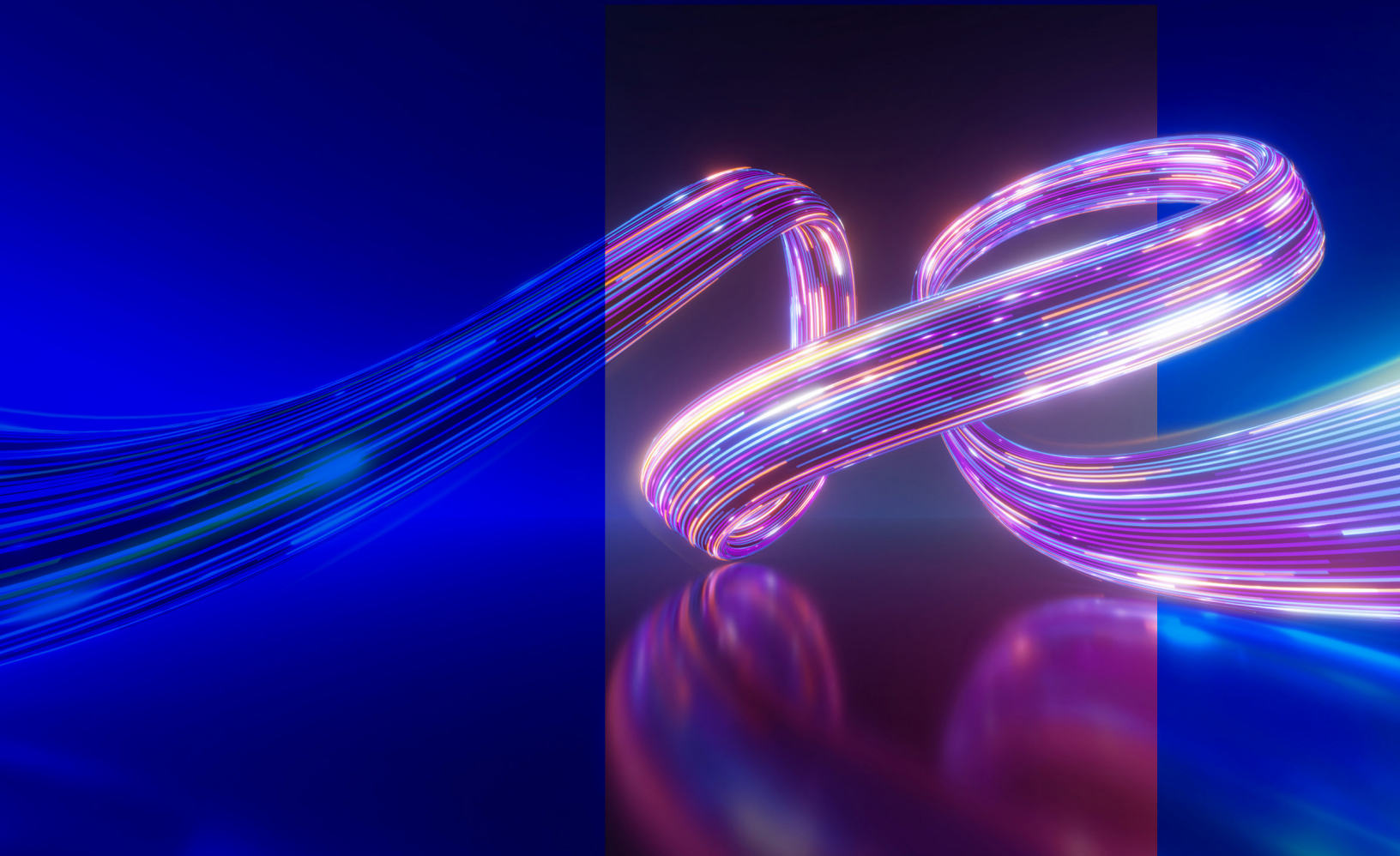




Investment risk analytics in asset management: From insights to action



The importance of investment risk analytics in asset management

In today's rapidly evolving financial landscape, asset managers face unprecedented complexity and volatility. The need for robust investment risk analytics has never been greater, not only to comply with regulatory demands, but to unlock actionable insights that drive superior portfolio performance.

With the stakes higher than ever, asset managers must rethink how they measure, manage, and act on risk. Robust investment risk analytics is now essential for monitoring portfolio exposures and ensuring regulatory compliance, as well as for gaining transparency into the drivers of performance. These capabilities help align strategies with investment objectives, especially in volatile markets.

The growing complexity of financial products, massive data integration needs, and heightened regulatory expectations all raise the bar for risk analysis capabilities. To meet these demands, asset managers must invest in scalable, technology-driven solutions that can adapt to rapid market innovation and regulatory changes.

At the core of these efforts is investment risk analytics: the quantitative techniques used to measure and manage risks within portfolios. This discipline focuses on specific risk categories (e.g., market, credit, interest rate, foreign exchange, liquidity, and counterparty risk), each with tailored metrics, in contrast to broader enterprise risk management.

As investment portfolios become more diverse and complex, asset managers must address a broad array of risk types, each requiring specialized analytical approaches and tools.

To visualize how these risks affect different asset classes, the following risk intensity bubble grid illustrates the relative impact of each investment risk type for each asset class. In this grid, the size of each bubble represents the impact of that risk on its corresponding asset class, highlighting where risk considerations are most critical for portfolio decisions.



93%

of asset managers plan to expand the use of analytics and insights in portfolio management.¹

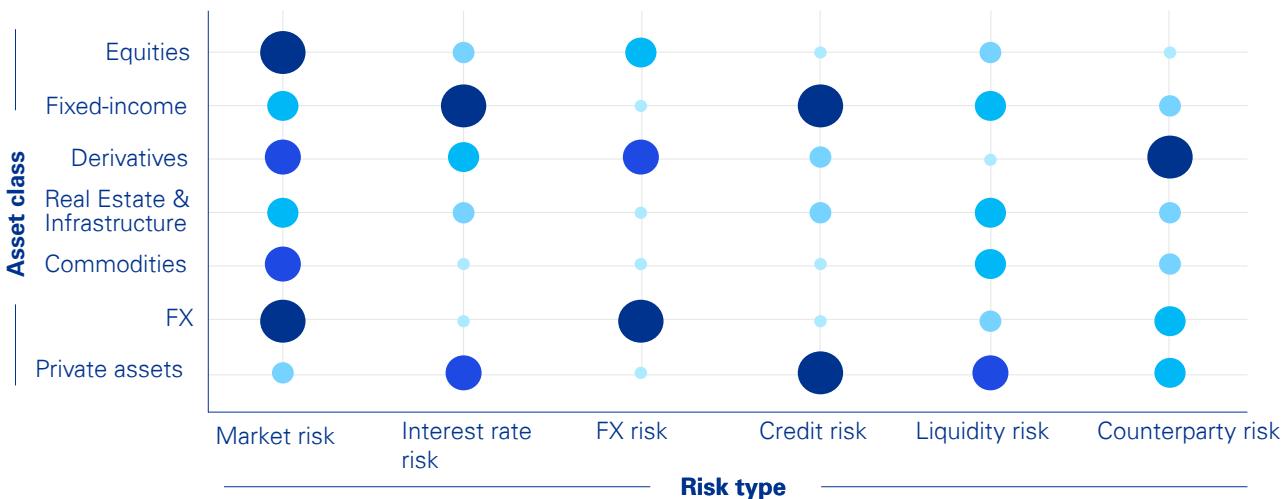
72%

plan to increase their tech spend to expand capabilities in middle- and front-office risk management.²

70%

of asset managers and asset owners report their current risk management approaches are falling short of expectations.³

Risk intensity by asset class



¹ "Data Analytics in Asset Management: Key Use Cases & Trends," Morningstar

² "The Future of Asset Management: Data Still Dominates" BNY Mellon

³ "How Asset Managers and Asset Owners are Leveraging Technology for Better Risk Management" Forbes

Key challenges and how leading firms respond

Despite the promise of modern risk analytics, many asset managers face a familiar set of obstacles. These challenges go beyond technology, influencing how portfolio managers, risk teams, and compliance leaders operate day to day. Below, we walk through how these challenges typically show up, why they matter, and how leading firms move past them.

Inconsistent metrics and methodologies



How it shows up in practice: Different teams, regions, or external managers use their own models, assumptions, and calculation conventions. Reports don't line up, and leadership spends time reconciling rather than deciding.

Why it matters: When the organization can't compare risk like-for-like, it's hard to get a consolidated view, meet regulatory expectations consistently, or link risk to performance.

The path forward: Establish a unified risk framework that defines standard metrics and calculation methodologies across asset classes. Document a shared methodology "dictionary" and calculation guide so everyone speaks the same risk language. The result is comparability, cleaner governance, and faster decision cycles.

Insufficient depth and coverage of analytics



How it shows up in practice: Core measures are in place, but advanced analytics (e.g., VaR, stress scenarios, tail risk diagnostics) are uneven. Coverage gaps persist, especially in private markets where data is sparse and disclosures vary.

Why it matters: Blind spots undermine risk insight. If material exposures aren't measured—or if scenario analysis is too shallow—responses to market shifts are delayed or miscalibrated.

The path forward: Expand the analytics toolkit and data. Implement advanced measures (VaR, stress testing, liquidity risk diagnostics) and acquire broader data coverage, including illiquid/private assets. Blend internal tools with vendor platforms to ensure no major exposure goes unmeasured.

Operational inefficiencies



How it shows up in practice: Manual data wrangling, fragmented workflows, and slow computations lead to delayed or error-prone reports. By the time results reach stakeholders, markets (and positions) have moved.

Why it matters: Stale information erodes confidence and hampers timely action. It also increases operational risk and the cost of controls.

The path forward: Automate and streamline processes end-to-end. Design a target operating model for risk analytics covering data ingestion, processing, and reporting. Stand up automated feeds (batch or real-time), standardized report templates, and embedded quality controls and validation checks so "first time right" becomes the norm.

Fragmented systems and scalability constraints



How it shows up in practice: Legacy platforms struggle to support new instruments, growing data volumes, or evolving regulatory demands. Risk, pricing, performance attribution, and forecasting sit in separate silos.

Why it matters: When systems can't scale or connect, integration breaks down. Analytics live apart from investment workflows, and risk-adjusted performance is hard to quantify or communicate.

The path forward: Upgrade to scalable architectures and integrate risk with decision tooling. Modernize platforms (build or buy) to handle broader instrument sets and metrics. Embed risk analytics directly into pricing models, attribution, and forecasting so elevated credit VaR or default probability informs valuation, required return, and portfolio construction.

How GenAI is transforming risk analytics

Building on this foundation, leading asset managers are now exploring how generative AI is reshaping risk analytics. By accelerating forecasting, scenario simulation, and risk interpretation, GenAI transforms complex data into clear, timely narratives that stakeholders can act on.

As these capabilities mature, GenAI is quickly becoming a powerful innovation frontier. While traditional risk metrics and frameworks remain essential, GenAI introduces new ways to deepen insight, speed up analysis, and clarify decision-making. Today, asset managers are applying GenAI across several key areas:



Economic and market forecasting

GenAI systems synthesize both structured data, such as macroeconomic indicators, interest rates, and inflation, and unstructured sources like central bank commentary and news sentiment. This enables asset managers to generate more nuanced and timely market outlooks, with scenario-linked narratives that evolve as new information emerges.



Scenario simulation

Traditional stress testing is limited by historical patterns. GenAI expands the toolkit by generating diverse, data-driven scenarios, articulating complex quantitative impacts in plain language, and simulating “what-if” conditions with probabilistic outcomes. This helps managers anticipate and communicate risk in ways that are both rigorous and accessible.



Risk interpretation and reporting

Agentic AI proactively scans risk reports across portfolios, highlighting key exposures and emerging threats. It distills technical metrics into tailored, accessible summaries, generating alerts and insights for stakeholders with varying levels of risk fluency, and making risk communication more effective.



Integrated predictive intelligence

GenAI brings together forecasting, scenario analysis, and portfolio diagnostics into a unified workflow. These intelligent systems support holistic risk reviews and are evolving into copilots that continuously monitor, interpret, and communicate risk insights across the organization.



How KPMG can help

KPMG combines deep industry experience, technical excellence, and global resources to deliver tailored risk analytics solutions for asset managers. Our team understands the complexities across asset classes and regulatory environments, and we leverage advanced technology to design and implement the best-fit solution. Whether delivered within the client's own environment or via KPMG LLP's fully managed analytics platform, our approach empowers asset managers to unlock actionable insights, make smarter decisions, and achieve superior portfolio performance. To meet the diverse needs of asset managers, KPMG offers two distinct solution models:

01 Client-hosted implementation

This approach is ideal for firms seeking full control and customization, with all data remaining within their own infrastructure. It includes:



The KPMG approach combines an established, structured methodology with proprietary accelerators and AI-driven tools that set us apart in the market and deliver tangible value for clients:



Plug-and-play metrics library

KPMG brings a thorough, leading-practice framework and a plug-and-play metrics library that covers the full spectrum of risk models, calculation methodologies, and their applications in both risk analytics and performance attribution. Clients benefit from immediate access to established solutions, rather than lengthy discovery cycles.



Product lifecycle accelerators with GenAI

Our proprietary accelerators and product lifecycle tools, deployed and established within the client's environment, transform business requirements into robust data models and analytics products with speed. These tools embed an agentic workflow and automate the entire development process: from requirements gathering, data modeling, pipeline setup, and validation to production testing. This enables clients to move from concept to production in a fraction of the time, with up to an 80% reduction in manual effort.



AI-driven data insight

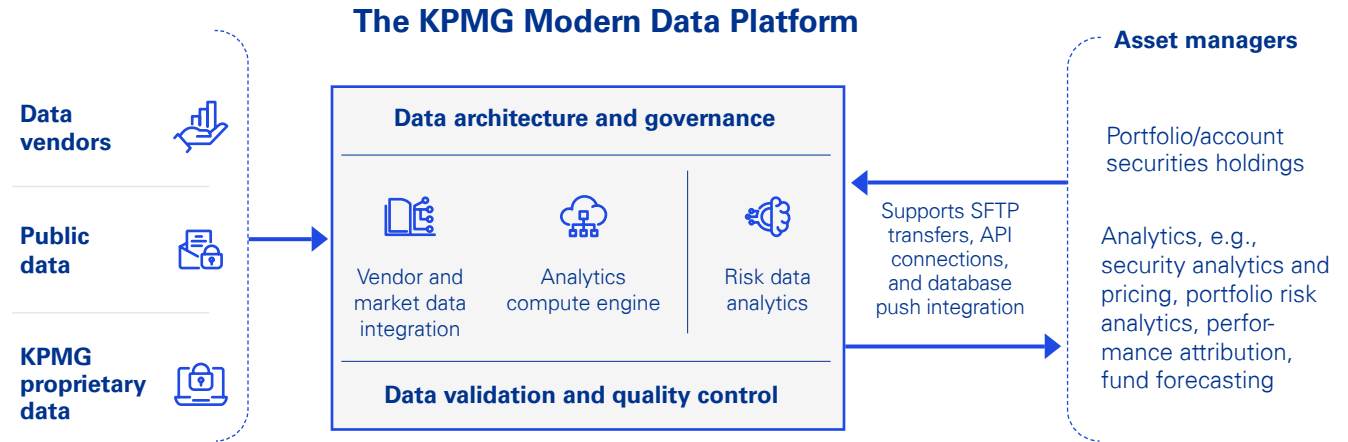
KPMG deploys proprietary AI and machine learning (ML) tools for data cleansing, anomaly detection, and Extract, Transform, Load (ETL) automation, again, all within the client's environment. Our Sensor DQ solutions unify fragmented, massive data sets and validate data quality using ML sensors, making daily risk analytics reporting cycles reliable and scalable.



02

Subscription-based model using the KPMG Modern Data Platform

Notably, KPMG offers the **Modern Data Platform**, a cloud-based platform designed to support a wide range of data and analytics services. Leveraging Modern Data Platform, KPMG delivers integrated risk analytics solutions to clients through a hosted, subscription-based model. KPMG rapidly deploys solutions with minimal capital investment and manages infrastructure, vendor relationships, and ongoing support, allowing organizations to focus on insights instead of data and tools.



The KPMG hosted analytics-as-a-service platform offers several major benefits:

- No in-house infrastructure needed**

KPMG provides a fully cloud-based analytics platform, so clients don't have to build or maintain their own systems or environments. This minimizes in-house IT overhead and capital costs, enabling new analytics to go live in weeks with minimal up-front cost.
- High data quality and governance**

The service includes built-in data quality controls and governance by the KPMG team. Data is automatically validated and checked for anomalies, and KPMG can escalate any data issues to vendors directly if needed, helping ensure that analytics are based on clean, reliable data.
- Curated public data included**

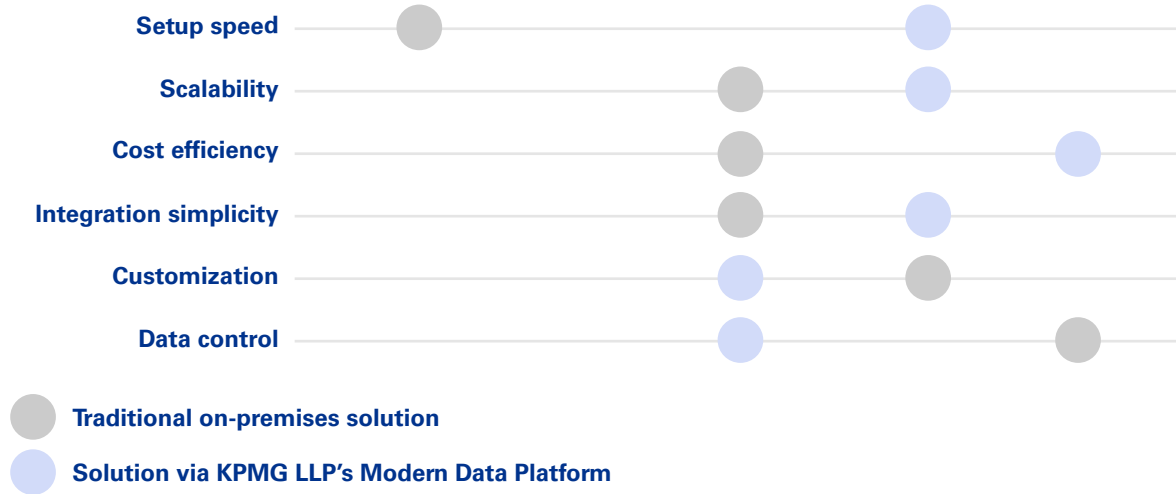
Beyond vendor feeds, the platform provides ready access to curated public data sets (e.g., financial filings, economic indicators) that KPMG has organized and certified. Clients get these additional insights out-of-the-box, without needing to source or clean public data themselves.
- Rich analytics library and knowledge**

Clients gain access to our extensive library of analytics models, reports, and industry leading practices. Our specialists provide value-added analysis and guidance on using the data (not just raw numbers); thus, firms benefit from established methods without having to develop their own analytics frameworks from scratch.
- Continuous updates and innovation**

KPMG continuously maintains and enhances the platform. Software updates, new features, and AI/ML capabilities are rolled out regularly without disrupting the client, keeping the analytics tools up-to-date.

03 Deployment model comparison

Deployment models vary by organizational priorities such as speed, scalability, or control. This comparison highlights key factors to help firms choose the approach, traditional on-premises solution or subscription-based solution via the KPMG Modern Data Platform that best aligns with their strategy and infrastructure.



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