Hedge Fund Compensation Report

SAMPLE REPORT

HedgeFundCompensationReport.com

CONTENTS

Introduction

Thank you for your interest in the 2017 Hedge Fund Compensation Report. We are proud to offer this resource to you again, as we have for the past ten years. This longitudinal research now allows us a unique insight into industry trends and changes over time, in both bear and bull markets.

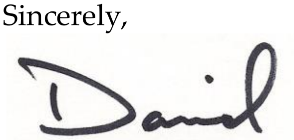
The current report analyzes data collected in late 2016 from hundreds of hedge fund professionals representing more than 200 global firms. We poll a robust cross-section of industry insiders to bring you reliable information on compensation viewed from many different perspectives.

This report breaks down compensation totals, including base pay and bonus payouts, according to factors such as:

- Hedge Fund Performance
- Fund Strategy
- Group and Firm Size
- Job Title
- Work Experience
- Education
- Hours Worked
- Vacation Time Earned and Taken

We conduct this research and offer this report so you can confidently navigate the hedge fund market as an educated professional. Whether you use it to track your personal career progress or benchmark your firm's compensation practices against the rest of the industry, we hope you find the data interesting and valuable.

Sincerely,



David Kochanek, Publisher

List of Figures in the FULL Report

Executive Summary

This is a milestone year for the Hedge Fund Compensation report—one that marks our tenth year of publication. As a result, we have had the unique opportunity to analyze the subtleties of hedge fund compensation both before and after the financial crisis.

Unfortunately, this also marks the third straight year we report on a hedge fund industry mired in underperformance. The woes facing the hedge fund industry are compounded this year, reaching beyond performance, and creeping into fund raising and industry expansion. This year is witness to net negative asset flows as high profile investors redeem, and actual reductions in the number of hedge fund firms as firm closures outpace new starts.

Despite these factors, 53 percent of those responding to our survey are expecting higher overall earnings in 2016 as compared to 2015. This optimism continues with respect to bonus pay. However, this optimism is tempered by greater alignment with performance factors than we have seen in prior years.

Speaking of performance, 72 percent of our respondents are expecting their firms to be in positive gain territory this year, which is 3 percentage points below what we reported last year. To put this in perspective, in 2013, 90 percent of our respondents reported working in firms with positive gains and 18 percent of those expected gains of 25 percent or more. This year, 5 percent of our respondents expected their firm to enjoy gains of 25 percent or greater, an uptick of just 1 percentage point from last year.

Among the highlights from the 2017 Hedge Fund Compensation report:

- The segment of respondents expecting earnings of $200,000 or less, contracted by 6 percentage points.
- Base salaries continue to rise for those in the uppermost pay bands.
- Bonus pay represents 80 percent of total compensation for hedge fund professionals in the uppermost pay bands.
- Sixty-nine percent of hedge fund professionals work in firms employing 99 persons or less.
- Fifty-six percent of this year's survey respondents report having between 6 and 15 years of experience in the hedge fund industry.

Methodology

We surveyed hundreds of partners, principals and employees during October and November 2016 to benchmark compensation practices. No single firm had more than three participants in this year's survey, so firm-centric bias is not a concern in this analysis. Respondents represented firms from around the globe, with a strong concentration in North America.

Included are responses from more than 200 of the largest and most recognized hedge fund firms, as well as the small firms which make up the majority of this industry.

The hedge fund industry is notoriously secretive and it shows in that most participants requested their firm not be identified in the participating firms list. Below is just a small sample of the firms represented in this report.

A sample of the participating firms (listed with permission):

Alliance Bernstein
AQR Capital Mgmt, LLC
The Berkeley Capital Group
Bluebird Capital Managment
Brevan Howard
Calixto Global Investors
Capital Innovations
Cheyne Capital Management (UK)
Circle Road Advisors
Clearline Capital
Cowen Prime Services
Credit Suisse
ETFConcepts, LLC
Fifth Street Asset Management
Ferro Investment Management
Lagoda Investment
Goldman Sachs
Haidar Capital Management
Haven Capital International
Hutchin Hill
ICMC
Leadenhall Capital Partners
Lionhart Canada
LRV Capital
Mission Advisors
Millennium
Och-Ziff Capital
Parallax Volatility Advisers
SandPointe
Seer
Silver Point Capital
The Rock Creek Group
TPG
Whitebox Advisors
Wolverine Asset Management
Zweig-DiMenna Associates

Pay Levels

Our analysis begins with a look at the pay levels into which our respondents fall. Since the beginning of our survey, we've found a wide distribution of titles across all pay levels. Several factors play into this, including those that cover multiple functions in small funds and of course, the founder phenomenon discussed below.

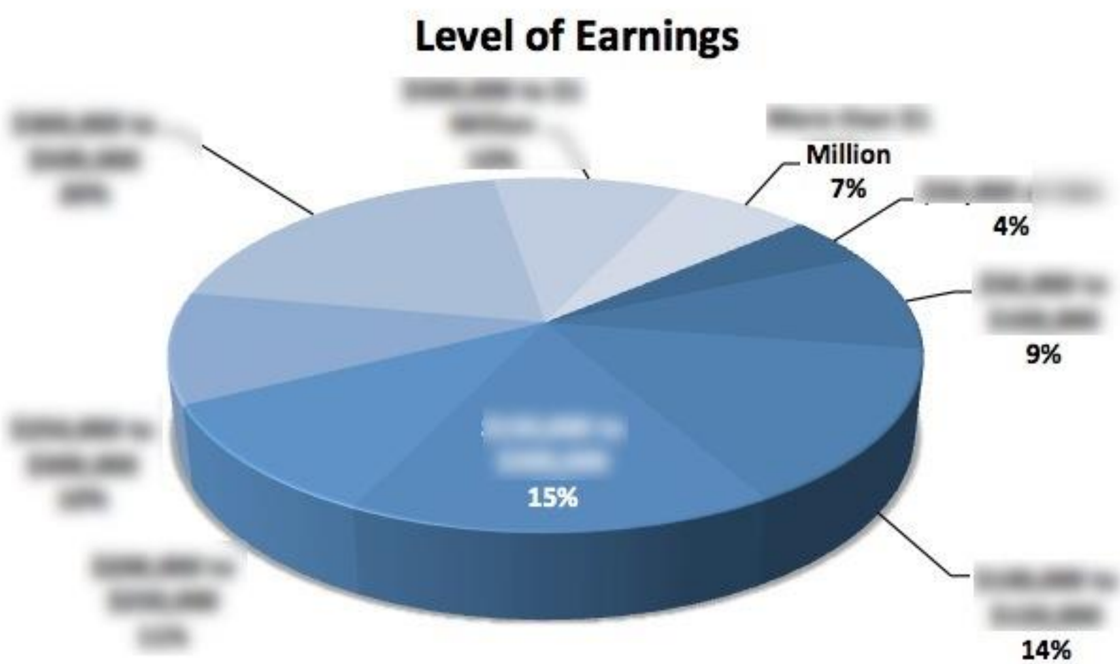


Figure 1: Level of Earnings

While total compensation grew by ___ percent, we saw that there was an overall upward movement in cash compensation. This year we saw the same percentage of professionals earning between $_____,000 to $_____,000 as well as $____,000 - $____,000. This year, three quarters of hedge fund professionals earned between $____,000 and $____,000.

In line with trends observed from previous years, we saw those projecting their earnings to be between $____,000 to $____,000 and $____,000 to $____,000 decline. On the flip side, we saw an increase of those in the slightly higher categories of $____,000 to $____,000 and $____,000 to $____,000 showing an overall increase in hedge funds salaries. Those projecting earnings over $____,000 comprised exactly half of respondents in this year's survey, compared to only ___ percent in last year's report.

Figure 2: 2014 Projected Earnings

Over the past several years, we have seen more consistency at the lower end of the pay scale, which we believe is due to what we've termed the founder phenomenon. While the focus is usually on top earners who are making million dollar compensation packages, it's often forgotten that a lot of these professionals worked through many lean years early on as they were building their businesses. The founders of hedge funds, and early players that come on, sacrifice some upfront earning potential for the possibility of a much larger paycheck sometime down the line.

At the highest levels of pay, we saw an increase of 2 percentage points in the number of professionals with projected earnings over $______,000, with that figure now reaching ___ percent.

Figure 3: Historical Earnings Level Comparison

In the above chart we take a historical view of the earnings ranges from respondents to our survey. Looking back over the past eight years gives us an understanding of how the business cycle impacts hedge fund compensation.

Clearly, the bullish days ahead of the financial crisis brought some of the highest levels of compensation. That said, we are starting to see a return to many respondents earning these levels of compensation. Whether this is a sign of market frothiness it remains to be seen, but we are certainly seeing a return to pre-recession compensation levels.

We are seeing the highest percentage of respondents recorded yet in the $____,000 to $____,000 pay range, though at the very top, over $____________, we haven't quite reached the pre-crisis compensation levels.

Bonuses, of course, weigh heavily in total earnings, particular at the highest levels. Those with the strongest fund performance are well represented among the top earners. With slowing fund performance in the past year and forward expectations declining, it's possible we will see a smaller segment of professionals in the upper ranges in years to come.

Over the last four years, the top two earning levels saw more than ___ percent of their earnings coming from bonuses. At the very highest levels, we previously saw bonuses coming in at more than five times the level of base salaries. This year, this has dropped to slightly over ____ times their base.

Of course, those earning the highest pay levels are often senior hedge fund professionals who are responsible for overall fund performance and therefore see a high amount of their compensation linked to such performance. If performance weakens, a moderation of bonuses as a percentage of overall pay for the highest earners will likely occur. This is exactly what we found this year.

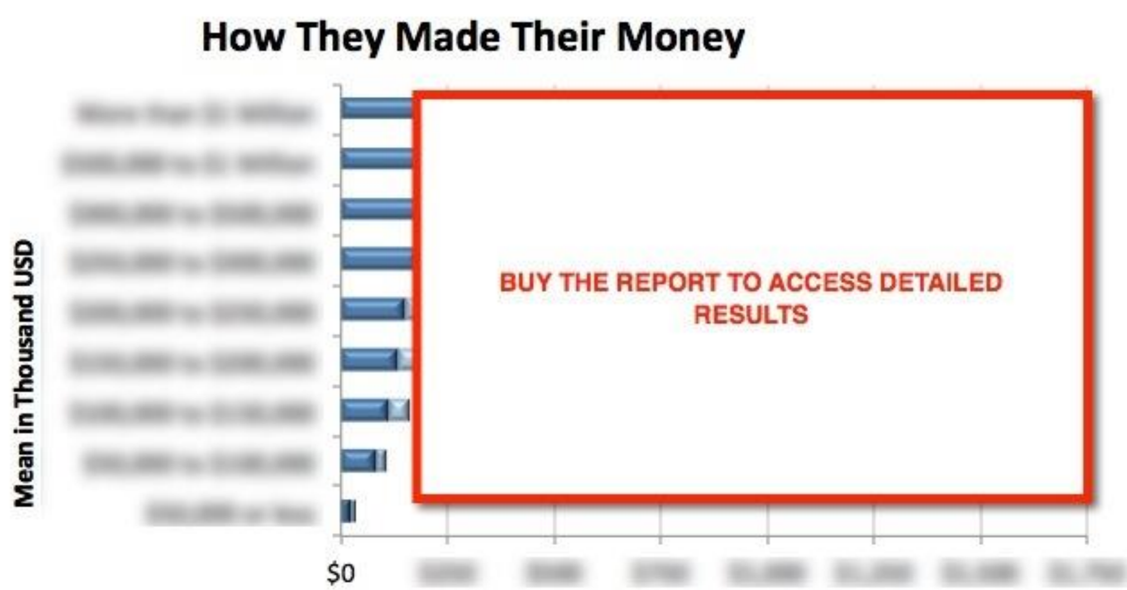


Figure 4: Base vs. Bonus Pay

Bonuses still remain a major part of compensation for nearly all hedge fund employees, but we have seen a moderation of bonuses at the highest levels. While, as indicated earlier, we saw the top earners pulling in nearly five times their base salary in bonuses, this year that was not the case.

This year, the projected level of bonuses for top earners dropped to just under _______ times their base salary.

The driver of this, yet again, is lower hedge fund performance this year and weaker outlooks going forward. With pay so tightly aligned with fund performance, it adds an element of volatility, especially for those at the highest levels of the organization. With the opportunity to earn large bonuses also comes with the downside risk of seeing reduced total cash compensation in leaner times.

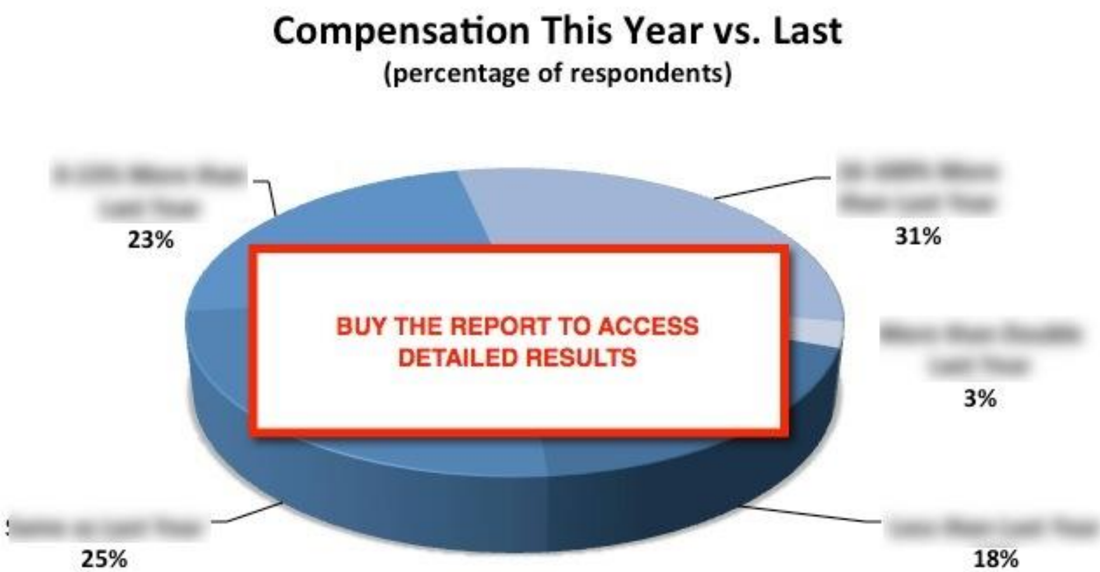


Figure 5: Year over Year Compensation Change

The last year was certainly a positive one in terms of compensation increases for most of those working in the hedge fund sector. This year, ____percent of hedge fund professionals surveyed indicated that they would be seeing some increase in their total compensation. Surprisingly, ____ percent indicated they expect to see an increase in excess of ____ percent.

This increase in compensation is remarkable in a year where we saw an overall decline in hedge fund performance. While last year remains a bit of a historical outlier in terms of fund performance, it seems as though some of that positive momentum, when it comes to compensation, managed to carry over into this year. Accordingly, we saw gains in compensation for most professionals in a year that can only really be described as mediocre.

Again in line with what we've seen in previous years, those expecting the biggest increases tended to have the highest amount of their compensation tied to bonuses.

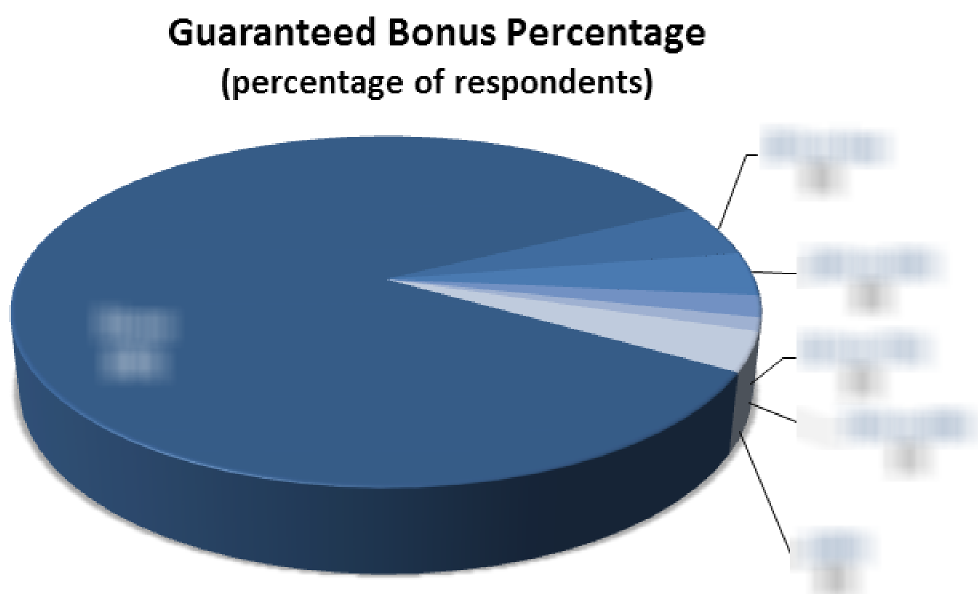


Figure 6: Guaranteed Bonus Percentage

Bonuses are always an important part of a hedge fund professional's overall compensation package, but just how much of that bonus is tied to performance and how much of it amounts to a guaranteed lump sum payment?

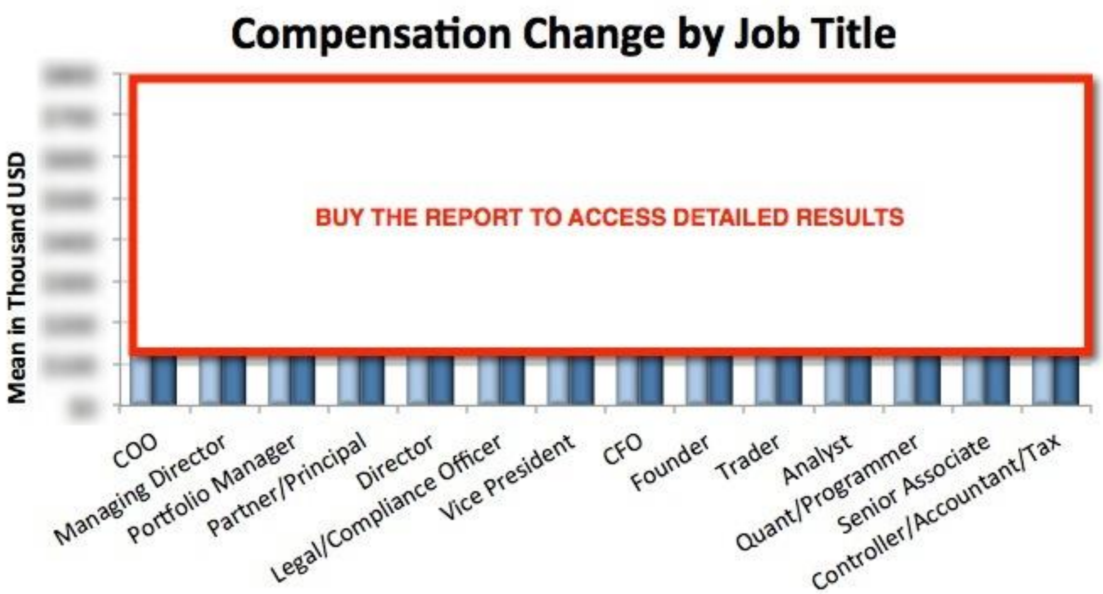
This year, we found that for ___ percent of respondents, their bonus contained no guaranteed component. This marks a decline from the ___ percent that reported no guaranteed bonus last year, but also represents a return to levels in line with what we saw two years ago when ____ percent suggested their bonus was entirely discretionary or tied to performance metrics.

This year, the full bonus is guaranteed for ____ percent of hedge fund employees as compared to ___ percent last year. Nine percent of respondents said more than half of their bonus was guaranteed, slightly higher than last year's findings of ___ percent.

As we have seen in past years, however, these bonuses come with strings attached.

____ percent of all respondents said they are required to invest some of their bonus back into their firm's fund (that number is down from ___ percent last year). And ___ percent of people who reported that none of their bonus is guaranteed are nonetheless required to invest some of it back in their firm's fund.

For those in that small group of people with a guaranteed bonus, ___ percent must turn around and invest some of their bonus in the fund. This number is down from the ____ reported last year.



Note: Mean in Thousands of USD. Excludes some countries where compensation practices vary significantly from USA, Canada and UK.

Figure 7: Cash Compensation by Title (Last Year vs. This Year)

When it came to compensation changes year over year by job title, ________ ________ and ______________ ______________ saw the biggest relative gains, with their pay growing by 35 and 14 percent respectively. _________ __________, on the other hand, saw modest gains of ___ percent, though they managed to maintain their place at the top of the listing with total average compensation just over $______,000 per year.

In this table, we compare the mean compensation with the first, second and third quartiles. The 50th percentile represents the median pay.

	MEAN COMPENSATION			TOTAL COMPENSATION		
Job Title	Base	Bonus	Total	25th Percentile	50th Percentile	75th Percentile
Analyst						
CFO						
Controller/Accountant/Tax						
COO						
Director						
Founder						
Legal/Compliance Officer						
Managing Director						
Partner/Principal						
Portfolio Manager						
Quant/Programmer						
Senior Associate						
Trader						
Vice President						

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Note: Cash compensation in thousands of USD. Excludes some countries where compensation practices vary significantly from USA, Canada and UK.

Figure 8: Compensation Ranges by Title

We continue to find that leadership roles, often with much of their pay tied to performance through bonuses, such as ______________ _____________ , ___________, _____________ and ______________ __________, saw greater variance between the median and mean compensation levels.

This supports our findings in previous years' reports that those most directly linked to fund performance have the potential to out earn their peer group by substantial margins when they deliver value to investors.

Those in support roles, such as the _________ and _________, see much less of a variance between mean and median pay, at least as compared to their investment decision making peers.

Differences Between Firm Types and Fund Size

Hedge funds often utilize smaller teams, and even smaller overall firms, than most other sectors in finance. Many billion dollar asset under management (AUM) firms have just a couple or few dozen employees.

This year, 78 percent of respondents indicated they worked in a team of ten people or less, up slightly from 77 percent from the year prior and 72 percent from years past. Nearly 96 percent of hedge fund professionals work in teams of less than 50 people.

The decline in group size year over year, now for some time, may reflect an industry that is trying to be leaner and lower cost, which would provide value to both investors and fund managers. This is also a trend we see in many other areas of the broader financial industry as rationalization of many positions becomes a regular task for managers.

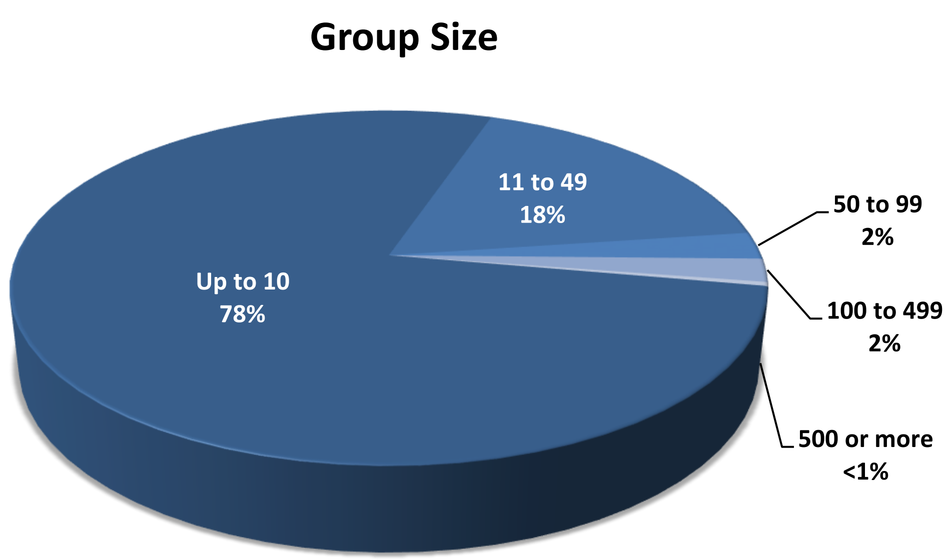


Figure 9: Size of Group by Number of Employees

Last year, we identified this gap between medium and large groups and considered that it was likely a one-off event, due to lower incentive payouts in large firms. However this is now the second year we've seen those in large groups coming in with lower compensation, suggesting that perhaps this becoming a more established trend. While the incentive pay inherent in the hedge fund business makes a two-year trend much less reliable than what similar evidence in a salary-focused industry would provide, this is certainly a trend worth following in future years.

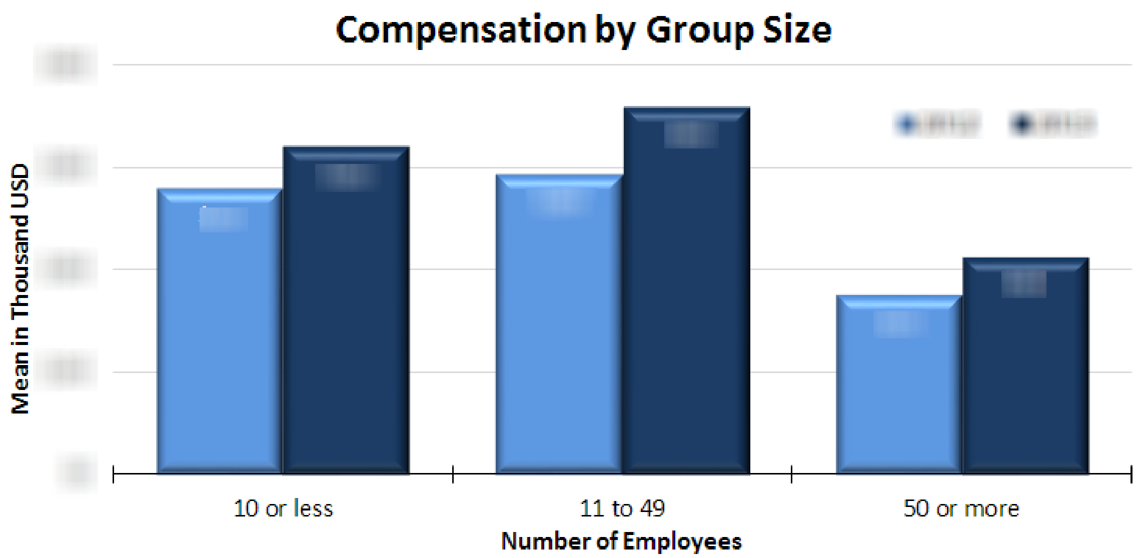


Figure 10: Compensation by Group Size (Employees)

While there were some striking results in the average compensation by group size, the differences when looking at compensation broken down by firm size are far less notable.

The declines in performance that hedge funds have experienced this year may explain some of the decrease, year over year, in compensation at smaller funds. The base level management fees obtained by large AUM can often cushion the blows of weaker performance years, a luxury that smaller firms can't afford.

The investment strategies used by the funds that employ our respondents remain quite diverse, with no strategy comprising more than half of the survey responses. Respondents could pick more than one strategy for their firm, and despite that, the biggest category still only encompassed 46 percent of the total response. Long/Short equity strategies were the most commonly used, and dedicated short strategies the least common, consistent with the results of last year's survey.

This year, we saw a reduction in the correlation between fund performance and bonus levels. While those with even fund performance on the year earned lower bonuses than their positively performing peers, those with positive performance all generally earned nearly the same bonus levels.

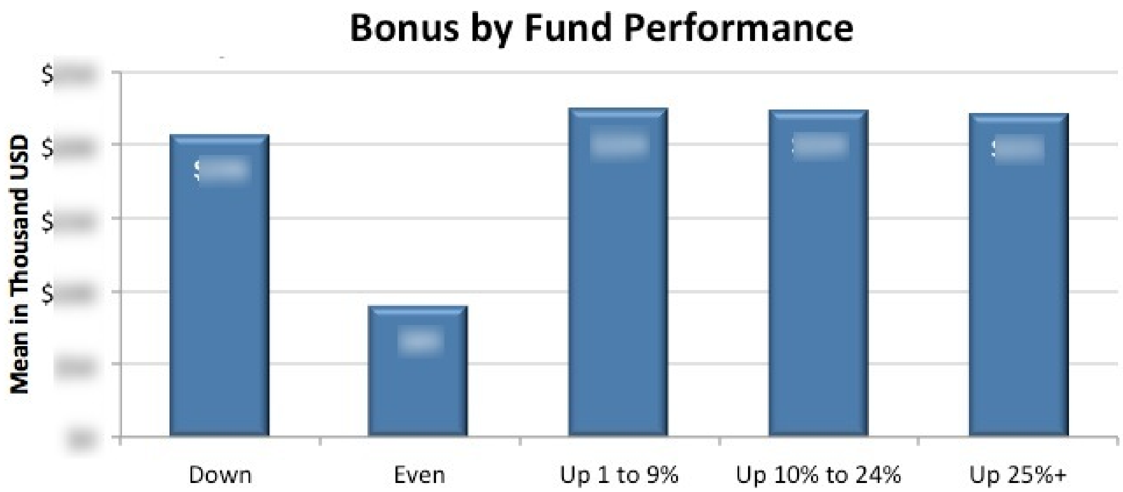


Figure 11: Expected Bonus Level by Fund Performance

While on the surface this may seem unusual, it's important to keep in mind the overall equity market returns posted this year. Any hedge fund with positive returns was beating overall equity indices and as a result, bonuses would be strong. Sometimes in bonus structures, caps exist at the upper end of performance, and therefore a fund earning ___ percent may not pay a significantly higher bonus than one earning ___ percent. Of course, high water marks may play into the bonus situation as well, moderating some of the outcomes as professionals assessed their likely incentive pay amid an overall equity market correction.

On the whole, we see a really balanced mix in the size of the most recent fund launched by the firms of our respondents. While ___ percent of funds are in the large, over $1 billion bracket, _____ percent are small funds with less than $100 million under management.

Here we take a look at compensation levels by five different titles across the three fund sizes that we studied. In nearly all cases, we found those with the same title typically earned more as their fund sized increased.

The one exception to this was _________, who actually earned the most when at medium sized firms. However, due to the highly variable pay of a typical __________, this may again be due more to fund performance than an established trend, especially since last year we saw significantly higher compensation at large funds.

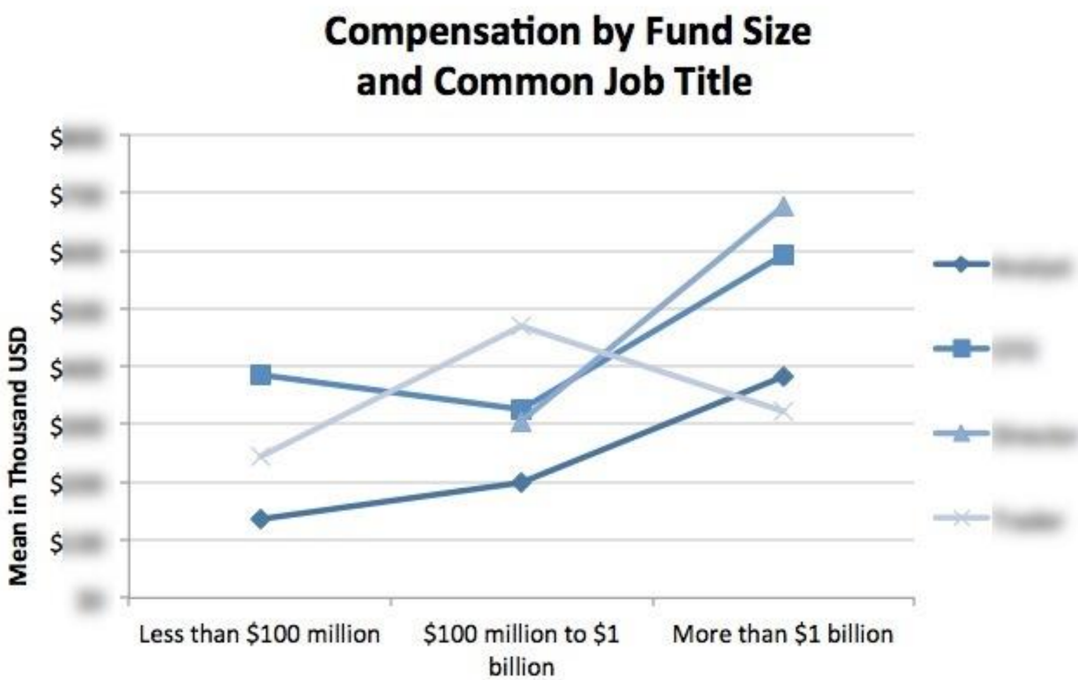


Figure 12: Cash Compensation by Fund Size for Common Titles

Large firms retain an advantage over their smaller peers in terms of the stability in their management fees, allowing higher compensation for their salaried support positions. This is likely why we see large funds pay their _________ and other such roles much higher than their peers at smaller funds.

There are also additional legal responsibilities and liability, of course, which come along with being the ________ of the largest firms.

The following table summarizes average salary and bonus by title and fund size, across three fund size categories for this year.

Mean Base and Bonus Salary by Title and Fund Size			
Job Title	**Less than $100 million**	**$100 million to $1 billion**	**More than $1 billion**
Base Salary			
Analyst	BUY THE REPORT TO ACCESS DETAILED RESULTS		
CFO			
Chief Investment Officer			
COO			
Director			
Founder			
Legal/Compliance Officer			
Partner/Principal			
Portfolio Manager			
Risk Management			
Senior Associate			
Trader			
Vice President			
Bonus			
Analyst	BUY THE REPORT TO ACCESS DETAILED RESULTS		
CFO			
Chief Investment Officer			
COO			
Director			
Founder			
Legal/Compliance Officer			
Partner/Principal			
Portfolio Manager			
Risk Management			
Senior Associate			
Trader			
Vice President			

Note: Current mean compensation in thousands of USD. Excludes countries where compensation practices vary significantly from USA, Canada and UK. Also excludes titles when not enough data was available to create an identifiable average.

Figure 13: Base and Bonus by Fund Size and Title

Mean Base and Bonus Salary by Title and Fund Performance				
Job Title	Down	Even	Up 1 to 9%	Up 10% or more
Base Salary				
Analyst				
CFO				
Controller/Accountant/Tax				
COO				
Director				
Founder				
Legal/Compliance Officer	BUY THE REPORT TO ACCESS DETAILED RESULTS			
Managing Director				
Partner/Principal				
Portfolio Manager				
Quant/Programmer				
Senior Associate				
Trader				
Vice President				
Bonus Salary				
Analyst				
CFO				
Controller/Accountant/Tax				
COO				
Director				
Founder				
Legal/Compliance Officer	BUY THE REPORT TO ACCESS DETAILED RESULTS			
Managing Director				
Partner/Principal				
Portfolio Manager				
Quant/Programmer				
Senior Associate				
Trader				
Vice President				

Note: Mean compensation in thousands of USD. Excludes countries where compensation practices vary significantly from USA, Canada and UK. Also excludes numbers when not enough data was available to create an identifiable average.

Figure 14: Base and Bonus by Title and Fund Performance

Upside Sharing

We have always found that bonuses are a major part of hedge fund compensation, however participation in equity upside can contribute some of the biggest gains for senior hedge fund professionals. This form of compensation is an attractive benefit and is generally awarded only to those professionals that are the highest retention priorities and the highest performers.

This year, ____ percent of respondents indicated that they had some kind of equity share in their hedge fund. This number is down from ____ percent last year.

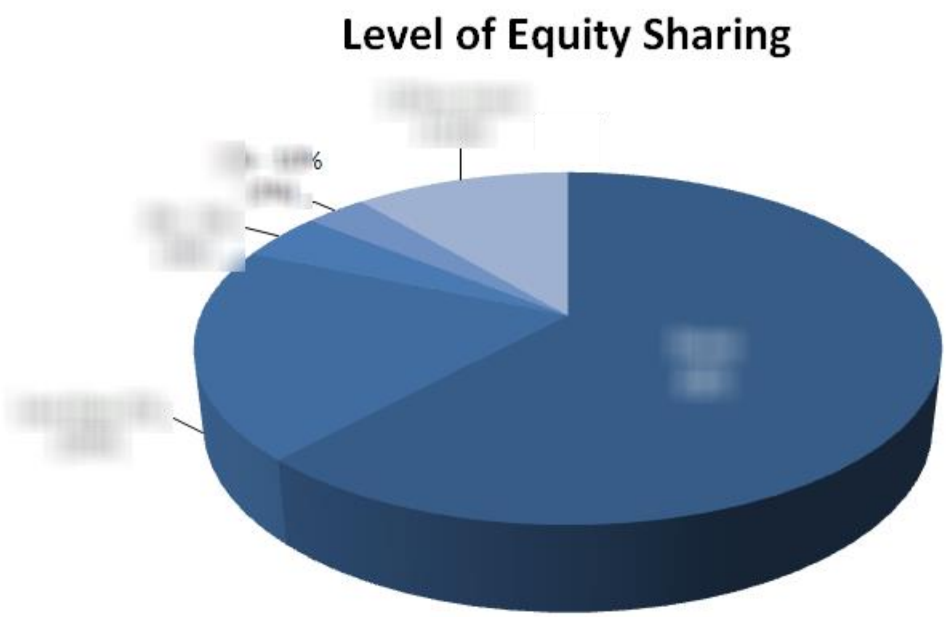


Figure 15: Level of Equity Sharing

We also took a look at the number of individuals in each title grouping that had equity participation in their hedge funds. Managing Directors also normally held at least some kind of equity stake, with ____ percent of respondents with that title answering in the affirmative.

Correlation holds when we look at hedge fund specific experience instead of general experience. Those having more than 16 years of direct hedge fund experience continue to represent the group with the highest level of equity participation.

Here, we do find those relatively new to the industry having some equity participation, likely reflecting experienced veteran professionals that may be new to hedge funds, but likely carry several years of past experience.

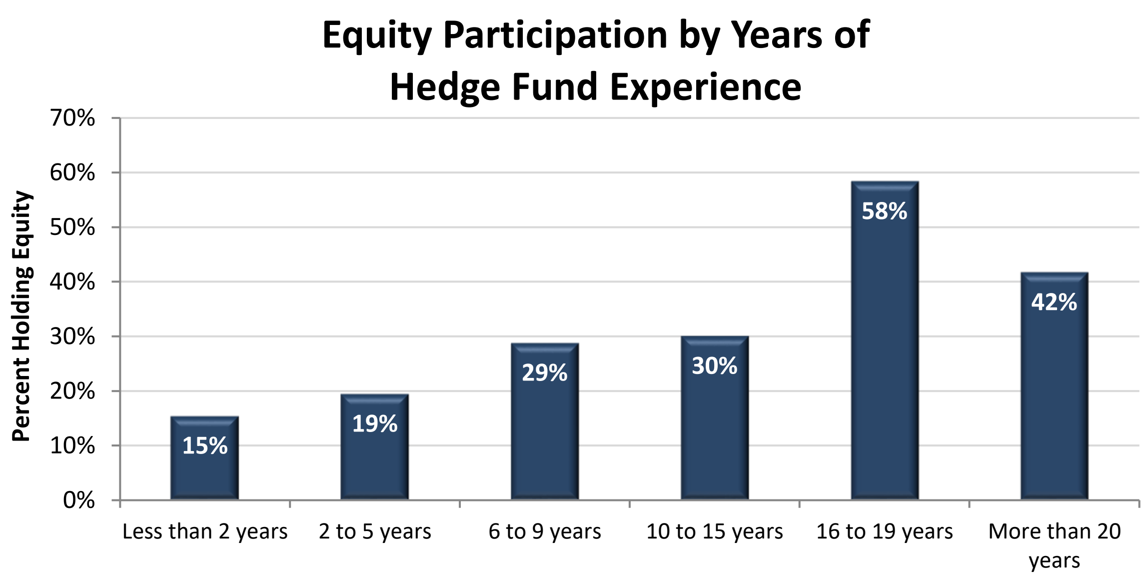


Figure 16: Equity Participation by Hedge Fund Experience

While the number of hedge fund professionals with greater than 20 years of experience having equity participation has increased slightly from last year, it still remains out of alignment with the overall trend. This may be due to professionals nearing the end of their career, or even semi-retired, and perhaps working on term or contract basis. We will continue to monitor this segment specifically in future surveys.

Three leading channels have represented the vast majority of sources of hedge fund employment opportunities for our respondents now for several years.

How Did You Find Your Current Position?

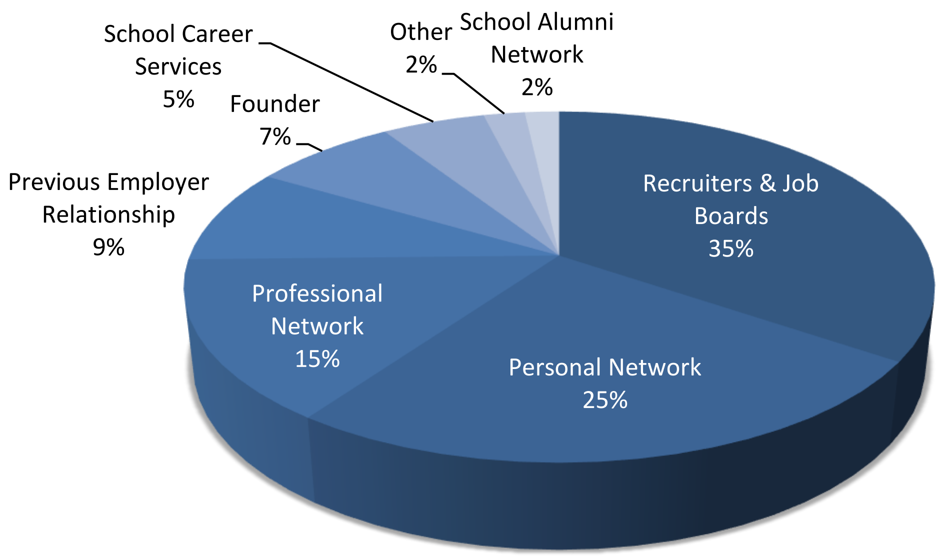


Figure 17: Sources of Hedge Fund Jobs

Recruiters and job boards, personal networks and professional networks together represent 75 percent of how our respondents found their current position. While the balance between these three channels has shifted back and forth over the year, together they have always comprised the majority of opportunities.

Pay Satisfaction

Despite further increases in compensation this year, pay satisfaction continues to lag among our respondents. Overall, we saw a slight improvement in satisfaction with 46 percent indicated they were happy, versus 44 percent last year. However, this still shows the majority of respondents are unsatisfied with their pay.

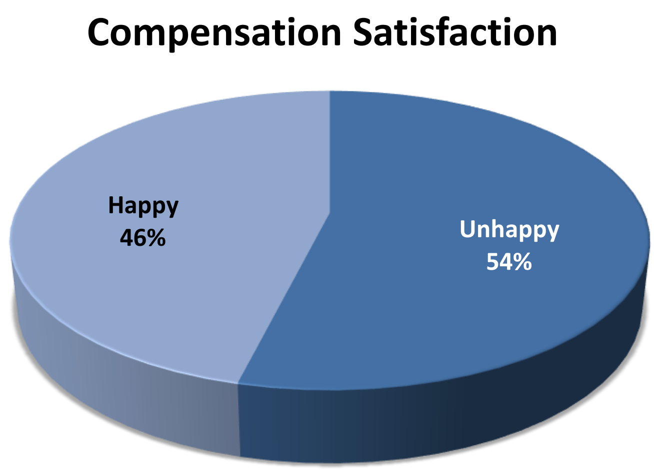


Figure 18: Satisfaction with Compensation

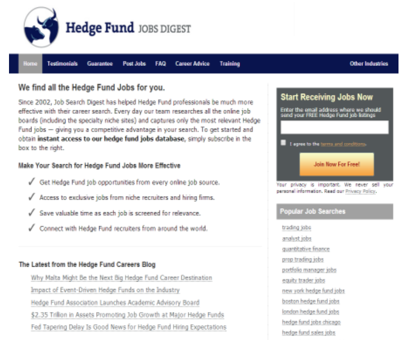
Satisfaction with compensation, however, is not a topic you can only look at from the highest levels. Drilling down into pay satisfaction by job title draws an entirely different picture.

At the highest levels, most senior fund professionals are quite happy. Over 80 percent of COO's indicate they are satisfied with pay, along with nearly 80 percent of Founders and just shy of 60 percent of Directors.

At the lowest end of the spectrum, Analysts and Senior Associates barely surpass 30 percent pay satisfaction, although this level is higher than previous surveys. Early on in most careers however, people aren't immediately satisfied with pay as they fight for minimal increases and work long hours to gain future opportunities in the business.

Additional Resources

Hedge Fund Jobs Digest



Since 2002, Job Search Digest has helped hedge fund professionals become much more effective with their career search. Every day the Job Search Digest team researches all the online job boards (including the specialty niche sites) and captures only the most relevant jobs — giving you a competitive advantage in your job search.
www.jobsearchdigest.com/hedge_fund_jobs

Hedge Fund Compensation Report

This is the site where updates to this report can be found. It also includes further analysis into the areas covered by this report as well as employment outlook trends.
www.HedgeFundCompensationReport.com

Alpha Calling - the Hedge Fund Careers Blog

This blog focuses on insights into the hedge fund industry from a career perspective. It includes articles on industry trends, compensation matters, the job hunt, interview questions and other pertinent topics.
www.AlphaCalling.com