NOVEMBER 2023

TOP 30 HEDGE FUND FIRMS

LATEST ON THE WORLD'S LARGEST MANAGERS

EXECUTIVE SUMMARY

Rarely has scale been so important in the hedge fund business. The soaring cost of trading talent, and ever-present pressure to be at the forefront of technology and meet regulatory challenges, are best navigated by those with the resources to do so. But with scale, of course, comes added expectation, and more to lose.

This Hedgeweek Insights report focuses on these firms – the 30 largest by hedge fund assets under management. It provides summaries of key developments and actions over the past 12 months, as well as intel on size and key personnel.

In line with the wider hedge fund industry, equity-based strategies are the most represented and the US the main hub, home to more than three-quarters of Top 30 HQs. Despite some moves away from, and growing interest in, other US financial hubs, more than half of these Top 30 US firms are headquartered in New York.

The leading firms are innovating in a proactive way to meet new challenges, while also adapting to deal with issues particular to their firm – whether from a personnel or performance perspective, many of the biggest firms are facing unprecedented flux. Yes, most of the Top 30 are still actively managed by a founder, but many are grappling with leadership or succession issues. This will be a defining theme of the next 12 months.

The themes in this report – though focused at the top – have ramifications for all hedge fund firms. We hope our findings support industry participants as they navigate the highest echelons of the industry and provide a steer on some of the key trends likely to shape the next 12 months.

WILL WAINEWRIGHT
HEAD OF HEDGE FUND RESEARCH

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METHODOLOGY

This report does not rank managers by firm-wide assets, but their hedge fund assets under management (HF AUM), derived from a combination of publicly stated figures and reporting. A core source for these rankings is Alternative Fund Insight (AFI). HF AUM is as of the end of 2022.

KEY FINDINGS

1

Leadership flux is a constant

Nineteen of the Top 30 (63%) are still run by a founder, perhaps unsurprising given the industry's relationship with 'star' managers. But it has been eye-catching in the past 12 months to see several firms making changes in their senior ranks, including Bridgewater Associates and Man Group, the top two. And the major shifts within the Top 30 go beyond personnel, with Angelo, Gordon & Co. and Sculptor Capital Management being acquired.

2

AI exploration remains a top priority

The transformative potential impact of generative AI has dominated the Wall Street conversation in 2023 after the release of ChatGPT. For hedge funds, the debate has centred on how the developing technology can be used to improve investment and business performance. Hedgeweek data on this point is clear: most firms, whether systematic or not, are either using AI already or considering how to integrate it into their firm's processes.

3

The war for talent may be de-escalating

The rise of multi-strategy firms since the pandemic, to a point of near-industry domination, has seemed unstoppable. But some now think the peak has passed, partly due to the huge trader costs and unsustainable sign-on bonuses paid to secure talent. The pass-through fee structure has faced immense scrutiny. In an era of higher rates, LP expectations have increased, and firms face performance and cost pressure as the war for talent rages.

4

Diversification has broadened

Diversification continues to be the order of the day for many of the hedge fund elite, in part to keep pace with the multi-strat operators. Man Group's move into private credit with the Varagon Capital Partners purchase was a prime example, while D.E. Shaw and Farallon Capital Management have also made greater moves into private markets. It means diversification by region as well as strategy, with many elite firms, particularly multi-strats, setting up in the UAE.

THE TOP 30

From leadership flux to product innovation and diversification, the past 12 months have seen the hedge fund industry's 30 largest managers lay the groundwork for change and transition

30. SYSTEMATICA INVESTMENTS

HQ: Jersey, Channel Isles
HF AUM: $16.0bn
Specialism: Quantitative
Key leaders: Leda Braga (founder); Paul Rouse (COO and CFO) David Kitson (CIO)

Braga's managed futures specialist benefited from the 2022 performance boom in the strategy. Declan Ryan, global head of sales and investor relations since the firm span out from BlueCrest, has left for the same role at start-up firm Norias Research Group. Ben Maxmin, who previously worked in Ryan's team, re-joined the firm from Intermediate Capital Group and now leads the unit.

29. BALYASNY ASSET MANAGEMENT

HQ: Illinois, US
HF AUM: $17.0bn
Specialism: Multi-strategy
Key leaders: Dmitry Balyasny (founder, managing partner and CIO)

Has participated in the multi-strat boom. Balyasny's firm has made some big hires this year, with Tarek Rizk joining from Adia as head of Middle-East and North Africa based in its new Dubai office. Archana Parekh joined from Millennium as head of Asia equities (ex-Japan) based in Singapore. Thomas Gaissmaier joined as chief people officer after spells at 21st Century Fox and Match Group to lead all human resources functions globally.

28. PERSHING SQUARE CAPITAL MANAGEMENT

HQ: New York
HF AUM: $17.1bn
Specialism: Equity investing
Key leaders: Bill Ackman (founder, CEO); Ryan Israel (CIO)

Ackman named Israel his effective successor in August 2022, appointing him CIO and describing him as a "once-in-a-generation talent as an investor, not just in equities, but also in macro instruments." Ackman continues to lead the firm as it looks to rebound from losses in 2022. Listed flagship up 11.7% for first nine months. Ackman has shunned shorts in recent years but has recently made a successful bet against 30-year US Treasuriess. Marks two decades in business in 2024.

27. GRAHAM CAPITAL MANAGEMENT

HQ: Connecticut, US
HF AUM: $17.5bn
Specialism: Macro
Key leaders: Ken Tropin (founder and chair)

Tropin's firm has been hiring to capitalise on an improved opportunity set for macro managers in the rising rate environment. Connecticut-based firm has hired an economist and a macro PM earlier this year, reportedly looking to add more investment professionals. Marks thirtieth anniversary in 2024. Two-third of assets are in quantitative strategies, the rest in discretionary.

26. GOLDENTREE ASSET MANAGEMENT

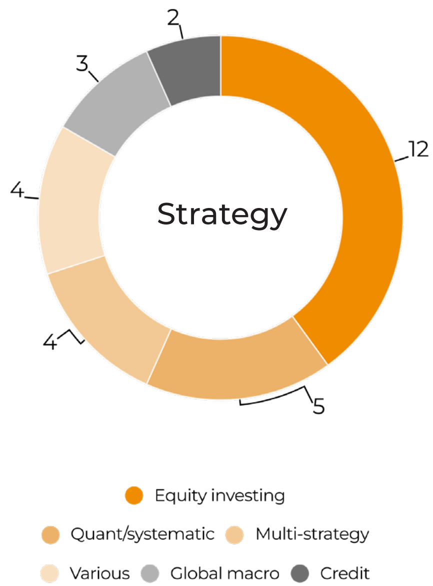
HQ: New York, US
HF AUM: $21.0bn
Specialism: Credit
Key leaders: Steven Tananbaum (founder, managing partner, CIO); Steven Shapiro (managing founder)

More growth at GoldenTree, the $51bn firm, in a market environment which should suit credit strategies. Opened a regional HQ in the Dubai International Financial Centre, its first office in the Middle East, earlier this year. Han Gurer, who joined from Ares Management, oversees business development in the region. Alysia Love joins from Ellery Street as chief talent officer and partner.

$200m

Reported profit for Pershing Square Capital Management from bet against 30-year US Treasuries

Fig. 1.1 Top 30 by primary investment strategy



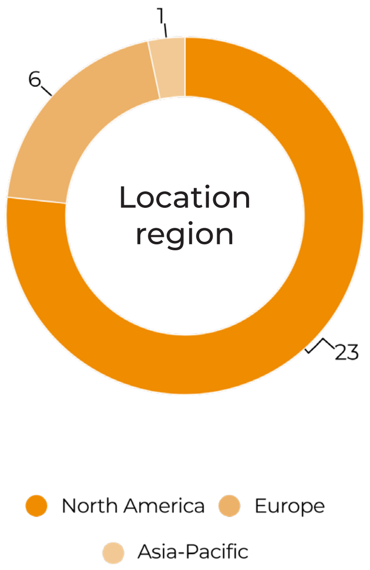
Source: Hedgeweek research

“

Everybody wants that Cristiano Ronaldo on their team, but there aren’t very many Cristiano Ronaldos

Paul Marshall
co-founder of Marshall Wace, on the war-for-talent pay escalation
(reported in the FT)

Fig. 1.2 Top 30 by location of headquarters – region



Source: Company websites

=24. CAPULA INVESTMENT MANAGEMENT

HQ: London, UK
HF AUM: $25.0bn
Specialism: Quant
Key people: Yan Huo (co-founder, CIO); Masao Asai (co-founder)

The fixed-income and macro specialist is part-owned by Affiliated Managers Group and it is the second-largest hedge fund manager in the AMG portfolio. Took part in UK stress tests over the shadow banking sector risk organised by the Bank of England.

=24. BAUPOST GROUP

HQ: Massachusetts, US
HF AUM: $25.0bn
Specialism: Equity investing
Key leader: Seth Klarman (founder and CEO)

Seth Klarman's Baupost has had a steady year, making headlines after buying a big stake in Amazon. Klarman has been critical of the Federal Reserve, telling investors the Fed's response to global financial crisis led to the erection of a "financial fantasyland". The firm is suing the new owner of part of the Royal Albert Dock development in London over aspects of the deal.

23. VIKING GLOBAL INVESTORS

HQ: New York, US
HF AUM: $25.1bn
Specialism: Equity investing
Key leaders: Andreas Halvorsen (CEO); Ning Jin (CIO)

Firm-wide assets of $41bn across public and private equity, plus credit and structured capital divisions. The firm was reported to have reopened its flagship long/short equity hedge fund to new investments this summer for the first time in more than a decade. Halvorsen founded the firm, one of the biggest Tiger cubs still in business, in 1999. Marks 25 years in 2024.

22. POINT72 ASSET MANAGEMENT

HQ: Connecticut, US
HF AUM: $28.0bn
Specialism: Multi-strategy
Key leaders: Steve Cohen (CEO and chairman); Harry Schwefel (co-CIO)

Successor firm to SAC Capital. Founder Steve Cohen has been a vocal proponent of AI and the productivity gains it can deliver as a reason to be long-term bullish on US stocks. The firm won approval to operate directly in the UK in the past 12 months and has grown headcount quickly. Planned to increase headcount in Asian hubs including Tokyo and Singapore and has opened a Dubai office.

21. BREVAN HOWARD ASSET MANAGEMENT

HQ: Jersey, Channel Isles
HF AUM: $29.9bn
Specialism: Macro
Key leaders: Alan Howard (co-founder, lead PM); Aron Landy (CEO)

A busy 12 months for Jersey-based Brevan Howard, which has opened a new Middle East headquarters in Abu Dhabi, with room for 100 staff, and plans a $750m move into commodity trading under a new team led by Elycia Sherman, previously global head of trading at Hartree. Assets are back above $30bn, with the $40bn peak reached in the years after the financial crisis back within sight.

100

Available headcount in Abu Dhabi office opened by Brevan Howard

20. WELLINGTON MANAGEMENT

HQ: Massachusetts, US
HF AUM: $30.5bn
Specialism: Equity investing
Key leader: Mark Sullivan, head of hedge fund group

Hedge funds are a small part of the business at $1.1trn Boston asset manager Wellington. Reduced headcount by 5% this year after a strategic review. Partnered with Wellington fintech platform iCapital to target wealth managers for allocations. Appointed Waleed Al-Rezooqi from Morgan Stanley to head a new Dubai office being opened “to get close to our clients and support their local needs,” the firm said.

19. SCULPTOR CAPITAL MANAGEMENT

HQ: New York
HF AUM: $31.5bn
Specialism: Various
Key leaders: Jimmy Levin (CEO and CIO); Wayne Cohen (president and COO)

The sale of Sculptor has turned into a saga gripping Wall Street this year, with the front runner, Rithm Capital, a real estate manager, being challenged by a rival bid from hedge fund managers including Boaz Weinstein. The publicly-traded firm has $30bn under management across credit, real estate and multi-strategy. Announced the closing of a $300m US Collateralized Loan Obligation (CLO) in June.

=17. ANGELO, GORDON & CO.

HQ: New York
HF AUM: $35.0bn
Specialism: Credit
Key leaders: Josh Baumgarten and Adam Schwartz (co-CEOs and co-CIOs)

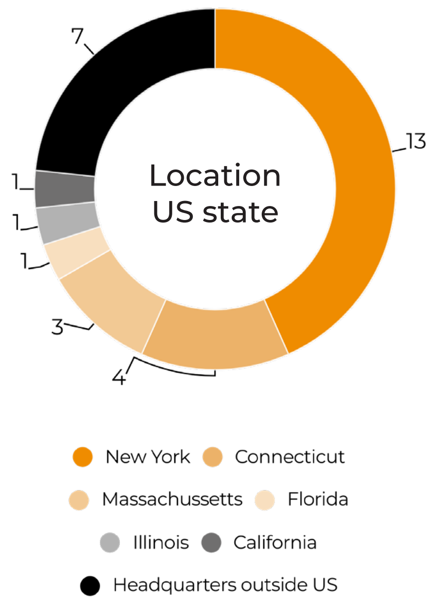
Global credit and real estate specialist and a high-profile activist investor, acquired this year by private equity giant TPG. The $2.7bn cash and stock deal was announced in May. Josh Baumgarten, co-chief executive of Angelo Gordon, said scale was a factor in the move as investors were now looking for a “strategic” relationships with a smaller number of firms.

=17. TCI FUND MANAGEMENT

HQ: London, UK
HF AUM: $35.0bn
Specialism: Equity investing
Key leader: Chris Hohn (founder)

Hohn’s business marked two decades this year. Most of its assets are invested in a concentrated long-only equities portfolio which uses “a private equity approach” in its fundamental research process, according to the TCI website. Long-term holdings include Airbus, Cellnex and Alphabet. Hohn’s donations to the campaign group Extinction Rebellion have made headlines. It also has a real estate investment business, founded in 2014. Has opened office in Abu Dhabi led by global head of investor relations.

Fig. 1.3 Top 30 by location of headquarters – US state



Source: Company websites

16. DAVIDSON KEMPNER CAPITAL MANAGEMENT

HQ: New York, US
HF AUM: $36.2bn
Specialism: Various
Key leaders: Anthony Yoseloff (executive managing member and CIO); Eric Epstein (managing member and president)

Now running $38bn across all strategies, the New York firm raised $3bn for its sixth opportunities fund to invest in less liquid, longer-duration situations stemming from capital dislocations and other complex deals. Its hedge fund focus is event-driven and multi-strat. Recent activist plays including edtech firm Byju. Bought bonds related to Gautam Adani’s business empire after it was the focus on a short-selling report.

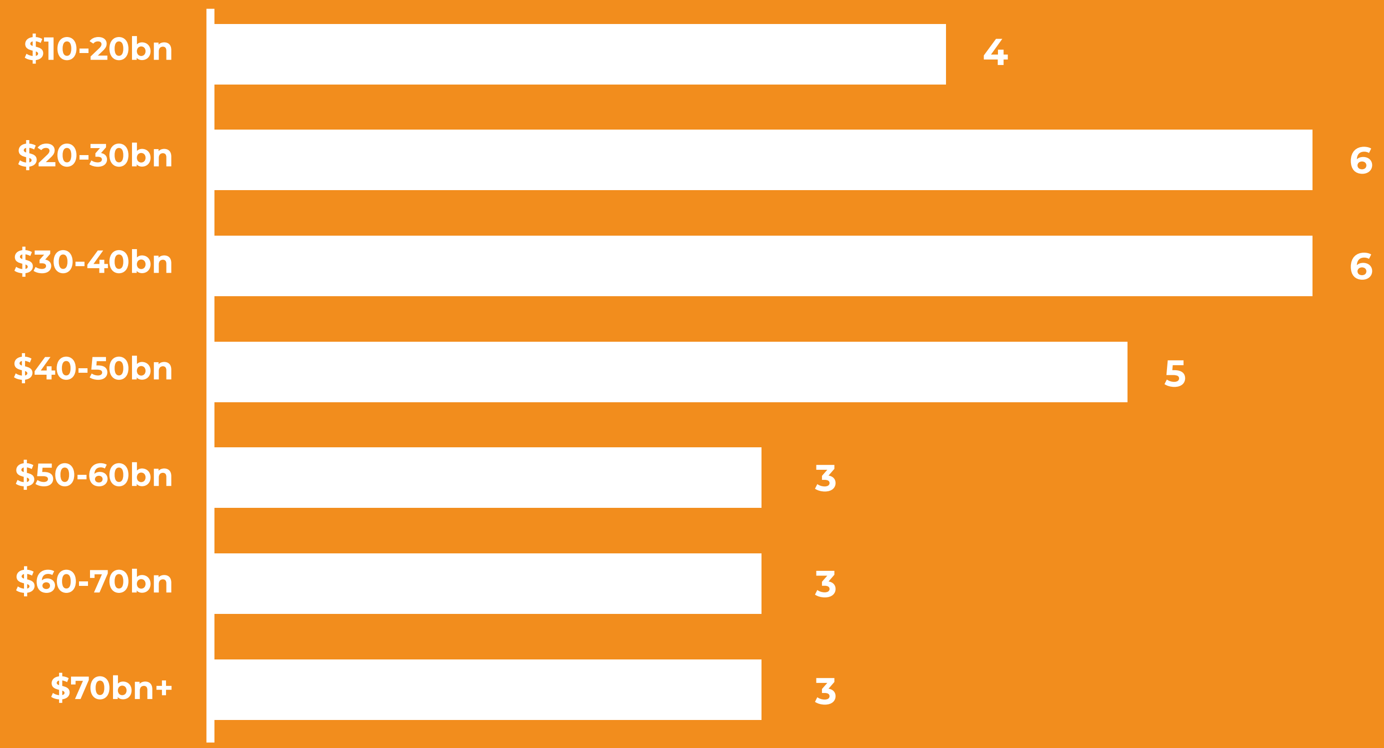
$2.7bn

Takeover value of Angelo, Gordon & Co.

KEY FINDING

Top 30 evenly spread through AuM brackets

Among the Top 30 hedge funds by AuM, the $20-30bn and $30-40bn brackets are most represented, with six apiece.



INSIGHTS

15. FARALLON CAPITAL MANAGEMENT

HQ: California, US
HF AUM: $39.0bn
Specialism: Equity investing
Key leaders: Andrew Spokes (managing partner, co-CIO); Nicolas Giauque (co-CIO)

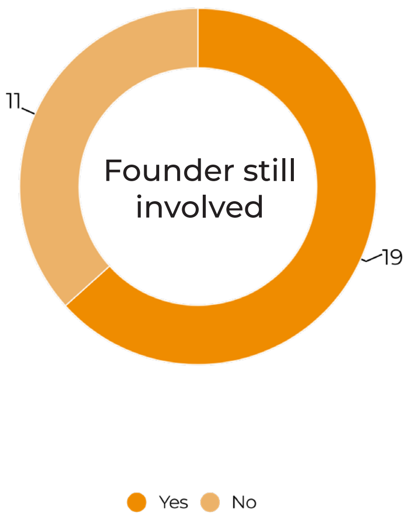
Founded on the west coast by Tom Steyer in 1986, Farallon has hedge fund investments across credit, long/short equity, merger and risk arbitrage within its $36bn range, which has increased its focus on private markets. On the latter, raised $650 for its latest US real estate fund, exceeding a $500m target. Continues to be a prominent activist player, with recent campaigns including Exelixis, a biotech company.

=13. MARSHALL WACE ASSET MANAGEMENT

HQ: London, UK
HF AUM: $40.0bn
Specialism: Equity investing
Key leaders: Paul Marshall and Ian Wace (co-founders)

An active 12 months for Marshall Wace, now managing more $60bn across its range and the biggest long/short hedge fund manager in Europe. A key appointment made in September as Todd Builione joins from shareholder KKR to run the US business. Marshall Wace assets have trebled since KKR first bought a stake in 2015. Paul Marshall exploring a bid for the UK's Telegraph newspaper.

Fig. 1.4 Top 30 by those where the founder is still involved in company management



Source: Hedgeweek research

=13. HILLHOUSE

HQ: Singapore
HF AUM: $40.0bn
Specialism: Equity investing
Key leaders: Zhang Lei (founder and CIO); Michael Yi (co-CIO)

Zhang Lei's Asian powerhouse Hillhouse, backed upon launch in 2005 by Yale University's endowment, runs more than $100bn across all strategies. It has been a major backer of Chinese start-ups such as Tencent in the past and has been reported to be exploring the launch of a multi-billion-dollar fund to buy beaten-down Chinese stocks. Has been expanding Singaporean operations.

=11. ADAGE CAPITAL MANAGEMENT

HQ: Massachusetts, US
HF AUM: $42.0bn
Specialism: Equity investing
Key leaders: Phillip Gross and Robert Atchinson (co-founders)

Boston-based Adage has had a quiet year, rarely popping up in headlines, but remains a major force in markets. Founded and led by Phillip Gross and Robert Atchinson, it is one of the world's biggest equity hedge funds and was among the hedge funds taking new positions in real estate investment trusts focused on New York City office space in Q2.

=11. AQR CAPITAL MANAGEMENT

HQ: Connecticut, US
HF AUM: $42.0bn
Specialism: Quant
Key leaders: Cliff Asness (co-founder, managing principal); David G. Kabiller (co-founder, business development head); John Liew) co-founder, research head)

A transformative 2022 for Cliff Asness's firm as many key strategies surged in the market maelstrom. AQR's hedge fund assets rose from about $24bn to $42bn over the year. Asness believes the dominance of the US stock market is set to decline, benefitting emerging markets. Its $1bn alternative trends composite fund is up 11% for the first eight months. Biggest firm on the list in the Affiliated Managers Group portfolio.

57%

Increase in size of AQR's hedge fund business in 2022

10. D.E. SHAW GROUP

HQ: New York, US
HF AUM: $43.2bn
Specialism: Various
Key leaders: David Shaw (founder); Exec committee makes day-to-day decisions: (Anne Dinning, Max Stone, Julius Gaudio, Eric Wepsic, Eddie Fishman, Alexis Halaby)

Has been active on the launch and fundraising front, raising more than $1bn for two private market strategies. Opened Indian offices in Bengaluru and Gurugram this year. Most of $60bn-plus firm wide assets are in hedge: gained about 25% in 2022 in its multi-strategy Composite flagship. Growing business in long-only and privates. Moving New York HQ to Two Manhattan West in 2024.

5,400
Headcount at Millennium

9. JP MORGAN ASSET MANAGEMENT

HQ: New York, US
HF AUM: $50.0bn
Specialism: Equity investing
Key leaders: Mary Callahan Erdoes (asset and wealth management CEO)

The New York investment bank's asset management division had more than $2.4trn in AUM, including $211bn in alternatives, at the end of 2022. Across hedge funds, its offering includes alternative risk premia, arbitrage, long/short and macro strategies, according to Preqin.

8. ELLIOTT INVESTMENT MANAGEMENT

HQ: New York, US
HF AUM: $55.0bn
Specialism: Equity investing (activism)
Key leaders: Paul Singer (Founder, co-CEO and co-CIO); Jonathan Pollock (co-CEO and co-CIO)

The industry's most renowned activist has made numerous headlines in recent months with investments in Vantage Towers in Germany, Salesforce in the US and even a potential role in the long-running Manchester United sale. Appointed grandee Sir Mike Rake, former chairman of BT Group and easyJet, as a senior advisor in Europe to help navigate the British boardroom scene.

7. MILLENNIUM MANAGEMENT

HQ: New York, US
HF AUM: $58.5bn
Specialism: Multi-strategy
Key leaders: Israel (Izzy) Englander (CEO and chair)

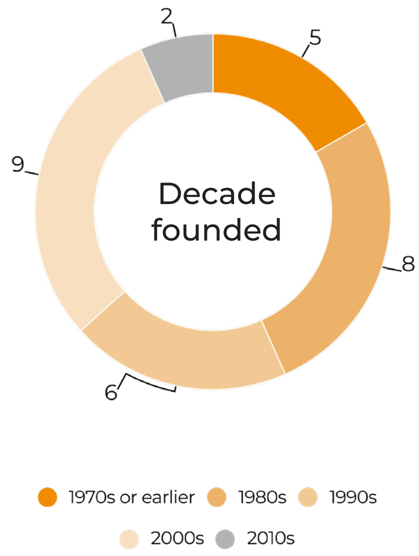
Izzy Englander's firm continues to be a leader in the multi-strat space but will have to contend next year with competition from former co-CIO Bobby Jain's start-up, Jain Global, which could be the largest hedge fund launch in history. Continues to be a money-making and attracting behemoth, so much so that it came close to a deal with Schonfeld to its smaller rival's pods to manage some of its capital.

=5. TWO SIGMA

HQ: New York, US
HF AUM: $60.0bn
Specialism: Quant
Key leaders: John Overdeck and David Siegel (co-founders)

The US quant firm was forced to admit this year that a rift between founders John Overdeck and David Siegel could pose a "material risk" to clients. "If such disagreement were to continue, the adviser's ability to achieve client mandates could be impacted over time," the firm said in a filing, with the feud centred on Two Sigma's organisation and business plans.

Fig. 1.5 Top 30 by decade founded



Source: Hedgeweek research

> A pivotal year for the world's largest hedge fund, whose founder Ray Dalio gave up control in 2022

=5. RENAISSANCE TECHNOLOGIES

HQ: New York, US
HF AUM: $60.0bn
Specialism: Quant
Key leaders: Peter Brown (CEO); Jim Simons (chair)

The notoriously private, maths-powered Long Island manager took a rare voluntary step into the spotlight when CEO Peter Brown spoke on a podcast in September. He discussed how computer models and algorithms are central to Renaissance's approach and said they try to avoid hiring people who have been at other financial firms. Average tenure of 13 years among 300 employees, with 90 PhDs.

4. CITADEL

HQ: Florida, US
HF AUM: $62.3bn
Specialism: Multi-strategy
Key leaders: Ken Griffin (founder and CEO)

After making a record profit for its investors in 2022, Ken Griffin's multi-strat juggernaut is having another successful year, its flagship into double-digit gains YTD as of end-September. Griffin has been cautious about the potential of AI, saying there is too much hype. Citadel has nonetheless sought an enterprise-wide license to use OpenAI's ChatGPT. Citadel is preparing to push back against the SEC's WhatsApp communications probe, Bloomberg reported.

3. BLACKROCK

HQ: New York, US
HF AUM: $80.0bn
Specialism: Equity investing
Key leaders: Nigel Bolton (co-CIO of BlackRock's Active Equity); Alister Hibbert (MD and PM on European Equity team and Strategic Equity Team)

Star manager Alister Hibbert, who runs a flagship multi-billion long/short Strategic Equity strategy, has been looking to rebound after posting its biggest annual loss last year since starting in 2011. In a sign of confidence, the strategy was also looking to raise up to $1bn. The world's largest asset manager runs about $300bn in alternatives overall. A leadership shake-up this year had limited implications in hedge funds.

2. MAN GROUP

HQ: London, UK
HF AUM: $95.0
Specialism: Various
Key leaders: Robyn Grew (CEO), Anna Wade (chair)

Change at the top for the world's largest listed hedge fund manager, which announced in May that Robyn Grew, president and longstanding C-suite member, would be replacing Luke Ellis as CEO in September 2023. The latter steered Man for seven years to its current record AuM level. Grew's task is to maintain the momentum of performance and inflows. Major push into private credit with acquisition of US manager Varagon Capital Partners.

1. BRIDGEWATER ASSOCIATES

HQ: Connecticut, US
HF AUM: $124.3bn
Specialism: Macro
Key leaders: Nir Bar Dea (CEO); Bob Prince, Greg Jensen, Karen Karniol-Tambour (co-CIOs)

A pivotal year for the world's largest hedge fund manager, whose founder Ray Dalio gave up control in 2022. Performance has lagged the multi-strats and CEO Nir Bar Dea announced in Q1 it would cut about 100 jobs. Karen Karniol-Tambour was appointed co-CIO, alongside Greg Jensen and Bob Prince. Bar Dea has prioritised investments in AI/machine learning and Asia to drive growth, as well as sustainability and long-only equity investing.

30%

Percentage of Renaissance Technologies staff with PhDs

Fig. 1.6 Top 30 hedge fund managers, data matrix

	Firm name	Headquarters	Hedge fund AUM ($bn)	Year founded	Specialism	Key personnel
1	Bridgewater Associates	Connecticut, US	124.3	1975	Macro	Nir Bar Dea (CEO); Bob Prince, Greg Jensen, Karen Karniol-Tambour (co-CIOs)
2	Man Group	London, UK	95.0	1783	Various	Robyn Grew (CEO), Anna Wade (chair)
3	BlackRock	New York, US	80.0	1988	Equity	Nigel Bolton (co-CIO of BlackRock's Active Equity); Alister Hibbert (MD and PM on European Equity team and Strategic Equity Team)
4	Citadel	Florida, US	62.3	1990	Multi-strategy	Ken Griffin (founder and CEO); Pablo Salame (co-CIO); Gerald Beeson (COO)
=5	Two Sigma	New York, US	60.0	2001	Quant	John Overdeck and David Siegel (co-founders)
=5	Renaissance Technologies	New York, US	60.0	1982	Quant	Peter Brown (CEO); Jim Simons (chair)
7	Millennium Management	New York, US	58.5	1989	Multi-strategy	Israel (Izzy) Englander (CEO and chair); Ajay Nagpal (president and COO)
8	Elliott Management Corporation	New York, US	55.0	1977	Equity	Paul Singer (Founder, co-CEO and co-CIO); Jonathan Pollock (co-CEO and co-CIO)
9	JP Morgan Asset Management	New York, US	50.0	1935	Equity	Mary Callahan Erdoes (asset and wealth management CEO)
10	Shaw Group	New York, US	43.2	1988	Various	(Anne Dinning, Max Stone, Julius Gaudio, Eric Wepsic, Eddie Fishman, Alexis Halaby)
=11	AQR Capital Management	Connecticut, US	42.0	1998	Quant	Cliff Asness (co-founder, managing principal); David G. Kabiller (co-founder, business development head); John Liew) co-founder, research head)
=11	Adage Capital Management	Massachussetts, US	42.0	2001	Equity	Phillip Gross and Robert Atchinson (co-founders)
13	Marshall Wace Asset Management	London, UK	40.0	1997	Equity	Paul Marshall and Ian Wace (co-founders)
14	Hillhouse	Singapore	40.0	2005	Equity	Zhang Lei (founder and CIO); Michael Yi (co-CIO)
15	Farallon Capital Management	California, US	39.0	1986	Equity	Andrew Spokes (managing partner, co-CIO); Nicolas Giauque (co-CIO)
16	Davidson Kempner Capital Management	New York, US	36.2	1983	Various	Anthony Yoseloff (executive managing member and CIO); Eric Epstein (managing member and president)
=17	TCI Fund Management	London, UK	35.0	2003	Equity	Chris Hohn (founder)
=17	Angelo, Gordon & Co	New York, US	35.0	1988	Credit	Josh Baumgarten and Adam Schwartz (co-CEOs and co-CIOs)
19	Sculptor Capital Management	New York, US	31.5	1994	Various	Jimmy Levin (CEO and CIO); Wayne Cohen (president and COO)
20	Wellington Management	Massachussetts, US	30.5	1933	Equity	Mark Sullivan, (head of hedge fund group)
21	Brevan Howard Asset Management	Jersey, Channel Isles	29.9	2002	Macro	Alan Howard (co-founder, lead PM); Aron Landy (CEO)
22	Point72	Connecticut	28.0	2014	Multi-strategy	Steve Cohen (CEO and chairman); Harry Schwefel (co-CIO)
23	Viking Global Investors	New York, US	25.1	1999	Equity	Andreas Halvorsen (CEO); Ning Jin (CIO)
=24	Baupost Group	Massachussetts, US	25.0	1982	Equity	Seth Klarman (founder and CEO)
=24	Capula Investment Management	London, UK	25.0	2005	Quant	Yan Huo (co-founder, CIO); Masao Asai (co-founder)
26	GoldenTree Asset Management	New York, US	21.0	2000	Credit	Steven Tananbaum (founder, managing partner, CIO); Steven Shapiro (managing founder)
27	Graham Capital Management	Connecticut, US	17.5	1994	Macro	Ken Tropin (founder and chair); Pablo E. Calderini (president and CIO); Brian Douglas (CEO)
28	Pershing Square Capital Management	New York, US	17.1	2004	Equity	Bill Ackman (founder, CEO); Ryan Israel (CIO)
29	Balyasny Asset Management	Illinois, US	17.0	2001	Multi-strategy	Dmitry Balyasny (founder, managing partner and CIO); Taylor O'Malley (co-founding partner and president); Scott Schroeder co-founding partner)
30	Systematica Investments	Jersey, Channel Isles	16.0	2015	Quant	Leda Braga (founder); Paul Rouse (COO and CFO); David Kitson (CIO)

Analyst note: *AUM as of end of 2022*

Source: Hedgeweek research, Alternative Fund Insight

NEW DIRECTIONS

The Top 30 has more than scale in common. Here, Hedgeweek distils four key themes of acute relevance to many or all the world's largest hedge fund managers.

The following four trends could set the hedge fund industry agenda and lead headlines in 2024. Some, like leadership changes, only affect a handful. Others, like artificial intelligence (AI) or the war for talent, will affect all.

1. CHANGE AT THE TOP

Nineteen of the Top 30 (63%) are still run by a founder, perhaps unsurprising given the nature of the industry – the founder sets a firm's direction, trading focus and culture, and is therefore hard to replace, explaining the industry's struggles with succession planning (see Fig. 1.4).

What has been more eye-catching in the past 12 months is the sheer number of firms seeing a change in their senior ranks. The top two firms, Bridgewater and Man Group, have seen senior turnover: Ray Dalio left Bridgewater in 2022 and the C-suite changed in 2023, while Robyn Grew replaced Luke Ellis as Man CEO in September.

The fifth-biggest firm, Two Sigma, is facing a schism between its founders over future plans. The major shifts within the Top 30 go beyond personnel. Angelo, Gordon & Co has been acquired by private equity giant TPG. Sculptor Capital Management is being acquired by Rithm Capital after a long-running and disputed process, with founder Dan Och finally backing the deal.

These changes alone mean six of the Top 30 (20%) have seen a major change in either senior leadership or ownership in the past 12 months (see Fig. 2.1). There have been many other senior moves in the past 12 months below the very top rank, for example Marshall Wace appointing Todd Builione from key shareholder KKR to run its US business.

Some founder-led firms have made appointments which indicate an eye on the next generation. Bill Ackman named Ryan Israel his effective successor at Pershing Square Capital Management in August 2022, appointing him CIO and describing him as a "once-in-a-generation talent as an investor."

The move had echoes of an earlier move by Steve Cohen at Point72 Asset Management, who in 2018 named Harry Schwefel his co-CIO. There are no guarantees in businesss but such figures are viewed as successors, or at least frontrunners to such a position.

The fact there are no guarantees was summed up the fact that Bobby Jain, hired as Millennium Management's first ever co-CIO in 2016, alongside founder Izzy Englander, departed last year. He left to start his own firm, Jain Global, widely expected to be the biggest ever hedge fund launch next year, despite having been widely viewed as the natural successor to Englander.

For many of the industry elite the question of succession planning remains unanswered.

2. ARTIFICIAL INTELLIGENCE

The transformative potential impact of generative AI has dominated the Wall Street conversation in 2023 after the release of the ChatGPT system. For hedge funds, the debate has centred on how the developing technology can be used to improve investment and business performance.

Hedgeweek data on this point is clear: most firms, whether systematic or not, are either using AI already or considering how to integrate it into their firm's processes. More than four-fifths of systematic firms (83%) are using or considering it, and 65% or firms across all strategies (see Fig. 2.2).

But how? For 44% of systematic hedge funds, AI is being used for autonomous trading (a rate three times higher than hedge funds as a whole). Systematic and discretionary are more in line when using AI to assist human trading (22% of quants versus 18% of the industry overall).

Almost two-fifths (39%) of systematic hedge funds are using AI to assist the research process compared to 27% of all hedge funds.

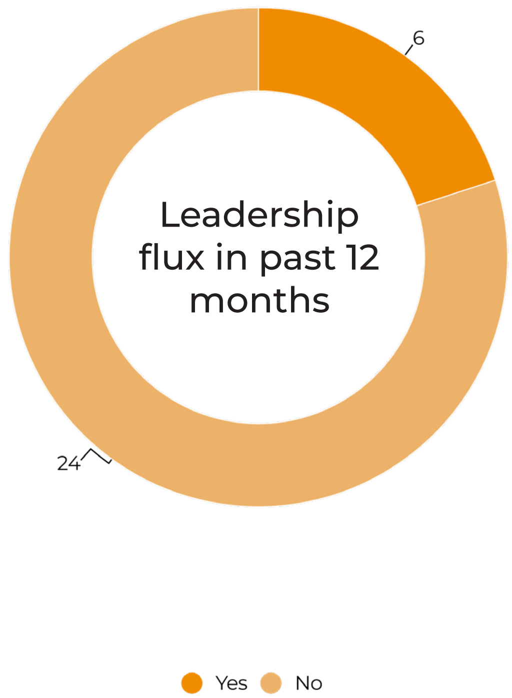
A paper by Man Group highlighted several key AI uses in asset management:

- Assisting in software development and coding (such as improving data infrastructure and helping portfolio managers build quantitative models and analytics, even for those with little coding experience).
- Enabling more tailored and interactive sales and marketing campaigns.
- Large language models (LLMs) can help expedite the creation and review of legal contracts, and their capacity to summarise text information can be applied to internal databases to provide answers to questions (such as those in due diligence questionnaires and RFPs).

"Honing in on the potential applications of Generative AI for portfolio managers, early evidence suggests that LLMs can conduct better sentiment analysis, which describes the process of analysing financial text (such as earnings call transcripts) to determine whether the tone it conveys is positive, negative or neutral, in comparison to more traditional BERT- and dictionary-based methods," said Martin Luk, a quant researcher at Man AHL who authored the paper.

Another use-case for LLMs in asset management is their ability to identify links

Fig. 2.1 Top 30 hedge fund firms to see senior leadership changes or ownership flux in past 12 months



Source: Hedgeweek research

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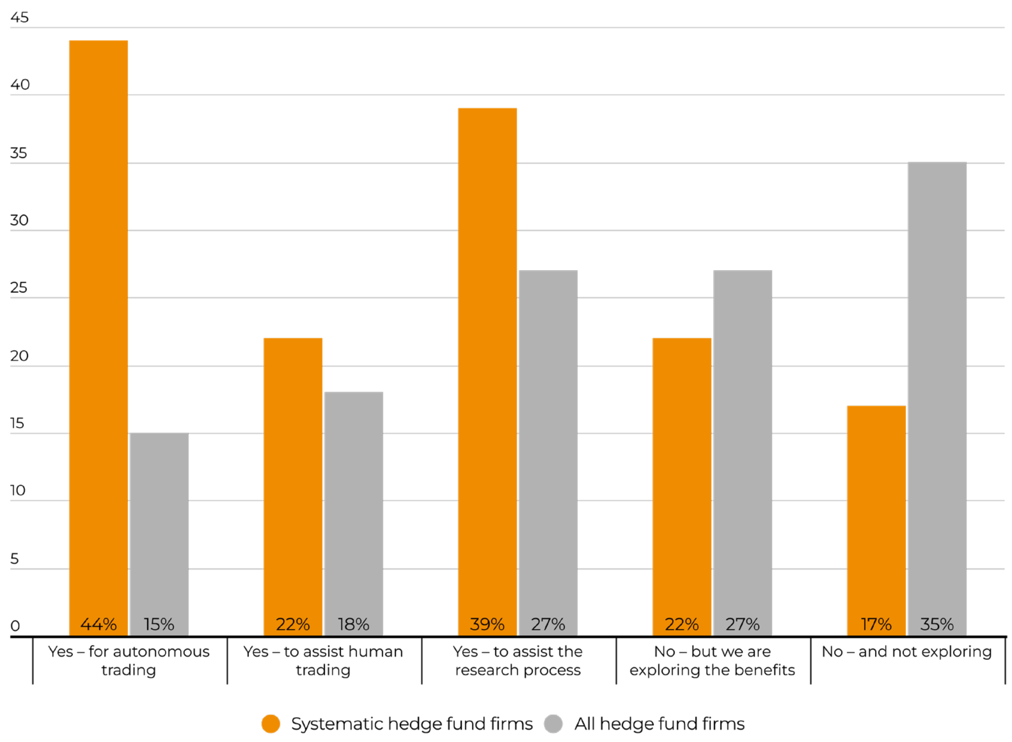
Early evidence suggests that large language models can conduct better sentiment analysis [analysing financial text]… in comparison to more traditional methods.

Martin Luk, Quant Researcher, Man AHL
discusses Generative AI applications for portfolio managers in a Man Institute paper

Fig. 2.2 Systematic hedge funds using AI to generate returns



Analyst note: *Survey respondents were asked, Does your firm use AI/machine learning to generate returns? Please select all that apply*

Source: Hedgeweek Q3 Hedge Fund Manager Survey

between conceptual themes and company descriptions to create thematic baskets of stocks.

According to the research, other applications include the use of LLMs in generating economic hypotheses to build and evaluate systematic macro trading signals, potentially using ChatGPT as a financial adviser, and using Generative AI models in supervised contexts.

3. MULTI-STRAT TALENT WAR

Few industry themes have generated as much attention as the rise of multi-strategy firms, which have come to occupy a dominant position since the pandemic. Their delivery of double-digit returns accompanied by low volatility outshone the rest of the industry, particularly in the era of zero risk-free rates.

Allocators have made allowances on fees in return, with "pass-through" replacing the management fee in many cases, which means LPs foot sky-high trading and operational costs directly – often accompanied by long lock-up periods and performance fees of up to 30%.

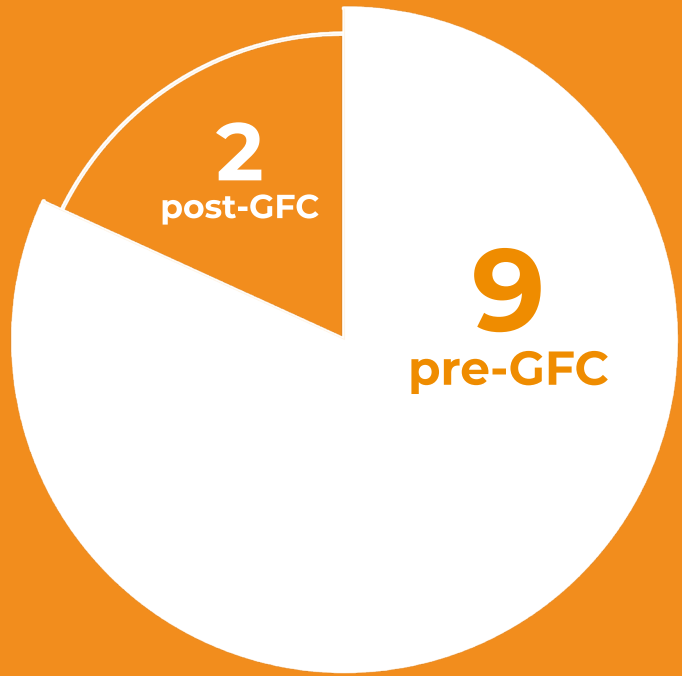
The conversation has centred on trading costs, with multi-million-dollar signing on fees now the norm for top talent moving between these multi-PM shops. This has sparked an industry debate over the "war-for-talent" with Millennium founder Izzy Englander referring to a "talent bubble" effect as a bidding war erupts over available talent.

KEY FINDING

Firms founded this millennium tend to have started pre-GFC

Of 11 firms founded in 2000 or subsequently, nine started before the Global Financial Crisis. Just two of the Top 30 hedge funds by AuM, Systematica and Point72, were founded in the 2010s (and the latter was a new iteration of SAC Capital Advisors).

Top 30 firms founded since 2000



INSIGHTS

Paul Marshall, whose firm is not a multi-strat operator but competes with the group on talent, has referred to "silly sign-on bonuses" being paid. Some traders can make fortunes by moving between firms after being fired, signing for new bonuses in an industry practice known as "surfing the guarantee".

Some have called the high-point for multi-strat in 2023, particularly given the higher risk-free rate environment and its effect on investor expectations. A survey by BNP Paribas laid bare the change, with return expectations increasing by 2.9 percentage points on average. For multi-strat, with higher fee and lock-up terms typical, it is likely to be higher. When LPs can get 5% risk-free they want more.

Talks ended in November, but the fact that Schonfeld came close to a deal with larger peer Millennium, in the wake of a staffing expansion and redemptions, suggests consolidation in the space could be ahead as the largest firms expand from a position of strength.

The multi-strat trend has also had a key impact on launches, with the popularity of the strategy making it a key driver of a recovery in launch numbers. After hitting a post-crisis quarterly low in 2022, new hedge fund numbers surged in the first half of 2023, according to HFR data.

"Managers shifted the strategic growth focus to aggressive expansion of inflation trading teams in multi-strategy funds designed for and positioned to trade volatility driven by rising rates and generational inflation," according to Ken Heinz, CEO at HFR.

The estimated number of new hedge fund launches hit 133 in Q2, outpacing closures for the first time since last year. Their ranks were dominated by a large increase in fixed income based relative value arbitrage, which includes large credit multi-strategy funds (see Fig. 2.3).

4. DIVERSIFICATION 2.0

Diversification continues to be the order of the day for many of the hedge fund elite. Bridgewater has launched two new funds focused on Asia and sustainability this year; Man Group's acquisition of Varagon Capital Partners signalled a move into private credit.

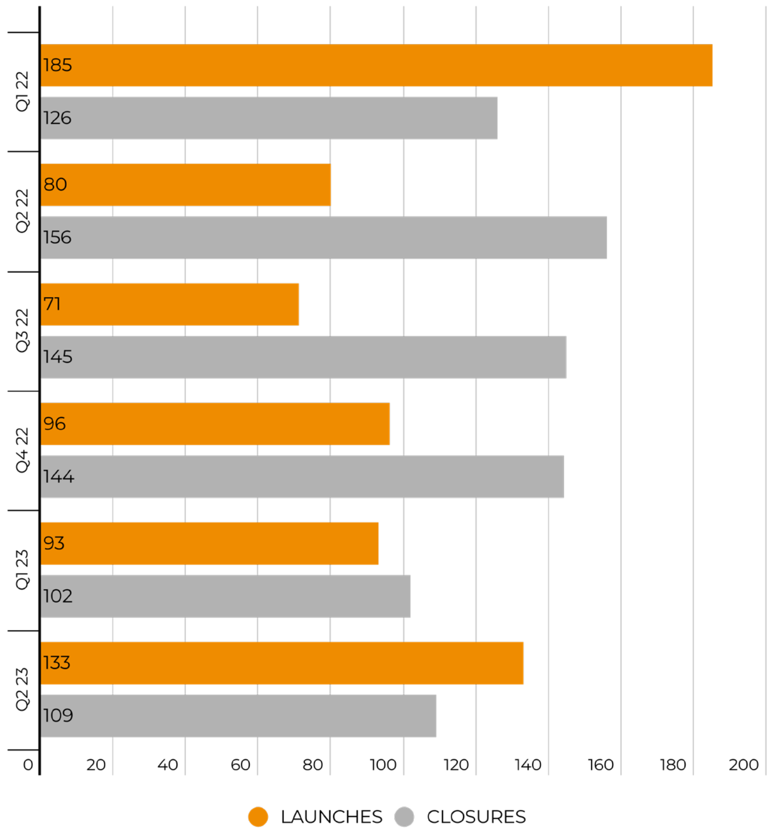
D.E. Shaw Group has been actively growing its long-only and private markets businesses, while Farallon Capital Management raised $650 for its latest US real estate fund, exceeding a $500m target.

Increasingly, it tends to only be the multi-strat operators which are not diversifying; their range already offers a rounded approach to LPs, and rivals want to be able to offer existing LPs and prospects different options.

The sale of CQS, the London-based credit specialist, announced in November, was a telling example of the importance of diversification. The $13.5bn alternative credit specialist will become a new unit of Manulife Investment Management, the $618bn Canadian firm.

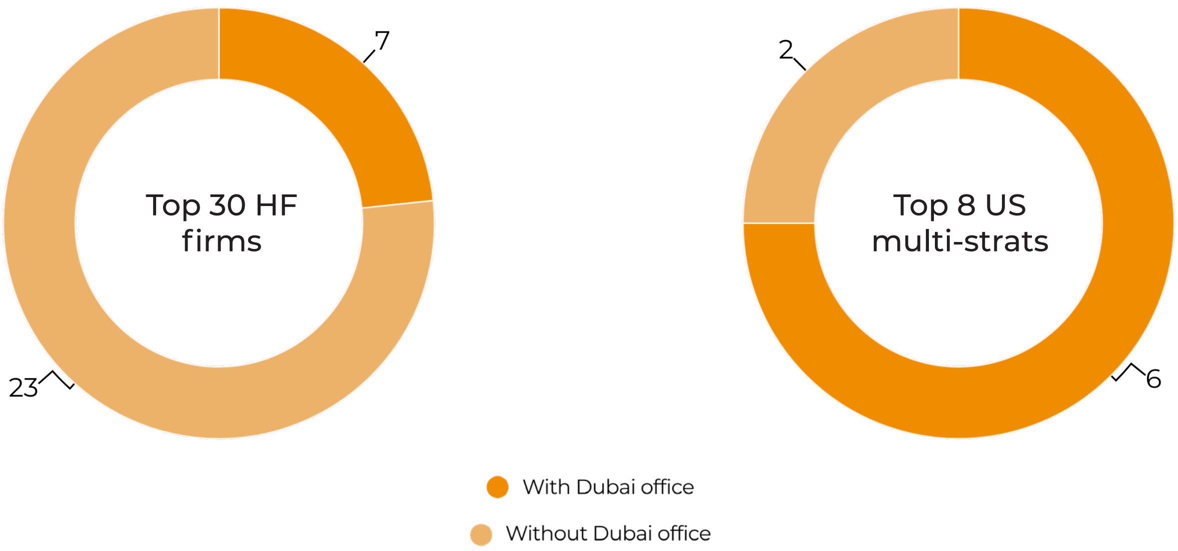
But Michael Hintze, who founded the firm as a hedge fund management company, is set to leave after 24 years and take his hedge fund

Fig. 2.3 Quarterly hedge fund launches and closures, Q1 2022–Q2 2023



Source: HFR

Fig. 2.4 Top hedge fund firms with a presence in the UAE



Source: Company websites

strategy with him into a new firm. It is CQS's strategies in long-only and alt credit, which have been the core of the firm in recent years, folding into Manulife; a sign of industry evolution and changing LP demands in action.

Diversification has been a hot topic for the Top 30 in terms of location as well as strategy, with a lot of leading firms, particularly multi-strats, setting up new hubs in the Middle-East centres of Dubai and Abu Dhabi.

Almost a quarter of the Top 30 (23%) now have an office in one of the twin hubs of the United Arab Emirates, and six of the top eight multi-strat managers have a base in Dubai (see Fig. 2.4).

For example, Balyasny AM opened a Dubai office in November 2022 and appointed Abu Dhabi Investment Authority's Tarek Rizk as regional head this year. The firm plans to have 10 PMs in the region by 2024.

Credit specialist GoldenTree Asset Management opened a Dubai office, its ninth global location. Han Gurer is to oversee Middle East business development, joining from Ares Management.

Macro manager Brevan Howard announced the opening of an office in the Al Sarab Tower in Abu Dhabi, with space for more than 100 staff. Senior executives to lead expansion. King Street Capital Management, Hudson Bay Capital Management and Verition Fund Management also started Dubai hubs.

BROADENING HORIZONS

This report demonstrates that the Top 30 hedge fund firms have many priorities – and pressure points – in common. But they continue to prove popular with LPs, as scale endures as a key selling point in a volatile era. This has been fuelled by risk aversion, with allocators keener on large existing names they already know well, helping the big get bigger at the expense of smaller and emerging managers.

Multi-strat operators have been at the vanguard of this trend, with strong performance since and prior to the pandemic, coupled with low volatility, persuading allocators to accept higher fees and lock-up terms. The highpoint for this trend may have been reached, though rocketing trader costs do not look set to fall quickly.

AI will endure as a talking point and re-shape industry practices, although the extent of its impact is yet to be determined. Diversification is the trend most likely to endure. The hedge fund industry has proven versatile but remained stable at the $4trn asset mark while other alternatives, mainly in private assets, have rocketed. Firms have taken note and decided to lean into this shift, whether by acquiring private credit businesses, as in the case of Man Group, or growing their private market focus hard, like D.E. Shaw.

HEDGEWEEK

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