

Hedgies Pinched on Compensation

By Steven Marlin, Reporter

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In general, 2009 has been a down year for compensation, with starting salaries about 25 percent below the peak of late 2007 and early 2008, industry trackers told Markets Media.

“We're seeing a trend away from formulaic payouts toward discretionary payouts,” says Bob Olman, President of [Alpha Search Advisory Partners](#). “Firms are looking to put company profitability into the payout. If individual portfolio managers do well but the firm as a whole does not, it will be reflected in their compensation.”

In prior years it was easier to determine compensation bands for any given functional role/experience level.

“In 2009, compensation bands were broken and will depend on whether the fund is underwater or not, and whether the fund has a modified high watermark or not,” says Claude Schwab, partner at Heidrick & Struggles. “In addition more fund closings are expected, especially for those significantly underwater.”

Hedge funds are hiring experienced sales and marketing professionals as firms seek to capture sidelined assets and assets from poorer performing funds, says Schwab; controllers and finance pros are also in demand.

The number of dedicated HR/recruiting personnel within hedge funds has contracted significantly; many hedge funds have laid off all but their most senior HR/recruiter personnel. Several of the largest and most sophisticated in-house recruiting teams within the hedge fund community were downsized by 40 percent or more, according to Heidrick & Struggles.

A small percentage of mid to senior level candidates secured a significant guaranteed bonus. Seven figure guarantees for 2009 were reserved for the top 5 percent to 10 percent of senior level talent, with multiyear guarantees secured in just a handful of situations.

Typically these seven figure guarantees were offered to heads of distribution or individual contributors who had track records of raising assets even in difficult markets. These seven figure bonus guarantees ranged from \$1 million to \$3 million per year, according to Heidrick & Struggles.

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