

# Hedge Fund Compensation Report

## SAMPLE REPORT



[HedgeFundCompensationReport.com](http://HedgeFundCompensationReport.com)

## CONTENTS

INTRODUCTION.....	1
LIST OF FIGURES.....	2
EXECUTIVE SUMMARY .....	4
METHODOLOGY.....	5
PAY LEVELS.....	6
DIFFERENCES BETWEEN FIRM TYPES AND FUND SIZE.....	16
HOURS WORKED AND COMPENSATION.....	29
UPSIDE SHARING .....	35
JOB SECURITY AND BALANCE.....	39
EDUCATION AND EXPERIENCE .....	43
PAY SATISFACTION .....	49
ADDITIONAL RESOURCES .....	51

## Introduction

It is our pleasure to share with you the seventh annual Hedge Fund Compensation Report.

The 2014 report includes actual data from 2012 and projected compensation numbers for 2013. As we collected the data between mid-October and November 2013 and did not see significant market events since that time, we are confident in presenting the 2013 numbers as final.

This report analyzes data related to cash compensation earned, levels of equity sharing, work satisfaction and much more. It also seeks to clarify fund performance and how that relates to pay expectations. This report is unique in that the figures are based solely on data collected directly from hundreds of hedge fund professionals.

Some of the questions answered in this report include:

- What are compensation averages and ranges for hedge fund professionals?
- What are typical base vs. bonus payouts?
- Which titles earn the most?
- Who shares in the upside?
- How does fund size affect pay?
- What is the impact of hours worked on compensation?

We feel a responsibility to present a compensation benchmark resource that is comprehensive, reliable and affordable. We know that we met that goal again this year and we hope, after reading the Report, that you feel we exceeded it as well.

We hope you will find this report helpful as you negotiate your compensation package, establish benchmarks for your firm's compensation policies, or set goals for your own professional development.

Sincerely,

A handwritten signature in black ink that reads "David". The signature is stylized with a large, looped 'D' and a cursive 'avid'.

David Kochanek, Publisher

## List of Figures

Figure 1: 2012 Level of Earnings .....	6
Figure 2: 2013 Projected Earnings.....	7
Figure 3: Historical Earnings Level Comparison .....	8
Figure 4: 2012 Base vs. Bonus Pay .....	9
Figure 5: 2013 Base vs. Bonus Pay .....	10
Figure 6: Year over Year Compensation Change .....	11
Figure 7: Guaranteed Bonus Percentage.....	12
Figure 8: Cash Compensation by Title (Last Year vs. This Year).....	13
Figure 9: Compensation Ranges by Title.....	15
Figure 10: Size of Group by Number of Employees .....	16
Figure 11: Size of Firm by Number of Employees.....	17
Figure 12: Compensation by Group Size (Employees).....	18
Figure 13: Compensation by Firm Size (Employees).....	19
Figure 14: Fund Investment Strategies.....	20
Figure 15: Compensation by Strategy .....	20
Figure 16: Current Year Fund Performance.....	21
Figure 17: Expected Bonus Level by Fund Performance.....	22
Figure 18: Size of Most Recent Fund (USD) .....	23
Figure 19: Compensation by Fund Size .....	24
Figure 20: Cash Compensation by Fund Size for Common Titles.....	25
Figure 21: Base and Bonus by Fund Size and Title .....	26
Figure 22: Base and Bonus by Title and Fund Performance.....	28
Figure 23: Hours Worked per Week.....	29
Figure 24: Compensation by Length of Work Week.....	30
Figure 25: Earnings per Hour by Title .....	31
Figure 26: Vacation Earned.....	31
Figure 27: Vacation Earned vs. Taken.....	32
Figure 28: Vacation Taken vs. Compensation.....	32
Figure 29: Work & Personal Life Balance .....	33
Figure 30: Where Are Firms Hiring Now?.....	34
Figure 31: Level of Equity Sharing .....	35
Figure 32: Percentage of Each Title with Equity.....	36
Figure 33: Equity Participation by Work Experience.....	37
Figure 34: Equity Participation by Hedge Fund Experience .....	38
Figure 35: Level of Job Security Concern.....	39
Figure 36: Reasons for Concern about Job Security .....	40

Figure 37: MBA Compensation Comparison.....	43
Figure 38: What Roles Do MBAs Play?.....	44
Figure 39: Quality of Firms Training Programs.....	45
Figure 40: Background of Hedge Fund Professionals .....	46
Figure 41: Years with Current Firm.....	47
Figure 42: Sources of Hedge Fund Jobs .....	48
Figure 43: Satisfaction with Compensation.....	49
Figure 44: Compensation Satisfaction by Title .....	50

## Executive Summary

According to our seventh annual Hedge Fund Compensation Report, hedge fund personnel reported a double-digit increase in total cash pay in 2013.

Thirty-one percent of hedge fund employees were expecting 15 percent to 100 percent more money while 5 percent expected to see their compensation more than double (similar to what we reported last year).

Of those reporting these large increases in cash compensation this year, it is no surprise that bonus makes up the majority of their compensation package. And bonuses, which in most cases are heavily tied to fund performance, continue to play a growing role in total cash compensation.

Overall, 90 percent reported gains at their funds. This year, an incredible 18 percent of reporting firms enjoyed gains of 25 percent or more in their fund.

Among the highlights from this year's report:

- The annual average cash compensation for hedge fund professionals is \$330,000. This is up 16 percent from \$284,000 earned the previous.
- The average hedge fund employee reported their base pay was about \$\_\_\_\_,000 and their bonuses would average \$\_\_\_\_,000 (\_\_\_\_ percent of their total cash compensation).
- The average base salary only increased by 4 percent, while the average bonus jumped 30 percent over last year.
- The highest paying role in 2013 was \_\_\_\_\_, taking home an average of \$\_\_\_\_,000.
- Partner/Principals received the greatest increase in 2013 (58 percent) due to very large bonuses. This led them to rate their pay satisfaction higher than any other role by far.
- Nearly eight out of ten hedge fund professionals work between 50 and 70 hours per week.
- Despite 68 percent having at least 10 years of total work experience, nearly three-quarters have been with their firms for five years or less.

We surveyed hundreds of partners, principals and employees during October and November 2013 to benchmark compensation practices. No one 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.

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.

Buy the Report to Access  
the Results

## Pay Levels

When looking at cash compensation, we start by identifying the pay levels into which people fall. What we see every year in our analysis is a large distribution of titles across pay levels.

This is due to several factors, including people who wear many hats in small funds, as well as the founder phenomenon (discussed below).

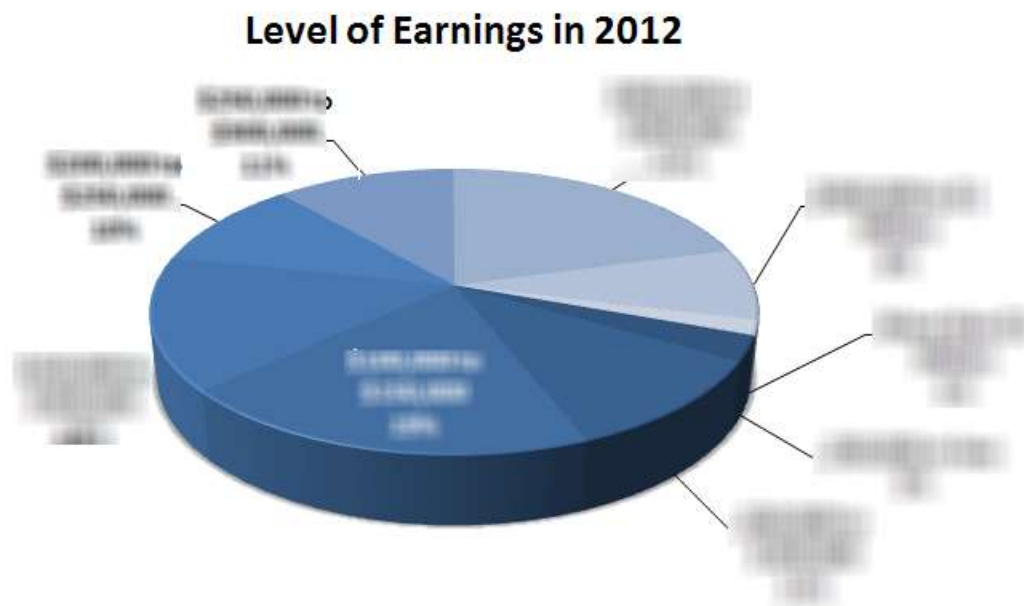


Figure 1: 2012 Level of Earnings

While total compensation grew by \_\_\_ percent in 2013, we saw that there was an overall upward movement in cash compensation.

In 2013, there were fewer professionals earning \$\_\_\_\_,000 to \$\_\_\_\_,000 and more earning \$\_\_\_\_,000 - \$\_\_\_\_,000. In all, three quarters of hedge fund professionals earned between \$\_\_\_\_,000 and \$\_\_\_\_,000.





Figure 2: 2013 Expected Earnings

At the lower end of the pay scale, we are starting to see some consistency year to year and we believe this is due to what we call the founder phenomenon.

Much is made of the top earners each year in the hedge fund industry. These industry titans can earn hundreds of millions or even billions in a given year.

But little is publicized about fund founders and those starved early years, when there isn't much cash to go around in a new fund. These investors sacrifice short term earnings in the hopes of a giant payday years down the line.

At the top end, we saw a decent increase in the number of professionals earning over \$\_\_\_\_,000, with that figure now reaching \_\_\_\_ percent. And \_\_\_\_ percent earned over \$1 million this year.

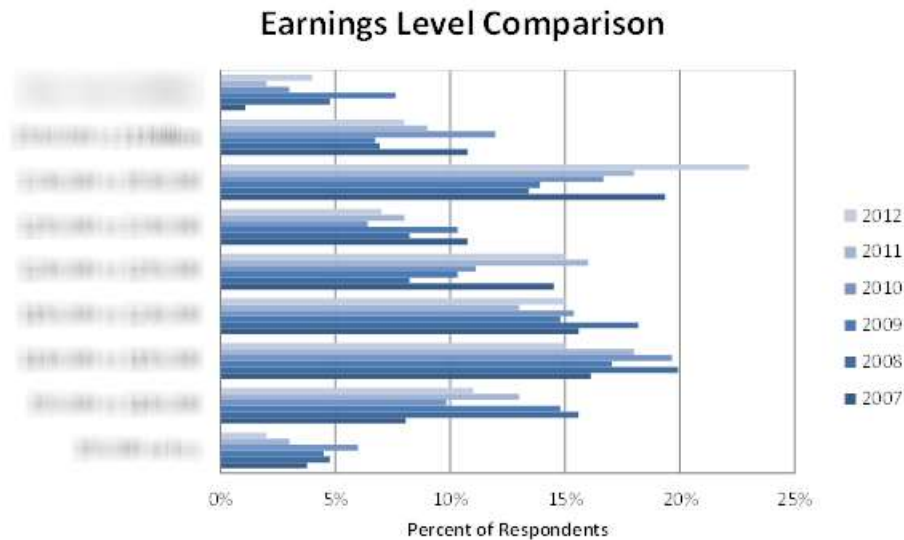


Figure 3: 2007 - 2013 Earnings Level Comparison

Here we provide a historical perspective of the nine different earnings ranges, looking back over the years we have been conducting this survey.

What we see is that the heady days before the recession brought with them high compensation, with \_\_\_ percent earning more than \$\_\_\_\_,000 per year. That number dropped below \_\_\_ percent post-recession and did not return into the \_\_\_ percentile until 2011.

The good news is that the industry has completely recovered and in both 2012 and 2013, \_\_\_ percent earned more than \$\_\_\_\_,000.

An interesting note, in 2009, when the markets were not performing well for most, some hedge fund investors found the opportunity and \_\_\_ percent reported earning more than more than \$1 million. That percentage seems to have settled into the \_\_\_ to \_\_\_ percent range over the past 4 years.



Figure 4: 2012 Base vs. Bonus Pay

In each of the past three years, the bonus represented more than \_\_\_\_ percent of total earnings for the two highest earnings groups. For the handful of respondents who made more than \$1 million last year, the bonus exceeded the base salary by more than five times.

The survey participants who reported pay over \$1 million worked at firms that were experiencing very good performance in 2013, with over \_\_\_\_% expecting double digit returns this year.

The bonus represents a major portion of compensation for the \_\_\_\_ percent of hedge fund employees who made between \$\_\_\_\_,000 and \$1 million. Bonus accounted for \_\_\_\_ percent of total earnings for this group in 2013.

For those earning between \$\_\_\_\_,000 and \$\_\_\_\_,000, bonus represents 54 percent of total cash compensation.



Figure 5: 2013 Base vs. Bonus Pay

Although salary exceeded the size of the bonus for every group except for the top two, the bonus still plays a major role in compensation for the nearly three quarters of respondents who earned between \$\_\_\_\_\_ and \$\_\_\_\_\_.

For example, the bonus accounted for \_\_\_\_ percent of the total pay package received by those who made between \$\_\_\_\_\_ and \$\_\_\_\_\_ and \_\_\_\_ percent of the pay received by those who earned between \$\_\_\_\_\_ and \$\_\_\_\_\_. Even those who made between \$\_\_\_\_\_ and \$\_\_\_\_\_ still received more than \_\_\_\_ percent of their cash compensation from bonus.

And as long as performance remains strong at these firms, bonus will continue to play an increased role in their cash compensation.

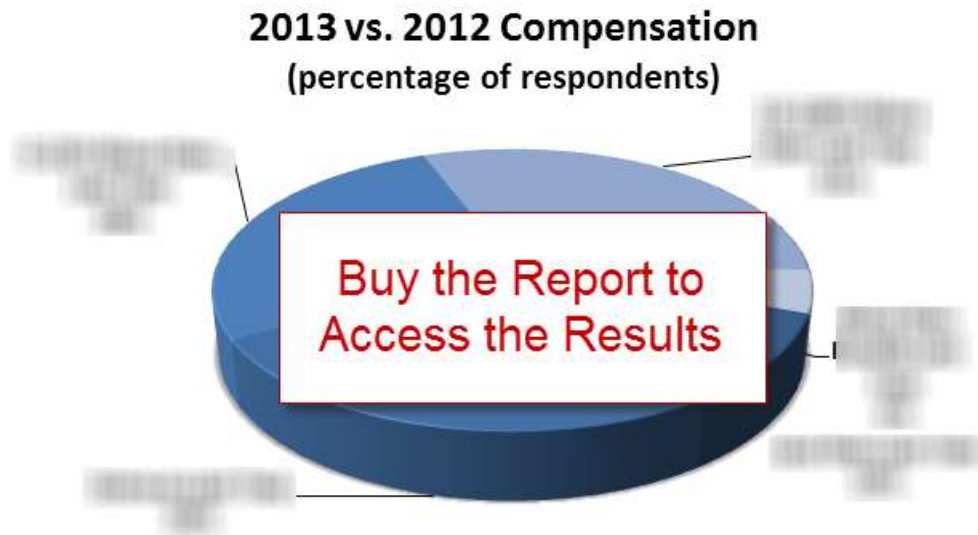


Figure 6: Year over Year Compensation Change Summary

Given the large number of hedge funds in the black, it is not surprising that hedge fund employees were generally much more optimistic about their compensation this year. More than half (\_\_\_ percent) expected their 2013 pay package to exceed last year's total while another \_\_\_ percent were anticipating the same amount.

In fact, \_\_\_ percent of hedge fund employees were expecting \_\_ percent to \_\_\_ percent more money while \_\_\_ percent expected to see their compensation more than double. This is not surprising, given that \_\_ percent expected the fund they work for to be up by \_\_\_ percent to \_\_\_ percent while another 4 percent were anticipating performance gains exceeding \_\_\_ percent.

### Guaranteed Bonus Percentage (percentage of respondents)

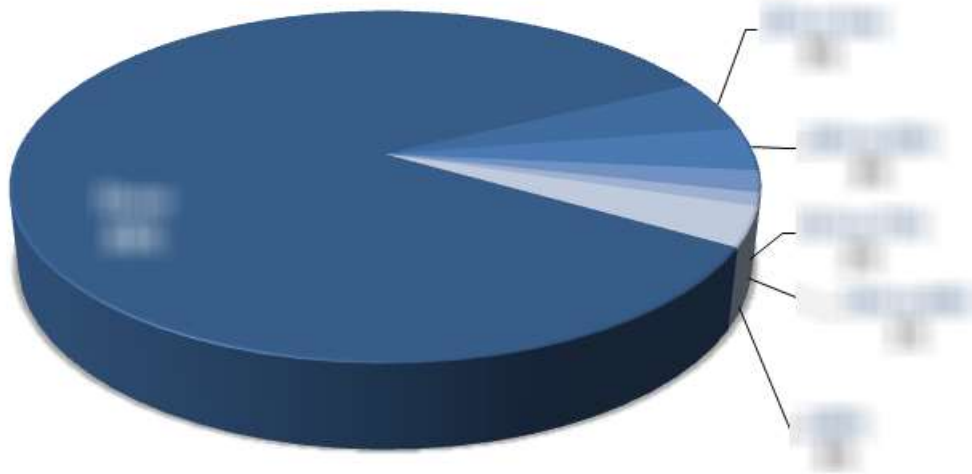


Figure 7: Guaranteed Bonus Percentage

While bonuses account for most of the highest earners' pay and are a significant share of the pay packages of most employees, they are far from being a sure thing.

As in 2012, \_\_\_ respondents said none of their 2013 bonus is guaranteed. This, of course, is no surprise, as we saw the same percentage last year. This year, the full bonus is guaranteed for \_\_\_ percent of hedge fund employees. Altogether, more than \_\_\_ percent of respondents said more than half or all of their bonus was guaranteed.

In some cases, however, these bonuses come with strings attached. Thirteen percent of all respondents said they are required to invest some of their bonus back into their firm's fund. 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.

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

Job Title	MEAN COMPENSATION 2013			TOTAL COMPENSATION 2013		
	Base	Bonus	Total	25th Percentile	50th Percentile	75th Percentile
Analyst	<p style="text-align: center; color: red; font-weight: bold;">Buy the Report to Access the Results</p>					
CFO						
CIO						
Controller/Accountant/Tax						
COO						
Director						
Legal/Compliance Officer						
Managing Director						
Partner/Principal						
Portfolio Manager						
Quant/Programmer						
Senior Associate						
Trader						
Vice President						

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

Figure 9: Compensation Ranges by Title

Leadership roles such as Managing Directors, COOs and CIOs, saw much greater variation from their means. And, in the case of the Chief Investment Officer (CIO), the top quartile earners nearly \_\_\_\_\_ their mean. The point being those who directly influence the performance of the fund can see drastically different pay levels based on the fund's performance -- a true meritocracy.

When we look at the earnings quartiles, we see much less variation in pay levels for support focused roles. For example, the finance related titles of CFO and Controller/Accountant/Tax saw the least amount of variation from their mean.

Last year's survey clearly illustrated that size mattered. Those who worked in the largest groups—those with at least \_\_\_\_ people—earned more than those who worked in the smaller groups.

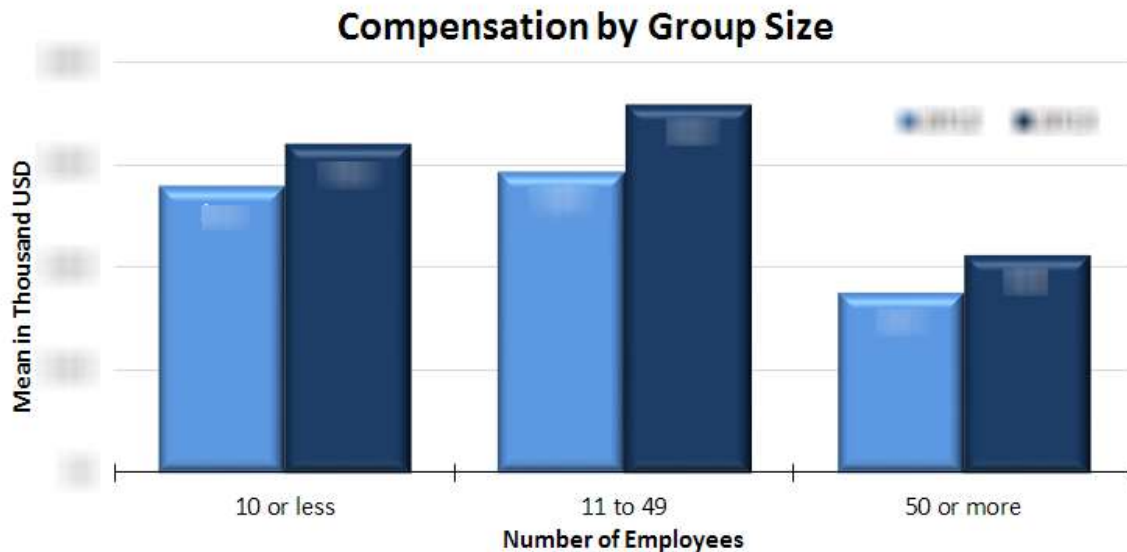


Figure 12: Compensation by Group Size (Employees)

The groups with fewer than 10 employees performed well this year. \_\_\_\_ percent of these groups posted performance gains—almost as high as the \_\_\_\_ percent of groups with 11 to 49 employees that posted positive gains. Just \_\_\_\_ percent of the small groups lost money.

The differences, when looking at compensation broken down by firm size, are somewhat less pronounced. Last year, we saw that the larger the firm a person worked at, the more money they were likely to earn, which did not line up with previous years.



It makes sense to see compensation at \_\_\_\_\_ firms to be higher than at a number of other strategies, especially at the \_\_\_\_\_ manager level, since these are specialized firms and there is a shortage of very good analysts of \_\_\_\_\_ candidates.

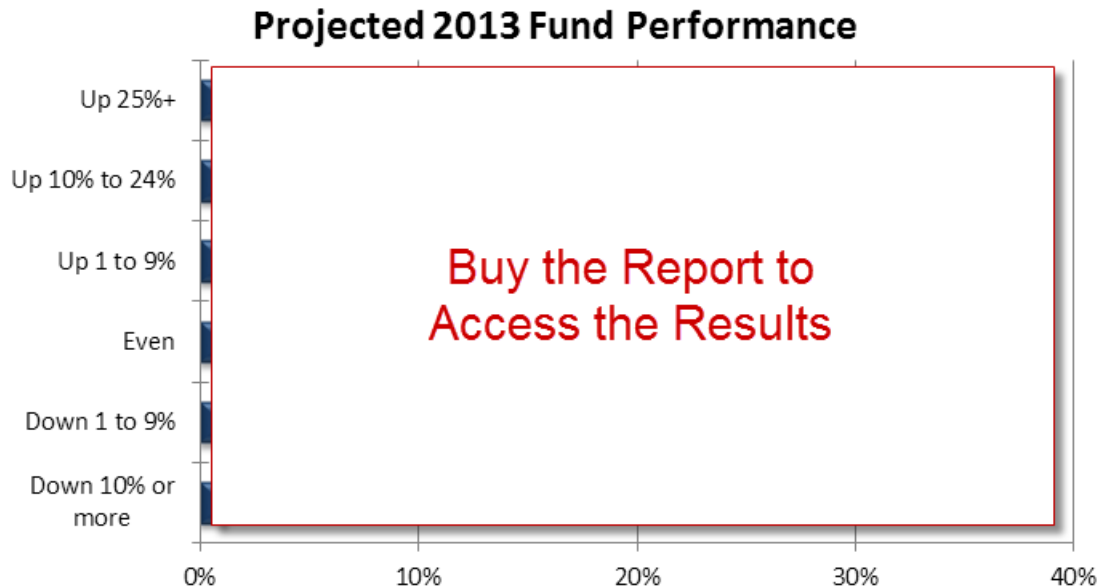


Figure 16: Current Year Fund Performance

Both the markets and these funds had a good year in 2013. A full \_\_\_\_ percent reported gains at their funds. \_\_\_\_ reported gains of up to 9 percent and another \_\_\_\_ reported gains between 10 and 24 percent. This year, an incredible \_\_\_\_ percent enjoyed gains of 25 percent or more.

Fund profitability explains why total cash compensation was up strongly again this year. Most employees worked at funds that were positioned to award substantial bonuses.

On the other hand, just \_\_\_\_ percent of the funds lost money and \_\_\_\_ percent ended even for the year.

Last year we projected there would be strong performance with bonus awards to match due to reaching high water marks. With loosening of hedge fund marketing restrictions, we expect 2014 to be another strong year in terms of hedge fund professional's earning levels.

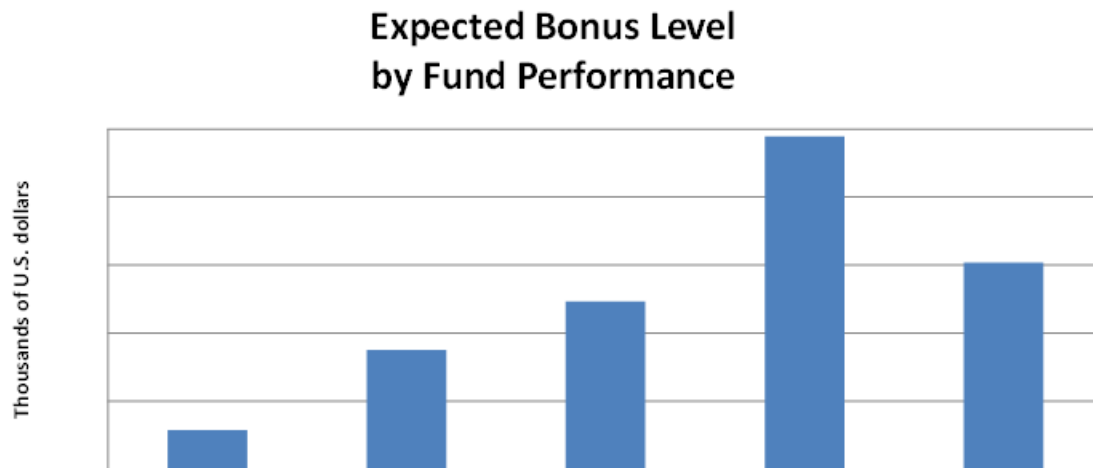


Figure 17: Expected Bonus Level by Fund Performance

At hedge fund firms the bonuses come from the fee pool, mostly performance fees. And respondents are well aware, the better the fund's performance, the bigger the incentive fee pot.

So, it is not surprising that those at funds that were up \_\_\_ percent or more took home an average bonus of \$\_\_\_\_,000. This was almost 50 percent higher than the bonus awarded to those at funds that were up just \_\_\_ percent.

Yet, there was not the same link between performance and bonus. Rather, employees who worked at the best performing funds wound up with bonuses that were nearly 40 percent lower, on average, than those who worked at funds that were up by \_\_\_ percent.

Employees at funds that lost \_\_\_ percent also earned a bonus, averaging \$\_\_\_\_,000. As surprising as this may sound, it was roughly in line with the bonus earned by employees who worked at funds that lost a similar amount.

The following table summarizes average 2013 salary and bonus by title and fund size, broken into three size categories.

Mean Base and Bonus 2013 Salary by Title and Fund Size			
Job Title	Less than \$100 million	\$100 million to \$1 billion	\$1 billion or more
Base Salary			
Analyst	Buy the Report to Access the Results		
CFO			
CIO			
Controller/Accountant/Tax			
COO			
Director			
Legal/Compliance Officer			
Managing Director			
Partner/Principal			
Portfolio Manager			
Quant/Programmer			
Senior Associate			
Trader			
Vice President			
Bonus			
Analyst	Buy the Report to Access the Results		
CFO			
CIO			
Controller/Accountant/Tax			
COO			
Director			
Legal/Compliance Officer			
Managing Director			
Partner/Principal			
Portfolio Manager			
Quant/Programmer			
Senior Associate			
Trader			
Vice President			

Note: 2013 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 21: Base and Bonus by Fund Size and Title

Mean Base and Bonus 2013 Salary by Title and Fund Performance								
Job Title	Down	Even	Up 1% to 9%	Up 10% or more				
Base Salary								
Analyst	Buy the Report to Access the Results							
CFO								
CIO								
Controller/Accountant/Tax								
COO								
Director								
Legal/Compliance Officer								
Managing Director								
Partner/Principal								
Portfolio Manager								
Quant/Programmer								
Senior Associate								
Trader	Buy the Report to Access the Results							
Vice President								
Bonus								
Analyst					Buy the Report to Access the Results			
CFO								
CIO								
Controller/Accountant/Tax								
COO								
Director								
Legal/Compliance Officer								
Managing Director								
Partner/Principal								
Portfolio Manager								
Quant/Programmer								
Senior Associate								
Trader	Buy the Report to Access the Results							
Vice President								

Note: 2013 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 22: Base and Bonus by Title and Fund Performance

## Upside Sharing

While bonuses are playing an increasingly growing role in a hedge fund employee's total compensation, equity is the compensation element that can make the biggest long term difference for those at the highest levels of the firm.

Hedge fund founders know that minimizing turnover of key players is critical, especially since many small firms run very lean. They use equity as a retention tool and as an incentive in the hiring process to entice top talent.

In 2012, \_\_\_ percent reported having an equity share, down from \_\_\_ percent in 2011 and \_\_\_ percent in 2010. In 2013, that number climbed to \_\_\_ percent.

The break out of equity sharing resulted in increases in almost each category. For example, \_\_\_ percent have a \_\_\_ percent ownership position, up from \_\_\_ percent last year. \_\_\_ percent have a \_\_\_ percent or higher ownership stake, up from \_\_\_ percent.

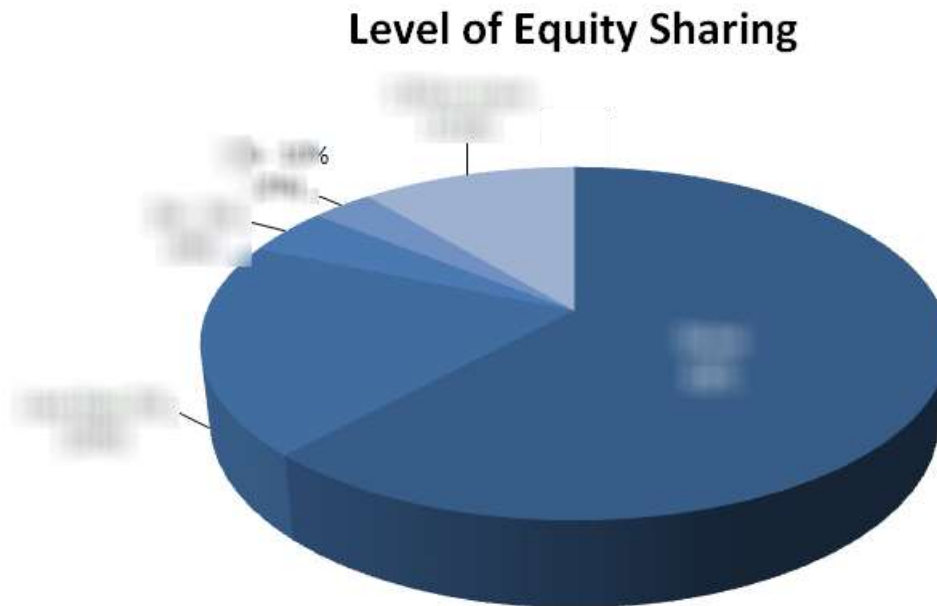


Figure 31: Level of Equity Sharing

Hedge fund owners know minimizing turnover is critical, especially since many hedge fund firms are run with few extra staff. Generally there is very little fat in

these firms. So they highly value equity as a retention tool for key people with hedge fund backgrounds or part of the incentive during the hiring process to entice top talent.

### Equity Participation by Years of Hedge Fund Experience

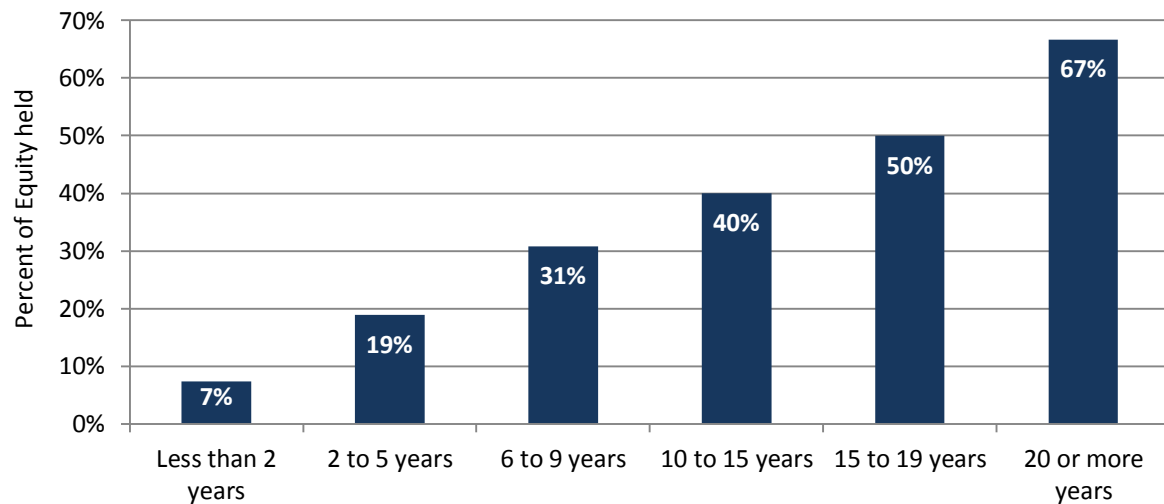


Figure 33: Equity Participation by Hedge Fund Experience

## Pay Satisfaction

Despite a 15 percent increase in total compensation in 2012, and another 16 percent this year, hedge fund professionals overall are still not satisfied with their pay.

According to the survey, 56 percent reported being dissatisfied with their compensation compared to just 44 percent who are happy. This year's findings are not inconsistent with what we've seen since the recession.

### Compensation Satisfaction

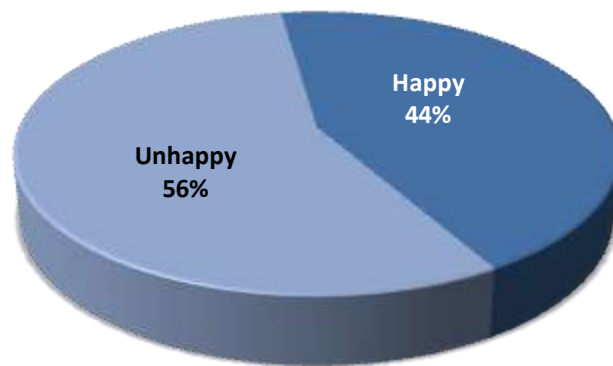


Figure 8: Satisfaction with Compensation

While nearly 6 in 10 employees, in general, are unhappy with their compensation, the story is different when you drill into the findings by job title.

## 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](http://www.jobsearchdigest.com/hedge_fund_jobs)



### 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](http://www.AlphaCalling.com)



### Linked Inside Out - Personal Branding & Networking

An intensive 4 week training course focused on using social media (and LinkedIn in particular) to create your brand, getting found online and building your professional network, both on and off-line. Perfect for those looking to make a career change or build a consulting practice.

[www.LinkedInsideOut.com](http://www.LinkedInsideOut.com)

