

Pensions & Investments

Wanted: Marketers with pension smarts

Push for institutional business sets off talent war for top staff

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Peter Elledge

Hiring: Jake Walthour came to Citadel Investment from hedge fund consultant Aksia.

Citadel Investment Group Inc.'s hiring of Jacob “Jake” Walthour is just the latest example of hedge fund companies seeking to hire experienced institutional marketers as these firms seek to rebuild themselves after 2008's market meltdown.

“Really exceptional institutional marketers are very rare; those who really understand the culture and relationships of the clients they seek. These people have long track records of raising really significant amounts of institutional assets, who have very deep Rolodexes and true relationships with investors,” said Edwin C. Ostrand, president of an eponymous firm based in Port Richey, Fla.

Mr. Walthour joined Chicago-based Citadel on Jan. 19 as managing director and head of U.S. distribution for subsidiary Citadel Asset Management, replacing James Barrett, who left the firm in December. But the job's responsibilities have been shifted to focus largely on institutional investors, said Katie Spring, a Citadel spokeswoman.

“Jake's skill set fits exactly the profile we were looking for,” she said. His most recent role was principal and head of advisory services for the Americas at hedge fund consultant Aksia Ltd., New York. And Mr. Walthour's experience as an institutional marketer with a specialty in hedge funds also included stints at Quellos Group LLC (now part of BlackRock), Aetos Capital Management LLC and Moore Capital Management LLC.

Mr. Walthour said in an interview that “after visiting north of 250 hedge funds over the past few years, I have a good idea of the kind of firm that is ideal for institutional investors and Citadel is one of those firms.”

Mr. Walthour will be based in Citadel's New York office. Citadel managed \$12 billion as of Dec. 31.

Recent convert

Another recent convert to hedge fund marketing is Russell O'Brien, who was named managing director and head of North American institutional sales and consultant relations by Nexar Capital Group SCA, Paris.

Mr. O'Brien is the first to fill the post for Nexar, which was launched in September by former executives from the hedge fund group of Paris-based Societe Generale Asset Management Alternative Investments, said Nexar spokesman David Millar. Mr. O'Brien is based in Nexar's New York office.

Mr. O'Brien was director of alternatives at Russell Investments, Tacoma, Wash., responsible for marketing alternative investment strategies to institutional investors. He has been an institutional marketer throughout his 23-year career, including stints at Credit Suisse Asset Management LLC, David L. Babson & Co. and State Street Global Advisors.

Nexar CEO Arie Assayag said in a telephone interview from his Paris office that Mr. O'Brien's hire is the important first step in building the firm's U.S. institutional business. Nexar already has strong institutional relationships in Europe, but Mr. Assayag said the U.S. institutional market offers the best opportunities in the short term.

“The U.S. hedge fund market has recovered faster than elsewhere in the world and redemptions were much fewer than in Europe. U.S. institutional investors invested earlier than their European counterparts and we expect flows from them to increase sooner and mandates to be larger.”

Other hedge funds that recently beefed up their institutional marketing resources include Lyxor Asset Management Inc., Millennium Management LLC, SAC Capital Advisors LLC and Crestline Investors Inc., sources said.

Recruiters also said several additional large hedge fund managers are known to be searching for marketing and distribution executives, including Man Group PLC, Brevan Howard Asset Management LLP and Harbinger Capital Partners.

Pension fund assets key

The primary driver behind the hiring frenzy is the recognition that pension funds particularly will be their main source of assets for hedge fund firms going forward (*Pensions & Investments*, Jan. 11).

Seeking to grab a big market share of pension fund assets that have been newly allocated or are being moved from poorer performing funds, hedge funds are “gearing up for the best fundraising opportunity in two years. Demand for marketers with corporate and public plan track records is very high,” wrote Claude Schwab, partner and head of the U.S. hedge fund practice at executive recruiter Heidrick & Struggles International Inc., New York, in the firm's most recent “Hedge Fund Industry Trends Report.”

Beyond the desire to gather more assets, recruiter Lynn Tidd of Russell Reynolds Inc. said hedge fund firms are being pushed by institutional investors to change their practices.

“After 2008, investors really want a hedge fund's founder/owner/principal focused back on investing. That means someone else has to be out there meeting potential clients. That evolution has led to demand outstripping the supply of institutional quality marketers,” said Ms. Tidd, who is managing director and head of the hedge fund practice, based in Russell Reynolds' Boston office.

The pay-to-play scandals of the last year coupled with institutional investor insistence on transparency at all levels of the relationship make it important for pension funds to know and trust the marketer they're working with, Mr. Ostrand said.

Unlike Mr. Ostrand, Robert E. Olman, managing partner, Alpha Search Advisory Partners LLC, Roslyn, N.Y., thinks that possessing a big Rolodex is not going to be enough to get a hedge fund marketer in the door of many institutions.

“These days, the Rolodex is really out,” Mr. Olman said. “Beyond attracting new clients, a lot of large hedge managers are looking for client-facing executives who have deep experience with a wide universe of institutional clients, who will really get to know existing investors and will very actively manage those relationships. It's a significant recognition by hedge funds that existing clients are likely to be their best source of new assets.”

Driving up compensation

The intense competition among large hedge fund managers like Citadel and Man Group is driving up compensation, Ms. Tidd said. “The cost of the best institutional marketers on board is very high. Small and midsized firms definitely can't afford the best talent.”

Heidrick & Struggles' Mr. Schwab said the majority of hedge fund sales and marketing specialists accepted base salaries of \$150,000 to \$250,000 last year, but Ms. Tidd said the most sought-after marketers are commanding significantly more. Mr. Schwab said a small percentage — between 5% and 10% — of the most senior level executives have also secured guaranteed multiyear bonuses, a practice likely to continue as the competition for talent remains hot.

Not every hedge fund marketer can demand the bonus guarantee, but many are benefiting from the feeding frenzy.

“Because of the shortage, the supply and demand imbalance, I am seeing a lot of B-level talent getting A-level salary and compensation,” said Ms. Tidd.

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