

A Helpful Peak at Cybersecurity Readiness in the World of Hedge Fund Managers

By: Mark Shayne, ASA, CPA, ABV, CGMA, Senior Managing Director



SeaGlass Technology and The Hedge Fund Association recently published the results of their 2025 Cybersecurity survey. They received over 400 responses from hedge fund managers, investors, and service providers.

Summary

Insider threats, third-party vendor issues, and phishing emails were seen as the top threats to firms. More than 75% of respondents increased their cybersecurity budgets in 2025, and a modest majority of firms had set up some form of cybersecurity framework with dedicated in-house cybersecurity leadership.

Be Proactive

As a member of Empire's Cybersecurity Committee, I am well aware of client concerns regarding robust security and appropriate defensive measures. There are several steps that firms and third-party vendors can take to reduce risk and enhance security.

Regular cybersecurity audits by experienced, trusted partners are key to maintaining vigilance and an up-to-date cybersecurity framework. 60% of respondents to the SeaGlass Technology and The Hedge Fund Association Cyber Survey conduct periodic third-party audits; a plurality performing such audits on an annual basis. Two-thirds of responding firms conduct phishing and cybersecurity awareness training for their staff. Such training is critical as internal threats and phishing represent the primary gateways for attacks.

For those with cybersecurity plans in place, three out of four set a goal to detect and respond to an incident within 24 hours. Impediments to implementing effective cyber strategies included managing external vendor relationships and insufficient internal resources (funds, expertise).

The Tyranny of The Half

Only half of survey participants have set up incident response plans. Hopefully, this will change by the time the 2026 survey is conducted. Pre-existing response plans are critical to effectively deal with burgeoning risks and mitigate impact.

Half of respondents reported suffering a cybersecurity breach in the past 12 months, with half of those reporting satisfactory outcomes post-breach. Roughly half of the incidents were due to breaches via third-party vendors. Tellingly, only half of survey participants were very confident in their firm's compliance readiness.

The "tyranny of the half" highlights two problems. First, if half of firms are prepared to deal with cybersecurity threats, this means that half are not. Second, if half of firms suffered a breach and half of those were satisfied with the post-breach result, only one out of four experienced an acceptable outcome. Given the prevalence of cybersecurity threats and potential for untoward events as AI goes mainstream, as an industry we have our work cut out for us in 2026.

Empire Valuation Consultants

Empire Valuation Consultants has grown into one of the nation's leading and most respected independent valuation consulting firms, preparing 45,000 valuations and assurance engagements over our 35-year history. Our wealth of valuation experience includes nearly every industry and type of investment (equity, debt, real estate-backed assets, intellectual property and intangible assets), offering clients well-balanced valuations that are specifically tailored to each situation. The success of our refined valuation process is reflected in the firm's reputation in the marketplace. Time and again, asset managers, accountants, attorneys and bankers turn to us for timely, defensible, and comprehensible valuation work.



mshayne@empireval.com

Mark Shayne, ASA, CPA, ABV, CGMA | Senior Managing Director
Practice Leader, Portfolio Valuation Services
Member, Board of Directors and Cyber Security Committee

Mark Shayne is an Accredited Senior Appraiser (ASA) of the American Society of Appraisers, and is a Certified Public Accountant (CPA) and Accredited in Business Valuation (ABV) by the American Institute of Certified Public Accountants. He has prepared and supervised over 3,500 valuations of direct and indirect investments in debt, equity, and real-estate backed assets on behalf of major alternative asset managers worldwide. Mark received his BS degree (cum laude) from the Wharton School of Business, and earned an MBA with Distinction from NYU's Stern Graduate School of Business.