Portage

Applying AI Today
A Portage Perspective

2025

Applying AI Today: A Portage Perspective

From Hype to Application

After a year dominated by AI hype cycles, fintech's focus has shifted from model-building to monetization. In 2024, most firms experimented with AI for internal efficiency—coding assistants, customer service, and productivity tools. Today, AI is embedded deeper into operations and customer-facing products. Guided interfaces, standardized toolkits, and "out-of-the-box" enterprise integrations are now commonplace. Even the language of AI has evolved. Last year's acronyms (LLMs and RAG) spoke to foundation models and infrastructure. This year's buzzwords are Agents and MCP (Model Context Protocol), and signal the transition from experimentation and bolt-on chatbot to toward agent-level capabilities that can actually complete tasks and deliver outcomes.

Portage's Lens: Every Fintech can be an AI-native company

AI is now the single largest venture category, drawing 37% of global VC funding (US$140B in 2024)[1]. The boundaries between AI and fintech have all but disappeared. At Portage, we believe it is no longer possible to think about fintech without AI. Best in class adopters will see higher growth without the commensurate proportional rise in cost of operations.

Why AI Strengthens, Not Erodes, Fintech Moats

While AI may compress software margins, fintech incumbents retain enduring advantages:
- Regulation: Compliance remains a high barrier to entry and a future opportunity
- Trust: Customer acquisition still hinges on brand and credibility, not algorithms alone
- Data: Fintechs possess deep, proprietary datasets from user-permitted activity
- Infrastructure: Financial services remain a "walled garden," and integration advantage matters

Far from eroding moats, when implemented responsibly, AI can deepen them.

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Where We See Opportunity

1. **Combining Predictive Machine Learning and LLMs**

Hybrid approaches that combine predictive machine learning trained on proprietary data with large language models are showing stronger performance across many tasks in the financial sector, including underwriting. Predictive models capture structured historical patterns, while large language models handle unstructured information, reasoning, and edge cases that traditional systems miss.

2. **Agents and Workflow Automation**

"Agentic" AI will reshape automation, especially in financial services, where agents can be trained for specific, high-trust tasks. Orchestration platforms that coordinate multiple workflows across non-mingled datasets are emerging as critical infrastructure.

3. **Hyper-Personalization at Scale**

AI enables individualized financial experiences. In insurance, personalization is already evolving from risk-based to behavior-based underwriting.

4. **Compliance and Model Risk Management**

Generative AI introduces new risk categories: model oversight, explainability, and auditability. This will give rise to entirely new financial product classes, from AI-specific insurance to GenAI compliance tools. New regulatory oversight requirements are expected to act as tailwinds for some time.

5. **Margin Compression and Relationship Value**

AI will reshape service industries, reducing costs while re-defining value. The winners will be those who own the client relationship, not just the platform.

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AI Adoption: Progress and Gaps

Despite rapid progress, most enterprises are early in their AI journey. A BCG study (2025) found that 75% of companies are still "experimenting" or "stagnating" in adoption. Only one-quarter have reached scale and fintech leads that group, with 49% identified as "AI leaders."

Startups and scale-ups move faster:

- Less burdened by legacy systems
- More agile, experimental cultures
- Narrower problem sets with measurable ROI
- Measuring AI usage as part of performance reviews

By contrast, large incumbents risk getting stuck in the "evaluation zone," testing AI endlessly but deploying little. True progress depends on building guardrails for experimentation, ensuring human oversight, and embedding AI into culture, not projects.

AI in Action: Portage Portfolio Leaders

- **evolo.ai:** Turning Email Fatigue into Video Engagement. AI-generated, interactive videos educate and qualify leads for financial institutions leading to +10 pp increase in open rates, 200-300% lift in engagement, and up to 3× conversion rates.

- **Boosted.ai:** From Spreadsheets to AI-Powered Investment Terminals. Alfa platform enables investors to chat with data, generate insights, and automate analysis delivering repeatable, explainable investment logic.

- **Kikoff:** Automating Debt Relief with Voice AI. A conversational AI agent negotiates lower debt settlements with creditors. Achieved 60% offer rate and 30% average debt reduction while cutting operational costs by 75%.

- **Angle Health:** Lean Operations through ML Infrastructure. Unified data platform automates claims and benefits management. Processes 50k+ monthly claims with <10 staff; medical loss ratio 10 points below the SME median.

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Looking Ahead

Across our portfolio, AI is no longer a feature: it's the connective tissue of fintech innovation. The challenge ahead isn't adopting AI, it's scaling it responsibly. Firms that build adaptive cultures, experiment intelligently, and maintain human trust at the core will define the next decade of fintech.

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