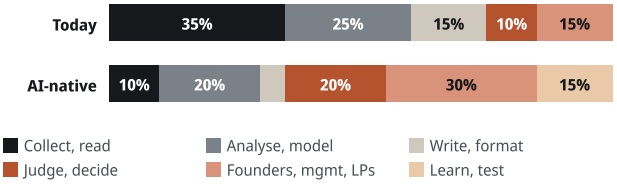
KEY MESSAGE

When first drafts are instant, a fund wins on decision-grade insight, judgement and access: redesign team time around them and buy best-of-breed, AI-native specialists rather than rebuild every capability.

3 things to know

1. **The bottleneck moves from output to informing decisions.** A first look can fall from a day to an hour [1]; a view to decide on still needs verified facts and senior judgement.
2. **Team time must be reallocated, not just saved.** Freed hours go to depth, rigour, relationships and learning, or they turn into more versions of the same deck.
3. **Buy best of breed, in everything.** Specialists who use AI in an optimised way deliver better outcomes, faster: in research, diligence, value creation and monitoring. Keep the questions, the judgement and the orchestration in-house.

EXHIBIT 1 Illustrative deal-team time allocation, % of a week: today vs AI-native (CarveLines estimate [E])



Illustrative allocation for a mid-market deal team, CarveLines estimate [E]; to be replaced by your own time audit.

10:1
deals screened per deal pursued [1]

1 day → 1 h
screening time per company with GenAI [1]

88%
of PE respondents had invested $1M+ in GenAI for M&A, 2025 [2]

84%
of PE firms with a chief AI officer [3]

The fund as a production system

A fund turns information and relationships into a handful of decisions a year, then into value. Its cost base is mostly people's time. AI makes raw output abundant; it does not make insight that can carry a decision any easier to get right.

The constraint moves to what cannot be automated: the right question, decision-grade insight, partner judgement and access to founders and management. A fund's model should be redesigned around informing decisions, not around report production.

Reallocating team time

Exhibit 1 shows an illustrative deal-team week. Collection, formatting and first analysis can fall from about three-quarters to about a third of time [E].

The freed time must be budgeted explicitly: deeper and better-sourced work on the situations that matter, wider coverage, more time with founders and management, and protected time to learn and test. Without that budget, hours dissolve into more iterations of the same deck.

Best of breed, in everything

Funds have always bought insight and execution: CDD providers, consultants, expert networks, data vendors, operating advisers. AI does not make that obsolete; it widens the gap between average providers and the best. Specialists that apply AI in an optimised way, with tested methods, deliver better-informed decisions, faster, in research, diligence, value creation and monitoring.

Rebuilding each capability internally spreads the fund thin and rarely matches a specialist that runs the same method every day. Keep in-house what differentiates the fund: the questions, the judgement, the relationships and the orchestration of the best providers. Choose providers on outcomes and method, not on brand or hours billed.

Sources on page 3.

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The team pyramid

When first looks take hours rather than days, a fund can spend the time saved on fewer, deeper and better-evidenced views of the situations that matter. The best funds choose depth and rigour over volume.

Hiring shifts towards people who combine deal judgement with technical fluency: the associate who can build a tool is worth more than the one who can format a deck.

EXHIBIT 2 Who does what in an AI-native fund (CarveLines view; dots = share kept in-house)

WORK	AI-NATIVE MODEL	IN-HOUSE
Investment questions	Framed by the deal team	●●●
Market fact base	AI-native research specialist	●○○
Commercial DD	Specialist base; CDD validates	●○○
Value creation	AI-native specialists; fund steers	●○○
Judgement, IC	Partners and deal team	●●●
Orchestration	Brief, challenge, combine providers	●●●

CarveLines view.

The economics

AI belongs in the management-fee budget like research and data, not as an IT line. In Deloitte's 2025 survey, 88% of PE respondents had invested $1M or more in GenAI for their M&A teams [2].

The return shows in three places, and all three should be tracked: the funnel (coverage, speed, hit rate), the cost and quality of external advice, and value creation in the portfolio.

> "generative AI can not only help produce the initial list faster but can also bring down the screening time per company from a day to an hour."
>
> **Bain & Company**, Global Private Equity Report · Mar 2024 [1]

> "The debate over adoption is over; the race now is about how you create differentiation and not just 'get to average.'"
>
> **EY**, AI Pulse, US Private Equity · 4Q 2025 [3]

5 hints: the average fund vs full power

	THE AVERAGE FUND	FULL POWER
1	Uses AI to do the same work faster	**Uses AI to cover the whole market and test every hypothesis**
2	Lets saved hours disappear	**Budgets freed time: coverage, depth, founders, learning**
3	Rebuilds capabilities in-house, or buys them the old way	**Buys best-of-breed AI-native specialists in every function; keeps questions and judgement**
4	Hires associates to format and model	**Hires for judgement and technical fluency**
5	Treats AI as an IT cost	**Funds AI from the management fee; tracks funnel, advice and value**

Watch out

Saving time without reallocating it. If freed hours are not budgeted, they turn into more versions of the same deck, and the fund pays for AI without changing its model.

Questions for the partners' meeting

1. What share of deal-team time goes to collection and formatting today?
2. Where should freed time go: coverage, depth, relationships or learning?
3. Where do we still buy the old way, and who is best of breed today, function by function?
4. What profile should our next associate hire have?

Sources on page 3.

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7 recipes: who, how, what you get

01 Time audit in one week

MANAGING PARTNER

- Share a six-bucket timesheet: collect, analyse, write, judge, relationships, learn
- Each deal-team member logs one ordinary week in 15-minute blocks
- AI aggregates by role and seniority and flags outliers
- Partners set a target allocation per role for next quarter

Output current vs target allocation by role
Time 1 week

02 Funnel baseline

COO + DEAL TEAMS

- Export last year's CRM: companies seen, first looks, processes, IC, deals
- Compute conversion and days at each stage
- Split by sector and by source: banker, network, proprietary
- Set three targets: coverage, speed, proprietary share

Output one-page funnel with targets
Time 2 days

03 External spend map

FINANCE

- List 24 months of CDD, consulting, expert and data invoices by deal
- Tag each line: fact base, validation, access or specialist depth
- Flag where AI-native providers now deliver faster and deeper
- Set next year's split by category

Output best-of-breed sourcing map
Time 3 days

04 Coverage target per thesis

DEAL TEAMS

- Define each thesis universe with machine-readable criteria
- Count companies in scope vs tracked in the CRM
- Run an AI screen to close the gap
- Set a monthly coverage KPI per sector

Output coverage KPI
Time 1 day per sector

05 Best-of-breed pilot

DEAL OR OPERATING TEAM

- Pick one live deal or portfolio project: research, diligence, value creation or monitoring
- Brief an AI-native specialist alongside the usual provider
- Compare outcome, time, cost, sources and errors
- Set the default sourcing model, function by function

Output sourcing decision per function
Time 2 to 6 weeks

06 Associate profile rewrite

HR + PARTNERS

- Add three skills: building AI tools, data fluency, source discipline
- Replace one case interview with a practical test: a first look with AI in two hours
- Score judgement on what the candidate checked and discarded
- Brief headhunters on the new profile

Output new profile and test
Time 1 day

07 Quarterly operating review

PARTNERS

- Put time allocation, funnel, external spend and AI spend on one page
- Compare with targets
- Decide reallocations of people, budget and external mix
- Record decisions and owners

Output reallocation decisions
Time 2 hours a quarter

Monday morning

Ask each deal team to log one typical week in six buckets: collect, analyse, write, judge, relationships, learn. Compare with Exhibit 1 and agree a target allocation for next quarter.

Sources: [1] Bain & Company, Global Private Equity Report 2024, Mar 2024; [2] Deloitte, 2025 GenAI in M&A Survey (n=1,000 US corporate and PE leaders), Oct 2025; [3] EY, AI Pulse: US private equity AI insights, 4Q 2025. Quotes verbatim from the sources cited. Figures as published; survey scopes and dates vary. Vendor-reported figures are labelled; [E] = CarveLines estimate; 'CarveLines view' = our interpretation.

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