

# The Impact of Artificial Intelligence on the Hedge Fund Industry

Group Members:

Olivia Tang Shu Hui, Divya V, Wang Xingyue, Koh Thoong Yip,  
Tang En Ci Nathan, Supriya Gayatri Ketepally



Do you think  
that AI will  
fundamentally  
change the  
hedge fund  
industry?







**Ray Dalio, Founder, Bridgewater Associates**

*“(AI) will impact almost everything, there will be exceptionally big differences between the performances of ... companies who use them well.”*

**Ken Griffin, Founder, Citadel**

*“(AI) saves some time. It’s a productivity enhancement tool. It’s nice, I don’t think it’s going to revolutionise most of what we do in finance.”*



**Daniel Loeb, Founder, Third Point**

*“You’ll either be a beneficiary of AI or AI roadkill, so I think we all need to do our best to not be the latter,”*

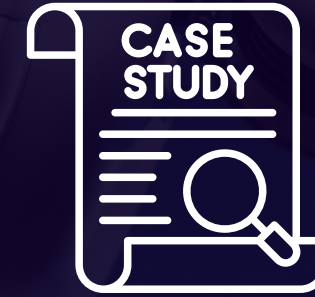


# Our Methodology



## Consolidative Literature Review

Analysed over 50  
research articles



## Comparative Case Study Analysis

Analysed over 30  
hedge funds



# Our Definitions

Artificial Intelligence

Machine Learning

Deep Learning

Generative AI

Large Language

Models

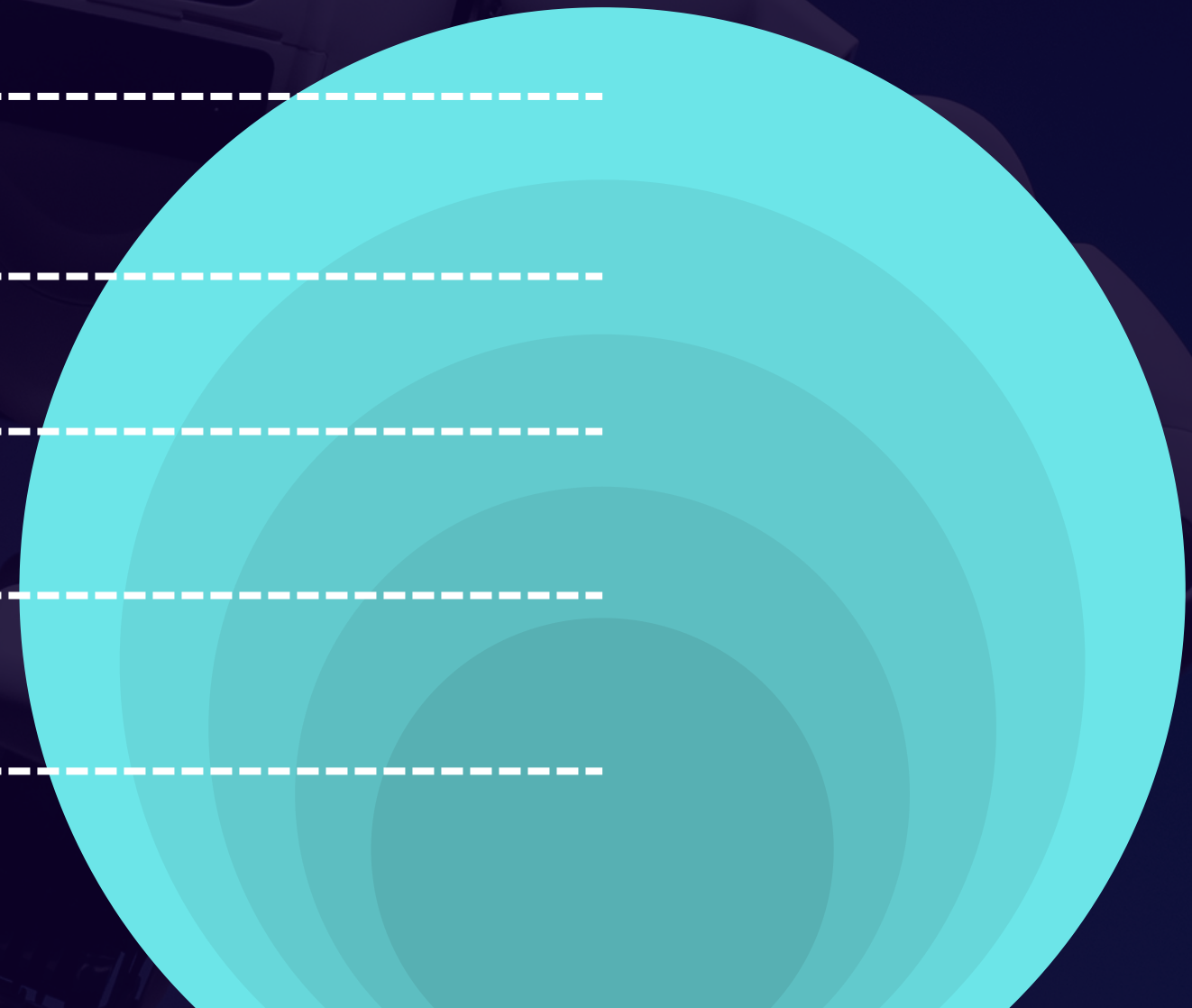
-----

-----

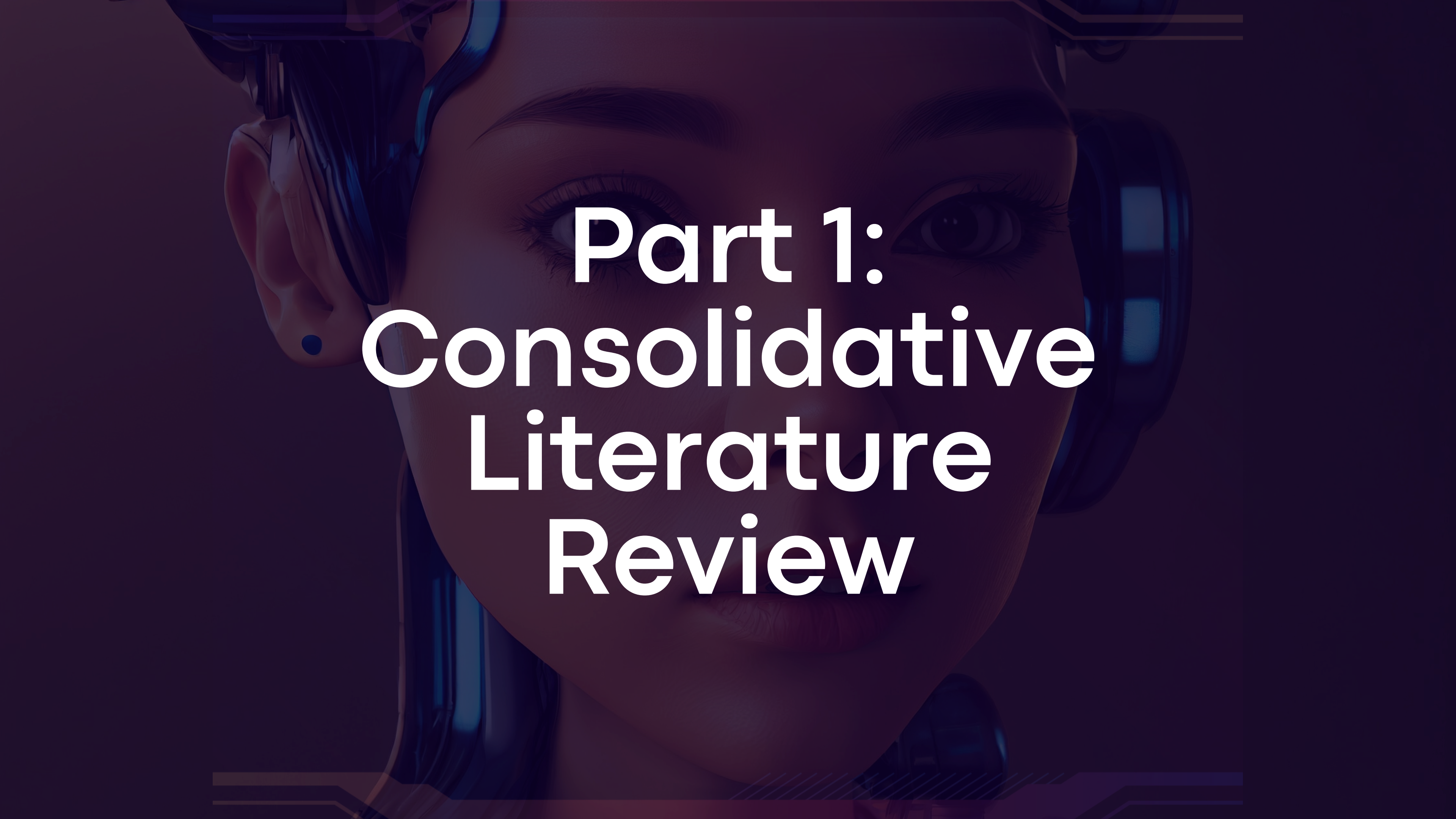
-----

-----

-----







# Part 1: • Consolidative Literature Review



A woman's face is shown in a close-up, looking directly at the camera. Overlaid on her face is a futuristic, glowing blue headset or interface. The text is centered over the image.

# Finding #1:

- Hedge Funds are adopting AI at a rapid rate





Hedge Funds are adopting AI at a  
rapid rate

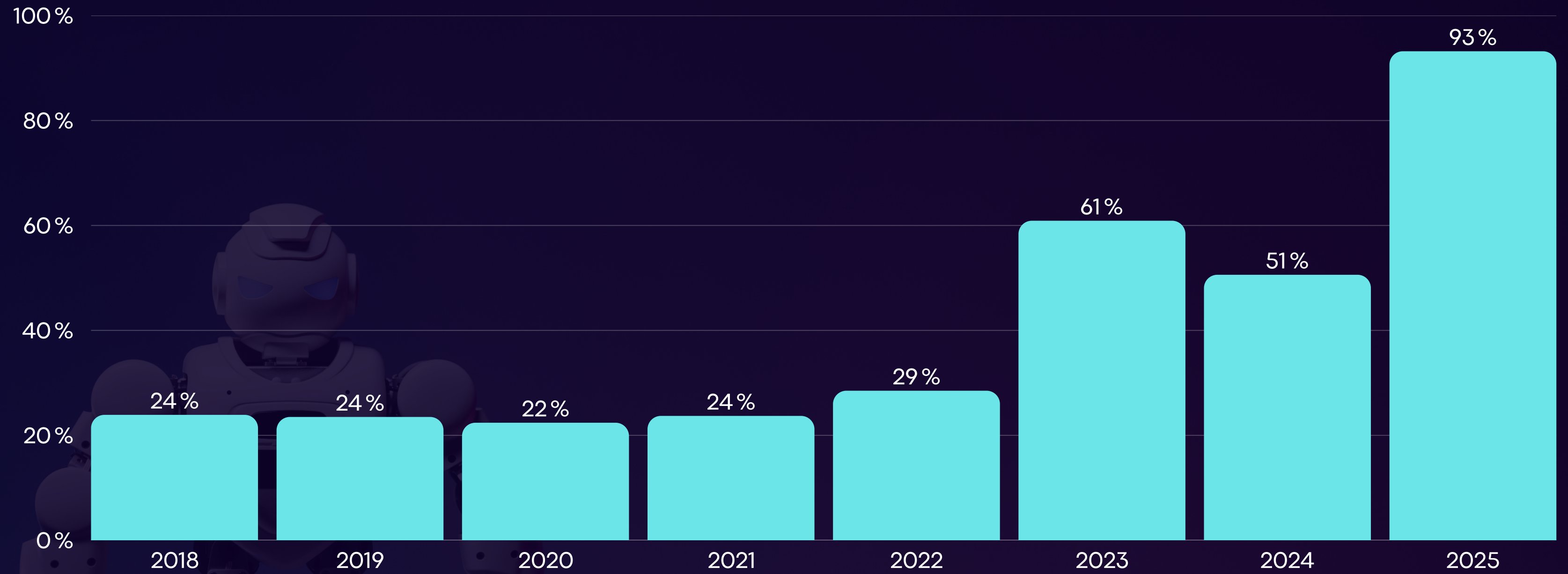
86%

of Hedge Fund managers grant their staff  
access to various Gen AI tools in their work

FINDING #1



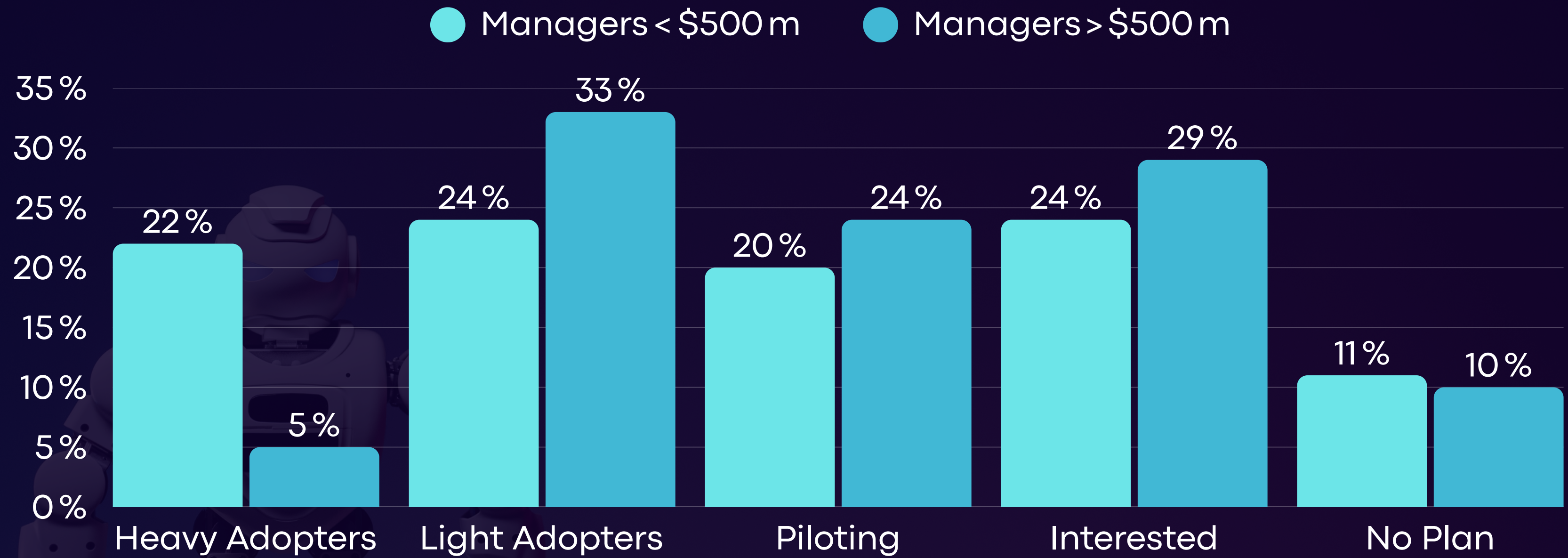
# Managed Futures, Digital Assets and Global Macro are Top 3 Adopters



FINDING #1



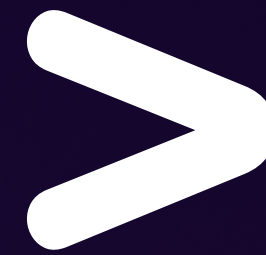
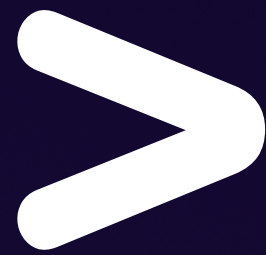
# Smaller hedge funds are generally heavier adopters



FINDING #1



US hedge funds are leading, followed  
by EU and APAC



US

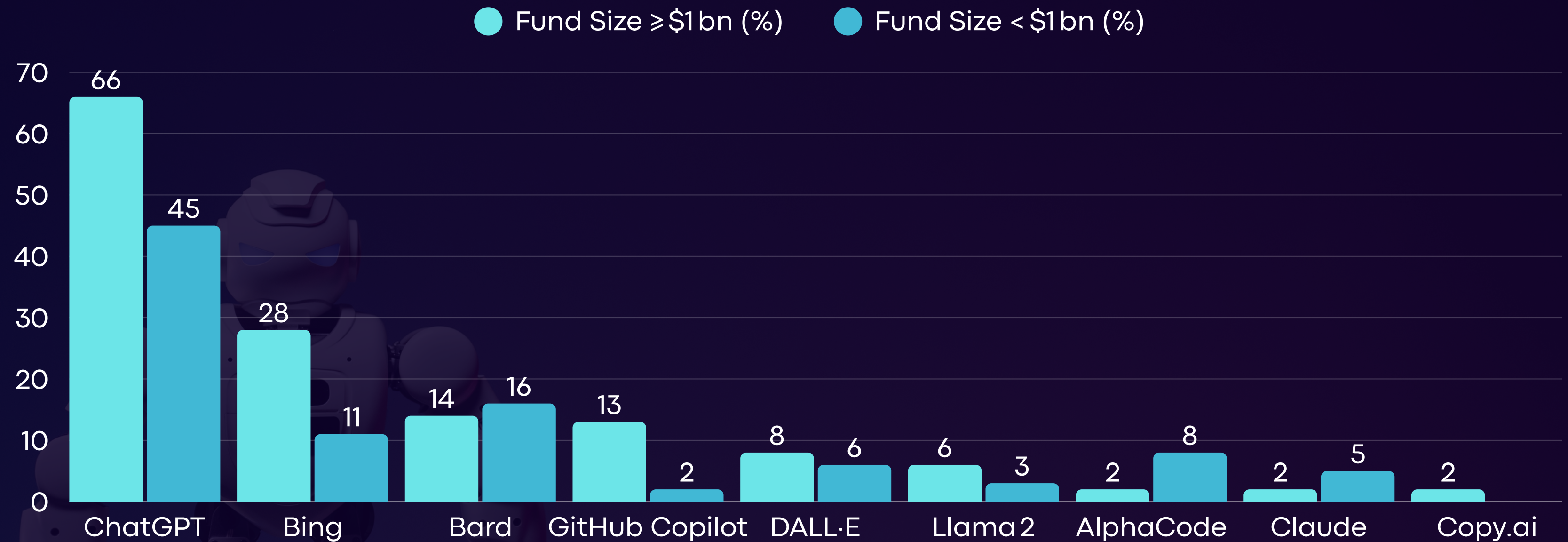
EU

APAC

FINDING #1



# ChatGPT is most popular, followed by Bing, Bard and Github Copilot



FINDING #1



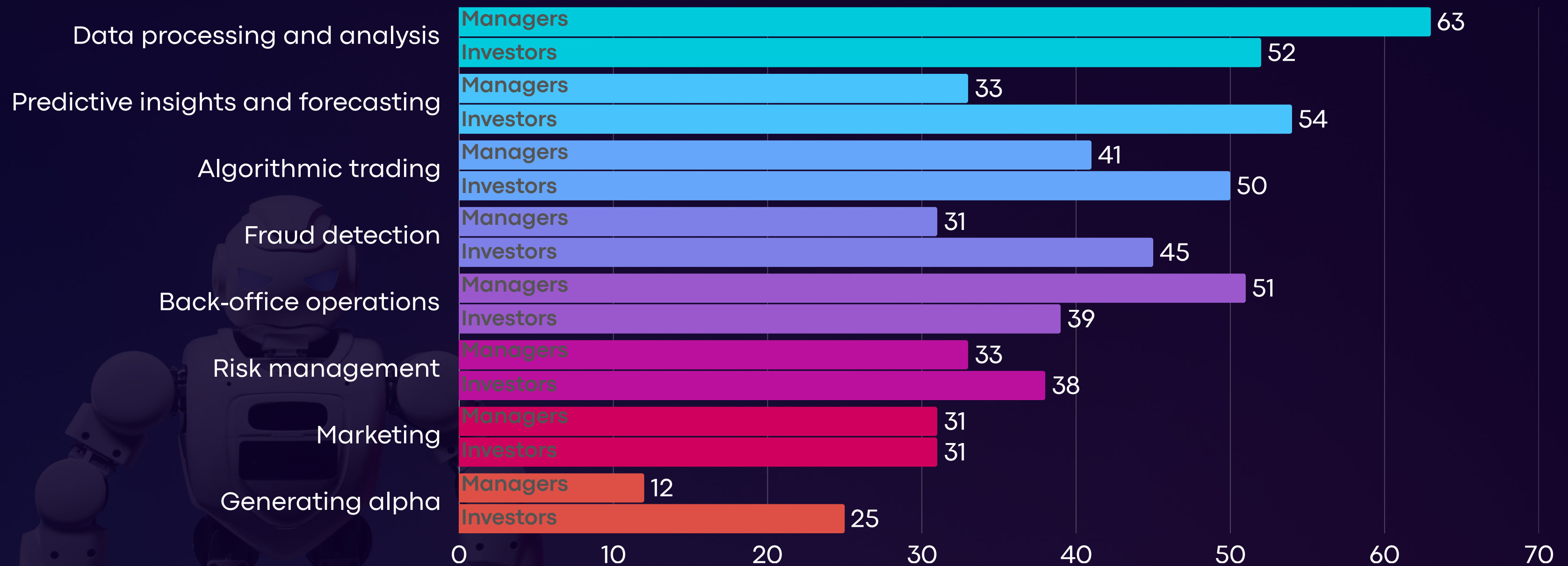
A woman's face is shown in a close-up, looking directly at the camera. Overlaid on her face is a futuristic, glowing blue headset or interface. The text is centered over her face.

# Finding #2:

- Hedge Funds are applying AI everywhere



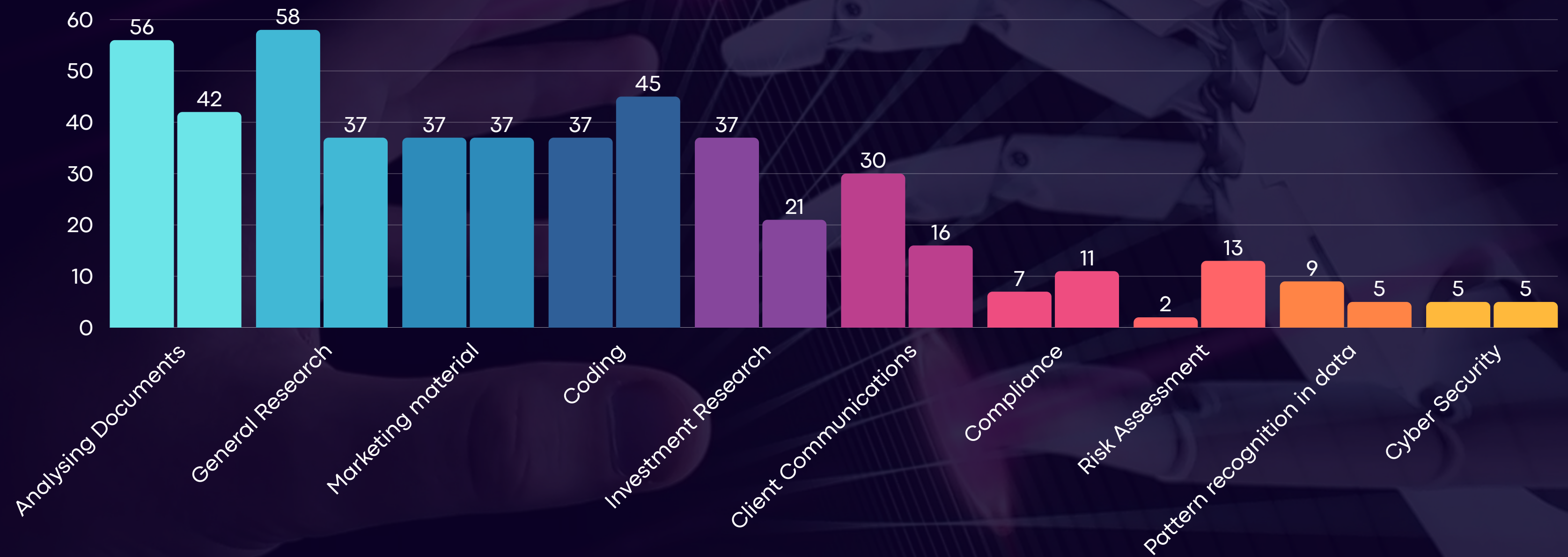
# Managers and investors both expect hedge funds to use AI extensively



FINDING #2



# In practice, AI is mostly used for research and analysis



## FINDING #2




# Top 5 Areas of Application of AI in Hedge Funds

- 1 Business Operations
- 2 Investment research and analysis
- 3 Developing trading strategies and ideas
- 4 Trading decision-making
- 5 Risk management

FINDING #2





# Finding #3:

- Impact of AI on Performance is Mixed



# One study by IG argues that AI hedge funds underperforms market

9.8%

Eureka hedge AI  
Hedge Fund Index



13.7%

Standard & Poor's  
500

- Study conducted by IG on data from Dec 2009 to Jul 2024
- Attributed to burden of management fees and transaction costs, coupled with the huge cost of investing in and deploying AI

## FINDING #3



# Others see positive returns in specific strategies and markets

IMF,  
2025

5-7% Higher Returns for  
Application of ML in  
Statistical Arbitrage  
Strategies

Deloitte,  
2025

15% Reduction in  
Portfolio Drawdowns for  
Funds which Integrated  
AI for Risk Assessment

Financial  
Times, 2024

25% Increase in Returns  
for Hedge Funds using  
AI to trade in Emerging  
Markets

## FINDING #3





One quasi-experimental study found  
positive effects at fund-level

1.8%–3.5%

Increase in annualised abnormal returns from  
using Gen AI, based on difference-in-  
difference study from 2022 to 2025

FINDING #3



# Another compared strengths and weaknesses of AI vs human trades

Compared 100 AI-generated trades and 100 human-recommended trades

## AI Trades

- ✓ Better Average Returns
- ✓ Better Risk-Reward Potential
- ✗ Greater Volatility
- ✗ Longer Holding Periods

## Human Trades

- ✓ Higher Consistency
- ✓ Faster Execution Times

# FINDING #3



# The impact of AI on operational efficiency was also positive

80%

Reaped operational savings  
(Hedgeweek, 2025)

46%

Saw AI making a significant impact  
(Hedgeweek, 2025)

18%

Reduction in Costs by Hedge Funds  
(Bain and Company, 2024)

FINDING #3

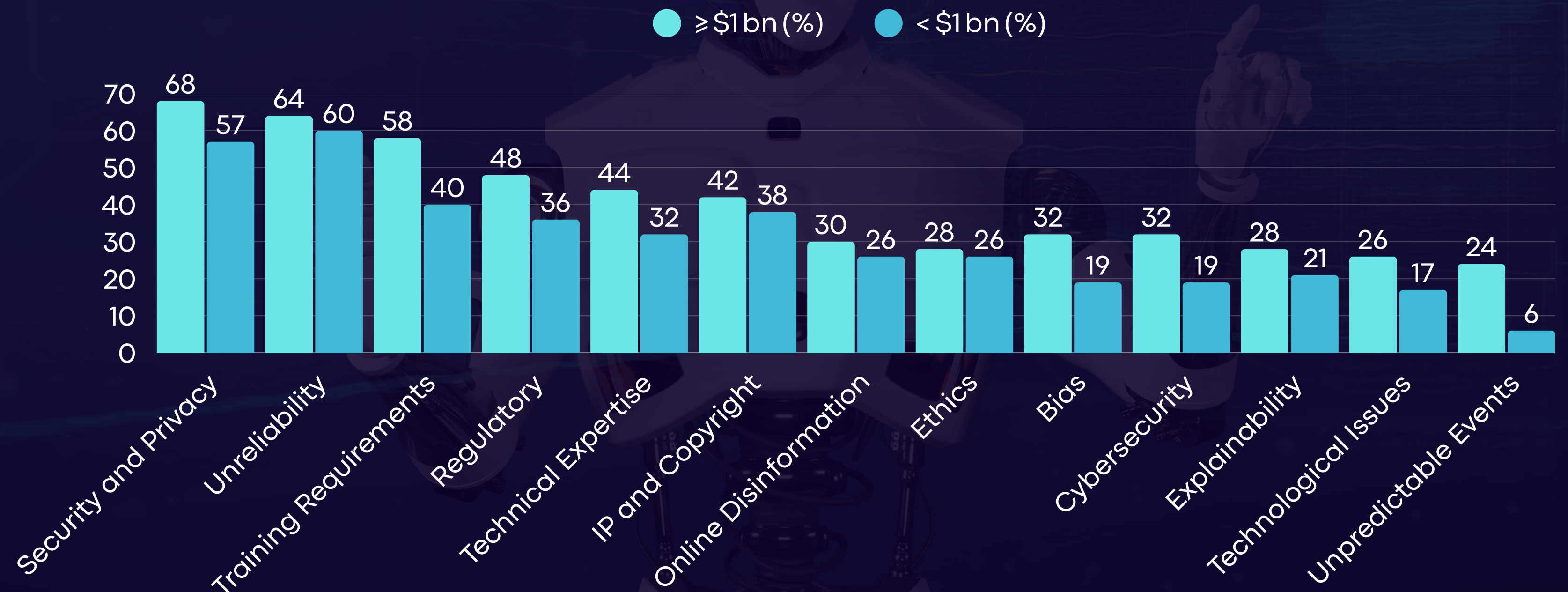




# Finding #4: AI carries risks and challenges



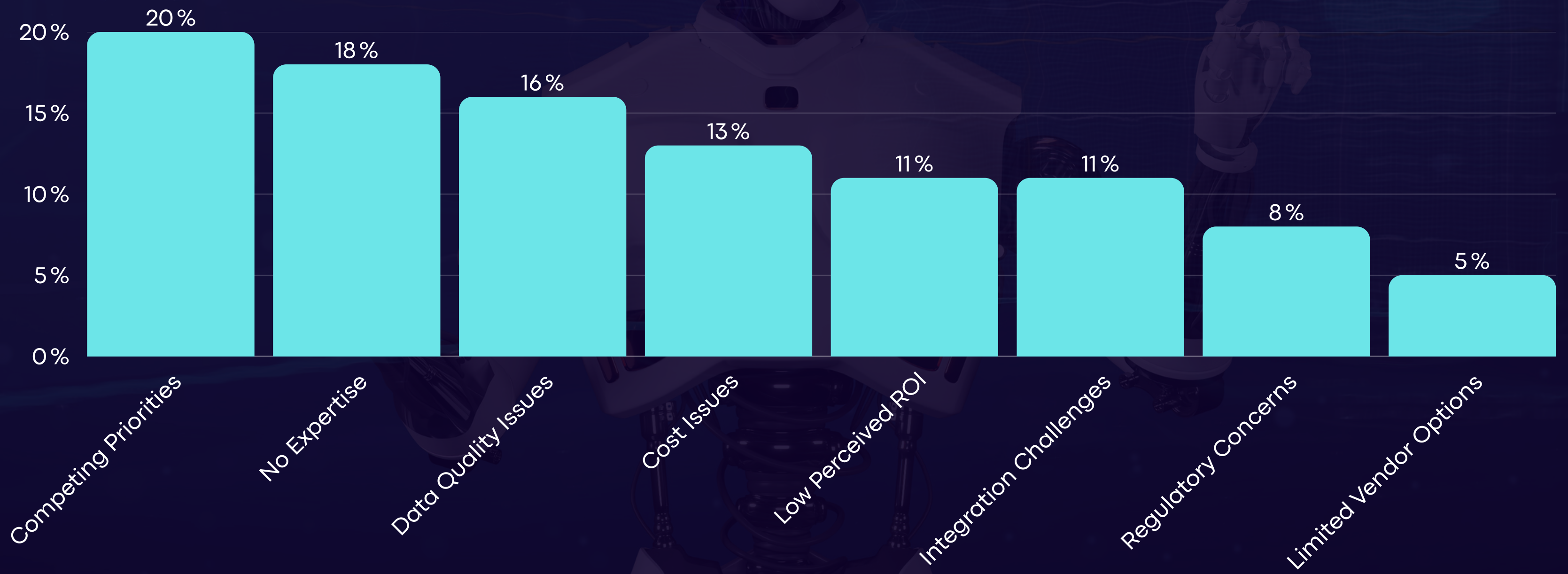
# Funds perceive that the greatest risks are in security and reliability



## FINDING #4

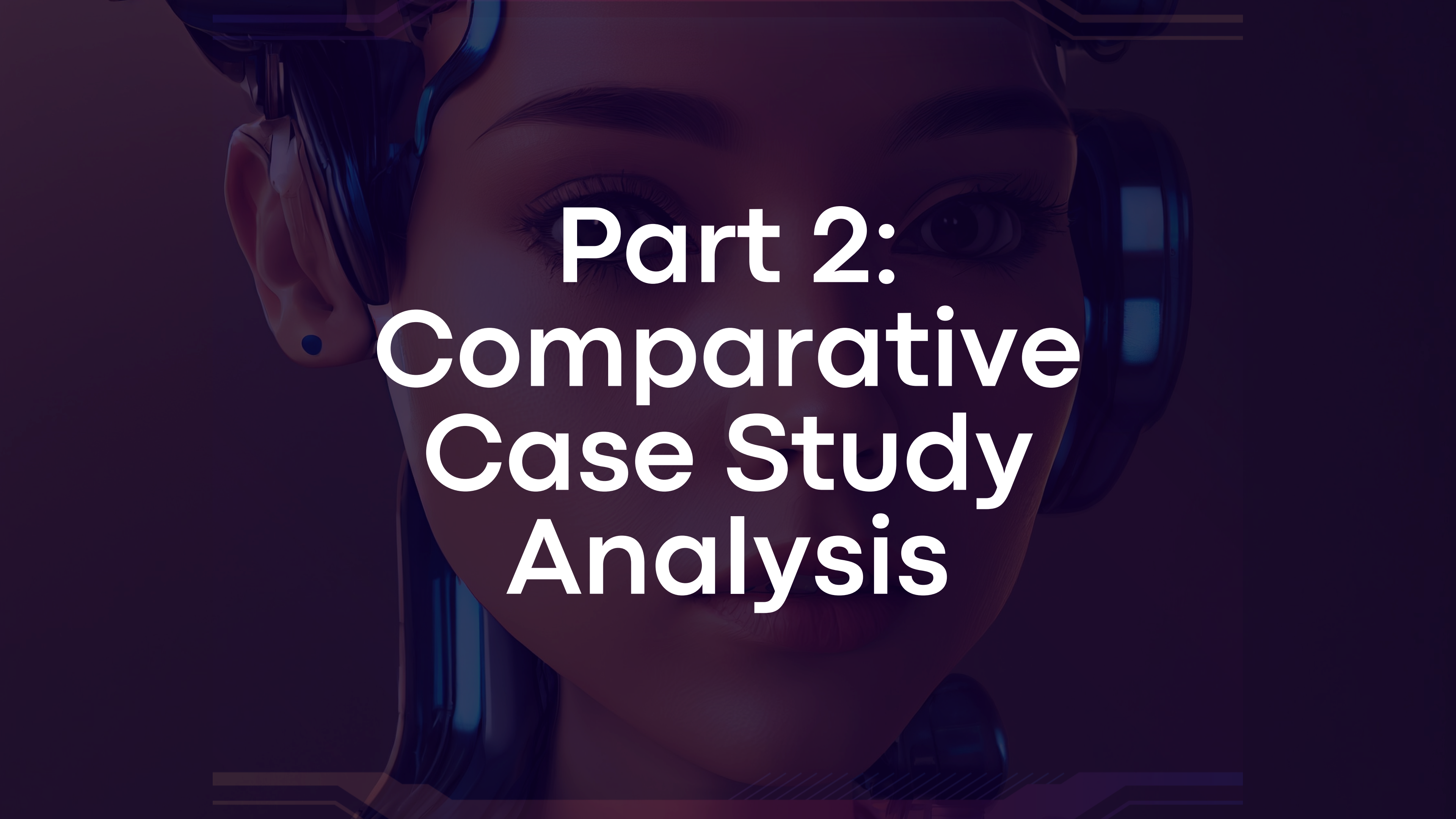


# Adoption is also mainly hampered by capacity, expertise and data



**FINDING #4**





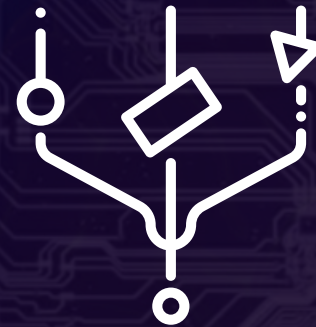
# Part 2: Comparative Case Study Analysis



# Why comparative case study analysis?



Current research  
focuses on industry  
wide or specific firm



We want to establish  
typologies of how firms  
use AI



This will facilitate  
further quantitative  
research



# From our study of 30 hedge funds, we identified 3 types of AI adopters

Characteristic	Type #1: Minimal Adopters	Type #2: Hybrid Adopters	Type #3: Pervasive Adopters
Examples	"Pando"	Bridgewater Associates	Minotaur Capital
Strategy	Fundamental-Based Strategies	Mixed Strategies	Quant-Based Strategies
Composition	Analysts	Analysts + Tech Teams	Engineers, Quants, Data Scientists
Role of AI	Research and Analysis	+ Modelling	+ Decision-Making and Execution
Use Cases	Text Summaries, Signal Assistance, Volatility Alerts	Economic Modeling, Causal Inference, Sentiment Analysis	Portfolio Optimization, Pattern Recognition, Model Retraining
Decision-Making	~70% Human Decision, ~30% AI-Assisted	Human-Guided but Systemised with AI	Fully Decided by AI with Occasional Human Intervention



# Type #1: “Pando”



Based in China,  
Launched in 2020



\$20m Assets Under  
Management



Managed by a Team  
of Four



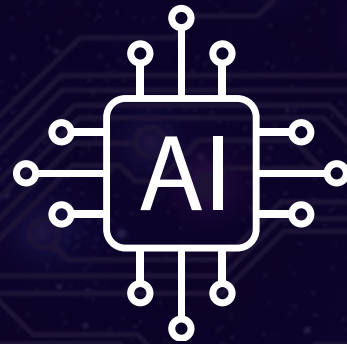
Equity Long-Short Strategy  
based on Fundamental  
Research



Focuses on HK and US Equities,  
Semiconductors, Cybersecurity,  
Tencent + US MAG 7



# Type #1: "Pando"



## Applications

Uses AI primarily for content summarisation, report generation and signal detection



## Philosophy

Believes that true alpha still comes from humans, AI can enhance speed & clarity, but not replace discretion



## Performance

Fund achieves about 20% annualised returns



# Type #2: Bridgewater Associates



Based in Connecticut  
Launched in 1975



\$172b Assets Under  
Management



Three Co-Founders,  
1,166 Employees



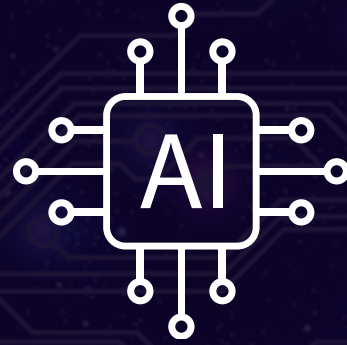
Global Macro Strategy Seeking  
Uncorrelated Active Returns + Risk  
Parity Allocation



Seeks to Diversify Risks as Much as  
Possible to Achieve Returns Across  
Market States



# Type #2: Bridgewater Associates



## Applications

Uses AI for economic modelling and simulation in addition to research (AIA Lab)



## Philosophy

AI can make good decisions, but humans should remain the final decision-makers



## Performance

Fund achieves about 11% annualised returns



# Type #3: Minotaur Capital



Based in Australia  
Launched in 2023



\$31m Assets Under  
Management



Two Founders,  
<10 Analysts



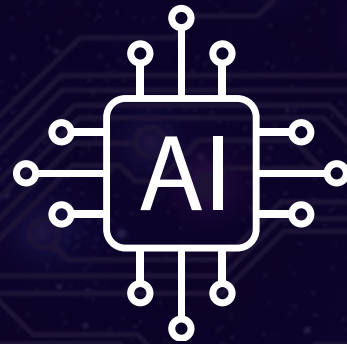
Global Equity Long-Short  
Strategy



Seeks to Beat Market Returns  
through AI



# Type #3: Minotaur Capital



## Applications

Uses AI for portfolio optimization, pattern recognition, and real-time model retraining



## Philosophy

AI should be core and central to the decision-making process, with humans in a supervisory role



## Performance

Fund achieves about 25% annualised returns



# Key Observations on Typologies

- ✓ Extent of adoption of AI depends on strategy and philosophy and exists on a spectrum
- ✓ No hedge fund thus far has fully relied on AI; humans continue to play supervisory role
- ✓ Funds which adopt AI more seem to be performing better, but hard to establish conclusive results
- ✓ Further research could go into quantifying performance across typologies





# Conclusions

## #1

Almost every hedge fund is trying to adopt AI as best as possible

## #2

AI for now seems more like a useful tool than a double-edged sword

## #3

Too premature to conclude the material impact of AI for now





**Thank You!**