Without good data, AI strategies risk coming unstuck

The $128 trillion[1] asset management industry is gradually warming to Artificial Intelligence (AI), as more firms use the technology to supplement returns and grind out operational savings. But if fund managers are to get the most out of AI, then the data used to complement it needs to be solid, as Steve Taylor, Head of Data & Client Platforms for Investor Services, Citi, explains.

Asset managers in the early throes of AI adoption

Asset managers are battling against some challenging headwinds. Whilst Assets under Management (AUM) may be at record levels, this has mostly been driven by market growth, as opposed to organic growth. Active managers are losing share to mega indexers, alpha generation is becoming increasingly challenging, investors are getting more demanding, and fee compression is accelerating.

However, that is not the full story. According to a recently published report by Citi and CREATE Research – Rebooting the Global Asset Management Industry – asset managers are focused on future proofing their business models. 97% of respondents said AI and Generative AI will either directly or indirectly be a key source of value creation in their businesses.

The report found that asset managers believe AI's impact will be most pronounced in investment management and back-office operations (see chart below). By eliminating a lot of the manual processes and human touchpoints embedded across the front, middle and back office, AI could facilitate all sorts of productivity gains, at a time when the industry's costs continue to climb higher.

Figure 1 Source: Citi/CREATE-Research Survey 2025

What operations will be disrupted most by AI & GenAI over time?

% of respondents

Operation	% of respondents
Investment management	64
Back office operations	62
Information technology	54
Sales and marketing	51
Personalized client experience	50
Risk management and compliance	49
Personalized portfolios at scale	46
Direct sales to end-clients (D2C)	44
Trade execution	39
Business management	37
Easier private markets	36

"We are seeing more clients adopt AI. We continue to observe the growing application of AI across buy-side institutions. Two broad categories – the roll out of horizontal tooling to augment day to day activities, e.g. drafting emails, summarising reports, etc. and the use of AI to support more verticalized capabilities at clients, namely, to improve operational, research and client experience initiatives," said Taylor.

---

[1] Boston Consulting Group – April 29, 2025 – From Recovery to Reinvention: Global Asset Management Report 2025

Although AI offers several tangible benefits, the study found that significant numbers of asset managers are still erring on the side of caution over whether to integrate the technology into their operations. Just 26% of asset managers told the Citi study that they are implementing AI strategies, whilst 63% described themselves as 'cautious followers," and a further 15% admitted to being laggards.

As adoption of AI increases, this has not been without challenges. The lingering presence of legacy technology is perhaps the biggest barrier to AI adoption, so too are issues with the quality of the data being used to train AI models, together with concerns about transparency, data security/IP infringements and hallucination risk.

Data is what drives AI forward

If data quality is not to up to scratch, then it follows that the AI models which consume that data will not be either.

"The data content needs to be well understood, with strong ownership and controls. It also needs rich metadata to add context. The blast area of data issues in an AI world is dramatically larger if you get it wrong," said Taylor.

"With an excellent data foundation and strong data governance, you can accelerate your AI strategy, but it needs a plan, and experts wrapped around it. Data needs to be measured for accuracy, have demonstrable lineage, be fully auditable, connected, and secure," said Taylor.

The path to good data

Service providers are doing their part to ensure clients only use the best quality data.

"A lot of asset managers are rolling out their data strategies at the same time as introducing AI use-cases. Firms are turning to cloud-based infrastructure such as Snowflake. Our approach at Citi is to help our clients accelerate their data strategies, by providing them with a rich library of Investor Services Data, across funds, custody and securities lending delivered to a cloud venue of their choice and in an easy to consume format," said Taylor.

Figure 2

Source: Citi/CREATE-Research Survey 2025

Which factors, if any, have slowed progress in adopting AI and GenAI so far?

Tech-related	% of respondents
Legacy systems	59
Concerns about the quality of Big Data	54
Lack of explainability and transparency	51
Data security and IP infringement	49
Inaccurate responses or 'hallucinations'	49
Divergent national regulations on AI and GenAI	47
Ethical and legal considerations	44
Excessive hype about AI & GenAI	26

Organization-related	% of respondents
Protecting client interests	54
Legacy thinking	36
Overemphasis on short-term profits	33
Worldwide shortage of tech skills	29
Incentives tied to short-term results	22
Tenure rates of top executives too short	17