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FINANCE

This French hedge fund is on a growth tear. Defying industry norms is part of its secret sauce

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- **Capital Fund Management has been on a hot streak in recent years, growing amid strong returns.**
- **The firm fosters an open, malleable culture that's catnip to PhDs but diverges from many peers.**
- **It's not hypersecretive. It doesn't hire armies of PMs. And it isn't fixated on winning at all costs.**

In recent years, multistrategy hedge funds have been on a tear, hoovering up hundreds of billions in assets from investors and watching their staff rosters balloon.

One dilemma such firms face: How do you maintain a consistent company culture in the face of a growth spurt?

The answer, says Philippe Jordan, president of French hedge fund giant: You don't.

Culture is often mythologized, but, in Jordan's view, it is the simple byproduct of past shared experiences at its core, and he warns against the impulse to lionize "the good old days."

"Nostalgia turns a culture into an artifact, and our culture is dynamic," Jordan told Business Insider in an interview.

CFM, a Paris-based quantitative multistrategy fund, has been on a growth tear of its own. Assets climbed roughly 25% from the start of this year to \$21 billion as of September. Five years ago, the firm managed just \$6.5 billion.

Head count has surged as well, from 260 employees at the end of 2020 to nearly 450 today. CFM's New York



STEFANIA IEMMI; COURTESY OF CAPITAL FUND MANAGEMENT

French hedge fund Capital Fund Management, which fosters an open and academic-inspired culture, is run by a five-member board.

office has doubled in size in recent years to 40 people, including 15 researchers.

The 35-year-old firm doesn't fit neatly into the hedge-fund typology, rejecting many of the norms that have come to define the industry. CFM has no larger-than-life founder that reigns supreme; instead, it's governed by a five-member board. It doesn't hire armies of independent portfolio managers. Unlike most of its quant brethren, it isn't obsessed with secrecy. And it doesn't espouse a ruthless, zero-sum mentality.

Compared with multimanager firms that dominate today's hedge-fund landscape, which employ scores of siloed pods, CFM is "at the extreme other end of the spectrum," Jordan said. "Lots of collaboration, open environments

in which people feel free to communicate, talk, and be curious about other people's businesses."

CFM was an early practitioner of the collegial, academic ethos model that's now common at many quant trading firms. Cofounder Jean-Pierre Aguillar, an engineer and computer scientist, launched CFM in 1991 and helped define the firm's culture before his death in a gliding accident in 2009.

While collaboration and intellectual rigor is prized, the firm isn't "throwing spaghetti at the walls." Performance matters — as evidenced by CFM's strong run in recent years.

"We want to win, but not at the cost of having a work environment that's not sustainable," Jordan added.

That balance has helped CFM maintain its edge and attract top talent, even as the industry shifts on its axis.

From physics labs to trading floors

CFM's investment engine isn't driven by traders but rather academics. The majority of recruits join straight out of PhD programs — typically in physics — and learn finance on the job.

The firm has around 100 researchers, and it aims to recruit 15 new doctorates a year.

"We're very good at hiring people with formal scientific backgrounds," Jordan says.

Part of the appeal is the feeling of never having left academia, despite working at a hedge fund. Most hedge funds shun the spotlight, wooing top mathematicians and scientists with the understanding that finance riches is the tradeoff for working in obscurity. Research is treated as state secrets.

Not so at CFM, where researchers, including chairman and chief scientist Jean-Philippe Bouchaud, a theoretical physicist, regularly publish academic papers.

CFM isn't alone — firms like DE Shaw and AQR also publish, to name two — and it isn't giving away valuable trading signals, of course. But hundreds of white papers have emerged from its ranks on topics including market microstructure, execution costs, and factor crowding. Researchers normally present their work in weekly seminar-style meetings, much like at a university.

"You can be at CFM, be part of a group solving problems for investors and making money — but they're also publishing and having a life as a researcher," he said.

That blend of intellectual freedom and financial upside is catnip for the PhDs CFM targets.

As CFM has grown in recent years, it has added more experienced hires with a decade or more of domain expertise. Some firms codify culture into rules or "principles" that employees are expected to absorb and emulate.

CFM takes the opposite view: newcomers should respect the firm's collaborative ethos, but they're also expected to inject fresh ideas and entrepreneurial verve.

"Turning people into CFM clones is not a good idea," he said. "We bring those people in because they know things that we don't, and they're exposed to cultures that we're not."

The strategy has been working. Retention remains high, Jordan says, in an industry famous for burnout and churn, with many researchers staying close to a decade. (CFM declined to provide specific attrition figures.)

Increased competition in Paris, a budding quant capital

That doesn't mean recruitment has always been a breeze. In recent years, CFM has had to adapt to an onslaught of new competition as Paris has evolved from a quant-talent exporter into a full-fledged hedge-fund hub. The city has long produced elite mathematical minds — a legacy of its rationalist tradition shaped by figures like René Descartes and the education reforms of Napoleon — but for decades, many of those quants left for New York or London.

That dynamic has changed. Paris has undergone a quiet quant renaissance, with firms like Squarepoint and Qube Research building major presences in the city, and US heavyweights including Point72's Cubist group and Citadel expanding as well. The competition now spans every function — not just investment research but also HR, technology, and operations.

"Having two world-class peers emerge in Paris, created competition across the scope of the firm, which we were not used to," Jordan said. "But that's not bad because it sharpens you up, and it creates a pool of talent also in the city that didn't exist before."

Winning in the long run

No amount of cultural hygiene or philosophical purity matters if a hedge fund doesn't make money.

And CFM has been on a hot streak, with its flagship Stratus fund, now closed to new investors, earning double-digits the past three years. Last month, it returned \$2 billion to investors in an effort to preserve performance.

CFM has pulled higher capacity strategies from the "main battleship" into new standalone funds. The Cumulus fund launched two years ago and is closing in on \$2 billion in assets.

The understanding at CFM is that this success is a direct result of its philosophies that run counter to industry norms. Could it take a more cutthroat approach and maximize profits? Not without sacrificing performance in the long run.

"We have developed this culture over time and believe it is the best way to advance our understanding of markets and sustainably deliver investment outperformance," Jordan said.