## Juniper Square

# Private credit: How AI is scaling operational efficiency

AI is transforming fragmented, document-heavy private credit workflows into a more data-driven operating model for GPs.

# Key takeaways

**1**
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Private credit is uniquely positioned to benefit from AI's ability to help standardize and systematize an asset class dominated by customized documents and legal agreements.

**2**
—

AI can make all stages of the private credit investment process more efficient, including underwriting, risk modeling, and portfolio monitoring.

**3**
—

Winners will be defined not by who has the most data, but by who uses it best through connected systems and a strong data foundation.

## Private credit is scaling fast and operational complexity is scaling with it

The demand for private credit shows no signs of slowing down. Since 2015, assets under management of private credit strategies have grown at an annualized rate of 14.5%,[1] reaching **$3 trillion** at the beginning of 2025 and estimated to reach approximately **$5 trillion by 2029**.[2] This growth has been powered by multiple forces, including changing bank regulations following the Global Financial Crisis, the search for higher yields in a low–interest–rate regime for much of the 2010s and early 2020s, and as a fixed income solution amidst higher inflation during the 2020s.[3]

### Private credit growth at a glance

**$3T**
AUM in 2025[2]

**14.5%**
Annualized growth since 2015[1]

**$5T**
Projected AUM by 2029[2]

## Private credit has proven popular for a reason

Over time, the asset class has generally provided consistent returns, healthy yields, and low volatility—while experiencing lower credit losses than publicly traded bonds.[2] Institutional investors, primarily public and private pension plans, have driven the demand for private credit investments; however, the investor base is more diversified than expected.

### Private credit investor breakdown by allocator type (2023)[4]



- 6%
- 9%
- 9%
- 14%
- 31%
- 31%
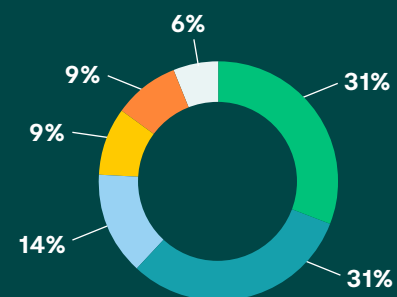
- ■ Public and private pensions
- ■ Private pensions
- ■ Other private funds
- ■ Insurance companies
- ■ Individual investors
- ■ Nonprofits & sovereign wealth funds

## A widening gap: who scales and who struggles

As dollars invested in private credit continue to grow, and the client base becomes even broader, **technology is becoming the dividing line between lenders who can scale with confidence and those who will likely struggle to keep pace**. The leaders are not just adopting tools; they're building operating models around data. They know precisely where every loan, borrower, and exposure stands because their systems speak to one another, and their decisions are driven by current, structured information rather than static reports.

For the rest of the market, inefficiency still hides in email threads, Excel trackers, and manual workflows. AI and automation not only can reduce costs; they can enable lenders to move faster, react sooner, and communicate more transparently with investors. These factors can allow firms that successfully incorporate AI to scale their operations and stand above their competition.

## Why AI is uniquely positioned to help private credit lenders

Private credit sits at the intersection of customization and complexity. No two deals look the same, every borrower's story evolves, and the documents behind those deals are often non-standardized. These factors make the asset class dynamic but also pose challenges for lenders seeking to systematize a vast amount of data across thousands of pages of documents stored across multiple systems.

Unstructured data
+
Document volume
+
Complexity

Perfect AI use case
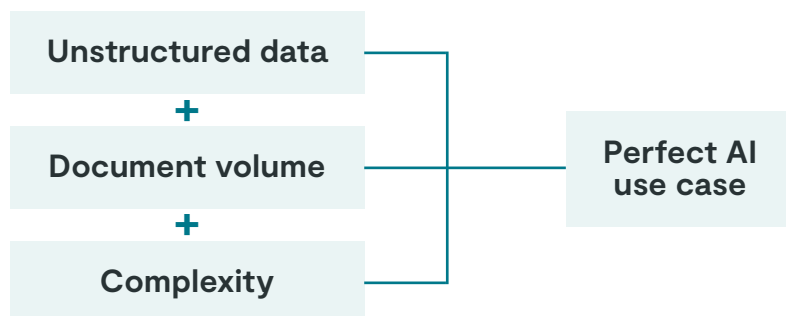
AI thrives in these types of situations. Unlike the public markets, where data is standardized and automated, private credit remains relationship-driven and document-heavy. These are the types of situations where AI can add the most value when it is integrated into the core of how data, workflows, and insights move across the platform. **AI forms the foundation for a new kind of digital administration, one that scales expertise and sharpens decision-making across the private markets.**

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> To be clear, we're not talking about a distant future—we're here now. AI is already reshaping how information moves through private credit. Over the next three to five years, AI will deepen that intelligence layer. Structured platforms will evolve from static systems of record into dynamic systems of insight: continuously reading, validating, and surfacing information in real time. The latency between a portfolio event and the people who need to act on it will shrink to near zero.
>
> **Tony Chung**
> Managing Director, Private Equity and Private Credit

## Where AI is already reducing manual effort

In some private credit firms, AI is automating tasks that once took hours or days, like:

☑ Extracting key terms from loan agreements

☑ Preparing financial statements

☑ Drafting initial credit memos

For example, at one private credit lender, AI systems are being piloted to generate first drafts of investment committee memos, handle boilerplate risk assessments, and build tables. As a result, analysts can spend less time searching for and formatting information and more time focusing their energy on judgment calls and other value–added tasks.

# How technology can solve key private credit challenges

| Challenge | | Solution |
|---|---|---|
| **Siloed and disconnected data**<br>Key deal information lives in PDFs, emails, Excel spreadsheets, and in the heads of key stakeholders. | → | Connected data in a turnkey platform can create a single source of truth at users' fingertips. |
| **Information overload**<br>Deal information exists in term sheets, borrower materials, legal drafts, and compliance documentation. | → | AI systems can extract key data from a wide range of documents and standardize customized materials. |
| **Inefficient manual workflows**<br>Due diligence can take weeks or even months. | → | Automated processes can remove manual bottlenecks that slow transactions, such as document review, data reconciliation, and coordination across multiple parties. |
| **Portfolio monitoring using outdated data**<br>Traditionally, lenders relied on quarterly reports or manual reviews to spot credit issues—by the time a covenant breach or delinquency surfaced, the warning signs had been present for weeks. | → | AI has shifted monitoring from being periodic to continuous, as AI can detect signals as they emerge, allowing lenders to react quickly to evolving credit conditions. |
| **Limited client transparency of portfolio**<br>Transparency in private credit has historically been constrained by data latency and manual reporting. | → | AI platforms can transform raw, unstructured information into structured, auditable data that can be shared in near real time, allowing investors to see what's happening inside the portfolio without waiting for end-of-quarter updates. |

# Five key areas where AI is already reshaping private credit processes

**1**

## Underwriting: Changing the rhythm and architecture of decision-making

ⓘ **Challenges:**

Underwriting is slow, sequential, and dependent on manual data collection across documents, financials, and borrower reports.

⊞ **How AI enhances this stage:**

AI can leverage multiple data sources to enhance borrower due diligence and credit assessment, including:

- **Financial statements, cash flow data, and borrower reporting**
  - Historical and projected financials: balance sheet, P&L, cash flow statements, and queueing metrics (e.g., working capital trends)

- **Monthly/quarterly borrower operational and performance reports**
  - Including revenue, margin, CAPEX, debt service, and other metrics

- **Loan portfolio-level or business unit data for sponsors or groups (to cross-check correlated exposures)**
  - AI models can detect anomalies, seasonality shifts, deviations from projections, or emerging stress signals embedded in those data streams

⚙ **Outcome:**

Analysts make decisions with cleaner data, faster, focusing on judgment instead of data gathering. Automation delivers information instantly rather than over days, while consistent extraction logic improves accuracy and reduces missed details. **AI doesn't replace credit teams, it strengthens them, ensuring decisions are based on reliable inputs and removing manual friction from complex underwriting.**

## 2

# Deal execution: Expediting transaction workflow

⚠ **Challenges:**

Unstructured term sheets, legal drafts, borrower materials, and compliance documents often delay approvals and require significant manual processing. These files sit in different formats and locations, creating friction in data collection, reconciliation, and coordination across multiple internal and external parties.

⊡ **How AI enhances this stage:**

AI accelerates deal execution by removing manual bottlenecks and streamlining workflows. It can:

- **Read and classify documents instantly**, including term sheets, borrower materials, legal drafts, and compliance files
- **Extract and structure key terms automatically**, reducing data entry and re-keying work
- **Synchronize information across underwriting, operations, and fund administration systems**, creating a unified dataset
- **Automate high-volume tasks** like document classification, data entry, reconciliation, and status tracking
- **Enable workflow orchestration**, triggering downstream steps such as:
    - Notifying administrators
    - Updating ledgers
    - Initiating compliance checks without waiting for human intervention
- **Support parallel rather than sequential processing**, allowing teams to move deals forward faster with shared visibility

⚙ **Outcome:**

Deal teams spend less time gathering inputs and more time advancing approvals. Straight-through processing reduces handoffs and error rates, shifting operations from manual processing to oversight and exception management. The result is **faster execution, cleaner data, and lower operational drag across the transaction lifecycle.**

**3**

# Risk modeling: Strengthening credit insight and risk visibility

⚠ **Challenges:**

Private credit risk data is often fragmented, delayed, or unstructured. Critical information lives in PDFs, borrower updates, notices, and spreadsheets, making it difficult to feed models with timely, reliable inputs.

⌗ **How AI enhances this stage:**

AI strengthens risk modeling by turning scattered information into structured, comparable data ready for analysis. It can:

- **Extract, classify, and normalize data** across agreements, notices, financial reports, and borrower updates
- **Structure unformatted documents into machine-readable fields**, making terms comparable across deals
- **Feed existing quantitative models with cleaner, richer inputs**, rather than replacing them
- **Enable trend and scenario analysis** across portfolios with real-time data updates
- **Support covenant tracking, exposure mapping, and stress scenario testing**
- **Detect key data points automatically**, including covenants, collateral terms, payment schedules, and borrower financial metrics
- **Incorporate alternative data sources**, such as operational metrics, ESG disclosures, filings, and even sentiment from public news

⚙ **Outcome:**

Once structured, data becomes a foundation for more dynamic analytics. Risk models move from retrospective to forward-looking, creating a richer view of borrower performance and emerging stress signals. The result is **stronger, more timely credit insight with the ability to surface trends early and compare risk consistently across deals.**

## 4

# Portfolio monitoring: Powering real-time oversight and early signal detection

### ⚠ Challenges:

Portfolio monitoring has historically been periodic and retrospective. Issues often become visible only during quarterly reporting cycles, leaving weeks between early warning signals and formal recognition of covenant breaches or delinquency risk.

### ⊞ How AI enhances this stage:

AI shifts monitoring from periodic to continuous by analyzing borrower information as it arrives. It can:

- **Read borrower updates, financials, amendments, and notices** in real time
- **Flag anomalies automatically**, such as liquidity pressure, declining cash flow, or late payment patterns
- **Identify early indicators of stress**, including shifts in operating metrics or covenant language changes
- **Aggregate insights into a unified portfolio view**, rather than deal-by-deal snapshots
- **Surface exceptions** using anomaly detection and entity resolution tools
- **Provide live visibility** into cash flows, covenant performance, and borrower exposure
- **Evaluate macro impacts on portfolio health**, responding earlier to rate changes or liquidity tightening
- **Enable scenario modeling**, allowing lenders to assess risk under different conditions and adjust strategies proactively

### ⚙ Outcome:

Monitoring becomes **continuous rather than periodic**, shrinking the gap between event, insight, and action. Lenders can respond earlier to deterioration signals, rebalance or adjust terms proactively, and make allocation decisions based on live portfolio data instead of quarter-end reports. The result is **faster visibility, earlier intervention, and stronger downside protection**.

## 5

# Reporting: Enhancing stakeholder visibility and trust

⚠ **Challenges:**

Transparency in private credit has historically been constrained by data latency and manual reporting. Information is often stored across notices, financial statements, and compliance documents, making it difficult to provide clients with timely visibility into portfolio performance or exposure.

⬚ **How AI enhances this stage:**

AI transforms unstructured reporting inputs into structured, auditable data that can be shared in near-real time. It can:

- **Extract and structure data** from loan notices, financial statements, borrower reporting, and compliance certificates
- **Reduce quarter-end reporting lag** by enabling on-demand visibility rather than manual compilation
- **Create a single source of truth** across lenders, fund administrators, and investors
- **Provide clients with exposure views** by borrower, sector, covenant trend, geography, or performance metric
- **Accelerate the reporting cycle** while reducing manual coordination and risk of human error
- **Support consistent formatting and auditability**, improving confidence in reported information
- **Maintain human oversight**, enabling lenders to interpret results, validate details, and provide narrative context
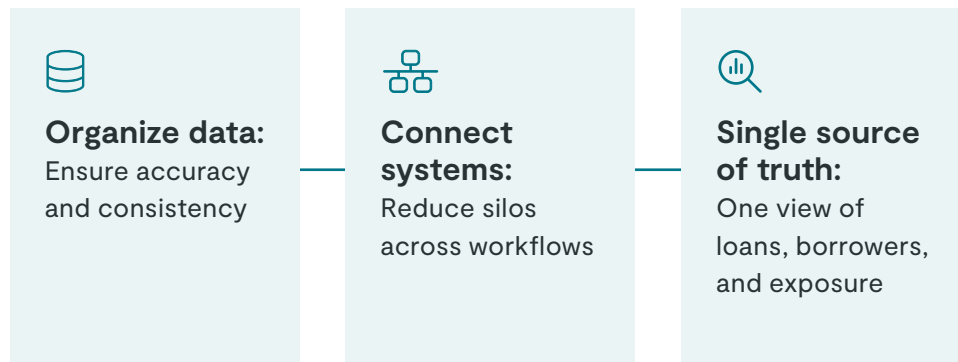
⚙ **Outcome:**

Clients gain real-time transparency into portfolio performance without waiting for quarter-end updates, improving confidence in an asset class that has historically been opaque. Reporting becomes faster, cleaner, and more accurate—with humans still guiding interpretation, not collecting data. The result is **greater trust, fewer errors, and a higher standard of reporting rigor**.

# How private credit lenders can get started on their AI journey

For firms looking to begin their AI journey, they can start by getting their data in order, making sure that their systems are connected and feature a single source of truth.

## Laying the groundwork for AI:

**Organize data:**
Ensure accuracy and consistency

**Connect systems:**
Reduce silos across workflows

**Single source of truth:**
One view of loans, borrowers, and exposure

**AI adoption succeeds when the foundation comes first**

Clean data, connected systems, and clear ownership are prerequisites for meaningful AI outcomes.

As private credit lenders incorporate more AI into their processes, they must ensure they can clearly articulate where and how AI is used. **Explainable AI is key to connecting technology to informed decision-making**. No matter how powerful a model is, if a credit team or investment committee cannot understand why it reached a conclusion, it will not influence real decisions.

Explainable AI bridges that gap by showing the reasoning behind the output—which data points mattered most, how they were weighted, and how the model arrived at a given score or alert. At the end of the day, clients expect answers from a human, not a bot. Even as AI can enhance processes, humans remain the decision-makers.

## The future is already here

While lenders may be at various stages of their AI journey, **AI is already transforming private credit processes by systematizing disparate information into structured data**. Private credit lenders that successfully integrate AI into their operations will have a competitive edge at a time when the asset class is facing growing demand from a widening client base.

As part of the first step, lenders must ensure they have a strong operational foundation with interconnected software, data, and fund administration services. Integrating AI into systems will not happen overnight, but it is crucial to start now or risk being left behind.

# Ready to scale with AI?

Talk to Juniper Square today to scale private credit operations with a unified platform powered by AI.

# Juniper Square

[1] J.P. Morgan, "Why private credit remains a strong opportunity," July 31, 2025.

[2] Morgan Stanley, "Understanding Private Credit's Rapid Growth," October 3, 2025.

[3] Cambridge Associates, "Private Credit Strategies: An Introduction," May 3, 2024.

[4] Federal Reserve, "Private Credit: Characteristics and Risks," February 23, 2024.