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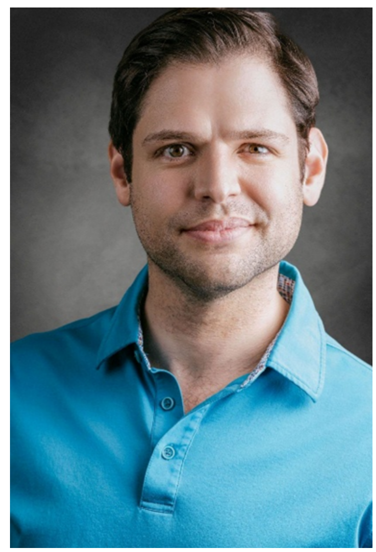
Look to AI for Trade Execution Boost, Not Investing Edge: Hedge Fund CEO

A new AI-native hedge fund is relying on artificial intelligence to help manage its execution of parallel trading strategies.

By Chad Bray | September 18, 2026

Many hedge funds are getting it wrong when they look to incorporate artificial intelligence into their investment process, says the founder of a new AI-native hedge fund that has embedded the technology into its operating model.



George Kailas

New York-based Aethon Fund – which runs a variety of parallel trading strategies, including long-short, mean reversion and momentum – has built its investment process around using AI to shift its strategy based on current conditions and execute the corresponding trades, said George Kailas, the fund's founder and CEO. That in turn allows his investment team to focus on developing the best ideas, he said.

Aethon develops its own signals and also licenses a signal library from Prospero.ai, a separate retail investor intelligence platform with more than 20,000 active monthly users.

"A lot of AI funds are building a car and they don't know how the engine works," he said. "Not only do we know how the engine works, I actually build all the engine parts myself, so we can try to dissect it, understand it better at any given time."

Kailas began his finance career as a teenage research assistant to Columbia University finance professor Bruce Greenwald, got his first job at a hedge fund at age 17 and spent much of his early career on the buy side focused on value investing. At age 25, he sold a mortgage investing prediction model he developed to another hedge fund, and later in 2019 he founded Prospero, where still he serves as chairman.

He launched Aethon in July with $50 million in commitments from ultra-high-net-worth individuals and institutional investors, as well as an anchor allocation in a separately managed account from a fund of funds. Out of the gate, the fund logged positive performance during a stretch of the summer when many hedge funds struggled.

"We're particularly proud of how we did [in July]," Kailas said. "Not only did we have this great thing where we were heading up as the market's down, but we curved down lower than the market and up faster. That's the exact behavior that we want to see from our risk management methodologies."

The fund has preset rules that govern its positions around variables such as profit targets, stop losses, trailing stops and time stops, with no position held open indefinitely, he said. A variance risk premium overlay also automatically adjusts the fund's long and short exposures.

The fund's model should shift to the best-performing strategy at any given time and generate the best returns in any market regime, Kailas said.

"A lot of the times, even as this portfolio is playing momentum up, we're pairing it in a very controlled way with these stocks that we think will be the first, hardest victims of momentum turns," he said. "We like to engineer the right control mechanisms and then AI is actually very good at the execution part."

That's a departure from how other hedge fund players have been applying the technology, Kailas said.

"[Many funds] are not actually engineering [models] well at the base and that's why they need to check them at the top," he said. "But AI is best at this responsiveness problem, right? So, I think they have it completely reversed."

Various managers have touted using AI tools to help develop investing signals in the past few years, but some hedge funds now say they are rethinking the best ways to incorporate AI in their processes.

AI and machine learning already make up the top category for advanced technology expenditures at hedge funds, with 32% of respondents in a recent survey saying it was their top priority, followed by spending on trading and portfolio management systems, according to a May report from SS&C Technologies and Hedgeweek.

However, the technology's primary stamp has been on improving document processing and data extraction, according to the survey of more than 100 hedge fund managers. Meanwhile, three out of 10 managers even said AI was having no tangible effect on their business at all.

In a separate survey from Neudata released this week, only 28% of hedge funds and other alts data buyers surveyed said they had adopted AI-processed data to optimize their investment and trading strategies. That's down from 31% a year ago.

Two-thirds of the surveyed firms are using AI-powered productivity tools to enhance their internal tasks. The results suggest that funds are increasingly using AI to support workflows rather than in tools intended to directly generate alpha, Neudata's report said.

Execution is a "well-defined" process where managers can easily set parameters for AI agents, said Razvan Remsing, chief product strategist at Aspect Capital, a London-based systematic trading firm that runs about $10 billion.

"Coming up with ideas, what's going to happen next, what are [the] linkages – I don't think that's where AI is at its most potent," he said.

Aspect uses AI within its research process and in parts of its technology operations, but the hedge fund doesn't use it to generate forecasts or investing signals, Remsing said.

"That's because we want to understand what we're trading," he said. "We have a fiduciary responsibility to our investors to know exactly what decisions we're making with the capital they've given us to trade."