

Where AI Creates **Real Value** in Private Capital

Five decisions where governed AI pays — exit selection, LP targeting, compliance, and the partner judgment that drives them — with the evidence behind each one.



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August 2026

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INTRODUCTION

The Moment Private Capital Is In

THE BOTTOM LINE

The industry is holding record unsold value while capital gets harder to raise. AI is arriving in the middle of that squeeze — and most of the spend on it returns nothing.

Private capital is carrying more unsold value than at any point in its history. Buyout funds hold roughly **32,000 companies worth \$3.8 trillion**, and the average hold at exit has stretched to about seven years, from five to six in the decade before.¹ Fundraising has tightened at the same time: buyout funds raised \$395 billion in 2025, down 16 percent, from fewer funds.¹ Allocators want distributions before they re-commit.

AI has arrived in the middle of this squeeze, and firms are getting it wrong in two ways. Some wait. Others spend without structure: MIT's Project NANDA found that **95 percent of enterprise GenAI pilots produce zero measurable return**.² The failures are rarely about the model. They happen because the use case was not chosen against a real constraint, and the data and governance underneath were not ready to carry it.

This paper covers five decisions where AI creates value a partner can defend — to an investment committee, to LPs, and to a regulator. Each chapter names the constraint, the mechanism that moves it, and the control that makes it safe.

\$3.8tUNSOLD BUYOUT PORTFOLIO
VALUE**32,000**

COMPANIES AWAITING EXIT

~7 yrs

AVERAGE HOLD AT EXIT

\$1.3t

BUYOUT DRY POWDER

Source: Bain & Company, Global Private Equity Report 2026¹

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We are completely convinced the consequences will be extraordinary and possibly as transformational as some of the major technological inventions of the past several hundred years: Think the printing press, the steam engine, electricity, computing and the Internet.

JAMIE DIMONChairman & CEO, JPMorgan Chase — Letter to Shareholders, 2023 Annual Report³

CHAPTER 1

Start Where the Value Is

STRUCTURED USAGE

THE INSTRUMENT Private Capital AI Readiness & Value Diagnostic — two independent 0–100 scores, function-level results, about seven minutes.

The expensive mistake in AI is not the tool. It is untargeted effort — pilots chosen because they were easy to start, not because they moved a constraint that matters. That is how firms end up in the 95 percent.

The zero-return problem

Enterprise GenAI pilots by measurable P&L impact

95% — no measurable P&L return

Of enterprise GenAI pilots studied, only 5% reached production with measurable value.

Source: MIT Project NANDA, The GenAI Divide: State of AI in Business 2025²

The alternative is to measure before you build. MUSU's **Private Capital AI Readiness & Value Diagnostic** scores a firm on two independent 0–100 axes: **AI Value Opportunity** — where operating leverage actually sits, function by function — and **AI Governance Readiness** — whether the firm could adopt safely today. Two scores, because they answer different questions: where AI is worth doing, and whether you are ready to do it.

It takes about seven minutes, and it turns “we should look at AI” into a ranked, function-level starting point — before a dollar is committed.

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We think that next year, 40% of the people at this conference will have an AI agent and the remaining 60% will be looking for work... You will have hyperproductive people in organizations, and you will have people who will need to find other things to do.

ROBERT F. SMITH

Founder & CEO, Vista Equity Partners — SuperReturn International, Berlin, June 2025⁴

CHAPTER 2

Clear the Exit Logjam

SCALE

SECTOR DIFFERENTIATION

THE INSTRUMENT Exit Intelligence — portfolio-wide scoring of exit readiness and the optimal pathway for every asset, on the firm's own data.

The exit backlog is the industry's defining constraint. Roughly 32,000 portfolio companies — \$3.8 trillion of value — are waiting to be sold, and every quarter a company sits unsold, IRR decays and the next fundraise gets harder.¹

Holds are getting longer

Average buyout holding period at exit



A year of extra hold across a portfolio compounds directly into fund-level IRR.

Source: Bain & Company, Global Private Equity Report 2026¹

Choosing the exit route is exactly the kind of judgment that does not scale. A partner can hold the full picture for two or three assets — not for fifteen, and not continuously. **Exit Intelligence** scores every company in the portfolio across quality, exit readiness, market attractiveness, liquidity pressure, execution, and risk, then evaluates each realistic pathway — IPO, strategic sale, sponsor-to-sponsor, GP-led secondary or continuation vehicle — through its RouteScore engine: feasibility, value maximization, timing, execution risk, liquidity impact, and stakeholder alignment.

The output is not a black box. It is a ranked pathway view per asset, the readiness gaps blocking the best route, and the evidence behind each score — refreshed as conditions move. Partners spend their time on the three decisions that matter this quarter, with the whole board visible.

CHAPTER 3

Fundraise With Signal

SCALE

SECTOR DIFFERENTIATION

THE INSTRUMENT Match Engine — a ranked list of the LPs most likely to commit to a specific raise, with the reasons behind every rank.

Fundraising has become a discrimination game. Buyout funds raised \$395 billion in 2025 — down 16 percent — and the number of funds closing fell faster still.¹ Allocators are concentrating commitments with managers who reach them with something specific. Generic outreach now reads as noise.

\$395B

BUYOUT CAPITAL RAISED IN 2025 —
DOWN 16% YEAR OVER YEAR

–18%

FUNDS CLOSED INDUSTRY-WIDE IN 2025

–23%

BUYOUT FUNDS CLOSED — SHARPER
THAN THE INDUSTRY DECLINE

Source: Bain & Company, Global Private Equity Report 2026¹

An IR team's hard ceiling is a few hundred conversations a cycle. The question is whether they are the right ones. **Match Engine** ranks the LPs most likely to commit to a specific raise — mandate fit, allocation behavior, timing, relationship path — and tags the role each is likely to play, starting with realistic anchor candidates. It is a structured, deterministic scoring pipeline, not a contact database: every rank arrives with the reasons behind it.

That changes fundraising from coverage into targeting. The team runs fewer, better-prepared conversations; the Managing Partner walks into each one with a defensible answer to the only questions that matter — **who anchors, and why us**. And because the ranking logic is explicit, IR can show an investment committee why the pipeline looks the way it does.

CHAPTER 4

AI That Survives Diligence

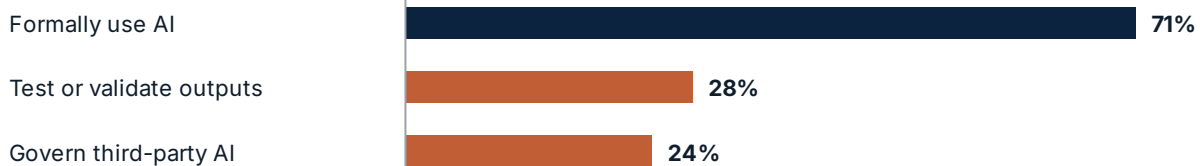
COMPLIANCE

THE INSTRUMENT GRC Intelligence — continuous monitoring of governance, risk, and compliance obligations, briefed in plain language to the people accountable.

Adoption has outrun control. By late 2025, 71 percent of financial services firms formally used AI — up 26 points in a year — yet only 28 percent tested or validated AI outputs, and only 24 percent had policies governing third-party AI.⁵ Regulators noticed: IOSCO's May 2026 supervisory toolkit hands examiners ready-made questions on AI governance, third-party dependencies, disclosure, and recordkeeping — and roughly 90 percent of surveyed regulators now have an AI framework in place.⁶

Adoption has outrun control

Share of financial services firms, 2025



The gap between use and control is what an LP questionnaire — or an exam — finds first.

Source: ACA Group & NSCP, 2025 AI Benchmarking Survey⁵

The same questions arrive from LPs first. Operational due diligence now probes where AI touches the investment process, what data leaves the firm, and who is accountable for a model-influenced decision. “We’re being careful” is not an answer. An audit trail is. **GRC Intelligence** monitors those obligations continuously — model risk, confidentiality, side-letter and regulatory commitments — and turns them into plain-language briefings for the directors and partners accountable for them. It is the control layer that makes every other chapter in this paper safe to act on.

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There’s nothing ‘artificial’ about AI. It’s inspired by people, it’s created by people, and — most importantly — it impacts people.

DR. FEI-FEI LI

Co-Director, Stanford Institute for Human-Centered AI — U.S. House Science Committee testimony⁷

CHAPTER 5

How Governed Adoption Happens

THE PRACTICE MUSU's advisory takes firms from assessment to working adoption — independent, model-agnostic, and accountable to one party: the client.

Products don't transform a firm; an operating model does. Firms can't adopt AI faster than their foundation allows — and the foundation is rarely the model. It is whether the firm's data, controls, and workflows are ready to carry judgment at scale. MUSU's advisory practice builds that in four moves:

01**Assess**

A structured diagnostic of AI maturity and value opportunity, function by function — not a technology inventory.

02**Prioritize**

Rank use cases by value and readiness gaps, not fashion. Cost-benefit at both the functional and enterprise level.

03**Build the foundation**

Governed, model-agnostic design: clean and connected data, controls, audit trails — so adoption is fast, safe, and made to last.

04**Enable adoption**

Decision-support workflows and training where diligence, monitoring, and reporting actually happen.

■ Data readiness

Clean, structured, connected data your teams — and your models — can trust.

■ Governance & controls

Policies, oversight, and audit trails that keep every AI decision defensible.

■ Model-agnostic architecture

Works with today's models — and whatever comes next.

■ Decision-support workflows

AI embedded where judgment, diligence, monitoring, and reporting are required.

MUSU is independent and model-agnostic: no vendor partnerships, no kickbacks, no preferred platforms. Our own products are domain applications for private capital and run on whatever underlying model serves the client. Advice and build stay accountable to one party — the firm.

CONCLUSION

The Cost of Waiting

NEXT STEP Take the complimentary diagnostic at musux.ai — two scores, about seven minutes. The results are yours either way.

None of this is about being early to a technology. It is about a capability that compounds. A firm that starts structured adoption now enters its next fundraise with two years of governed usage behind it, evidence of where AI moved outcomes, and ready answers to the questions LPs now ask in diligence. A firm that waits starts from zero — against competitors who didn't.

The pattern across every chapter is the same: **judgment is the asset that doesn't scale** — and governed AI is how it starts to. Exit selection, LP targeting, obligation monitoring: each is partner judgment, made continuous, with an audit trail behind it.

Start with a measurement, not a commitment. The diagnostic takes about seven minutes and returns two scores: where AI is worth doing in your firm, and whether you are ready to do it safely. **Your judgment. Amplified.**

“ Just as electricity transformed almost everything 100 years ago, today I actually have a hard time thinking of an industry that I don't think AI will transform in the next several years.

ANDREW NG

Founder, Google Brain; Adjunct Professor, Stanford University⁸

Take the diagnostic: musux.ai · **Talk to us:** info@musux.ai

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ABOUT

MUSU, and the People Behind It

MUSU AI is an independent AI advisory and product firm built for private capital. We help GPs, LPs, and the institutions around them adopt AI that is governed, model-agnostic, and fitted to how investment firms actually decide — and we build the instruments that carry it.

INDEPENDENT & MODEL-AGNOSTIC

GOVERNANCE-FIRST

ADVISORY-LED, PRODUCT-BACKED

Exit Intelligence →

Scores every portfolio company and ranks its realistic exit pathways.

Match Engine →

Ranks the LPs most likely to commit to a raise — with the reasons.

GRC Intelligence →

Continuous governance, risk, and compliance monitoring, briefed plainly.

AI Diagnostic →

Two 0–100 scores: AI Value Opportunity and Governance Readiness.

**Sam Uddin****CO-FOUNDER & CHIEF
ADVISORY OFFICER**

Sam leads the advisory practice. His background spans private capital, risk, governance, and institutional operating models: senior advisor to a \$1.5B sovereign-backed fund of funds, former Managing Director in capital markets, senior risk advisor to the Capital Market Authority of Saudi Arabia, and senior economist at IOSCO. Dual MBA (Bocconi & Rotman); MSc Financial Economics (SOAS, University of London).

**Monz Uddin****CO-FOUNDER & CHIEF AI
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Monz leads product and AI systems delivery in regulated environments. He has built and shipped AI and data platforms across financial services: VP Business Development at Citi New York, Director of Data Engineering at Sun Life, and Engagement Director at Ai-Zen UAE. MBA (Cornell); BSc Computer Science (University of Toronto).

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