



Hedge Funds Slow To Change Marketers' Pay Structure -Survey

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Hedge funds are revising their infrastructure, staffing and compensation policies to attract the so-called "sticky money" from pension funds, endowments and other institutional investors, but change to the pay structure of marketing executives at hedge funds has been slow, according to a recent survey.

As a result, marketers may not be in sync with hedge funds' desire to market to such institutions, according to the study conducted by hedge fund executive placement agent Alpha Search Advisory Partners.

The study surveyed 47 in-house marketing professionals at funds with more than \$1 billion assets, found that only 6% of respondents had both a discretionary and formulaic component to their incentive pay--a pay structure that would allow marketers the flexibility to go after institutional assets.

"We expected to find more marketers to have multiple income streams, including a combination of discretionary and formulaic incentive on top of their base salary. It shows that there hasn't been as much change to compensation for asset gatherers and marketers as industry conversations since January 2008 have suggested," said Alpha Search Chief Executive Robert Olman.

On top of a base salary, marketers are often paid a fraction of the capital they helped raise. Olman said discretionary bonuses have been paid by hedge fund managers to marketers in recognition of their work, which sometimes goes beyond fundraising to areas like training junior marketers.

Bonus is also paid as it takes longer and more work to convince institutional investors to write checks.

Institutional money is described as "sticky" as pension funds and endowments tend to be committed for a longer period of time and won't move around due to short-term reasons like one month's poor fund performance. Because of the tendency to stay put, institutions take longer in the decision-making process, which on average spans over 12 to 18 months. The process may be lengthened further with more cautious due diligence.

Philip Uranga, an associate recruiter at Alpha Search, said right after the crisis, hedge fund managers only cared about whether their marketers had lots of contacts. But as the crisis quiets down, funds are concerned whether they have the right kind of contacts.

"It is quality over quantity. It is much less about how many contacts marketers have, but how many long-term, deep, consistent and deep relationships marketers have, that will bring money to the firm and stay for a longer period of time," said Uranga.

A difficult fundraising environment has spurred greater demand for marketers and higher turnover among them.

Half of the 47 marketers polled have changed jobs since 2008, and sometimes to greener pastures.

"Half (of those who switched jobs) have received floors or guarantees to join the new firms. In some cases, a marketer may receive a two-year guarantee," Olman said.

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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 broader alternative investment community. We provide executive search consultancy and advisory services in consolidation of alternative asset managers.

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