

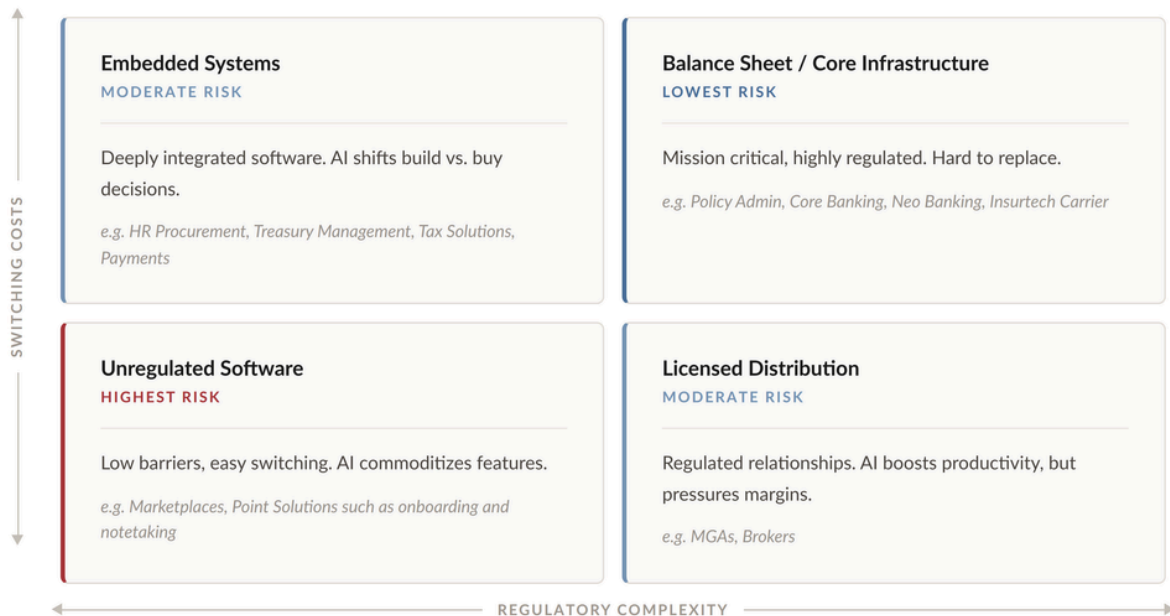
Key AI Trends within Fintech

Portage is a leading fintech and financial services investment platform managing \$6.3B of AUM, with over 135 investment companies globally. We take a thesis-driven approach to our investing. We build conviction on investments through deep industry insight, informed by our portfolio companies and corporate partners.

The fintech market entered 2026 in better health than at any point since the 2022 reset, but the recovery is more selective. Portage's data shows a meaningful recovery in price-to-sales multiples from the 2022 bottom through 2025, followed by a sharp reset in early 2026 as the software sell-off spilled into fintech. Through mid-February, the Portage Fintech Index was down 22.2% year to date, a reset partly driven by fears that AI agents will undermine traditional subscription-based software models, what some have termed the "SaaS apocalypse."

We believe fintech is fundamentally more insulated than other parts of the software market, protected by regulation, proprietary data, and deeply embedded distribution that AI alone cannot easily displace. If you look at the AI risk matrix by fintech vertical below you'll see the risk in financial services varies, mission-critical, highly regulated platforms appear better positioned to use AI as an efficiency lever, while lower-friction point solutions are more exposed to being commoditized. That distinction matters as more venture capital flows into AI, and it shapes how we are thinking about the trends and opportunities below.

AI RISK MATRIX BY FINTECH VERTICAL



Consumer and SMB finance

The race to agentic banking is on. Today, most consumers still experience their financial lives in silos, with one interface for spending, another for savings, credit, investing and so on, but that's not how people think about money. The next consumer experience will understand the user's full financial context, recommend actions, and increasingly execute against them.

Agentic AI, however, will move beyond banking and into a broader personal control layer, a kind of life operating system for money and household administration. The most compelling products in this category will manage recurring tasks, guide decisions, and coordinate activity across multiple apps, accounts, and even family members. This helps explain why identity, credentials, permissions, and secure delegation are increasingly critical.

Many of the same forces are playing out in SMB finance, with the clearest wedge around the office of the CFO, which includes accounting, bookkeeping, AP/AR, tax, reconciliation, and inventory. These are mission-critical functions, but for most SMBs they are not strategic differentiators. That makes them particularly well suited to AI—workflow-heavy, repetitive, data-rich, and directly tied to measurable ROI.

Insurance

Insurance AI is now permeating every part of the insurance workflow, though adoption will likely be slower than in other industries. The greatest near-term leverage is concentrated in claims and underwriting, functions that require synthesizing large, disparate datasets to arrive at a decision. Today, value is being unlocked primarily through co-pilot tools that augment human judgment, with a transition to fully agentic systems on the horizon. Portage portfolio company Xceedance offers a window into what this looks like in practice: using AI-powered underwriting assistants to deliver efficiency gains and greater accuracy across claims workflows, demonstrating measurable ROI from applied AI.

The obstacles, however, are idiosyncratic to insurance. Model risk, particularly around explainability and hallucinations, poses a real challenge in a sector where regulators require clear, auditable rationales for coverage and pricing decisions. Sensitive data management, siloed legacy infrastructure, and the need for traceable data lineage all compound the compliance burden.

Meanwhile, the distribution landscape faces disruption from conversational AI. Insurers and aggregators, including Tuio and Insurify, have launched apps built directly into ChatGPT, enabling users to browse, compare, and purchase insurance through natural language prompts. Insurance broker stocks sold off following approval of the first such apps, a signal the market takes the disintermediation risk seriously.

Payments

For much of the last decade, payments innovation meant a better card experience, smoother checkout, cleaner acceptance, more efficient treasury workflows. The market is now shifting toward a structurally multi-rail world in which instant bank payments, account-to-account flows, and stablecoin-based settlement are becoming credible alternatives for specific use cases.

However, the near-term opportunity is infrastructure-led rather than consumer-led. It's less about replacing the card at checkout and more about replacing slow, expensive correspondent banking with instant, 24/7 settlement for enterprise treasury workflows.

Trust is the binding constraint in this environment. Faster rails do not eliminate risk; they compress it. When payments are real-time and largely irreversible, fraud detection can no longer function as a downstream or batch process, it must move upstream into real-time verification and decisioning.

Stablecoins have now graduated into a credible B2B settlement option for cross-border liquidity, bolstered by regulatory clarity from the GENIUS Act and the EU's MiCA framework. But real-world consumer payments remain a small fraction of total stablecoin volume. The near-term opportunity is infrastructure-led. Portage portfolio company **Conduit** operates in this space, keeping the user experience and fiat endpoints familiar, while using stablecoins beneath the surface to bypass correspondent banking fees, prefunding friction, and settlement delays.

We remain skeptical that standalone agentic payment wallets will emerge as enduring winners—major incumbents are already embedding agent control capabilities directly onto their existing rails. The space remains more protocols than live transactions today, but the direction of travel is clear and we are monitoring it closely.

RegTech

Compliance technology has historically lagged broader enterprise software due to complexity, fragmentation, and an entrenched reliance on manual processes. Much of the function still depends on case management, documentation, and sample-based control testing spread across fragmented systems and the traditional three lines of defense. Recent breakthroughs in NLP, agentic AI, and workflow automation are changing what is technically feasible, shifting compliance from static repositories and periodic spot checks toward continuous, automated oversight embedded directly in operating workflows.

As firms deploy GenAI across customer service, underwriting, and internal decisioning, they introduce risk types that existing controls were not designed to manage: hallucinations, data leakage, model drift, and ambiguous accountability. This is not a reshuffling of existing compliance spend—it creates new budget lines tied to AI risk. Portage portfolio company ValidMind, an AI governance and model validation platform focused on automating model, documentation, and audit workflows, is at the forefront of this category.

That complexity is landing on compliance budgets that were never efficiently structured to begin with. Compliance headcount grows at roughly three times the rate of overall full-time employees (FTEs) growth in financial services, while consulting and services spend, audits, manual reviews, remediation, runs at approximately five times the level of technology spend. This imbalance is the core opportunity: automation-first platforms that substitute recurring labor and services costs with defensible software create clear ROI while pulling spend out of budget lines that were never previously considered part of the software market.

Wealth and Asset Management

Wealth is a massive fee-based business with good margins, sticky client relationships, a fragmented legacy technology stack, and customers whose expectations are shifting fast. The same conditions that drew venture capital into banking technology ten years ago are now present in wealth, and the market is responding.

As in banking, there are two broad camps of investable opportunity. Disruptors—tech-enabled RIAs, modern RIA roll-ups, and scaled retail brokers, are using technology, more efficient operating models, and product differentiation to take share from incumbents. Enablers are building the software, infrastructure, and new product layers that help incumbents modernize and compete. Both camps are attracting capital, but what makes this cycle different from the banking wave is AI. A decade ago, an incumbent could move slowly. Today that is no longer true, AI accelerates disruption and compresses the window for incumbent response, making urgency the operative word for those in the wealth industry.

Emerging players are enabling wealth managers to introduce new and complementary products to their clients, expanding value propositions, improving retention, and driving monetization. This layer is strategically important because the next phase of wealth competition is unlikely to be won on interface alone. Firms increasingly need broader product depth to retain high-value clients and capture a greater share of wallet. Portage portfolio companies **Allocate** (alternatives), **Pluto** (asset-backed lending), and market fintech **April** (embedded tax) are well-positioned examples in this space.



Capital Markets Technology

Capital markets technology is also entering a new phase of modernization, but unlike some other areas of fintech, the change is not being driven by a single breakthrough or interface. It is happening through the gradual rewiring of core workflows: research, trading, routing, settlement, collateral, and post-trade operations.

Our view is that four shifts matter most right now: AI moving from standalone tools into production workflows, the continued electronification of historically voice-led markets, the operational pressure created by faster settlement and central clearing, and the emergence of distributed ledger infrastructure in targeted, real-world use cases.

Conclusion

If there is a single thread running through this year's outlook, it is that the most important fintech opportunities in 2026 are not about building new rails or new products in isolation, they are about making faster, more complex systems trustworthy and workable at scale.

Fintech is not a homogeneous sector, and identifying where these shifts create durable value requires more than pattern recognition, it requires deep knowledge of the regulatory environments, business models, and competitive dynamics that make each vertical distinct.

For any questions, please don't hesitate to contact our Partnerships team at partnerships@sagardholdings.com.