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Citadel's Ken Griffin Has Remade the Hedge-Fund Industry, With Himself on Top

His firm's performance is helping win a war of styles in its corner of professional investing

By Peter Rudegeair


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Ken Griffin wants visitors to the offices of his $63 billion hedge-fund firm, Citadel, to have no doubt about its standing atop Wall Street.

"#1 Most Profitable Hedge Fund Manager of All Time" reads the message emblazoned on elevator doors at its Miami headquarters.

It refers to an unofficial industry ranking Citadel scaled following a one-year record haul of $16 billion in 2022. Griffin is eager to tell the world about that, too.

"We made more money than any firm has ever made in the history of capital markets," Griffin said of Citadel and a sister company, Citadel Securities. "This is where people come when they want to change the world of finance."

For all of Griffin's swagger, Citadel's performance is helping win a war of styles in its corner of professional investing. Griffin took an industry long dominated by singular traders like George Soros and David Tepper and atomized it, employing scores of teams that semiautonomously manage their own portfolios.

Now more diffuse investing factories like Citadel are ascendant. Citadel and a few dozen other similarly structured hedge-fund firms hold about 9% of industry assets – but they account for more than a quarter of hedge-fund jobs and about 30% of the industry's U.S. stock-market footprint, according to Goldman Sachs.

Griffin, 55 years old, is known inside Citadel as an intense, demanding boss whose blue-eyed stare is a source of discomfort for employees. He is obsessed with guarding against complacency and said in a recent investor letter he wants to "create the most formidable team in the history of hedge funds."

Personal fortune

With a fortune Bloomberg estimates at about $42 billion, he's brought a similar intensity to his life outside the office. He has donated about $75 million to conservative causes and Republican candidates for this year's elections, recently putting him second on the list of individuals who have disclosed spending this election cycle, behind banking heir Tim Mellon, according to OpenSecrets data.

Griffin has given hundreds of millions dollars to Memorial Sloan Kettering Cancer Center and his alma mater, Harvard University, though said he was pausing his donations to the school over its handling of antisemitism on campus. (He's called activist students at elite universities "whiny snowflakes.") After his tax returns leaked to the nonprofit newsroom ProPublica, he took the Internal Revenue Service and Treasury Department to court, eventually securing an apology from the government.

His own property portfolio includes the most expensive home ever purchased in the U.S. He plans to build one of the largest skyscrapers in New York as well as one of the largest skyscrapers in Miami to house the expanding ranks of employees at his hedge-fund and trading empire, which now number more than 4,600. He moved Citadel's home base out of Chicago in 2022 following a spat with Illinois's governor over violent crime.

Griffin spends weeks around the end of the year personally reviewing the impact that thousands of employees have had on the firm. He pop-quizzes his stock pickers about their views. Before getting a job offer, prospective hires must go through a lengthy professional assessment process, with questions going back to their childhood goals and accomplishments.

He said the firm's losses in the financial crisis aren't much of a conversation topic with investors anymore, adding with a note of triumph: "History is written by the winners."

Just as he likes talking up his wins, he relishes dunking on his doubters. He still remembers the name of a competing hedge fund that bet against Citadel's bonds in 2008 – and how it sold for a low price after its business shriveled. He recently told a podcast interviewer about a banker he knew who ribbed him for overreaching when Citadel hired a rocket scientist in its early days.

"Now jump forward 30-some years, that bank he worked for is no longer in business, and Citadel and Citadel Securities are two of the most important firms in the world, in the financial markets," Griffin said.

This story is based on conversations with more than two dozen people familiar with Griffin and Citadel's business.

Gains and losses

Growing up in Florida, Griffin played on a high-school soccer team that finished second in the state, learned to code and founded a mail-order education-software business as a teenager. He studied economics at Harvard and traded bonds from his dorm room.

He launched Citadel in Chicago in 1990. The archetypal hedge funds then were run by founders who often put their names on the door and had final say over what the fund buys or sells. Such single-manager firms usually focused on one investment strategy or asset class. Griffin was more expansionist.

From Citadel's roots in convertible bonds, Griffin branched out into statistical arbitrage, a kind of quantitative trading, in 1994; stock-picking in 2001 and commodities investing in 2002. Many of the firm's strategies were designed to be market neutral – balancing bets that some assets will rise with bets that others will fall.

After a losing period in stocks around 2006, Griffin and his team made changes to distill stock pickers' skills. From then on, each portfolio needed a mix of investments in companies of different sizes, growth profiles, momenta and other underlying factors. The goal was a book high in "idiosyncratic risk."

"How do you know if you're lucky or smart when you had a good year?" said Oliver Weisberg, a former Citadel executive who now runs Blue Pool Capital. "Ken wants you to make money, but Ken wants to ensure that he knows who has repeatable investment talent."

Griffin would move his desk around to be near divisions that were starting up or undergoing problems. When Citadel needed a new database to track its positions and transactions, Griffin bought a book on the subject and programmed it himself.

The 2008-09 financial crisis temporarily clipped Griffin's wings. Its big funds recorded losses of 55%, nearly torpedoing the firm. It took until 2012 to make back the losses.

Citadel started to look less like a traditional hedge fund and more like a nesting doll of mini-hedge funds. Griffin opened additional stock-picking units, each composed of separate teams that were dedicated to certain sectors and managed their own positions.

Overlaid on top of individual teams' portfolios is a sizable "center book" that both offsets concentrated positions and adds to high-potential trades. Managers of the center book might sell stocks to which multiple Citadel teams have exposure as a hedge, or augment bets taken by teams that it has determined are likely to do well, usually without their knowledge.

The most-profitable hedge-fund list caught Griffin's attention when Citadel was ranked fifth in 2017. He made it a firmwide goal to climb the rankings.

By 2018, "multimanager" firms were growing faster than the rest of the industry and starting to account for its biggest launches. By then, Citadel had more demand from investors than capacity, prompting it to stop actively raising new capital and start returning excess profits every year.

After one such giveback in early 2020, Griffin lamented to hundreds of Citadel employees gathered at Chicago's JW Marriott hotel that they couldn't find enough opportunities to put that money to work.

The pandemic's early weeks demonstrated the appeal of multimanager hedge funds to investors. When a global stock-market index tanked by 20% in February and March 2020, hedge funds collectively lost 7.3%, while multimanager firms were down less than 1%, according to Goldman Sachs.

Griffin credits Citadel's relatively early return to the office for its pandemic-era performance. "It set up one of the greatest moments ever in the history of finance, getting to compete with people wearing their pajamas," Griffin quipped.

Crates of bananas

The meme-stock craze of 2021 broadened Griffin's name recognition far beyond Wall Street – and made him an enemy among masses of individual investors.

In January 2021, Citadel and its partners gave Melvin Capital a $2 billion lifeline after the hedge fund

Ken Griffin at the Citadel offices in Miami.

was caught in a short squeeze when GameStop's stock rocketed. That drew the attention of Reddit-reading individual investors who wanted to punish short sellers.

When trading app Robinhood restricted trading in GameStop and other meme stocks later that month, unfounded theories spread on social media that it was because of pressure from Citadel Securities, the trading firm also owned by Griffin that executed Robinhood customer orders.

Congress later called Griffin to testify about his firms' role in the saga. Self-described "apes" who were fans of movie-theater chain AMC mailed crates of bananas to Citadel's offices. Griffin's cellphone number leaked online and irate callers demanded to know why he had limited trading on Robinhood.

At work, he fixates on quotidian issues, like trade-processing errors, even if they don't matter much to the firm's profitability. "Once a firm makes it clear they tolerate complacency anywhere, it's pretty easy for it to spread everywhere," he said.

Griffin has recruited other executives to Citadel that share his drive. Joanna Welsh, a champion powerlifter, joined in 2017 as head of risk. Pablo Salame, a former teenage tennis standout from Ecuador who rose to the top of the executive ranks at Goldman's trading division, now serves as Citadel's co-chief investment officer.

"We hire people who are winners in life," Griffin said. "Winners in finance is often not enough."

Portfolio managers that otherwise would have opened their own funds have increasingly accepted offers from Citadel and its peers to run their own teams inside its walls. Bidding wars flared up industrywide for even middling traders, with pay packages that can run into the tens of millions of dollars.

Newer copycat firms are crowding into Citadel's strategies.

Leaving can be harder. Citadel employees who want to go to a competitor are subject to lengthy noncompete clauses, as is standard for the industry. Citadel was also among the first hedge funds to subject workers to non-association agreements that restrict them from working at firms to which their former team members decamped.

Best year ever

Recent years have been good to Citadel. In 2022, the hedge-fund industry reeled after the Fed started raising interest rates to tame inflation. Funds with heavy holdings of high-growth stocks and tech startups fared particularly poorly.

While most hedge funds charge fixed management fees, Citadel directly charges clients for all the costs of running the funds, from salaries to office rents and technology. Fund expenses at firms like Citadel can amount to more than 7% of assets in a given year, according to Barclays.

Griffin is now focused on maintaining his edge. Newer copycat firms are crowding into Citadel's strategies and rivals are trying to pick off its people with pay packages that are sometimes 10 times higher.

"Some of our competitors who recruit from here aggressively sometimes will just throw numbers in front of people that are truly irrational, and all you can say is, 'God bless, good luck and goodbye,'" Griffin said.

This past February, Griffin flew to Finland for the annual outing of Citadel's commodities team. On top of a frozen lake, he strapped into the cockpit of a McLaren sports car to race against some of Citadel's biggest moneymakers. The Citadel team also faced off over hands of euchre, a Midwestern card game.

A portfolio manager in Citadel's physical gas trading business prevailed behind the wheel, but euchre broke Griffin's way.