

## HF's Revise Infrastructure, Staffing, and Pay to Attract 'Sticky Money'

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*A recent survey by Alpha Search Advisory Partners has revealed that while hedge funds are reworking policies to lure money from institutional investors, change to the pay structure of marketing executives at hedge funds has been slow.*

(November 10, 2010) -- Hedge funds are reworking their infrastructure, staffing, and compensation policies to gain "sticky money" from pensions, endowments, and other institutional investors, according to a study conducted by hedge fund executive placement agent Alpha Search Advisory Partners.

Yet, because change to the pay structure of marketing executives at hedge funds has been slow, the survey notes that the interests of marketers and hedge funds may not be aligned, with marketers out-of-sync with hedge funds' push to market to such institutions.

The study targeted 47 in-house marketing professionals at alternative asset management firms, primarily hedge funds, including only firms with assets under management of at least \$1 billion. The findings revealed that only 6% of respondents had both a discretionary and formulaic component to their incentive pay, allowing marketers the ability to pursue institutional assets.

**"This study reflects this need for more attention that comes as a result of market events over the past two years," Alpha Search Chief Executive Robert Olman told *aiCIO*. "Post Bernie Madoff, risk management has become a major issue, as investors have become more savvy in protecting their assets," he said. "For example, now investors want to meet more than the chief risk officer. They want to see more than his reports and how risk is managed in the portfolio. They want to see how the operations are controlled and monitored within the fund," he said. Olman noted that hot money investors like fund of funds are less attractive than large institutional investors, which, hedge fund managers believe, will weather the storm better and not redeem as quickly, explaining the attraction to larger institutional investors.**

Money from institutional firms is often referred to as "sticky" because of the fact that pensions and endowments stay put for longer periods. Consequently, institutions take more time in the decision-making process, which comes to 12 to 18 months on average. **"Anyone who focuses on institutional investors -- they're sticky money because they're looking years down the road instead of month by month, with due diligence much more lengthy and intensive,"** said Philip Uranga, an associate recruiter at Alpha Search. **"Therefore, marketers have to go through a much larger courtship process - there's a lot of transparency that needs to be provided."**

**Uranga added that a rocky fundraising landscape has led to greater demand for marketers and high turnover among them. He said the study also uncovered a lot of movement within the environment of hedge fund marketers, with more than 50% of those surveyed having changed employers in the last 24 months.**

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Alpha Search Advisory Partners (ASAP) is a human capital services firm specializing in sourcing top-tier investment professionals, team integrations and firm acquisitions. Our focus is on hedge funds and the boarder alternative investment community. We provide executive search consultancy and advisory services in consolidation of alternative asset managers.

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