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AI disruption forces a software rethink

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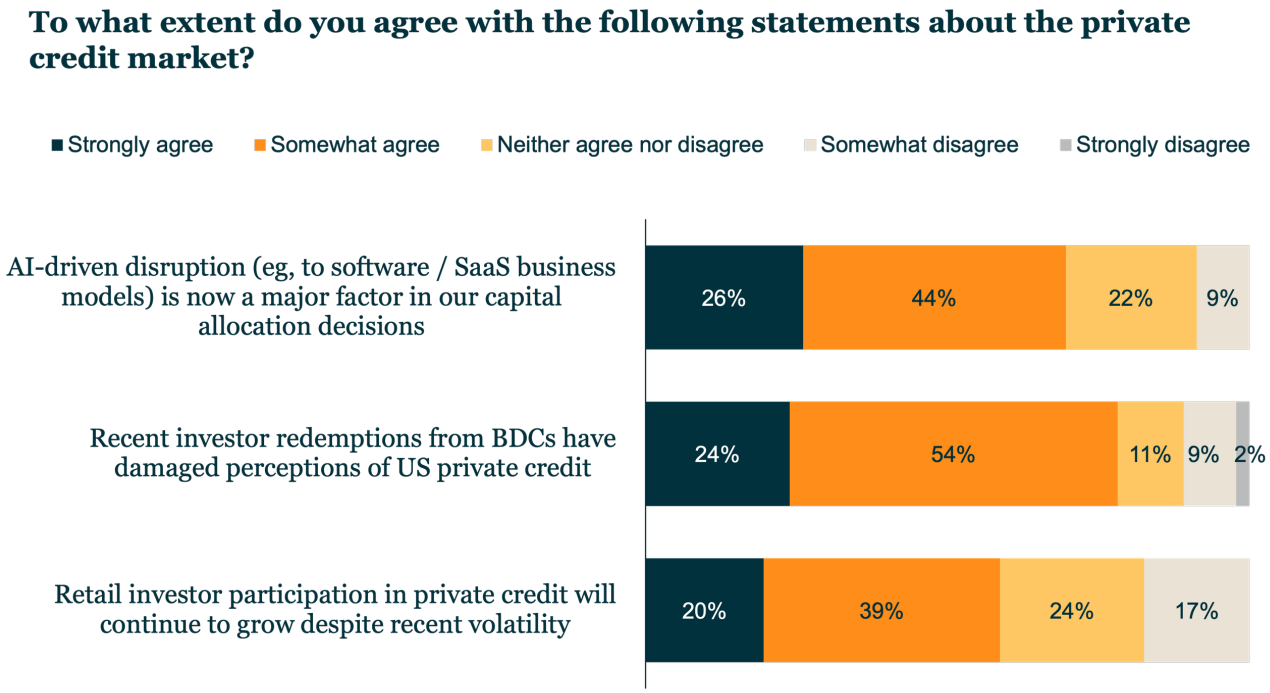

Software is not off the agenda for credit investors – it just demands a careful assessment of different business models.

Artificial intelligence has rapidly moved from a niche consideration to one of the most significant factors influencing investor behaviour in private markets.

PEI Group's *Investor Perspectives Survey 2027* shows that 48 percent of LPs now rank AI among their top three concerns when assessing portfolio performance, a dramatic increase from just 14 percent two years ago. The shift reflects growing uncertainty over how AI will reshape industries, particularly software, which has historically been one of private credit's most favoured sectors.

The survey suggests investors are no longer treating software as a homogeneous asset class. Instead, they are becoming increasingly selective about which business models can withstand AI-driven disruption. Some 27 percent of LPs plan to reduce their allocations to software over the next 12 months because of AI-related concerns.

However, the pullback is far from indiscriminate. The market is beginning to bifurcate between winners and losers. Software businesses that are deeply embedded in customers' operations, possess proprietary data and perform mission-critical functions are expected to benefit from AI rather than be displaced by it. By contrast, companies with less differentiated products face greater competitive pressure as generative AI lowers barriers to

entry and automates previously valuable functions.

For private credit managers, this creates a more complex underwriting environment. Assessing leverage and cashflows is no longer sufficient; managers must also evaluate whether a borrower’s products are vulnerable to AI-enabled disruption. Robust sector expertise, detailed due diligence and a clear understanding of technological change are becoming essential components of credit analysis.

The key message is not that investors are abandoning software, but that AI is accelerating performance dispersion within the sector. The opportunity set for AI-enabled software continues to expand and the challenge for private credit firms is distinguishing those companies that will harness AI as a growth driver from those whose business models may be undermined by it.