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# Navigating Markets & Boardrooms: Hedge Fund Performance, Activist Influence, and Legal Trends (2024-2025)

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## Introduction:

The initial months of 2025 have presented a challenging landscape for the hedge fund industry, with significant market turmoil eroding a substantial portion of earlier gains. As of early March 2025, a notable tech-driven equity selloff has impacted hedge fund stock pickers and multi-strategy funds, causing them to yield approximately half of their average yearly returns. This downturn is attributed to a darkening U.S. economic outlook and uncertainty surrounding President Donald Trump's tariff policies, which have particularly affected sectors where hedge funds held concentrated long positions, such as technology, media, and telecommunications (TMT). Technology, in particular, has emerged as the second worst-performing S&P 500 sector year-to-date, experiencing an 8% loss, closely following consumer discretionary stocks which tumbled over 9%. This period highlights the inherent risks of crowded trades and the vulnerability of even diversified multi-strategy funds to broad market corrections, as evidenced by a challenging streak for these funds unprecedented in recent history.

## Hedge Fund Performance in 2024: A Year of Double-Digit Returns

2024 proved to be a strong year for the hedge fund industry, with many firms achieving double-digit returns. Benefiting from a dynamic market environment, central bank policy shifts, and the U.S. presidential election race, hedge funds demonstrated their ability to capitalize on volatility and generate significant gains for investors.

## Overall Industry Performance:

- According to PivotalPath, hedge funds averaged a **10.7% return** in 2024 through November, a notable increase from 5.7% in the same period of 2023.
- Citco, a leading hedge fund administrator, reported an even higher weighted average return of **15.7%** for hedge funds it administers in 2024, marking the highest annual return for the industry in four years (since 2020).
- Equity strategies were consistently strong performers, with a weighted average return of **20.2%**, closely followed by Global Macro funds at **19.5%**.

- The HFRI Fund Weighted Composite Index®, a key industry benchmark, rose **9.8%** in 2024.
- The top 20 hedge fund managers collectively made an impressive **\$93.7 billion** net of fees for their investors in 2024. This contributed to total net gains for the entire hedge fund industry of **\$289 billion** for the year.

**Assets Under Management (AUM):**

- The global hedge fund industry continued its growth trajectory, with assets under management (AUM) reaching **over \$5 trillion** in 2024.
- Specifically, total global hedge fund capital stood at an estimated **\$4.51 trillion** at year-end 2024, representing an increase of **\$401.4 billion** for the full year – the highest annual increase since 2021.
- This growth was largely driven by robust performance across various strategies, with total capital rising to a fifth consecutive quarterly record.
- Despite overall asset growth, the industry saw modest net inflows of **\$10.47 billion** in 2024, marking the first calendar year of net asset inflows since 2021. However, the fourth quarter experienced net outflows of approximately \$12.6 billion.

**Top Performing Hedge Funds and Their Returns (2024):**

Several prominent hedge funds and their 2024 returns were highlighted, showcasing the diversity of successful strategies:

Fund Name	Percentage Rise in 2024
Light Street Capital (long/short)	59.4%
Discovery Capital (macro)	52%
D.E. Shaw - Oculus	36.1%
Cinctive Capital	22.8%

Marshall Wace - Market Neutral Tops	22.59%
Schonfeld Strategic Partners	19.7%
Schonfeld Fundamental Equity	21.1%
Citadel Tactical	22.3%
Citadel Equities	18%
D.E. Shaw - Composite	18%
Marshall Wace - Alpha Plus	15.86%
Citadel Wellington	15.1%
Millennium Management	15%
Marshall Wace - Eureka	14.32%
CFM Stratus	14.22%
CFM Cumulus	14.12%

CFM Systematic Global Macro	13.32%
CFM Discus	12.01%
Graham Proprietary Matrix	11.9%
Bridgewater Associates - Pure Alpha 18% vol	11.3%
Winton - Multi-strategy systematic fund	10.3%
Anson Investments Master Fund	10%
Aspect Diversified Fund	7.75%
DUNN WMA program	7.28%
Transtrend	5.9%
Citadel Global Fixed Income	9.7%

*Note: Some returns marked with an asterisk (\*) indicate specific fund variations or estimated figures based on the provided text.\**

#### **Key Trends and Observations:**

- **Multistrategy Resurgence:** There was a "resurgence of the multi-strat space across 2024," with these firms generating significant gains. Top performers like Millennium Management and Citadel, both multi-strategy powerhouses, delivered strong results.

- **Macro Strategy Success:** Macro hedge funds, which make leveraged bets on interest rates, currencies, and other broad economic trends, also saw substantial returns. Examples include Discovery Capital and D.E. Shaw's Oculus fund.
- **Quantitative Funds Shine:** Quantitative hedge funds, utilizing algorithms to track markets, benefited from large movements in various asset classes, including equities, currencies, and commodities.
- **Equity Performance:** Equities were a major driver of returns, particularly for long/short hedge funds, which had their best year since 2020.
- **Market Catalysts:** Rate cuts from central banks, a decisive U.S. presidential election, and Bank of Japan rate hikes created significant market swings that savvy hedge fund managers exploited.
- **Cryptocurrency Impact:** The escalating interest in cryptocurrencies and blockchain technology led hedge funds to diversify their portfolios into digital assets. The HFR Cryptocurrency Index alone skyrocketed 59.1% in 2024.
- **Evolution of Fee Structures and Managed Accounts:** The industry continues to see an evolution in fee structures and an increased use of separately managed accounts (SMAs), driven by changing investor dynamics.

In conclusion, 2024 was a banner year for hedge funds, marked by strong double-digit returns, significant asset growth, and successful navigation of complex market conditions. The performance highlighted the strengths of diverse strategies, particularly multi-strategy, macro, and quantitative approaches, in generating alpha for investors.

### **Hedge Fund Performance in 2025: Navigating Market Swings**

The year 2025 has presented a mixed bag for hedge funds so far, with strong gains in equities often offset by challenges in bond and commodity markets. While the industry is on a positive trajectory overall, the environment has been characterized by market dislocations and volatility, requiring agile strategies.

### **Overall Performance and Key Trends:**

- **Mixed Start to the Year:** After a strong 2024 with impressive returns of 10.1%, 2025 has seen more challenging conditions. While hedge funds generated positive performance in Q1 2025 (up 0.7%) and continued to gain in May (1.64% for the industry), there has been significant intra-year volatility.
- **Tech-Driven Selloff and Recovery:** March saw a tech-driven equity selloff which impacted stock pickers and multi-strategy funds, eroding nearly half of their average yearly gains at that point. This was attributed to a darkening US economic outlook

and uncertainty over President Donald Trump's tariff policies. However, by April, an equity recovery helped stock pickers regain some ground.

- **Sectoral Impact:** Technology remained a challenging sector, being the second worst-performing S&P 500 sector year-to-date with about an 8% loss by early March, just after consumer discretionary stocks (over 9% loss).
- **Bond Market Headwinds:** For many funds, gains were offset by losses in bond markets, which sold off as worries about high debt levels in major economies like the United States and Japan resurfaced. Reversals across interest rate derivatives and trades playing on differences across bond tenors particularly impacted some funds.

### Performance by Strategy:

- **Stock-picking hedge funds** showed robust performance, posting a **3%** gain in May.
- **Multi-strategy hedge funds**, known for their diversified approaches, returned **2.5%** in May and have generally shown positive returns for the year.
- **Quantitative equity funds** utilizing systematic strategies performed strongly, returning **4.2%** in May.
- The **HFRX Global Hedge Fund Index** gained **+1.17%** in May 2025 and **+0.78%** as of mid-May.
- **HFRX Equity Hedge Index** gained **+2.14%** as of mid-May.
- **HFRX Event Driven Index** gained **+0.67%** as of mid-May.
- **HFRX Relative Value Index** gained **+0.51%** as of mid-May.
- **HFRX Macro Index** declined **-1.15%** as of mid-May.
- They were among the top performers in Q1 2025 with a weighted average return of 4.7%.
  - In May, multi-strategy funds continued to post modest gains, with the HFRI RV: Multi-Strategy Index up 1.14% for the month and 2.74% YTD (as of mid-June).
  - However, earlier in the year, particularly from late January, this type of hedge fund experienced a challenging streak, losing money on 18 out of 29 days, described by Goldman Sachs as one of the worst negative investment streaks for this kind of fund. This indicates that even multi-strategy funds are not immune to prolonged market dislocations.
- **Long Biased Funds:** These were the strongest performing master strategy in May. The HFRI Long Biased Index gained 4.00% in May and 4.50% YTD.

**Macro Strategies:** Performance here was notably dispersed.

- Discretionary directional macro funds performed well, with the HFRI Macro Discretionary Directional Index up 0.70% in April and 5.43% YTD, benefiting from their ability to tactically adjust to shifting market dynamics.
- Conversely, quantitative macro funds struggled, with the HFRI Macro Systematic Diversified Index declining 3.98% for April and 6.89% YTD. This divergence highlights the varied impact of market volatility on human discretion versus systematic models.
- The HFRI Macro (Total) Index was down 2.69% in April and -2.61% YTD.

**Quantitative Funds (Overall):** Quant strategies faced difficulties, with the "quant" master strategy being the weakest performer in May.

- Statistical Arbitrage was a strong performer within the quantitative group, leading with 7.79% YTD returns by May 12.
- However, CTA (Commodity Trading Advisor) funds ranked at the bottom with a YTD of -6.18% by early May, as trend-following models were challenged by unpredictable moves in bonds, equities, and the USD. Man Group's flagship quant strategies, including its AHL Alpha fund (down around 11% YTD), faced steep losses, with some funds down double digits.
- The PivotalPath Managed Futures Index was down 4.6% for April, bringing its YTD loss to 8.2%.

**Equity Long/Short:** This strategy struggled with -0.09% YTD gains by early May.

**Event-Driven Strategies:** Were negative overall in Q1, with a weighted average return of -3.4%, and continued to be challenged with a -0.38% return in April, resulting in -1.06% YTD.

**Credit Strategies:** Global credit strategies showed positive performance globally (1.01% YTD by early May), though April saw negative returns (-0.46%).

### **Selected Hedge Fund Returns (May and Year-to-Date 2025):**

The following table highlights the performance of various hedge funds, showcasing the dispersion of returns across the industry:

<b>Fund/Hedge Fund</b>	<b>May Return</b>	<b>YTD Return</b>
AQR Apex Strategy	2.4%	10.6%
AQR Delphi Long-Short Equity Strategy	1.8%	13.9%
AQR Helix Strategy	0.0%	7.0%
Arini Credit Master Fund	5.39%	9.88%
Arrowpoint Investment Partners	~3%	
Balyasny Asset Management	1.4%	4.8%
CFM Cumulus	2.7%	5.9%
CFM Discus	0.9%	0.7%
CFM Stratus	1.9%	4.9%
Caxton Macro	-2.5%	12%



Dymon Asia Capital	3.3%	8%
Jain Global	0.58%	0.68%
Man Group AHL Alpha Programme	-2.19%	-10.61%
Man Strategies 1783	1.11%	5.35%
Marshall Wace Neutral TOPS	3.5%	10.8%
Marshall Wace Eureka	1.5%	-0.87%
Millennium Management	1.7%	0.4%
Mount Lucas Management	-0.80%	2.55%
Point72 Asset Management	0.9%	3.9%
Transtrend	-5.42%	-19.07%
Winton Multi-Strategy	-0.2%	-2.2%

*Note: YTD returns are as of the end of May 2025 unless otherwise specified.*

#### **Industry Outlook and Trends for 2025:**

Despite the ongoing volatility, the outlook for hedge funds in 2025 remains largely optimistic due to:

- **Increased Market Volatility and Dispersion:** These conditions create more opportunities for hedge funds to generate alpha, particularly for dynamic and non-directional strategies.
- **Diversification Away from the U.S.:** With sustained market turmoil in the U.S., many investors are seeking opportunities abroad. Prominent investors like David Einhorn and Rob Citrone are highlighting international stocks, emphasizing the need for diversification into markets like Latin America, Asia, and China.
- **Growth in Multi-Strategy and Quant Funds:** These strategies continue to attract significant interest and capital, with multi-strategy funds also growing as allocators to external managers.
- **Blockbuster Launches:** While start-up numbers are generally down, 2024 saw significant "mega launches" from new funds, a trend expected to continue into 2025, supported by the increasing ecosystem of emerging manager allocators.
- **Talent Arms Race:** Competition for top portfolio managers remains intense, with firms willing to pay substantial premiums to attract and retain talent. This concentration of talent may favor larger multi-manager platforms.
- **Regional Expansion:** Larger hedge fund managers are increasingly expanding their global footprint, with renewed interest in hubs like Hong Kong and continued growth in the UAE due to strategic connectivity, beneficial tax regimes, and available talent.
- **Strategy Focus:** Macro, relative value, and event-driven strategies are likely to garner the most interest, driven by geopolitical uncertainty, central bank policies, and trade disruptions. Demand for digital assets-focused hedge funds is also expected to rise with more accommodating regulation.
- **Fee Alignment and Managed Accounts:** Investors are pushing for better value and stronger alignment in fee structures, leading to growing support for cash hurdles and an uptick in the use of separately managed accounts (SMAs), offering greater flexibility on fees and liquidity.

#### Specific Fund Performance in May:

- **Citadel's Wellington Fund:** Rose 0.2% in May, bringing its 2025 performance to 0.8%.
- **Point72 Asset Management:** Gained 0.9% in May, with year-to-date gains of 3.9%.
- **Millennium Management:** Marginally positive for the year with 0.4% gains after weathering earlier volatility, posting monthly returns of over 1%.
- **Balyasny Asset Management:** Posted monthly returns of over 1%.
- **ExodusPoint Capital:** Posted a 1% gain in May and is now up 7.5% year-to-date.

- **Dymon Asia Capital:** Stood out with a 3.3% return in May, bringing year-to-date gains to 8%, benefiting from regional market dislocations and relative value strategies.
- **AQR Capital Management's Apex Strategy:** Saw gains from stock selection and corporate arbitrage. Its Helix strategy, however, was impacted by reversals across interest rate derivatives and bond tenor trades.
- **Arrowpoint Investment Partners:** Benefited from exploiting markets roiled by tariff shocks.
- **Winton's systematically traded multi-strategy fund:** Finished May roughly flat and is down 2.2% for the year so far.

### **Industry Maturity and AUM Growth:**

- **Projected AUM:** The industry is projected to surpass the \$5 trillion mark by 2028 and potentially reach \$5.5 trillion by the end of the decade, with more optimistic scenarios suggesting this could happen much sooner. While the overall number of new fund launches is down, the size of individual launches is increasing.
- **Expansion and Talent:** Hedge fund firms are increasingly expanding globally, moving into new asset classes, toughening liquidity terms, and bulking up on talent to drive growth.
- **Premium for Alpha:** Investors are increasingly willing to pay a premium for "alpha" (returns above market benchmarks) and funds with a proven track record of delivering uncorrelated returns, recognizing the protection hedge funds offered during 2022's market drawdowns.

### **Investor Sentiment and Allocations:**

- **Improved Sentiment:** Investor sentiment has improved significantly, with strong three and five-year risk-adjusted returns posted by hedge funds compared to world stocks and a typical 60/40 portfolio.
- **Increased Allocations:** A Barclays survey indicates that 30% more investors are expected to increase allocations to hedge funds in 2025 than decrease them, the largest incremental allocation increase compared to private or long-only options.
  - **Pensions and insurance funds** are planning a significant increase (from 9% to 19% net basis).
  - **Endowments, foundations, and sovereign wealth funds** also plan increases (from +21% to +25% net allocators).
  - **Middle East allocators** remain strong supporters, often through separate accounts and as seed/day-one investors.

- Pockets of activity are noted in Europe, with Nordics favoring credit/long/short equity, UK/Dutch pensions favoring global macro, and Italian investors seeking low directional exposure.
- **Risk Mitigation Strategies (RMS):** Large US pensions, such as CalPERS and Ohio PERS, are actively launching or building out RMS sleeves, signifying a strategic move back into hedge funds for downside protection.
- **Wealth Channels:** The institutionalization of wealth channels and the dominance of large private bank platforms are driving significant flows in the wealth management space, a long-term positive for the hedge fund industry.

### Multi-Strategy Funds as Allocators:

- **Growing Role in External Allocations:** Due to capacity constraints, the largest multi-strategy hedge funds are increasingly allocating to external managers. As of mid-2024, they deployed at least \$20 billion to over 50 third-party managers, led by Millennium Management.
- **Beneficiaries:** Smaller funds like Taula Capital, Kodai Capital, and Scopia Capital have received "tickets of a billion dollars or more," indicating a strong trend of backing third-party managers through managed accounts.
- **Consolidation:** This trend could lead to consolidation among second-tier players and smaller multi-manager shops. While aggregate growth of multi-manager assets has slowed in 2024, they still represent as much as one-tenth of the hedge fund industry.

### Blockbuster Launches and Emerging Managers:

- **Mega Launches:** 2024 saw the most assets raised for new launches since 2018, with mega launches like Taula Capital and Jain Global each raising at least \$5 billion. This trend is expected to continue into 2025, supported by capacity-constrained "pod shops."
- **Emerging Manager Ecosystem:** A growing ecosystem of emerging manager allocators (multi-manager platforms, seeders, dedicated SMA investors) are competing for capacity rights from top Portfolio Managers (PMs). Separate Managed Accounts (SMAs) are gaining traction, offering greater flexibility on fees and liquidity terms, and a cheaper/quicker way for PMs to start.
- **Launch Disparity:** While some new funds raise significant capital with ease, others struggle to raise even \$50 million. Overall launch numbers remain depressed, particularly in Asia.
- **Private Markets Expansion:** There's heightened activity in hedge fund managers launching dedicated private markets vehicles, especially in private credit, with firms like Lighthouse moving into this space.

## Competition for Talent and Regional Growth:

- **Talent Wars:** Multi-managers have an outsized impact on the hedge fund talent landscape, with their headcount rising to as much as one quarter of the industry's total. Demand for top talent continues to outstrip supply, and firms are willing to pay "whatever it takes."
- **Business Development:** Multi-managers are expanding their business development and talent sourcing teams, even luring executives from investment bank prime brokerages. The heavy costs associated with attracting talent make it harder for smaller multi-managers to compete.
- **Geographic Shifts:**
  - **Hong Kong** is back on the radar after a post-Covid pullback, aided by tax breaks and an uptick in licensed financial professionals.
  - **UAE** continues its ascent, with over a quarter of the top 100 hedge funds now present, and expectations for this to double in the next two years, driven by strategic connectivity, beneficial tax regimes, and lifestyle factors.
  - **Paris's** post-Brexit boost has slowed, and Italy's tax breaks have not significantly moved the needle.

## Key Strategy Interest and Market Catalysts for 2025:

- **Increased Volatility and Dispersion:** High economic uncertainty, increased geopolitical risks, elevated valuations, and tight credit spreads are expected to drive higher volatility across asset classes and increased dispersion within sectors. This environment is particularly favorable for dynamic, non-directional, and agile active strategies.
- **Global Macro and Relative Value:** These strategies are expected to benefit from shifts from speculative to macroeconomic events (central bank rate cuts, US policy changes, geopolitics) and significant divergence in fiscal and trade policies. A potential Trump presidency, with its implications for tax cuts, deregulation, energy, tariffs, and China policy, could fuel M&A in energy, finance, and technology, creating more relative value trades.
- **Long/Short Equity:** Deal activity is likely to accelerate, creating opportunities for long/short equity managers.
- **Credit:** While tight spreads remain a concern for directional strategies, long/short credit investment approaches are favored, benefiting from increased dispersion and opportunities in debt restructuring due to global trade disruptions.
- **Digital Assets:** Demand for directional and market-neutral digital assets-focused hedge funds is expected to rise, driven by market expectations of more accommodative regulation and the nomination of Paul Atkins as SEC Chair.

## Fee Alignment and Future Pressure:

- **Investor Demands:** The high-interest rate environment has intensified the debate on fee alignment. Investors are demanding better value and stronger alignment, with growing support for cash hurdles to ensure managers deliver real alpha over risk-free rates (as highlighted by Texas Teachers' open letter).
- **Performance vs. Fees:** While top performers delivering uncorrelated alpha may still command higher performance fees, SMAs offer flexibility, with investors willing to pay higher incentive fees for performance but less for overheads.
- **Multi-Manager Dominance:** The largest multi-managers with proven track records will continue to dictate liquidity and fee terms, with pass-through models becoming ubiquitous. However, weaker multi-manager performers are likely to face increasing pressure.

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## Activist Investors in 2024: A Surge in Influence and Shifting Tactics

In 2024, U.S. activist investors significantly amplified their efforts to influence public companies through their stock holdings, primarily driven by a goal to boost shareholder value. Their campaigns focused on a range of objectives, including overhauling leadership, realigning strategic direction, influencing merger and acquisition (M&A) activity, and improving corporate governance. This robust environment was characterized by a level of activity not seen in previous years, with both established activist hedge funds and a growing cohort of first-time and "occasional" activists making their presence felt.

### Key Objectives and Demands of Activist Investors in 2024:

1. **Leadership Changes, Particularly CEO Turnover:** Activists intensely focused on replacing underperforming CEOs and other top executives. This tactic generates significant public attention, pressuring companies to implement changes. Data from Diligent Market Intelligence (DMI) reveals a dramatic increase in CEO departures following activist pressure: **67 of the 846 CEOs** of U.S. companies who left in 2024 did so within 12 months of a public demand by a dedicated activist fund, representing approximately **8%** of total CEO changes. This is a nearly threefold increase from 2023, when **24 CEOs** (less than 3% of 916 departures) left after an activist encounter. This trend signals a shift in corporate governance, indicating boards are more willing

to replace underperforming leaders.

2. **Strategic Realignment:** A significant portion of high-profile campaigns centered on strategic and operational issues. Activists pushed companies to refocus their core businesses, potentially divesting underperforming assets or concentrating on areas with higher growth potential. This increased scrutiny of corporate strategy is directly linked to the rise in CEO turnover.
3. **Merger and Acquisition (M&A) Influence:** As the M&A environment rebounded in 2024, activists increasingly focused on influencing deal-making. Their demands accelerated in the second half of the year, appearing in **over half of H2 2024 campaigns**, compared to just one-third in H1 2024. Activists either advocated for deals they believed would create value or opposed those deemed detrimental to shareholder interests.
4. **Governance Improvements and Board Refreshment:** Activists continued to prioritize enhancing corporate governance structures, promoting transparency, and boosting accountability. A key area of influence was board composition. Activists successfully pushed for the replacement of long-tenured directors with new, independent board members possessing relevant skills and experience. The universal proxy card rules, effective since 2022, facilitated these efforts by making it easier for shareholders to select directors from competing slates.

## Who Were the Activist Investors in 2024?

The activist landscape in 2024 was diverse, encompassing both major, well-known activist hedge funds and a significant number of new entrants:

- **Major Activist Hedge Funds:** These include prominent names such as Cevian, Elliott Management, Icahn Associates, JANA Partners, Land & Buildings, Sachem Head, Starboard Value, TCI, Third Point, Triun Partners, and ValueAct. In 2024, major activists increasingly set their sights on larger, mega-cap companies (over \$25 billion market capitalization), which comprised **30% of their targets**, up from 23% five years ago.
- **First-Time and "Occasional" Activists:** A significant and growing trend in 2024 was the influx of new activists. **160 different investors** launched campaigns, including a **record 45 first-timers**. For the first time, first-time activists were responsible for a larger proportion of campaigns (**18%**) than major activists (**17%**). "Occasional activists"—investors not solely dedicated to activist strategies, such as



institutional investors, individuals (including company founders and insiders)—leveraged their growing influence. This reflects a broader democratization of activism, with examples like François Fornieri at Mithra Pharmaceuticals, Mark Tkach and William Coulter at RumbleOn, Erich Spangenberg at Spectral AI, Ted Miller at Crown Castle, and founding shareholders at SoftwareONE.

### Statistical Overview of Activism in 2024:

- **Global Campaign Volume:** **243 activist campaigns** were launched globally in 2024, marking a **six-year high** and the highest number since 2018.
- **Geographic Distribution:**
  - **U.S. activity** increased by **6% year-over-year** to **115 campaigns**. However, U.S. activity no longer constituted a majority of global campaigns, falling to **47%** (compared to a peak of 69% in 2015), as activism became a global phenomenon.
  - **APAC** saw a **record 66 campaigns**, surpassing Europe for the first time.
  - **Europe** saw a **26% year-on-year decrease** to **48 campaigns**.
- **Activist Win Rates:** While activists secured **119 board seats** in line with the four-year average, their overall win rate in proxy fights was **38%**, the lowest since 2021. In U.S. proxy fights, activists secured seats in only 3 out of 10 fights, winning just 6 of 38 total seats sought.
- **Settlements:** Despite lower win rates in contested proxy fights, many activists reached **settlement agreements earlier**, often without public knowledge of a potential campaign. This trend towards faster settlements (median time-to-settlement of **73 days in H1 2024** compared to 86 days in 2022) is largely attributed to the universal proxy rules and boards' increased willingness to avoid costly proxy battles. Activists also sought fewer board seats, facilitating quicker negotiations, with **155 seats secured** in 2024 through settlements and contests, down from 176 in 2022.
- **Founder-Led Proxy Fights:** The number of proxy fights involving company founders nearly **doubled from 4 in 2022 to 7 in 2023**, indicating founders are leveraging the new proxy rules to regain influence.

2024 underscored a dynamic and increasingly pervasive shareholder activism environment. The surge in campaigns, particularly from first-time and "occasional" activists, coupled with the impact of universal proxy rules, has reshaped corporate governance. While boards are demonstrating a greater willingness to settle and even replace CEOs under pressure, they are also refining their defense strategies in contested fights. Looking ahead to 2025, continued geopolitical and economic upheaval, along with ongoing debates around M&A, CEO



accountability, and ESG/DEI, are expected to fuel further activist activity, compelling companies to engage more proactively with their shareholders.

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## **Legal Landscape: Securities Class Actions & Derivative Litigation in 2024**

The year 2024 witnessed a dynamic and evolving landscape in U.S. securities class actions and derivative litigation, marked by a continuation of established trends, an emergence of new focuses, and subtle shifts in settlement dynamics. Shareholder activism, a persistent force, continued to leverage these legal avenues to influence corporate behavior and drive change.

### **Key Developments in Shareholder Activism and Related Litigation (2024):**

Shareholder activism in the U.S. in 2024 showcased a strong continuation of trends from previous years, with increased reliance on both derivative lawsuits and proxy battles to effect change. Activist investors broadly targeted companies to influence leadership, strategy, and corporate governance, with an overarching goal of boosting shareholder value, improving financial performance, and enhancing accountability.

- **Increased Activism:** Activist hedge funds sustained their high level of activity, both domestically and globally, with a slight increase in campaigns compared to 2023. This broader acceptance of activist tactics by institutional investors worldwide, coupled with evolving corporate governance norms, has fueled this expansion.
- **Board-Related Campaigns:** These campaigns remained a significant component of activist strategies, despite a slight decrease from their peak in 2021-2022. Activists continued to leverage the universal proxy card rules (effective since 2022) to pursue board refreshment, emphasizing the importance of board diversity and the need for directors with relevant skills and experience.
- **Settlements:** A notable trend was the continued prevalence of settlements in board-related campaigns, with formal agreements reached in over half of such cases. This increasing willingness of boards to settle quickly, often without public awareness of a potential campaign, is partly driven by the desire to avoid costly proxy fights and the elevated risk for individual directors under the universal proxy rules.
- **CEO Changes Under Pressure:** 2024 saw a heightened focus on replacing underperforming CEOs and top executives. Several major companies, including Starbucks, CVS Health, and Masimo, experienced CEO changes attributed, at least in part, to pressure from activist investors. While Southwest Airlines retained its CEO after a campaign by Elliott Investment Management, it did so only after significant

concessions, including numerous board resignations and the appointment of new director candidates.

- **Universal Proxy Impact:** The universal proxy card continued to reshape proxy contests, enabling shareholders to selectively choose between director candidates from competing slates, leading to more personalized election outcomes.
- **Heightened M&A Scrutiny:** Both traditional activist investors and institutional investors maintained intense scrutiny of M&A deals, either pushing for transactions they believed would create value or opposing those deemed detrimental to shareholder interests.
- **Corporate Governance Focus:** Shareholder activism increasingly centered on fundamental corporate governance issues, including board composition, executive compensation structures, and strategic decision-making processes.
- **Derivative Lawsuits as a Key Tool:** Derivative lawsuits, where shareholders sue on behalf of the company for alleged wrongdoing by directors or officers, remained a critical legal instrument for activists seeking to challenge corporate behavior and gain redress for alleged misconduct. However, these lawsuits face a higher pleading standard than direct suits, requiring plaintiffs to demonstrate that a demand on the board to take action would be futile.
- **Advance Notice Bylaws:** Corporations continued to refine their advance notice bylaws, focusing on enhanced transparency and disclosure requirements to address activist challenges more effectively.

#### **Notable Examples of Derivative Lawsuits and Activism:**

- In *Gandhi-Kapoor v. Hone Capital, LLC*, the Delaware Court of Chancery addressed the use of civil contempt and fines for non-compliance with advancement orders related to derivative suits, highlighting enforcement mechanisms in this area.
- In *Newman v. KKR*, the court dismissed a derivative suit arising from an equity financing transaction, underscoring the demanding pleading standard for demonstrating demand futility in such cases.

#### **Securities Class Action Landscape (2024):**

Beyond derivative actions, the broader federal securities class action landscape also saw significant activity, with shifts in focus and settlement trends.

- **Overall Filings:** Despite declines in certain categories, the overall number of federal securities class action filings saw a slight increase in 2024.
- **Emergence of AI-Related Filings:** A notable trend was the surge in Artificial Intelligence (AI)-related cases. "AI washing" (misrepresenting AI capabilities) and

other misrepresentations about AI became a significant focus, with the percentage of such cases rising from 4% in 2023 to **7% in 2024**.

- **Decline in SPAC and Cryptocurrency Filings:** The number of filings related to Special Purpose Acquisition Companies (SPACs) decreased significantly in 2024. Similarly, cryptocurrency-related filings declined, possibly linked to the resilience of the crypto market in 2024, as fewer investor losses typically result in fewer lawsuits.
- **Settlement Trends:** In 2024, there were **88 securities class action settlements** totaling approximately **\$3.7 billion**, an 8% decline compared to \$4.0 billion from 83 settlements in 2023. The median settlement amount was **\$14.0 million** (a 10% decline from 2023), and the average settlement amount decreased by 13% to **\$42.4 million**. While the aggregate and average settlement amounts declined, the median remained above its 2015-2023 average.
- **Life Sciences Sector:** There was an upward trend in new class action filings against life sciences companies, with **44 new cases** filed in 2024, up from 34 in 2023.
- **Cybersecurity and AI Litigation:** Beyond "AI washing," cybersecurity and broader AI-related litigation are gaining prominence, reflecting increasing disclosure regulations and the inherent risks associated with these rapidly evolving technologies.
- **Global Impact:** The European Union continued its transition under the Representative Actions Directive, with several countries implementing the directive, leading to a rise in collective redress claims on a global scale.

## Further Insights into Shareholder Activism in 2024 and Beyond

Building on the robust activity observed in the broader shareholder activism landscape, 2024 brought forth several distinct trends and notable campaigns, offering deeper insights into activist strategies and their evolving impact on corporate governance.

### Key Emerging Trends in Activism (2024):

- **Rise of the "Non-Traditional" Activist:** While major, well-known activist funds remained active, 2024 notably saw a proliferation of campaigns initiated by non-traditional and first-time activists. Less than a quarter of all activism campaigns in 2024 were initiated by the "SharkWatch 50," a compilation of the top 50 activist investors, highlighting the democratization of activism through new funds, social media, and online forums.
- **Universal Proxy Card and Control Challenges:** Despite the universal proxy card rules making it easier for shareholders to pick director candidates, activists have yet to achieve a "change-of-control" victory under this regime. Institutional investors and proxy advisory firms remain reluctant to hand control of a company to an activist in a single election cycle, emphasizing the need for a broader strategic case for change.

beyond just individual director qualifications. This mechanical difficulty for activists to win control is a key nuance of the UPC's impact.

- **Shareholder Proposals Surging, Despite Low Support:** The number of shareholder proposals continued its upward trajectory, climbing to **991 in 2024** (up from 866 in 2023). While governance and social proposals (e.g., DEI, climate change, director resignation, independent board chairs) increased, 2024 also saw the **rise of "anti-ESG" shareholder proposals**. These counter-proposals challenged companies' involvement in environmental, social, and governance initiatives, addressing purported religious discrimination, seeking reports on political/charitable ties, questioning carbon-reduction commitments, and even health benefits for transgender people. Despite the surge in volume, overall support for shareholder proposals remained low, with only approximately **8%** ultimately passing. Crucially, **none of the anti-ESG proposals passed or received significant shareholder support**.
- **Activism Turning Against M&A:** Reflecting a lukewarm M&A market and broader economic uncertainty, activist strategies in 2024 saw a shift where some activists actively **opposed M&A transactions**. A notable example involved **Frontier Communications Parent Inc.'s \$20 billion acquisition by Verizon Communications Inc.** Several investors publicly opposed the deal, arguing it significantly undervalued Frontier. This formidable opposition led proxy advisory firms ISS and Glass Lewis to recommend abstention from voting, creating significant uncertainty for both companies, even though the transaction was ultimately approved.

#### **Notable Activism Campaigns in 2024 (Case Studies):**

- **Disney (Nelson Peltz's Trian Fund Management):** Marking Trian's second attempt to "restore the magic," Peltz launched a campaign nominating two directors and criticizing Disney's streaming strategy, financial performance, and succession planning. Despite garnering support from two of three proxy advisory firms, Disney shareholders, notably index funds and retail investors, ultimately voted to keep the board intact. This contest was one of the largest and most expensive in U.S. history, signaling activists' willingness to persist if performance struggles continue.
- **Masimo (Politan Capital Management):** Politan demonstrated the feasibility of consecutive-year campaigns at a company with a classified board, securing two seats in 2024 after two in 2023. A key victory was winning the seat of Masimo's CEO, which subsequently led to his resignation, amidst fierce litigation and allegations of misconduct.
- **Gildan (Browning West):** In what became the most expensive proxy fight in Canadian history, Browning West nominated eight candidates and demanded the reinstatement of Gildan's recently fired CEO. In an unusual turn, Gildan's CEO and

the entire board resigned before the annual meeting, appointing Browning West's nominees and reinstating the former CEO, after Browning West secured support from major investors and all three proxy advisory firms.

- **Starbucks (Strategic Organizing Center & Elliott/Starboard):** A coalition of labor unions, the Strategic Organizing Center (SOC), nominated three directors citing concerns over human capital practices. While SOC withdrew nominations after reaching an agreement, Starbucks' challenges persisted. Shortly after, Elliott and Starboard Value amassed stakes, targeting poor stock performance and declining sales, ultimately leading to a CEO replacement.
- **Southwest Airlines (Elliott Investment Management):** Elliott initiated a hard-hitting campaign seeking to replace directors and the CEO. During the campaign, seven directors (including the board chair) voluntarily resigned. Southwest and Elliott eventually settled, with significant concessions from Southwest, including the addition of five Elliott-nominated directors to the board (the most Elliott has ever won in a U.S. settlement), and the executive chairman accelerating his retirement.

#### **Predictions for 2025 and Beyond:**

- **Trump Administration Influence:** A new Trump administration is expected to usher in changes bolstering activist activity. Campaign promises for the continuation of **2017 tax cuts** and **massive deregulation** are seen by activists as creating opportunities for short-term value creation. While economists fear tariffs could negatively affect the overall economy, they might also create prime targets for shareholder activism as companies struggle amid volatility.
- **Regulatory & Antitrust Shifts:** A Trump presidency would likely bring shifts in the agendas of regulatory bodies. President-elect Trump's pledge to replace SEC Chair Gary Gensler with former Commissioner **Paul Atkins** could lead to changes regarding universal proxy rules, Rule 14a-8 shareholder proposals, and the regulation of proxy advisory firms. Expected loosening of antitrust enforcement under new FTC and DOJ Antitrust Division leadership (Andrew Ferguson and Gail Slater, respectively) is also anticipated to create more latitude for M&A, benefiting activists who often push for such transactions.
- **AI Integration into Activist Arsenals:** Shareholder activists are increasingly exploring incorporating new technologies like **Artificial Intelligence (AI)** into their strategies. AI can assist in tracking company performance, identifying new targets, analyzing vast datasets for patterns and vulnerabilities efficiently, potentially making activism more effective and less costly in the future.

In sum, 2024 was a period of sustained and evolving legal challenges for corporations in the U.S. and globally. Shareholder activism, whether through direct engagement, proxy battles, or derivative lawsuits, continued to be a potent force for change, while new litigation trends, particularly around AI, emerged to reflect the dynamic nature of financial markets and technological advancements.

## **Navigating Markets & Boardrooms: Hedge Fund Performance, Activist Influence, and Legal Trends (2024-2025)**

The period spanning 2024 and early 2025 has presented a fascinating and often challenging landscape for the hedge fund industry and the realm of corporate governance. While hedge funds navigated varied market conditions to deliver returns, activist investors continued to exert significant influence, frequently leveraging the dynamic legal environment of securities class actions and derivative litigation to achieve their objectives.

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### **1. Hedge Fund Performance: A Tale of Two Halves (2024 vs. Early 2025)**

The financial returns of hedge funds in late 2024 and early 2025 painted a picture of contrast, moving from broad-based gains to a more volatile and strategy-specific performance.

#### **2024 Performance Overview:**

2024 proved to be a robust year for the hedge fund industry, delivering strong, differentiated performance, the second highest returns over the last decade. Hedge funds on average posted impressive returns of **10.1%**, with an alpha of 2.1% (Barclays, HFR data). Total global hedge fund capital reached a record level, ending Q4 2024 with an estimated **\$5.2 trillion** in assets under management (AUM) according to BarclayHedge. Key drivers included:

- **Positive Equity Environment:** US equities were bolstered by the continued growth of the "Magnificent 7" in the last quarter, fueled by the ongoing AI boom.
- **Systematic Macro Gains:** Managers effectively capitalized on rising equity markets and higher commodity prices, especially in February and March.
- **Risk Mitigation:** Hedge funds demonstrated their value by offering protection from 2022's market drawdowns, enhancing their appeal as a risk mitigation tool.
- **Sectoral Strength:** Statistical Arbitrage was a strong performer, as were multi-manager funds, which continued their popularity as operationally efficient, market cycle-resilient solutions.

#### **Early 2025 Performance and Key Shifts:**



In contrast, early 2025 has been characterized by increased market volatility and dispersion, presenting a mixed bag of results across strategies. While overall industry performance remained positive, the drivers and distribution of returns shifted significantly.

- **Overall Industry Returns:** Q1 2025 saw a modest gain of **0.7%**, followed by a stronger **1.64%** in May. However, this masked significant intra-period volatility, with hedge funds experiencing nearly daily losses in a challenging streak from late January.
- **Market Headwinds:** A darkening U.S. economic outlook, worries about high debt levels in major economies (like the US and Japan), and uncertainty over evolving trade/tariff policies created a complex environment.
  - **Bonds Stymied Funds:** Fixed income markets sold off as resurfaced debt concerns and reversals across interest rate derivatives and bond tenor trades offset gains for many.
  - **Whipsawed Commodities:** Commodity markets also saw significant swings, challenging trend-following systematic strategies.
- **Equity Recovery (Post-March):** After a tech-driven equity selloff in March (where technology was the second-worst performing S&P 500 sector), an equity recovery in April helped stock pickers regain ground.
- **Strategy Performance Juxtaposition:**
  - **Multi-Strategy Funds:** Continued to show resilience, remaining top performers in Q1 (up **4.7% weighted average**) and May (**+1.14%** for the HFRI RV: Multi-Strategy Index, **+2.74% YTD** as of mid-June). Their diversified approach helped weather chaotic conditions, though they were not immune to prolonged negative streaks.
  - **Long-Biased Funds:** Emerged as the strongest performing master strategy in May, with the HFRI Long Biased Index gaining **4.00%** (+4.50% YTD).
  - **Macro Strategies:** Showed significant dispersion. Discretionary directional macro funds performed well (+5.43% YTD for HFRI Macro Discretionary Directional), benefiting from tactical agility. However, quantitative macro funds struggled (-6.89% YTD for HFRI Macro Systematic Diversified), particularly CTA funds (-6.18% YTD by early May), as trend-following models were challenged by unpredictable market moves. Man Group's AHL Alpha fund was notably down around 11% YTD.
  - **Equity Long/Short:** Underperformed with marginal YTD gains (+0.09%).
  - **Event-Driven Strategies:** Continued to be challenged with negative returns in Q1 and April (-1.06% YTD).
  - **Credit Strategies:** Global credit showed positive performance globally, but also faced mixed results, with tight spreads and dispersion.

### Specific Fund Performance (May 2025 highlights):

- **ExodusPoint Capital:** Strong performance, up **1%** in May, bringing its year-to-date gains to **7.5%**.
  - **Dymon Asia Capital:** Led the pack with a **3.3%** return in May, pushing its year-to-date gains to **8%**, driven by regional market dislocations and relative value.
  - **Point72 Asset Management:** Gained **0.9%** in May, now up **3.9% YTD**.
  - **Citadel's Wellington Fund:** Rose **0.2%** in May, achieving **0.8% YTD**.
  - **Millennium Management & Balyasny Asset Management:** Both posted monthly returns of over **1%**.
  - **AQR Capital Management's Apex Strategy:** Saw gains from stock selection and corporate arbitrage.
  - **Arrowpoint Investment Partners:** Benefited from exploiting markets roiled by tariff shocks.
  - **Winton's systematically traded multi-strategy fund:** Finished May roughly flat, down 2.2% for the year.
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## 2. Hedge Fund Outlook 2025: Maturity, Growth, and Strategic Evolution

The broader outlook for the hedge fund industry in 2025 remains optimistic, driven by increasing maturity, robust investor sentiment, and evolving strategic opportunities.

- **AUM Projections:** The industry is poised to surpass the **\$5 trillion** mark by 2028 and potentially reach **\$5.5 trillion by 2030**, with some projections suggesting it could hit \$6.3 trillion under more optimistic scenarios.
- **Industry Maturity and Growth Drivers:** The industry's growth is supported by firms expanding globally, diversifying into new asset classes (like private credit), enhancing liquidity terms, and investing heavily in talent. Investors are increasingly willing to pay a premium for alpha and proven track records, especially given the industry's risk mitigation qualities observed in 2022.
- **Investor Sentiment and Allocations:**
  - Investor sentiment has steadily improved, with **30% more investors** expecting to increase allocations to hedge funds in 2025 compared to decreases. This capital is often sourced from long-only equity and fixed income.
  - Large US pensions (e.g., CalPERS, Ohio PERS) are actively building out sleeves for **risk mitigation strategies (RMS)** using hedge funds.
  - The Middle East continues to be a strong supporter of hedge funds, often through separate accounts and seed investments. European activity is also



notable, with varied preferences across regions (Nordics favoring credit/long/short equity, UK/Dutch pensions global macro, Italian investors low directional exposure).

- The **institutionalization of wealth channels** and the dominance of large private bank platforms are significant long-term positive drivers for flows.
  - **Multi-Strategy Funds as Allocators:** Due to capacity constraints, the largest multi-strategy hedge funds are increasingly allocating to external managers. As of mid-2024, they deployed at least **\$20 billion** to over **50 third-party managers**, a trend expected to continue throughout 2025. This benefits smaller funds like Taula Capital, Kodai Capital, and Scopia Capital with significant capital injections.
  - **Blockbuster Launches:** 2024 saw the most assets raised for new launches since 2018, with mega launches like Taula Capital and Jain Global each raising at least **\$5 billion**. This trend, while perhaps not repeating at the same mega-scale, is expected to continue, supported by capacity-constrained pod shops and a growing ecosystem of emerging manager allocators (multi-manager platforms, seeders, dedicated SMA investors). SMAs offer flexibility in fees and liquidity, providing a quicker start for PMs.
  - **Competition for Top Performers:** The demand for top talent remains fiercely competitive, with multi-managers having an outsized impact on the talent landscape. Firms are prepared to "pay whatever it takes" for alpha-generating PMs, leading to substantial payouts and increased headcount in business development and talent sourcing teams.
  - **Regional Growth: Hong Kong** is back on the radar due to tax breaks, and the **UAE** continues its ascent, with over a quarter of top 100 hedge funds present, projected to double in two years. These regions offer strategic connectivity, beneficial tax regimes, and attractive lifestyles.
  - **Strategy Interest:** The volatile environment with high economic uncertainty, geopolitical risks, and diverging fiscal/trade policies is highly favorable for **Global Macro, Relative Value, and Event-Driven** strategies. A potential Trump presidency could fuel M&A in energy, finance, and technology sectors, further boosting these strategies. Demand for **digital assets-focused hedge funds** is also expected to rise with more accommodative regulation.
  - **Fee Alignment:** Investor demands for greater fee alignment have intensified, with growing support for **cash hurdles** to ensure real alpha delivery. While top performers may command higher performance fees, SMAs offer flexibility. The largest multi-managers continue to dictate liquidity and fee terms, with pass-through models becoming ubiquitous.
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### 3. Activist Investors: Influencing Corporate Direction in 2024

2024 witnessed a robust and evolving landscape for shareholder activism in the U.S., marked by increased campaigns, strategic shifts in objectives, and the growing impact of governance tools. Activist investors sought to influence corporate strategy, leadership, and financial performance through their stock holdings, often leading to significant changes within target companies.

- **Increased Activism:** Global shareholder activist campaigns surged to a six-year high in 2024 with **243 campaigns launched globally**. The U.S. saw **115 campaigns**, a 6% year-over-year increase, though its share of global activity decreased as activism became more widespread, especially in APAC (record 66 campaigns). A record **160 different investors** launched campaigns, including **45 first-timers**, indicating broader adoption of activist tactics.
- **Board-Related Campaigns:** These remained a significant aspect, though slightly down from 2021-2022 peaks. Activists secured **119 board seats** in 2024 (down from 134 in 2023), with 28 won via proxy fights and 91 via settlement. Notably, **78%** of these seats were filled by independent directors.
- **Strategic & Operational Focus:** A quarter of campaigns focused on strategic and operational issues, leading to a record **27 CEO resignations** following activist pressure (a 170% increase since 2020), notably at Starbucks, CVS Health, and Masimo.
- **Settlement Trends:** Activists and companies increasingly reached settlements in board-related campaigns, with formal agreements occurring in **over half** of such cases. This trend reflects a strategic shift: while direct proxy fight "wins" were slightly down, activists effectively achieved their aims through negotiated settlements, partly driven by the increased pressure from universal proxy cards. For instance, Southwest Airlines retained its CEO after an Elliott Investment Management campaign, but only after significant concessions including board resignations and new director additions.
- **Universal Proxy Impact:** The full implementation of universal proxy cards in the U.S. empowered shareholders to pick and choose between director candidates from different slates, leading to more nuanced and personalized election contests. This also increased pressure on companies to settle earlier to avoid costly and unpredictable public battles.
- **M&A Scrutiny:** Heightened scrutiny of M&A deals by both traditional activists and institutional investors persisted, influencing transaction outcomes.
- **Corporate Governance Emphasis:** Shareholder activism increasingly prioritized corporate governance issues, including board composition, executive compensation, and overall strategic decision-making.

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## 4. Legal Landscape: Securities Class Actions & Derivative Litigation in 2024

The legal domain of securities class actions and derivative litigation in 2024 demonstrated key shifts, reflecting market dynamics and activist strategies.

- **Overall Filings:** The number of federal securities class action filings saw a slight increase in 2024, with **229 new suits filed**, matching 2023.
- **Emerging Trends:**
  - **Increased AI-related filings:** "AI washing" and alleged misrepresentations about AI capabilities became a significant focus, with such cases rising from 4% in 2023 to **7% in 2024**.
  - **Decline in SPAC & Cryptocurrency Filings:** Filings related to SPACs and cryptocurrencies decreased significantly, potentially reflecting a more stable crypto market and reduced SPAC activity.
  - **Life Sciences Sector:** An upward trend in new class action filings against life sciences companies was observed, with **44 new cases** filed (up from 34 in 2023).
- **Settlement Dynamics:**
  - **Aggregate Settlements Declined:** There were **88 securities class action settlements** totaling approximately **\$3.7 billion** in 2024, an 8% decline from \$4.0 billion in 2023.
  - **Average & Median Decline:** The median settlement amount of **\$14.0 million** declined 10% from 2023, and the average settlement amount of **\$42.4 million** decreased 13%. This was partly attributed to fewer mega-settlements (\$100 million+), a decrease from nine in 2023 to seven in 2024, with the largest 2024 settlement being \$490 million (compared to \$1 billion in 2023).
  - **Contributing Factors:** Lower institutional investor involvement as lead plaintiffs (lowest in 10 years) and an increase in settlements involving financially distressed issuers (delisted/bankrupt companies) contributed to smaller settlement amounts.
- **Derivative Lawsuits:** These continued to be a key tool for activists, where shareholders sue on behalf of the company for alleged wrongdoing by directors or officers. They face a higher pleading standard, requiring plaintiffs to demonstrate demand futility (i.e., that a demand on the board to take action would be pointless).
- **Corporate Defense:** Corporations continued to refine their advance notice bylaws to address activist challenges, focusing on increased transparency and disclosure.

Overall, 2024 presented a dynamic legal environment where the intersection of activist pressure and evolving market conditions created a complex landscape for corporate governance and litigation. The rise of AI-related claims and the nuanced shifts in settlement figures highlight the continuous adaptation of legal strategies to emerging corporate challenges.

## Key Metrics and Statistics on US Hedge Fund Returns

Hedge fund performance is often compared to traditional market indices like the S&P 500 and bond indices, with considerations for risk-adjusted returns (e.g., Sharpe Ratio).

Here's a summary of recent and historical performance, drawing from various sources:

### 1. Overall Industry Performance (Recent)

- **2024 (Full Year):** Hedge funds delivered their highest annual return since 2020, with a weighted average return of **15.7%**. Over 80% of funds saw positive returns.
  - **Top performing strategies in 2024:**
    - Equities: 20.2%
    - Global Macro: 19.5%
    - Multi-Strategy: 13.3%
    - Event-Driven: 8.4%
    - Fixed Income Arbitrage: 7.3%
- **4Q 2024:** The median Callan Institutional Hedge Fund Peer Group rose 2.3%. Event-driven strategies were up 2.1%, relative value 1.9%, equity hedge 1.4%, and macro 0.6%.
- **2023:** Average returns were 6.4%. Multi-strategy was the strongest performing master strategy at 13.6%.
- **Year-to-Date (as of Q3 2024):** The Prequin All Hedge Fund Index returned 10%, with North American hedge funds dominating in terms of AUM (over 81% of global AUM). Niche strategy funds (dominated by crypto) had the highest returns at 16%.

### 2. Longer-Term Performance

- **Five-year performance (CAGR):** Around 6.8%, outperforming bonds (-2.0%) but underperforming equities (+7.7%) from a total return perspective. However, they often outperform equities on a risk-adjusted basis (Sharpe of 0.7 vs. 0.4).
- **Historical Trends:**
  - **1980s and 1990s:** Averaged 15%-20% annual returns.
  - **2000s:** Dropped to 8%-12%.
  - **2010s:** Continued to dwindle, reaching 5%-8%.

- **2020:** 11.8%
- **2021:** 10.3%
- **2022:** -4.25% (a rare losing year, with macro-oriented funds being an exception at +9.31%).

### Statistical Results and Comparisons

Here's a generalized table illustrating hedge fund performance relative to other asset classes, based on recent data and historical trends:

**Table 1: Hedge Fund Performance vs. Traditional Markets**

Metric / Period	Hedge Funds (Average/Index)	S&P 500 (Equities)	Bonds (Global Aggregate)
Full Year 2024	15.7% (weighted average)	+14.5% (Aurum, though other sources indicate S&P 500 gain of 2.4% in 4Q24)	-1.7%
Q3 2024 YTD	10%	19% (MSCI World Index)	4% (Bloomberg Global Aggregate Index)
5-Year CAR	6.8%	7.7%	-2.0%
Sharpe Ratio (5-Year)	0.7	0.4	N/A

<b>Typical Volatility</b>	Generally lower than equities	Higher than hedge funds	Lower than hedge funds
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*Note: Performance figures can vary slightly depending on the index and data provider (e.g., HFRI, Preqin, Citco, Aurum, Callan).*

## Assets Under Management (AUM) and Market Size

The US hedge fund market is the largest globally.

**Table 2: US Hedge Fund Market Size (AUM)**

Year	Total Financial Assets (Millions of USD)
2024	\$2,900,447 (as of June 2025 update)
2023	\$2,610,559
2022	\$2,409,333
2021	\$2,604,594
2020	\$2,310,139

*Source: FRED, St. Louis Fed (BOGZ1FL624090005A)*

The US hedge fund market size in terms of assets under management is expected to grow from **USD 2.95 trillion in 2025 to USD 4.05 trillion by 2030**, at a CAGR of 6.52%.

## Top US-Based Hedge Fund Firms (by AUM)

While performance varies year-to-year and strategy-to-strategy, here's a listing of some of the largest US-based hedge fund firms by Assets Under Management (AUM), which often

correlates with long-term success and investor confidence. Keep in mind AUM figures fluctuate.

**Table 3: Largest US-Based Hedge Fund Firms by AUM (as of recent data - various dates)**

Rank	Firm Name	Headquarters	AUM (Millions of USD)
1	Bridgewater Associates	Westport, CT	\$89,600 (June 2024)
2	Elliott Investment Management	West Palm Beach, FL	\$69,700 (June 2024)
3	Millennium Management, LLC	New York, NY	\$67,895 (June 2024)
4	Citadel LLC	Miami, FL	\$63,430 (June 2024)
5	D. E. Shaw & Co.	New York, NY	\$53,715 (June 2024)
6	Two Sigma	New York, NY	\$44,271 (June 2024)
7	Goldman Sachs Asset Management	New York, NY	\$42,000 (June 2024)

8	Farallon Capital	San Francisco, CA	\$40,300 (June 2024)
9	Renaissance Technologies	East Setauket, NY	\$39,200 (June 2024)
10	AQR Capital	Greenwich, CT	\$38,800 (June 2024)

*Source: Wikipedia (AUM as of June 2024), Wall Street Prep (various 2023 AUM dates)*

### Important Considerations for Interpreting Hedge Fund Returns:

- **Net of Fees:** Most reported hedge fund returns are "net of fees," meaning they account for management fees (typically 1-2% of AUM) and incentive fees (often 20% of profits, known as "2 and 20").
- **Survivorship Bias:** Publicly available data on hedge fund returns might be subject to survivorship bias, where only successful funds continue to report, potentially inflating average returns.
- **Strategy Diversification:** Hedge funds employ a vast array of strategies (e.g., equity long/short, global macro, event-driven, relative value, distressed securities). Performance varies significantly across these strategies.
- **Risk-Adjusted Returns:** While raw returns are important, investors often focus on risk-adjusted returns (e.g., Sharpe Ratio, Sortino Ratio) to understand how much return was generated per unit of risk taken. Hedge funds often aim for absolute returns and lower correlation to broad markets.
- **Transparency:** Hedge funds are generally less transparent than mutual funds, and their detailed holdings and performance data are often not publicly disclosed.
- **Minimum Investment:** Hedge funds typically have high minimum investment requirements and are only accessible to accredited investors.

For more in-depth and real-time data, professional databases like HFR, BarclayHedge, Preqin, and EurekaHedge are utilized by institutional investors and researchers, though they often require subscriptions.