

## HEDGE FUND CAREERS

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# NO HIRING FREEZE FOR HEDGE FUNDS

by HUNG TRAN

## PAY DAY

The last few months have not been kind to hedge funds. But whether they're up or down, the alternative investment industry is always on the lookout for top talent—and it's willing to pay for it.

### BACK-OFFICE BONANZA

Industry sources say the cash-rich hedge fund industry has always been an employees' market, with opportunities galore for back-office and junior level hedgies.

In fact, nearly 70% of hedge funds are having difficulty retaining back-office personnel, according to a new survey by **Rothstein Kass**. And just under 60% of those hedge funds polled—Rothstein Kass spoke with more than 500 CFOs at direct-investment funds with at least \$100 million in assets under management—indicated that they are short-staffed in the back office.

"With 59.2% of all firms, and even 47.7% of large funds, reporting shortages in back-office personnel, it's apparent that recruiting and retention issues will persist," said **Todd Noah**, principal-in-charge of the Rothstein Kass executive search group.

Did we mention that it pays really, really well to work at a hedge fund? According to Rothstein Kass, chief operating officers and CFOs were paid on average between \$1 million and \$1.6 million last year in total compensation. Controllers took home between \$300,000 and \$430,000. Noah stresses that the total compensation may or may not include deferred bonuses, profit sharing, or equity that may



Total Average Cash Compensation at Hedge Funds With Between \$1 Billion and \$3 Billion in Assets

experience	2006	2007	change
<b>INVESTMENT PROFESSIONALS</b>			
<b>1-4 years</b>	\$317,000	\$337,000*	+6%
<b>5-9 years</b>	\$786,000	\$834,000	+6%
<b>10+ years</b>	\$1.44 million	\$1.52 million	+6%
<b>TRADERS</b>			
<b>1-4 years</b>	\$242,000	\$257,000*	+6%
<b>5-9 years</b>	\$337,000	\$358,000*	+6%
<b>10+ years</b>	\$514,000	\$550,000*	+7%
<b>INVESTOR RELATIONS/MARKETERS</b>			
	\$216,000	\$251,000*	+16%

*base salary plus cash bonus  
does not include any profit sharing compensation*

\* total average cash compensation includes estimates for 2007 bonuses

source: Glocap Search 2008 Hedge Fund Compensation Report

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# HEDGE FUND HIRING

## continued

skew the actual results.

Surprisingly, the survey reveals that bigger hedge funds are not necessarily paying more than their smaller counterparts.

"When smaller funds want to obtain the same level of talent as bigger funds, they attract people by offering more jobs where one person could be a CFO, CCO and COO, and they might include equity positions to make people like owners and the potential upside is much bigger," said Noah.

## TRAINING DAY

So where are hedge funds looking to fill their back office needs? Sometimes, hedge funds pick recent MBA graduates and plug them into in-house training programs, which aren't the best places to train a hedge fund newbie.

"Hedge funds do a very poor job of taking even the brightest person out of college and training them because they really don't have a program in place for college recruitments," said Noah.

"What they tend to do is bring in the two top people from Ivy League schools and sit them next to analysts and watch what they do. And what they find within two years is that the person really hasn't learned anything, but it's not really their fault: The analysts are not programmed to train people."

Rather, Noah said hedge funds usually look for people that they can plug in from another hedge fund, accounting firm or prime broker.

**Adam Zoia**, founder of executive search firm **Glocap**, concurs with Noah's sentiments. He says that hedge funds prefer to hire people that are ready to hit the ground running but added that the

industry is increasingly expanding its searches to include MBAs.

"The reason for that is simply that the industry has grown so rapidly that they're looking at places where there's ready-made high quality talent and MBA programs are a perfect place," he said.

## HEY JUNIOR...

In fact, within the last four years, there's been a greater emphasis on junior hiring at hedge funds than there has ever been before, according to Zoia, who describes the current typical hedge fund staff as more "cylinder-like" with portfolio managers working side-by-side with senior analysts, and now junior analysts as well.

Zoia echoed Noah's assessment that the number of back-office jobs has soared as a result of the globalization and institutionalization of the industry.

"The number of products offered by hedge funds has gotten larger and most large funds are now global. In addition, the assets in the hedge fund space are increasingly institutional. Those investors require a higher level of transparency reporting when they're doing their due diligence, so they're looking for fully built out risk management, compliance, and information technology departments."

Zoia, who started Glocap a decade ago, said the current short-term market volatility means that hedge funds are now more focused on managing their portfolios than interviewing new candidates. But after going through the dot.com boom and bust and a recession, he expects the industry to continue to shell out big bucks for top talent.

"Hedge funds still have more than adequate means to pay people, so hiring freezes don't exist in the hedge fund space," he said.



Asset Management, Hedge Fund &  
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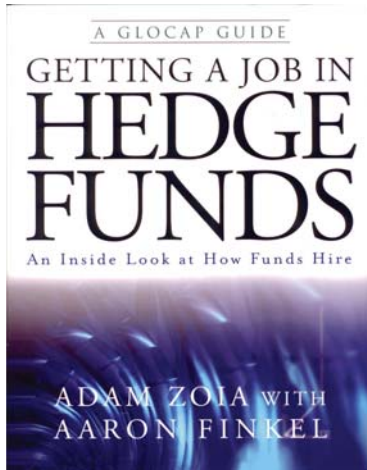
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## BOOK EXCERPT

THE CHANGING HEDGE  
FUND JOB MARKET**Getting A Job In Hedge Funds**

by **Adam Zoia**  
with **Aaron Finkel**  
174 pp.  
John Wiley & Sons  
\$45

**Adam Zoia** is founder and managing partner of Glocap and runs the firm's hedge fund practice. He has been actively recruiting hedge fund and private equity professionals for more than a decade.

**Aaron Finkel** is vice president and head of publications at Glocap. He has seventeen years of experience in financial journalism, including 11 with Institutional Investor. He is also co-author of *The Glocap Guide to Getting a Job in Private Equity* and coordinates the research and production of Glocap's private equity and hedge fund compensation reports.

The market for hedge fund professionals—at both the pre- and post-MBA levels—is as strong as we have seen it in several years, and much of that is a direct result of the tremendous growth of the industry. In fact, we've seen total employment in the hedge fund industry increase each year over the past 10 years. In addition to the growth in assets under management (which has led to more people being needed to invest the capital), there are other factors that have led to increased hiring. The industry overall has become more competitive—there are fewer obvious ways to make money—so it takes more resources (people) to discover investment opportunities; the operational infrastructure of hedge funds has become more sophisticated, creating new functions such as risk management, compliance, fund marketing, operations and accounting; and many firms have gone global and have hired more people to staff overseas offices.

As the industry has grown and matured, so too have the hiring practices of individual funds. Whereas several years ago a large majority

of hiring was accomplished through personal contacts and networking, hedge funds are now doing more proactive recruiting, and this is especially evident at the junior level. Funds now actively use search firms to source pre-MBA hires and conduct their own on-campus recruiting at business schools, much like their private equity brethren have done for the past 10 years.

Although the hiring process is more developed than it was just a few years ago, in many ways it is still evolving. The industry still lacks specific hiring cycles and a systematic interview process. Some funds hire new people each year, whereas others hire more sporadically.... Despite the increased hiring, there is still no typical trajectory for a hedge fund professional. However, once you are in, there may be nothing pushing you out (unless of course the fund closes or blows up). If you are successful, you can make a career out of one hedge fund, start your own fund, go to business school, make a move to another area of financial services, or leave the industry altogether. It's really up to you.

# 6 STEPS TO YOUR FIRST HEDGE FUND JOB

**B**reaking into the hedge fund industry is not easy. If you are fresh out of school or have not worked in the industry before, it usually takes some explicit networking, focused internships or past investment experience before a hedge fund employment opportunity will present itself to you.

**Y**ou need to get up to speed on the norms of hedge funds, complete several internships and conduct dozens of informational interviews until you land a real interview for an open position. If you have never worked within the industry before, here are my six tips on how to break in:

by **RICHARD WILSON**

## 1 READ

Get up to speed on the norms of the hedge fund industry. Subscribe to *FINalternatives*, *Albourne Village*, *HedgeWorld*, *HedgeWeek*, *HedgeCo* and *HedgeFundBlogger.com*. To become familiar with industry norms and trends, I suggest reading a few books such as *All About Hedge Funds*, *Hedge Funds For Dummies*, *The Alternative Asset Hand Book*, *Hedge Fund Blog Book* or *HedgeMe*. *HedgeMe* is a great book on the hedge fund industry, explaining the career path options you have, compensation trends and major hedge funds in the industry. This is what I used before I got my first job within the hedge fund industry.

There are three common routes to getting your first job in the hedge fund industry: trader, analyst or sales professional. An analyst is the most common starting point, but everything is based on your background, skill set and passions. Network and interview with a good idea of what you want to do. Can't decide? **Jim Collins**, in his book *Good to Great*, suggests making decisions using three criteria: Every project or job you undertake should draw off of your core strengths, excite you and be relatively lucrative in the long-run.

## 2 PICK YOUR ROLE

**3 NETWORK**

Network with professionals through the job and message boards within the Web sites listed to the left. Contact professionals at your local Chartered Financial Analyst chapters or other quantitative finance groups in your area. If you have done your homework on the hedge fund industry and have defined where you might fit in, many people will meet with you or at least exchange emails providing advice on the next steps you could take to get your first hedge fund job.

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Never stop networking within the hedge fund industry. If you get an internship opportunity, always over-deliver on the tasks that are assigned to you without taking up much of the hedge fund managers time. You never want to bring a problem to your boss that you don't already have a couple of potential solutions for. If you monopolize a hedge fund manager's time you will be not be an intern for very long. While you want to make a great impression on those around you, on some level, what you do at the internship is not as important as who you are working with or just getting exposure to how he/she operates and what responsibilities you are expected to carry out.

## INTERNSHIPS

## RESUMES

What is the perfect resume for hedge fund jobs? There isn't one. While it is true that a few hedge fund professionals never graduated from college, most are well-educated. One highly successful manager told me that his firm does not have any hard and fast experience requirements; his team looks for people who are hungry, humble and smart. Some factors that hedge funds look at include:

- CFA or CAIA Designations
- Equity analyst, trading or sales experience
- Loyalty, passion, humility and hunger
- Quantitative and/or modeling experience
- Education – Ivy League, MBA, Quantitative-focused PhDs
- Something extra – Investor Relations experience, PR experience, asset gathering abilities, information advantages
- High-quality name experience
- The stomach and desire for a high commission/bonus structure payout system

**Richard Wilson** is a hedge fund consultant and an avid hedge fund writer. He runs the **Hedge Fund Group**, **HedgeFundBookStore.com** and the **Hedge Fund Consultants Blog**.

After you have completed between one and three internships and have two solid references from hedge fund managers, you should start trying to interview directly. In my experience, you cannot work with recruiters this early on in your career, and most university career centers aren't worth working with if you want to get into the hedge fund industry. You need to connect with leaders in the industry, and they might give you an e-mail address or phone number of someone to meet with. Take every meeting you can get, even if it is not the type of hedge fund you would like to work for. Much of this game is networking and learning how to effectively interview for a competitive position. Hedge funds hire for brains, experience, commitment, passion and character.

## APPLY

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