

Hedge Fund Compensation Report

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HedgeFundCompensationReport.com

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Introduction

Thank you for your interest in the Hedge Fund Compensation Report. We are proud to have conducted this research and offered this report for over a decade, through both bull and bear markets. We have observed alternative investment compensation trends and here offer insights based on our findings.

Our current report analyzes data collected over the past several years from hundreds of hedge fund professionals from firms worldwide. We survey a broad cross-section of firms 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,

The Hedge Fund Compensation Team

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Executive Summary

In this, its twelfth year of publication, the 2019 *Hedge Fund Compensation Report* takes a different approach, one that focuses on broad metrics that repeat year after year, as opposed to year-over-year comparisons which offer readers a much narrower scope. These time-tested observations will better serve our goal of conveying the manner in which trends have shaped compensation in the industry.

2018 has been a year replete with difficulties in the hedge fund industry. It was a year which began with boundless optimism and ended with no small measure of concern for the future of the industry. Hedge fund professionals are no strangers to this level of pessimism, and, although for most of 2018, hedge fund starts exceeded hedge fund closures, at this writing, it remains unclear if a net gain for hedge fund starts has been achieved.

However, this year has not been an altogether negative one for the hedge fund industry. Hedge fund assets under management are on track to achieve a record high, expected to exceed \$3.5 trillion, which sends a strong signal of continued investor support for the industry.

So, instead of focusing on a snapshot in time, particularly a time as tumultuous as the one this year has delivered, we have concentrated our efforts on delivering time-tested truths regarding compensation in the hedge fund industry. Among these are:

- One in five hedge fund professionals earns less than \$150,000 in total annual compensation;
- Only 2 in 100 hedge fund professionals earn over of \$1 million in total annual compensation;
- Around 50 percent of hedge fund professionals expect an increase in total compensation, regardless of their firm's performance;
- While the United States and the United Kingdom offer the highest total compensation packages, the United Kingdom is often more generous in terms of bonus pay;

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- Irrespective of bonus and base pay increases, around 60 percent of hedge fund professionals are dissatisfied with their pay;
- MBAs are odds-on favorites to out earn peers that do not have an advanced degree;
- Twenty percent of hedge fund professionals define their work/life balance as poor, or below average;
- Fewer than one in four hedge fund professionals receive a contractually guaranteed bonus;
- Around 50 percent of hedge fund professionals identify their firm's training as weak or non-existent; and
- Eight in ten hedge fund professionals receive 3 or more weeks of vacation time.

Methodology

We directly survey hundreds of partners and employees in to benchmark compensation practices. Because we directly survey hedge fund professionals and not the HR departments at large funds, no single firm had more than a few participants so, unlike some other industry reports, firm-centric bias is not a concern in this analysis.

The data is shared anonymously, and respondents are assured neither their personal data nor their participation is shared with anyone. All responses are reviewed and data that clearly is not in-line with our over a decade of findings is removed.

Included are responses from hundreds of the largest and most-recognized hedge fund firms, as well as the small firms, which make up the majority of the industry.

The hedge fund industry is notoriously secretive, and it shows in that most participants request their firm name not be shared, so we no longer list the firm names of participants.

In return for sharing their compensation data, respondents receive a copy of the report. Although respondents represent firms from around the globe, there is a strong concentration in North America, thus the results have a North American bias.

Finally, unlike the click generating headlines you see each year, you won't find any \$100+ million-earner data here. Our goal is to present to you what the typical hedge fund professional earns, not the top .1 percent.

This report is based on user-submitted data from a broad cross-section of the entire industry and demonstrates what the majority of professional are earning in their roles.

Pay Levels

While it is true that lucrative compensation is a common hedge fund industry feature, the fact is that in any given year, around 1 in ... hedge fund professionals earns less than \$XXX,000 and no more than ... in 100 receives compensation exceeding \$1 million.

The level of earnings anticipated by hedge fund professionals....

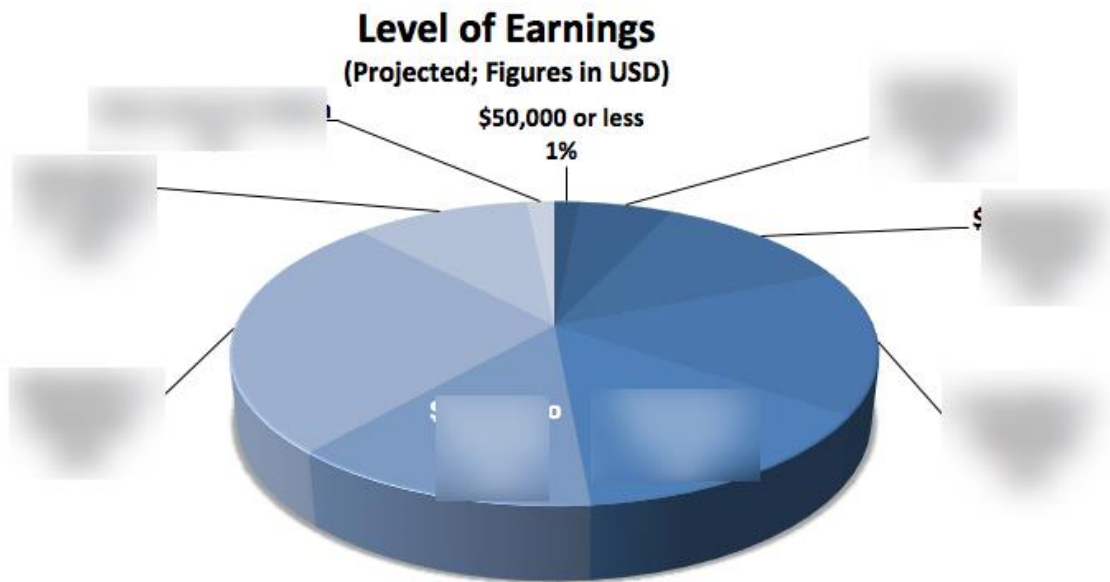


Figure: Level of Earnings

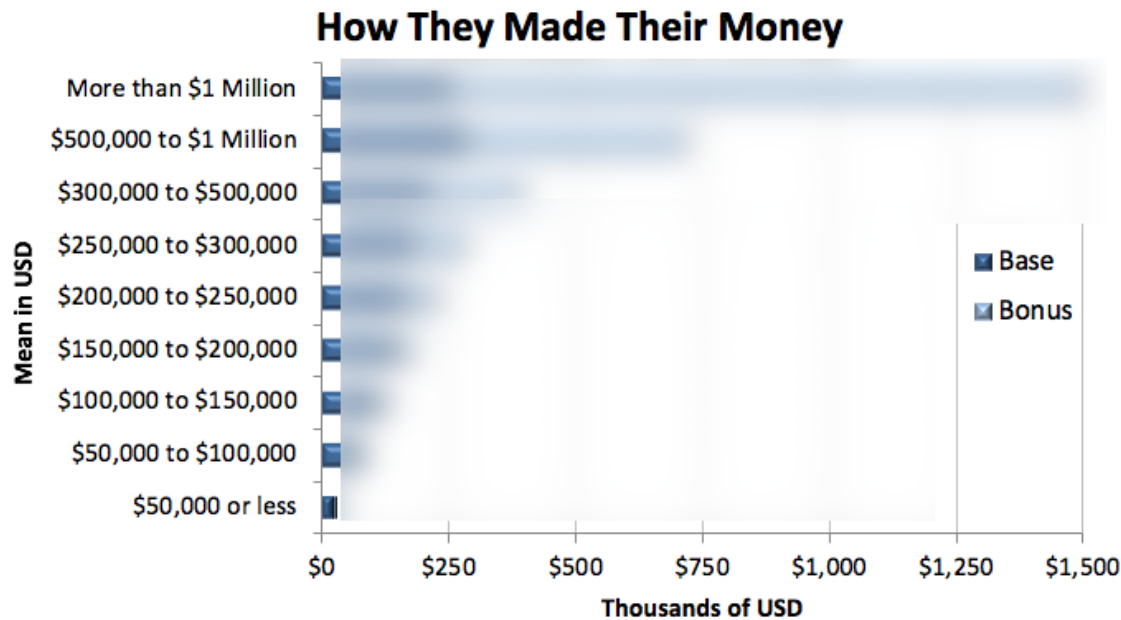


Figure: Base vs. Bonus Pay

Bonus pay has always played a defining role in overall compensation, and this is particularly true for those earning \$xxx,000 or more, where bonus pay can represent as much as xx percent of their total compensation.

However, as an overall average of all pay bands, bonus pay represents about xx percent of a hedge fund professional's total compensation.

The figure below highlights the nexus of one's job title with one's experience level. It is clear that Conversely, job titles further removed from

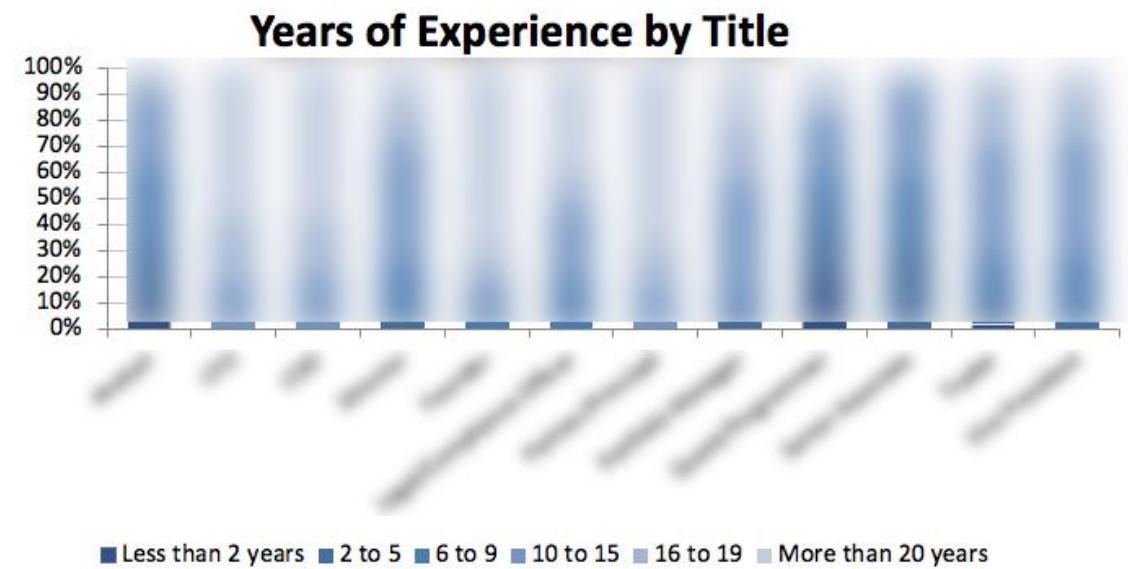


Figure: Years of Experience by Title

Years Experience	MEAN COMPENSATION			TOTAL COMPENSATION		
	Base	Bonus	Total	25th	50th	75th
				Percentile	Percentile	Percentile
Less than 2 years						
2 to 5						
6 to 9						
10 to 15						
16 to 19						
More than 20 years						

Figure: Compensation Ranges by Years of Experience

Unsurprisingly, greater experience also translates into higher total compensation. What you will find surprising is

Guaranteed Bonus Percentage (Percentage of Respondents)

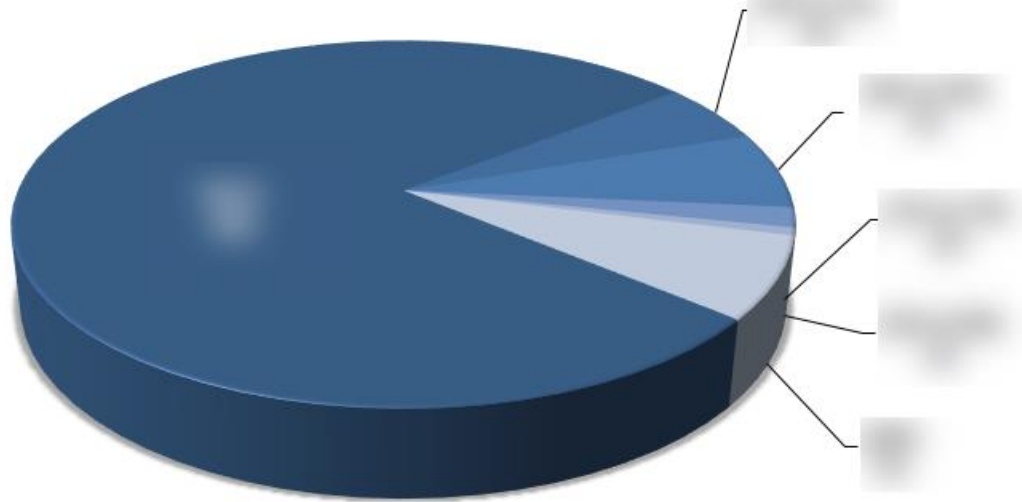


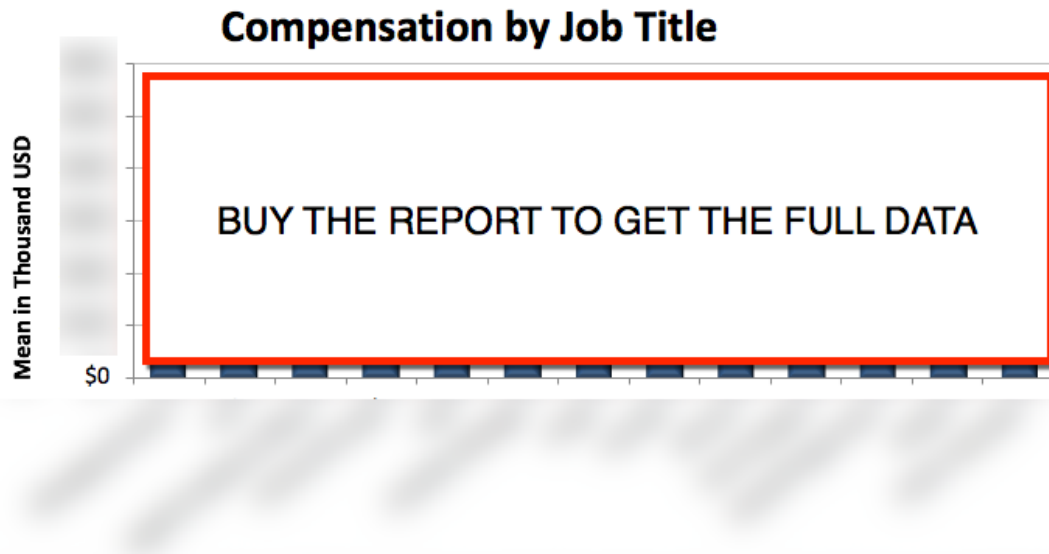
Figure: Guaranteed Bonus Percentage

Over the years, bonus pay for hedge fund professionals has largely fallen into one of two categories,

For more than a decade, we have observed that less than percent of hedge fund professionals receive a contractually guaranteed bonus and, of these select individuals, around receives a guarantee that represents ... percent or less of their base pay. In fact, only about hedge fund professionals receive a guaranteed bonus that exceeds percent of base pay and, predictably, these are professionals with

"Discretionary bonuses are often opaque."

Vice President – Proprietary Trading Group



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

Figure: Cash Compensation by Title

Founders, Chief Financial Officers, Managing Directors, Partners/Principals, and Portfolio Managers have always been

Those in the lower echelons

That said, experience has shown that

Of course, job titles are not job descriptions.

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

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

Figure: Compensation Ranges by Title

Differences Based on Firm Type and Fund Size

The percentage of respondents working in groups of fewer than ten has trended upward over the past twelve years, evidenced by the fact that three in four hedge fund professionals work in these small groups.

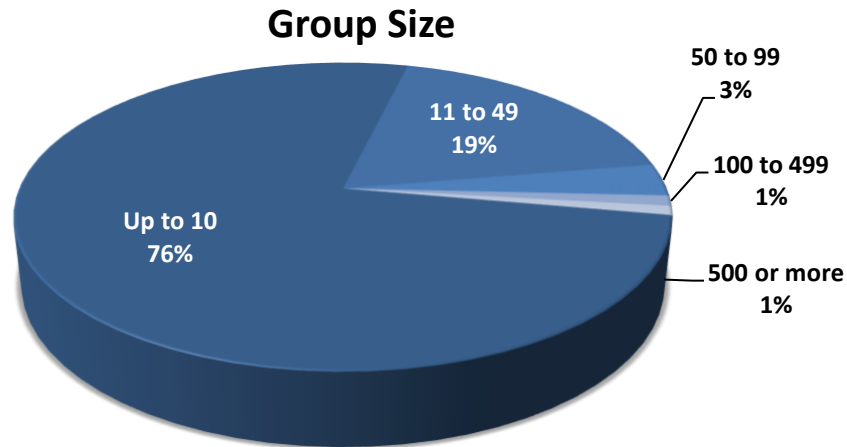


Figure: Size of Group by Number of Employees

More broadly, year-over-year comparisons based on firm size by number of employees, have remained quite stable, with roughly two-thirds of hedge fund firms reporting 99 or fewer employees, while around one-third have a staff of 100 or more employees. Barring minor shifts, these ratios remain consistent year after year.

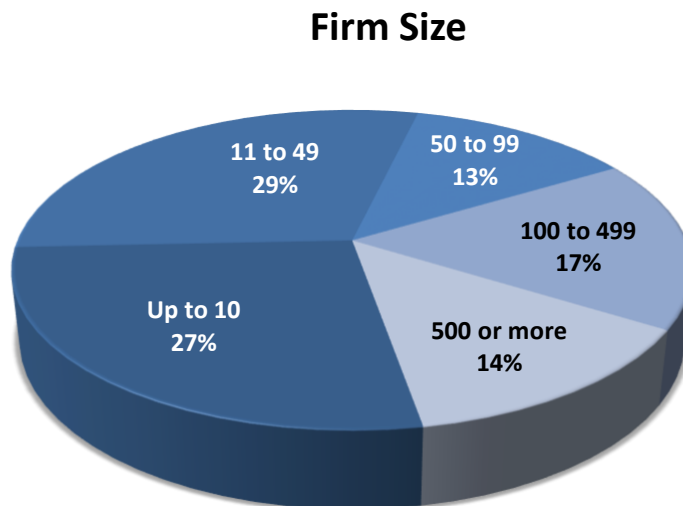


Figure: Size of Firm by Number of Employees

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For the past several years, this report has revealed a pattern in which hedge fund professionals working in groups ofindividuals are out-earning their peers working in groups.

Inherent in the hedge fund business model are founders that are hands-on business managers, infused with the entrepreneurial spirit. As a result, one can readily understand the

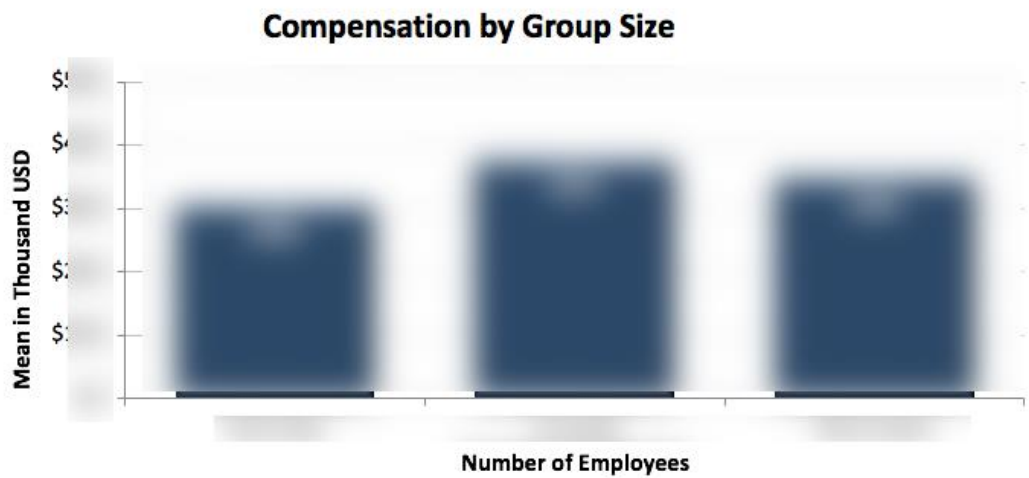


Figure: Compensation by Group Size (Number of Employees)

So, while compensation by group size is an important demographic, we also need to consider

The earnings strength of hedge fund professionals seems to diminish above ... employees and

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Job Title	% of Data Points	MEAN CASH COMPENSATION			TOTAL CASH COMPENSATION		
		Base	Bonus	Total	25th Percentile	50th Percentile	75th Percentile
New York City	41%						
UK - London	8%						
California	8%						
Connecticut	6%						
Illinois	5%						
Hong Kong	4%						
Massachusetts	3%						
Texas	3%						
New York(not NYC)	3%						
Canada	2%						
Switzerland	1%						
Singapore	<1%						
All Data Points	100%						

Figure: Mean and Percentile Cash Compensation by Office Location

New York City is headquarters for

Hedge fund strategies have traditionally been diverse.....

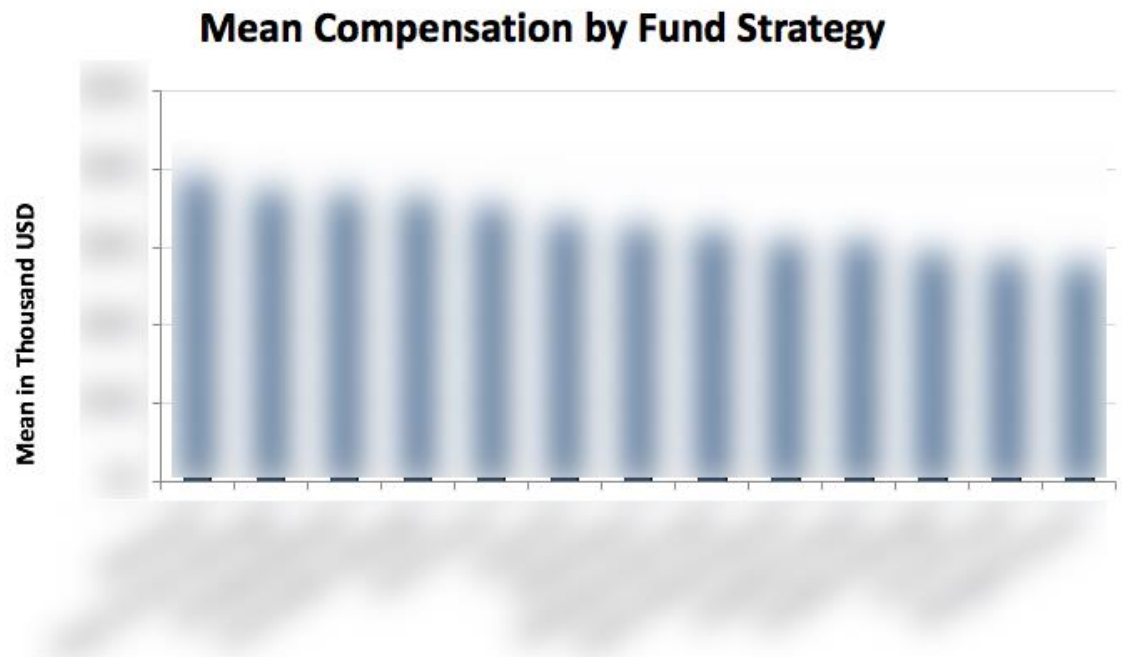


Figure: Mean Compensation by Fund Strategy

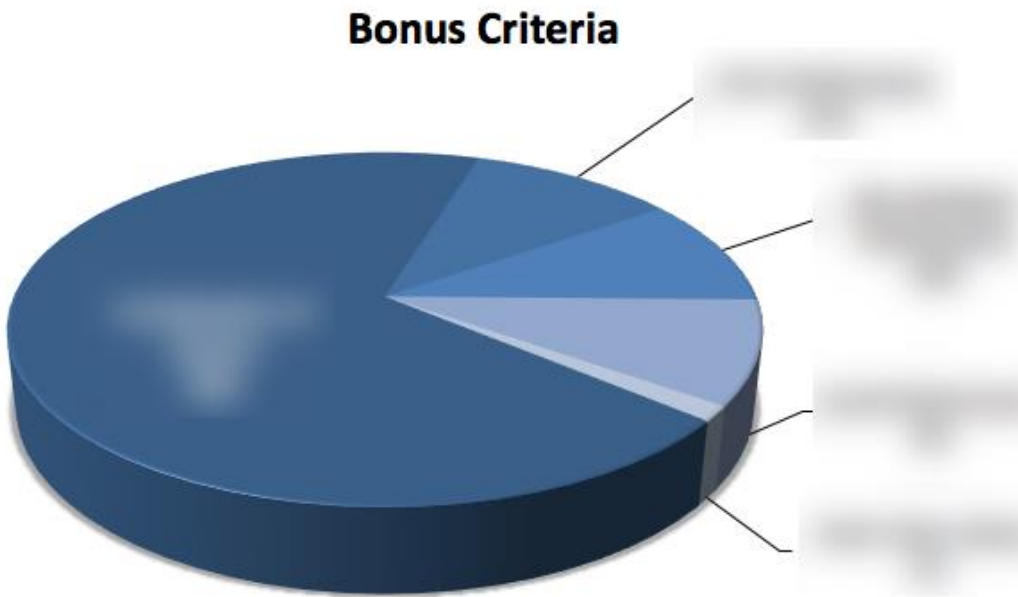


Figure: Bonus Criteria

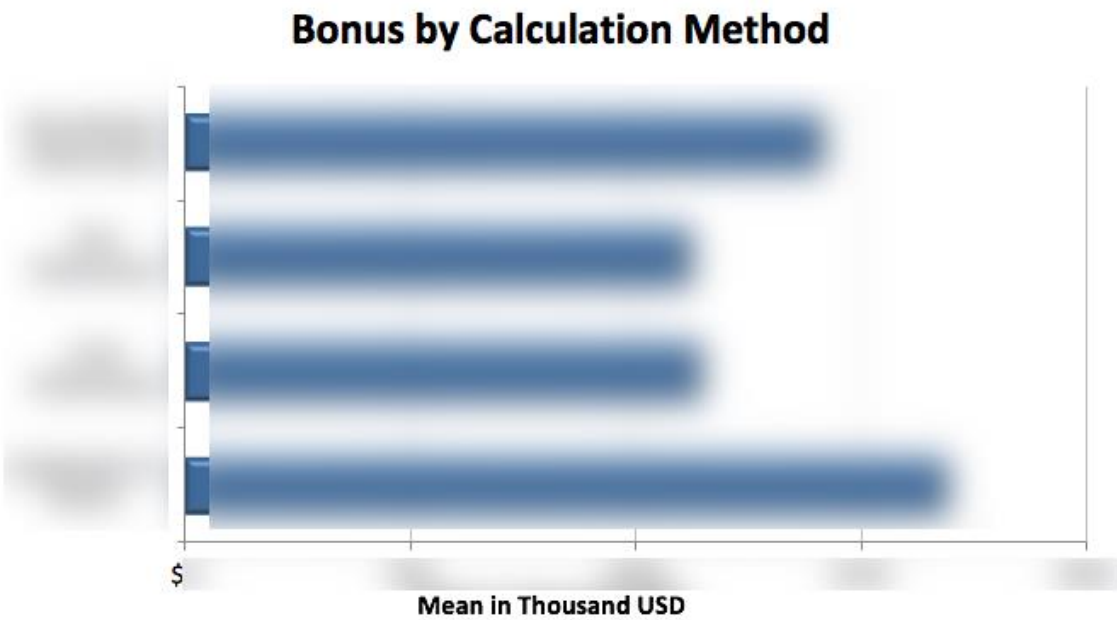


Figure: Bonus by Calculation Method

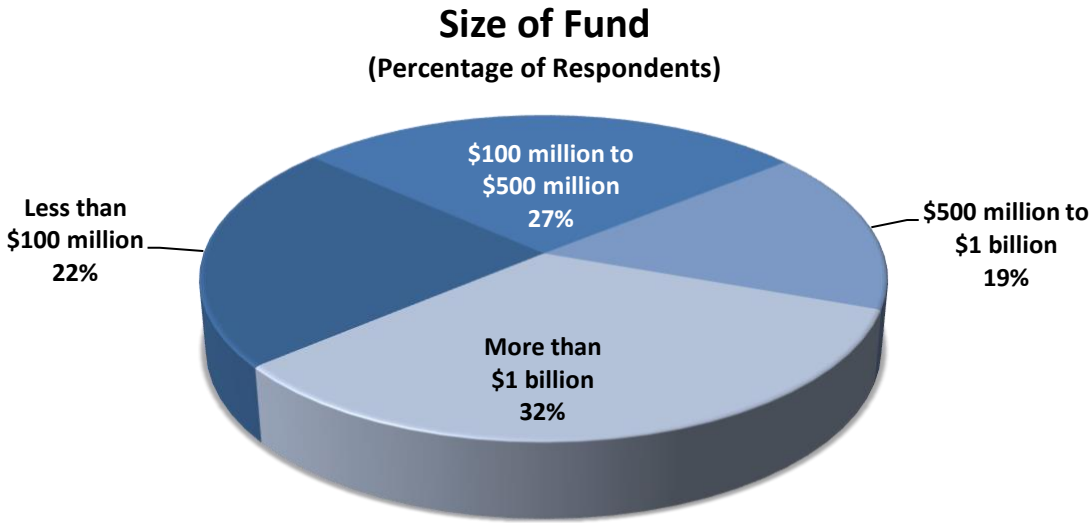


Figure: Size of Fund (USD)

The majority of hedge fund professionals work in firms with \$500 million or more in assets.

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Mean Base and Bonus Pay by Title and Fund Size			
Job Title	Less than \$100 million	\$100 million to \$1 billion	More than \$1 billion
Base Pay			
Analyst			
CFO			
COO			
Director			
Founder			
Legal/Compliance Officer			
Managing Director			
Partner/Principal			
Portfolio Manager			
Quant/Programmer			
Senior Associate			
Trader			
Vice President			
Bonus Pay			
Analyst			
CFO			
COO			
Director			
Founder			
Legal/Compliance Officer			
Managing Director			
Partner/Principal			
Portfolio Manager			
Quant/Programmer			
Senior Associate			
Trader			
Vice President			

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Note: 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: Base and Bonus by Fund Size and Title

Work and Personal Life Balance

(Percentage of Respondents)

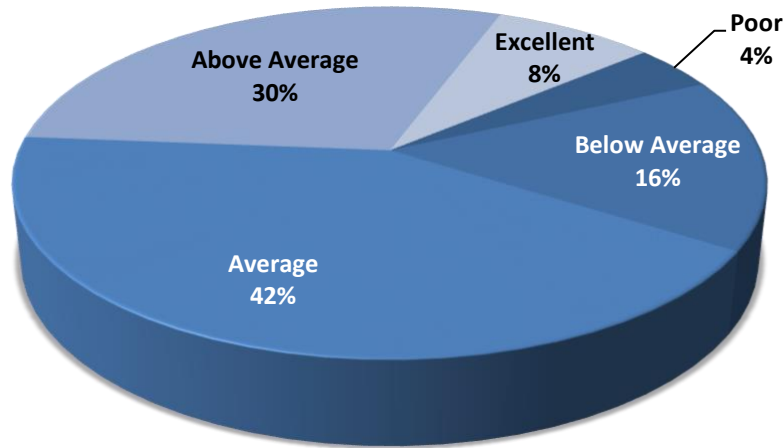


Figure: Work and Personal Life Balance

Work and personal life balance take on increased importance with each passing year. Hedge fund professionals viewing their work/life balance as average or above average comprise around 70 percent of hedge fund professionals. Twenty percent of respondents regard their work/life balance as poor or below average, while those respondents describing their work/life balance as excellent round out the mix.

Overall, the minor shifts we observe in sentiment, confirms that the majority of our respondents hold a favorable view of their work/life balance.

"Took a pay cut from law firm but pay to work/life balance is much better."

Managing Director – Proprietary Trading Group

Upside Sharing

Over the years, this report has demonstrated the important role played by bonuses in the total compensation package for hedge fund professionals — of equal consequence is the role played by upside equity sharing.

Those participating in equity upside sharing are generally top performing hedge fund professionals of the highest caliber. They are individuals whose loss would negatively impact the success of their firm. As a result, around _____ of hedge fund professionals _____.

Level of Equity Sharing
(Percentage of Respondents Eligible)

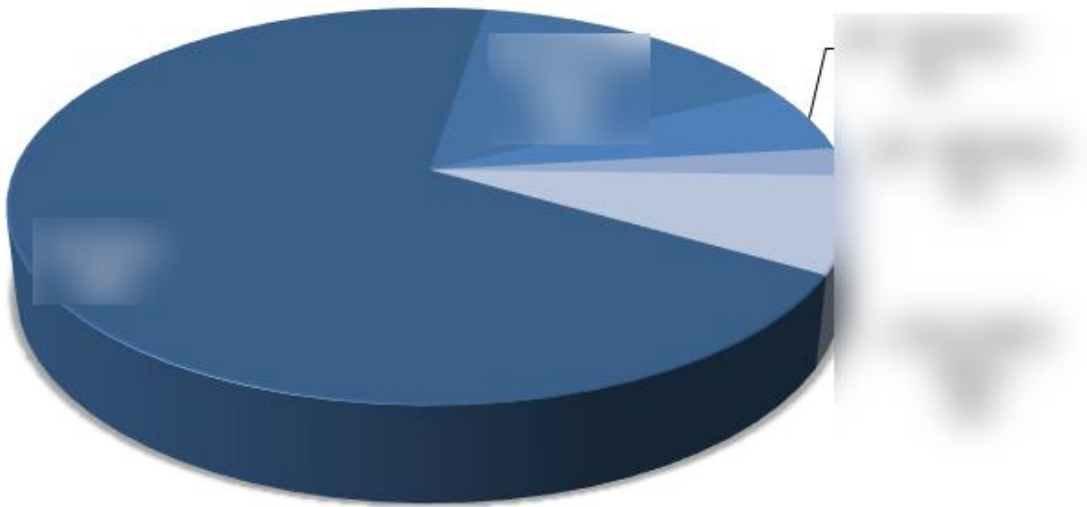


Figure: Level of Equity Sharing

Unsurprisingly, a hedge fund professional's equity participation rises

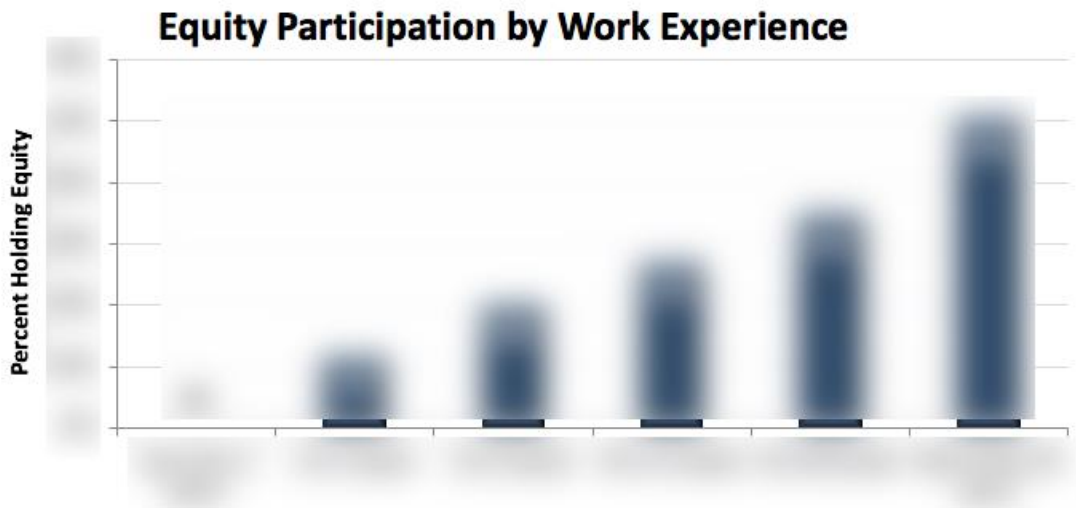


Figure: Equity Participation by Work Experience



Figure: Equity Participation by Hedge Fund Experience

Education and Experience

More frequently than not, hedge fund professionals holding an MBA out-earn their non-MBA peers.

Moreover, differences in base pay almost always favor the MBA. In terms of bonus pay, the MBA earns significantly more than colleagues without an MBA degree. On balance, the MBA earns higher total compensation than his non-MBA peer.

Mean Compensation	No MBA	MBA
Base		
Bonus		
Total Cash Compensation		

Figure: MBA Compensation Comparison

What Roles Do MBAs Play?

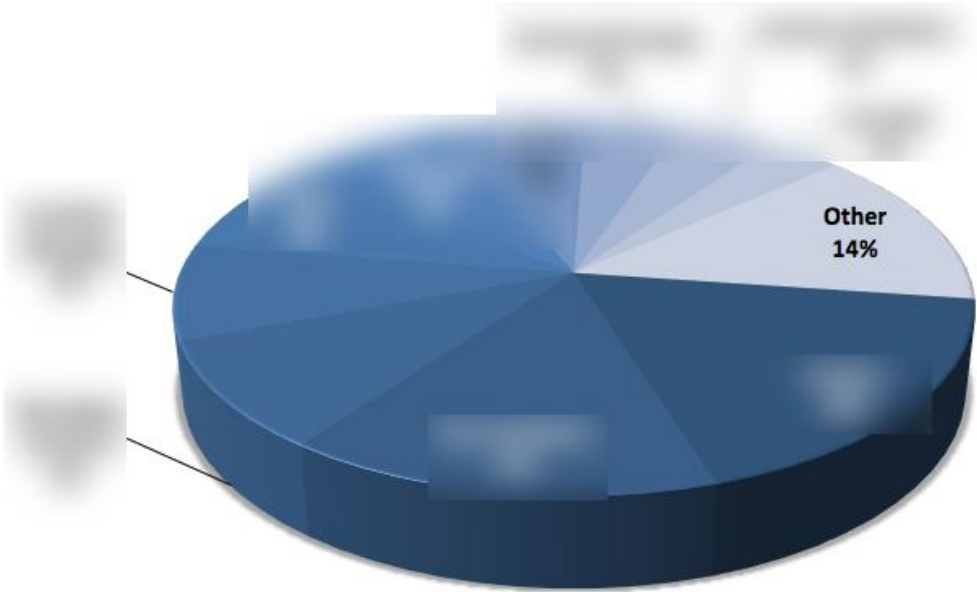


Figure: What Roles Do MBAs Play?

How Did You Find Your Current Position?

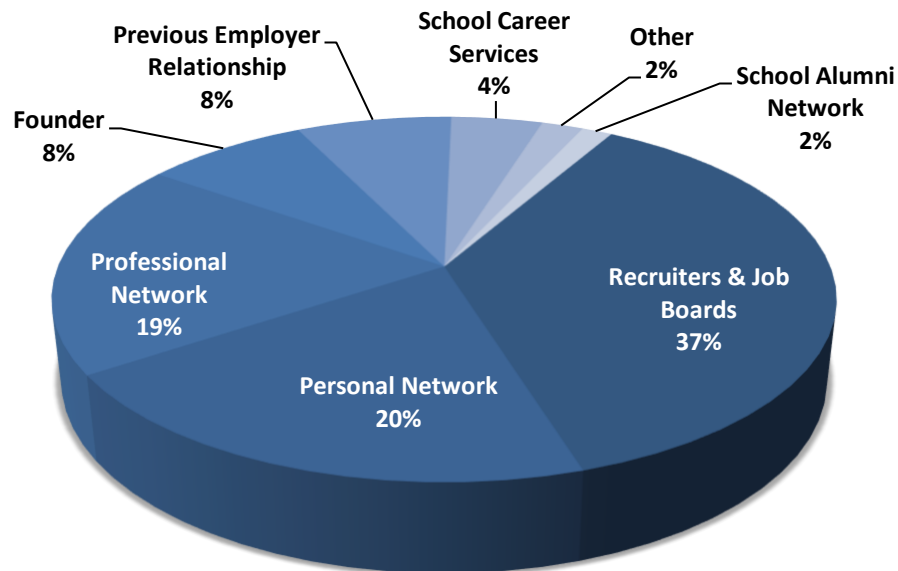


Figure: Sources of Hedge Fund Jobs

In many years of publishing this report, three channels are consistently cited as the primary sources used to land a hedge fund job. They are, recruiters and job boards, personal networks, and professional networks, which, together, account for around 75 percent of the positions filled.

There are marginal year-over-year shifts in the remaining categories, such as previous employer relationships and school career services, but, the fact is, the balance of the remaining sources of hedge fund jobs only comprises about 25 percent of the whole.