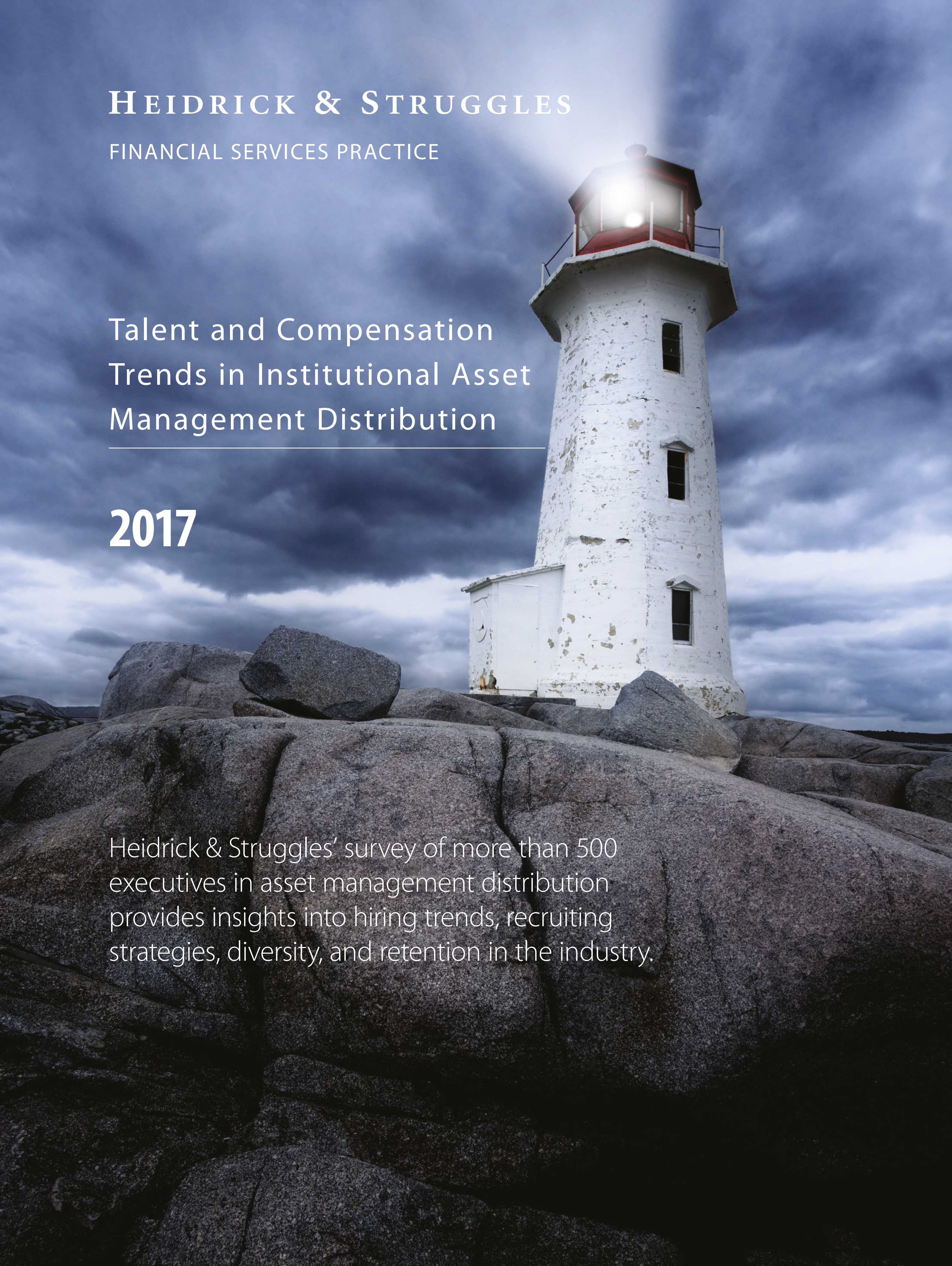


HEIDRICK & STRUGGLES

FINANCIAL SERVICES PRACTICE

Talent and Compensation Trends in Institutional Asset Management Distribution

2017

Heidrick & Struggles' survey of more than 500 executives in asset management distribution provides insights into hiring trends, recruiting strategies, diversity, and retention in the industry.

In recent years, the asset management industry has, collectively, raised its game to build the most sophisticated and client-centric distribution efforts to date. However, attracting and serving institutional investors seems more challenging than ever, with 30-year industry veterans describing the environment as the most competitive of their careers. Never before has getting this right been so critical to a company's success.

As in years past, Heidrick & Struggles presents our market insights to help asset management firms build and sustain the most competitive client-facing efforts possible. We also hope to provide distribution professionals with a deeper understanding of the environment so they can find (or affirm they are already in) positions best suited to their talents and aspirations.

This paper reflects our "in the trenches" recruiting experience within distribution. We also include the results of a proprietary survey we conducted in March of this year, which received 534 responses.[1] Given industry convergence, segmenting firm types within the survey has become more complex each year. Survey respondents self-selected into three main firm-type categories:

- traditional (long only fixed income and equities)
- diversified (long only and alternatives)
- alternatives (hedge funds, private equity, real estate, and fund of funds).

[1] While 534 participants contributed to the survey, there was high variability regarding the number of questions each person answered. As such, many areas of the paper will indicate smaller response rates.

Contents

Respondents' functions include:

- sales/fundraising,
- investor relations/client service,
- consultant relations,
- product specialists, and
- client portfolio manager.

In this paper, we strive to offer the most granular view possible depending on sample size within each function and firm type.

Section I. Key Observations

- Industry pressures have profoundly affected the client-facing efforts of asset managers; almost all have been forced to further institutionalize and professionalize their teams.
- Professionals are working more intensely and for much less return on effort. Burnout and pressure on morale are real concerns for team leaders.
- Even within areas experiencing positive capital flows and positive market sentiment, ever-increasing investor demands are pressuring historically lean teams.
- Investors are demanding a much more proactive, high-touch, transparent, and flexible working dynamic.
- Generally speaking, compensation models have become more team oriented, with less emphasis on individual production and more emphasis on rewarding "the village."
- Diversity will draw more attention as firm leaders increasingly consider its business impact and public policy initiatives.
- Compensation expectations are likely to reset—particularly in sales—given fee pressure, performance challenges, and the involvement of more hands than ever in raising and retaining capital.
- The top three motivators of job changes in 2016 were the ability to build, grow, and influence; firm culture and people; and general opportunity for advancement. Compensation, notably, ranked fourth.
- Five key market trends are driving the need for talented product specialists and client portfolio managers, and firms are solving for this role creatively as the talent pool matures.
- While demand for sales talent remains high, more professionals are quietly considering their long-term career options.
- A healthy debate is underway regarding the value of hiring and retaining senior, experienced industry veterans versus mid-level professionals.
- As capital flows to certain strategies (i.e., real assets, systematic, private credit), firms offering these strategies have their pick of top talent.
- Across all firm types, the demand for more technically capable client-facing professionals is high and intensifies every year.
- Many distribution professionals believe their firm's leadership does not accurately perceive their value and contribution.
- Compensation varies widely, with little standardization.
- The opportunity cost for mis-hires in the sales function is high, given the length of the sales cycle, increasing investor demands, and the expense of hiring and retention.
- There is healthy demand for consultant relations professionals, and a robust debate regarding best practices and strategic coverage of the channel.
- 25% of consultant relations professionals reported actively looking for a new role in our 2017 survey compared with 10% in 2014.
- Compared with fundraising/sales, consultant relations professionals were significantly more likely to characterize their total compensation as in line with their contributions to the firm.
- While sentiment is mixed, the majority of sales professionals believe firms have unrealistic expectations today.
- Fundraising and sales maintain their lead in hiring activity across all firm types. Product specialists (particularly at diversified firms) and investor relations (at alternatives firms) show particularly strong hiring.
- Turnover rates within distribution across functions and firm types remain consistently high, at more than 19%.
- Turnover rates at traditional firms are comparatively low (11%) but this group may be poised for significant change, with respondents reporting the highest degree of openness to considering a move.
- The size and complexity of distribution team structures varied widely.
- Most typically, fundraising teams are aligned geographically or in a hybrid geographic/client channel structure.

Section II. Profile of the Talent Pool

For firms seeking to hire distribution professionals, the most direct talent pool lies among competitors. Sourcing "out-of-the-box" talent from analogous roles is less common, and happens most often through direct relationships. It depends on the role and the hiring firm's appetite for risk.

For institutional sales and consultant relations roles, most firms typically hire experienced buy-side client-facing professionals. Companies are understandably hesitant to transition someone without a demonstrated track record of success, given the opportunity cost of a mis-hire and the significant compensation costs for these professionals.

Creative solutions are more common in filling client portfolio manager, product-specialist, and investor relations/client service roles; companies are typically more open to considering talent from the sell side, investment roles, and consulting firms. For example, there has been a significant migration of investment talent from the hedge fund of funds and investment consulting firms to these client-facing but not fundraising-centric roles. We have also experienced an increased level of "cross pollination" within institutional sales in recent years, as professionals move between traditional and alternative investment firms and across strategies within alternative firms.

Academically, hiring firms are expressing an increased preference for candidates with MBAs and/or CFAs. We believe this reflects the technical acumen required of these roles as platforms become more complex and investors demand increased sophistication. Across all firm types, 37% of respondents hold an MBA and 21% hold the CFA certification.

What is the highest level of education you have completed?

	All firm types	Alternatives	Traditional	Diversified
Bachelor's degree	50.6%	48.9%	46%	58.1%
Master's degree	10.9%	11.06%	12.9%	8.5%
MBA	37.2%	39.6%	38.7%	31.8%
JD	3.4%	4.1%	2.4%	3.1%
PhD	0.2%	0%	0.8%	0.0%
Responses	**470**	**217**	**124**	**129**

Note: We had several respondents with dual degrees (e.g., JD/MBA)

Select all certifications you hold

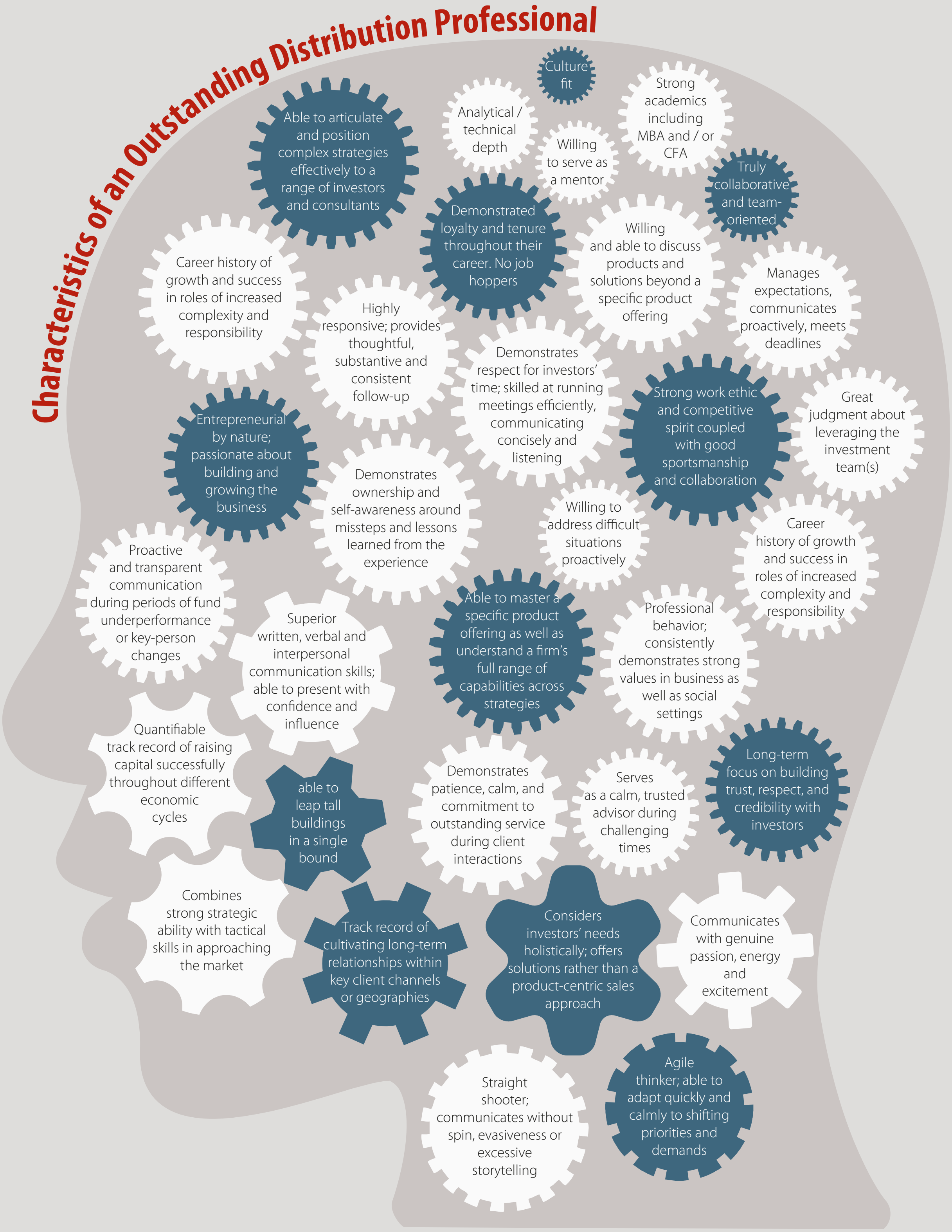
	All firm types	Alternatives	Traditional	Diversified
CFA	20.9%	14.8%	23.5%	27.4%
CAIA	7.0%	6.6%	7.6%	7.3%
Responses	**426**	**183**	**124**	**124**

Characteristics of Top Talent

Outstanding distribution professionals come with a wide range of backgrounds, experience levels, and personalities. They possess a unique mix of characteristics, and it's quite the challenge to find so many different—and at times competing—traits in one person, particularly in sales.

"We're looking for someone really smart, a great team player, great culture fit, aggressive but not sharp elbowed, highly technical and content driven but super dynamic and engaging; not a salesperson because we're not hiring a Rolodex but they have to have raised meaningful capital, find us scrappy and entrepreneurial but polished and super organized, top tier but not too demanding on compensation, high energy, passionate and driven but not, you know, 'salesy'...."

Below is a composite we created based on allocator feedback during referencing, the "wish lists" of our clients, and our own direct observations of successful placements over the years:



Section III. Current Hiring Trends and Activity (United States)

In spite of industry pressure, hiring within distribution has remained steady here in the United States. Fundraising, typically the most active function, remains robust. In addition, we're seeing strong hiring for product specialists, consultant relations, and investor relations/ client service—a trend reflected in our research as well as in our recruiting activity. Overall, we're finding demand to be more balanced among traditional and alternatives managers than in years past. Our mandates in 2016 and 2017 reflected industry trends in capital flows, with increased demand from private equity, real estate, infrastructure, and private credit clients, and relatively more conservative hiring for hedge funds and traditional managers than in prior years.

The opportunity to build, grow, and influence is the key motivator that inspires top talent to consider a move, particularly in sales roles. During the past several years, mandates that attracted the most excitement among the candidate pool reflected this sentiment. Examples include non–US clients seeking to establish a footprint in the United States; alternatives firms reaching an inflection point and hiring their first head of marketing; family offices looking to raise outside capital; leadership roles with significant change mandates; and firms upgrading or building dedicated consultant relations efforts. While some fundraising professionals are attracted to the stability and diverse product suite of large, well-established platforms, these roles tend to garner less excitement, particularly at more senior levels.

Turnover rates among distribution professionals across all functions remain at typically high levels, with nearly 19% of survey respondents changing firms in 2016. Unsurprisingly—given market volatility and performance pressure—alternatives firms experienced the highest turnover (23%) and traditional managers the least (11%). Diversified firms had average turnover (19%).

This level of turnover presents both challenges and opportunities for ourselves and our clients. While executive search firms often are brought in to effect change, we place tremendous value on loyalty and tenure. From our perspective, it is difficult to assess prospective talent without a solid three-year run during which candidates would have the opportunity to prove themselves. This is particularly true in fundraising, given the length of the institutional sales cycle. We also consider loyalty and tenure when assessing talent for leadership roles, recognizing it may take years to observe the results of the changes they put in place.

Did you change firms in 2016?

	All firm types	Alternatives	Traditional	Diversified
Yes	19.4%	23.5%	11.3%	18.8%
No	80.6%	76.5%	88.7%	81.2%
Responses	**368**	**170**	**97**	**101**

When considering the state of mind within the candidate pool, it may appear curious that our research shows distribution professionals within alternatives firms report the highest levels of professed loyalty (20% firmly committed to their current roles) coupled with the highest level of turnover. However, this is actually in line with our one-on-one conversations and interviews. Why? While the market may view them as opportunistic, many distribution professionals, particularly at hedge funds, would prefer longer tenures. However, volatility in investment performance makes this challenging. Conversely, distribution professionals at traditional firms register the lowest 2016 turnover rates but the highest degree of actively looking or being open to new opportunities (85%). The traditional space may be due for a robust game of musical chairs in the near term.

How would you characterize your current state of mind?	All firm types	Alternatives	Traditional	Diversified
Actively looking (unemployed)	5.0%	3.6%	5.3%	7.8%
Actively looking (employed)	21.2%	18.8%	22.3%	23.5%
Not looking but open to considering new opportunities	58.7%	57.6%	62.8%	56.8%
Firmly not open to considering new opportunities	15.1%	20%	9.6%	11.7%
Responses	**397**	**165**	**94**	**102**

For distribution professionals who changed firms in 2016, our research and experience show high variability in offer terms. We know from experience that the most sought-after candidates, across functions and levels, typically command at *minimum* a guaranteed bonus floor to entice them to leave their jobs. The very best still command "make whole" bonuses, though these occur less frequently than in years past. While the handful of two-year deals that happen become folk legend, securing more than a one-year guarantee is quite rare today, and these agreements are reserved for the best—and some might argue luckiest—fundraisers and distribution leaders.

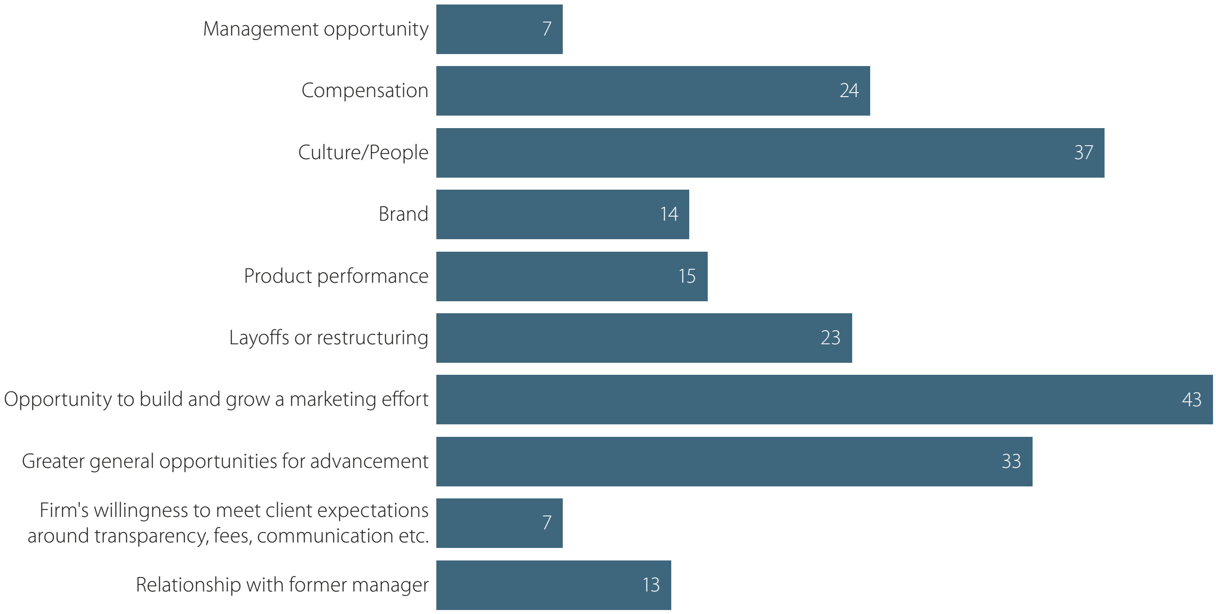
If you changed firms 2016, were you offered a (check all that apply)	All firm types	Alternatives	Traditional*	Diversified*
Sign-on bonus	17	8	4	5
Buy out of deferred	9	5	1	2
Equity	23	15	2	5
Make whole bonus (100% of anticipated bonus at previous firm)	14	6	3	4
Minimum bonus floor (% of anticipated bonus at previous firm)	25	15	2	7
Responses	**58**	**32**	**7**	**16**

** Sample sizes for traditional and diversified were very small.*
Note: Other offer terms included carry, moving assistance, guarantee higher than previous bonus.

> In exploring motivation for change, our research and experience are in strong alignment. The opportunity to build, grow, and influence; firm culture and people; and general opportunity for advancement were the top drivers of change in 2016. Compensation, notably, ranked fourth.

Particularly at senior levels, where much of our work is focused, we hear variations of "life is just too short to work with…." Rarely can compensation overcome a firm's reputation for being sharp elbowed, lacking in strong leadership, or lacking support for the distribution function. For fundraisers particularly, influence doesn't necessarily come in the form of people management. We would argue many distribution leaders have an ambivalent relationship with managing people; many enjoy mentoring but would prefer to remain "player/coaches," a desire driven both by personal satisfaction in working with clients and the realization that compensation models tend to reward production over management.

If you changed firms in 2016, please select your top three motivators *(Responses 73)*



As mentioned earlier, hiring activity for fundraising and sales remains typically strong across all firm types. We also observed two notable pockets of strong activity: product specialists, particularly within diversified managers as firms navigate the complexities of a more diverse product suite, and investor relations professionals within alternative shops, as asset retention and serving a more demanding investor base have taken on increased importance. Increased customization and co-investing are also impacting hiring for these functions across all firm types. Senior distribution hiring is strongest among traditional firms, in line with our experience during the past two years; our alternatives clients expressed the highest level of interest for what we would consider mid-level candidates (10–15 years of experience).

What functions will your firm hire for in 2017?

	All firm types	Alternatives	Traditional	Diversified
Fundraising/sales	56.7%	51.7%	48.3%	64.6%
Product specialists	22.1%	8.6%	20.9%	35.4%
Consultant relations	15.9%	0%	22.4%	27.7%
Investor relations/client service (client-facing)	33.2%	48.3%*	32.8%	24.6%
Investor relations/client service (non-client-facing)	23.1%	27.6%	20.7%	26.1%
Senior distribution leadership	9.6%	3.5%	15.5%	6.2%
Client portfolio managers	11.5%	5.1%	13.8%	18.5%
Respondents	**208**	**58**	**58**	**65**

** Some might argue more robust investor relations hiring in alternatives is long overdue.*
Note: Percentages will add up to more than 100% because respondents were asked to check all that apply.

Section IV. Global Hiring Environment

Heidrick & Struggles—Our Global Team View

UK/Europe *(Authors: John Hindley, David Harms, and Andy Smith)*

In Europe, senior talent has been in demand, while an emphasis on strategy and commerciality has elevated the importance of the distribution role and added new facets beyond what one would expect of a head of sales. As firms look for strategic alliances, M&A, and joint ventures, an awareness of corporate development can attract the best talent in this pool, not least as it positions aspirational senior distribution professionals for a CEO role.

Asset raising has been brisk in Italy, the Nordics (which are considered accessible), the UK, and Switzerland. Channels such as wholesale and consultant coverage have been active, but not at the frenzied levels of 2015 and 2016. Regulation has had a significant impact, with Solvency II driving a desire to find solutions-oriented professionals to cover the insurance market.

Despite uncertainty about the impact of Brexit on the pan-European marketplace, hiring activity remains stable, but focused on strategic-level hiring. US and Asian firms have been confident enough to establish a new European presence in 2017, choosing London as their headquarters, with the advantages of the UK capital holding strong despite the uncertainty. Whether this holds true as Brexit negotiations intensify remains to be seen.

APAC *(Authors: Steven McCrindle, Michael Di Cicco, and David Scambler)*

Asset raising has been challenging in Asia ex-Japan over the past year, reducing demand for distribution talent. We are seeing activity among alternatives, multi-asset product specialists, and sales and channel specialists covering insurance firms. This is very much aligned with the key product and channel growth areas in the region. We expect to see more demand for private banking/wealth-management sales professionals as global institutional asset management firms in the region look to market to this growing client segment. At the country level, Japan, and China continue to dominate. In Japan, institutional salespeople with a strong solutions orientation and alternatives product knowledge are highly sought after. Hiring activity onshore in China has greatly accelerated recently as firms establish and develop their wholly foreign-owned enterprises (WFOE) in Shanghai.

In Australia the demand for institutional distribution professionals has been lower than in recent years. The superannuation funds are driving fee compression in this market, which is challenging the revenue line of most asset managers. Increasingly, asset managers are hiring very senior product/investment director-level executives who bridge the gap between manufacturing and distribution, rather than simply hiring additional distribution executives.

Middle East *(Author: Shadi El Farr)*

In the Middle East, the fundraising environment followed global trends such as increased allocation to alternatives and private debt markets, and decreased allocation to public markets. Regional sovereign wealth funds and financial institutions have restructured significantly. Most sovereigns and institutional investors are developing direct investing capabilities in-house with plans to gradually increase their direct investing assets, particularly in private equity and real estate. Many regional asset managers are adopting generic fundraising strategies to accommodate a broad and diversified client base and overcome liquidity challenges caused by lower oil prices and toughening fiscal policies. Global funds continue to try to diversify their asset base—especially in situations where their assets are very concentrated—but often are blocked by regulations and other restrictions.

The region remains a major hub for fundraising; the past 24 months has seen continuous hiring of fundraising talent—although at a decreasing rate—within regional and global funds. Fundraising executives who are sector specialists working for reputable global and regional brands are in high demand. Given the growing interest in targeting family offices, there has been a significant talent transfer from the private banking and wealth management space. Arabic-speaking and GCC-native fundraising talent have increased, while the proportion of talent covering MENA from London or other major cities has decreased. Unlike more mature markets, hiring talent with combined sales and buy-side experience remains a challenge.

2017 survey results/market view

Compared with our last publication in 2014, overall hiring levels for distribution are only moderately lower—a welcome observation given pressures on active management generally. In our survey pool—comprised of US-based companies, including American multinationals with offices abroad—we see the most hiring activity among the diversified asset managers, those firms offering a mix of traditional and alternative investments. This is not surprising, given these teams tend to be large, complex, and positioned to remain competitive throughout different market cycles.

North America

How would you best characterize your firm's distribution hiring plans on the ground in North America for the remainder of 2017?

	All firm types	Alternatives*	Traditional	Diversified
Currently actively recruiting	12.1%	7.2%	13.5%	20.2%
Opportunistically meeting potential candidates	26.9%	17.4%	22.9%	38.4%
Team will remain flat through year end	50.0%	64.1%	52.1%	30.3%
Currently reducing the size of the team	5.0%	4.8%	5.2%	6.1%
Don't know	5.3%	5.4%	6.3%	4.0%
Respondents	**398**	**167**	**96**	**99**

** Alternatives respondents were disproportionately hedge funds.*

UK/Europe

How would you best characterize your firm's distribution hiring plans on the ground in the UK/Europe for the remainder of 2017?

	All firm types	Alternatives*	Traditional	Diversified
Currently actively recruiting	7.9%	3.4%	9.0%	13.1%
Opportunistically meeting potential candidates	11.1%	6.8%	10.3%	20.2%
Team will remain flat through year end	29.0%	29.9%	26.9%	28.6%
Currently reducing the size of the team	3.5%	4.1%	2.6%	4.8%
No current presence or plans to expand in the UK/EU	34.0%	47.6%	30.8%	13.1%
Don't know	14.4%	8.2%	20.5%	20.2%
Respondents	**341**	**147**	**78**	**84**

** Alternatives respondents were disproportionately hedge funds.*

Of critical note, while our alternatives category includes private equity, hedge funds, and real estate, survey respondents are disproportionately from hedge funds (47%). We believe the relatively lower levels of hiring activity reported within the alternatives category result from comparatively smaller-sized teams and pressure facing the hedge-fund industry. Based on our anecdotal observations and recruiting activity year to date, we believe private equity and real estate would have shown stronger hiring activity, but the limited number of responses does not support publishing a more granular breakdown.

Asia

How would you best characterize your firm's distribution hiring plans on the ground in Asia for the remainder of 2017?

	All firm types	Alternatives*	Traditional	Diversified
Currently actively recruiting	5.0%	1.4%	7.7%	9.4%
Opportunistically meeting potential candidates	11.7%	7.5%	7.7%	21.2%
Team will remain flat through year end	22.2%	20.4%	21.8%	24.7%
Currently reducing the size of the team	1.8%	2.0%	1.3%	1.2%
No current presence or plans to expand in Asia	43.0%	57.8%	41.0%	21.2%
Don't know	16.4%	10.9%	20.5%	22.4%
Respondents	**342**	**147**	**78**	**85**

** Alternatives respondents were disproportionately hedge funds.*

Middle East

How would you best characterize your firm's distribution hiring plans on the ground in the Middle East for the remainder of 2017?

	All firm types	Alternatives*	Traditional	Diversified
Currently actively recruiting	0.6%	0.0%	1.3%	0.0%
Opportunistically meeting potential candidates	3.8%	1.4%	2.5%	10.6%
Team will remain flat through year end	21.8%	18.9%	26.3%	21.2%
Currently reducing the size of the team	0.3%	0.7%	0.0%	0.0%
No current presence or plans to expand in the Middle East	55.0%	67.6%	48.8%	36.5%
Don't know	18.6%	11.5%	21.3%	31.8%
Respondents	**345**	**148**	**80**	**85**

**Alternatives respondents were disproportionately hedge funds.*

2017 versus 2014 comparison

North America

How would you best characterize your firm's distribution hiring plans on the ground in North America (all firm types)?	2017	2014
Currently actively recruiting	12.1%	16.3%
Opportunistically meeting potential candidates	26.9%	27.6%
Team will remain flat through year end	50.0%	51.4%
Currently reducing the size of the team	5.0%	4.8%
No current presence or plans to expand in North America	0.0%	0.0%
Don't know	5.3%	NA*
Respondents	**398**	**294**

UK/Europe

How would you best characterize your firm's distribution hiring plans on the ground in the UK/Europe (all firm types)	2017	2014
Currently actively recruiting	7.9%	7.6%
Opportunistically meeting potential candidates	11.1%	18.5%
Team will remain flat through year end	29.0%	30.9%
Currently reducing the size of the team	3.5%	2.2%
No current presence or plans to expand in the UK/EU	34%.0	40.7%
Don't know	14.4%	NA*
Respondents	**341**	**275**

Note: we did not offer a "don't know" option in 2014.

Asia

How would you best characterize your firm's distribution hiring plans on the ground in Asia (all firm types)	2017	2014
Currently actively recruiting	5.0%	7.4%
Opportunistically meeting potential candidates	11.7%	15.1%
Team will remain flat through year end	22.2%	25.0%
Currently reducing the size of the team	1.8%	1.1%
No current presence or plans to expand in Asia	43.0%	51.5%
Don't know	16.4%	NA*
Respondents	**342**	**272**

Middle East

How would you best characterize your firm's distribution hiring plans on the ground in the Middle East (all firm types)	2017	2014
Currently actively recruiting	0.6%	2.9%
Opportunistically meeting potential candidates	3.8%	9.2%
Team will remain flat through year end	21.8%	26.5%
Currently reducing the size of the team	0.3%	0.7%
No current presence or plans to expand in the Middle East	55.0%	60.7%
Don't know	18.6%	NA*
Respondents	**345**	**272**

Note: we did not offer a "don't know" option in 2014.

Section V. Recruiting Strategies

For hiring firms seeking to add distribution talent—particularly for client-facing roles—the standard interview process has limitations. As firms rush to fill a seat, key elements of this important "courtship" can be overlooked. Given the cost of a mis-hire in this function, firms should slow down and take a longer-term view. We recognize the opportunity cost of a vacant seat, but we believe the negative impact of having the *wrong* person in this role is far greater particularly in sales. For distribution talent looking for a long-term home, we offer the same advice.

A dynamic and thoughtful process benefits hiring firms and candidates alike. In addition to making a great hire, firms gain market intelligence and perspective on their business and brand perception. Candidates mitigate the risk of having a quick move on their résumé, and both sides benefit from transparency and understanding around expectations.

Much of the advice below may seem obvious. Yet we are intimately familiar with far too many situations where a "failed marriage" could have and should have been avoided. We hear phrases such as these far too often:

From candidates: "I wish I had done more due diligence." "It seemed like a great opportunity, but the existing team was fiercely territorial, and I could not get any traction." "The firm had blown up its marketing team three times." "They just weren't truly prepared for the changes institutionalizing the business would require." "The role advertised was very different from the one I walked into." We could go on….

From hiring firms: "We relied on the references provided by the candidate; it turns out they were friends." "The capital-raising numbers on the résumé were bogus; we should have dug deeper." "They relied on their existing Rolodex." "They just weren't prepared for the trench warfare required to represent these products after their last fund performed so well." "We should have tested writing skills." "The technical acumen just wasn't there." "They were great at their job but couldn't manage people." And so on . . .

Considerations beyond the standard interview process

- Business plan (creation and presentation)
- Sales presentation
- Soft referencing with allocators
- Fundraising track record
- Collaborate on building the reference list versus accepting only those provided
- Writing samples
- Qualitative overview of relationships
- Psychometric testing
- Leadership skills assessment
- Social meetings
- Case studies

> For senior leadership and fundraising roles, asking finalist candidates to create and present a business plan is the highest-leverage advice we can offer.

The end of a search process is often rushed. The candidate is entertaining competing offers, the hiring firm wants the seat filled yesterday, and time is critical.

Where possible, taking time for a business plan offers multiple benefits:

- Hiring firms gain multiple perspectives on their business and strategic options.
- Candidates gain transparency on fund information and can better assess products' appeal to their investor base.
- Hiring firms can directly assess a candidate's strategic thinking, written communication, and presentation skills.
- The (time-intensive) exercise serves as a test of genuine interest and commitment on both sides.
- Potential gaps in expectations are brought to the surface; hiring firms and candidates establish better alignment around success metrics.

Guidance for hiring firms

Prior to launching a search

- Establish consensus internally on the role, ideal candidate characteristics, reporting lines, metrics of success/expectations, and career path.
- Develop a consistent message across the interview team.
- Be prepared to address tough questions around performance challenges, turnover, etc. with consistency and transparency.

During the interview process

- Go beyond the standard interview process.
- Document and share feedback internally and with your search partner.
- Watch for red flags.[2]
- Conduct open discussions and debates internally as issues (such as lack of consensus) arise.
- Benchmark the candidate slate's compensation, employment terms, and interview feedback to avoid last-minute surprises.
- Provide opportunities for investors to offer recommendations and/or insight on potential candidates.

At offer

- Have a back-up candidate (or two)—most candidates are entertaining multiple offers.
- Consider candidate input in constructing the offer.
- Avoid "low balling" for sport—this creates ill will.
- Be prepared for counter offers.
- Be diligent in checking references, education, and background.
- Be accessible for questions.
- Be flexible where possible (e.g. title, work/life requests).
- Consider formal references as great onboarding and cultural integration resources but not as a thorough vetting tool.

For candidates

Prior to exploring a new role

- Make sure you're on good terms (and in current contact) with all prior managers and colleagues.
- Invest the time and resources to partner with an executive coach to professionalize your résumé, develop your search strategy, and craft your story, particularly if there have been any career mis-steps or if you're seeking a transition.
- Keep an open mind when approached on new opportunities, even if you're happy in your current role. Build long-term relationships with recruiters.

During the interview process

- Be diplomatic but fearless in asking tough questions.
- Conduct thorough due diligence on the firm culture and people.
- Consider the long-term career path, not just the immediate role or compensation.
- Keep the search firm apprised of progress with other opportunities, so we can manage expectations and expedite meetings when needed.
- Be diligent about thoughtful follow-up and responsiveness; your follow-up with hiring firms reflects your potential level of diligence with clients.
- Flag any potential land mines with the search firm (restrictive employment terms, significant deferred compensation, potential background check issues, etc.).

At offer

- Be transparent, professional, responsive, and honest.
- Clearly, yet diplomatically, communicate compensation history and expectations.
- Prepare talking points to help stay on point during the resignation phase.
- Avoid burning bridges; even if the timing is off now, this could be a great connection down the road.
- Consider counter-offers very, very carefully.

[2] Detailed on the following page.

Behavioral indicators to be aware of when vetting potential candidates

Positive Indicators +	– Red Flags
Behaves consistently	Behaves inconsistently
Speaks graciously and professionally about former colleagues	Disparages former colleagues
Speaks with clarity, brevity, and substance	Speaks evasively, focuses on irrelevant details, long-winded/storytelling communication style
Is willing to take risks and learns from past mistakes	Will not take ownership for past failures or career missteps
Maintains long-term relationships with industry colleagues	Former colleagues are not potential references
Allows others to guide the conversation	Will not relinquish control of the "story"
A clear and quantifiable track record of success	Lacks transparency around their fundraising track record
Demonstrates genuine interest in the role	Is inconsistent about follow-up and availability for meetings
Exudes passion, energy, resiliency, and enthusiasm	Exhibits a low-energy, jaded, defeatist attitude
Demonstrates a high level of authenticity, integrity, and maturity	Demonstrates low EQ, comes across as contrived
Considers their audience and is sensitive to how they are being perceived	Proceeds without regard for their audience or awareness of how they are being perceived
Is straightforward but humble about individual success while giving appropriate credit to teammates	Inappropriately takes credit for others' success
Demonstrated loyalty, tenure, and problem-solving skills in prior roles	Frequently moves; quickly moves on when the going gets tough
Exhibits creativity, innovation, and a certain "scrappiness"	Rests comfortably on past success or a great brand; demonstrates lack of enthusiasm to "rolling up their sleeves"
Willing to debate and explore differences; intellectually curious and open to differing points of view	Stays well within their comfort zone. Is dismissive or opposes other points of view without thoughtful exploration
Engagement during interviews and follow-up is consistent across all levels of the organization	Engagement and follow- up are inconsistent, hierarchical

Section VI. Diversity

Our clients have expressed increased interest in diversity in recent years. In the past, a diversity conversation would often begin (and end) with: "We would like to see a diverse slate of candidates presented on this search." It would be great if we could deliver, but it was viewed as "nice to have," not a requirement, in most cases.

Fast forward to today, and we are under pressure on more projects to present a slate of qualified candidates who offer our clients gender and ethnic diversity on their distribution teams. There seems to be genuine appreciation and support from the business units themselves, as well as from human resources.

We were curious about what is driving this change and whether our perceptions were correct—so we asked survey respondents to describe how important diversity is to their firms, their clients, and ultimately, themselves.

Diversity – how important is having a diverse client-facing team to your firm, yourself, and your clients and prospects?

Companies with 100bn+ in Assets Under Management			
	Firm	Self	Clients/Prospects
Very important	36.79%	52.34%	28.57%
Somewhat important	30.19%	32.71%	43.81%
Neutral	23.58%	14.02%	20.95%
I don't know	3.77%	0.00%	4.76%
Not at all important	5.66%	0.93%	1.90%
Respondents	**106**	**107**	**105**

All Firms			
	Firm	Self	Clients/Prospects
Very important	23.31%	37.33%	21.70%
Somewhat important	27.64%	35.42%	35.71%
Neutral	31.17%	22.62%	29.95%
I don't know	7.05%	1.36%	9.07%
Not at all important	10.84%	3.27%	3.57%
Respondents	**369**	**367**	**364**

We are pleased to see diversity becoming a more frequent measure of recruiting success. Yet finding this talent can be challenging.

Consider gender diversity, which we were clearly able to identify in our survey. While women hold a significant percentage of investor relations and client-services roles, and there is a decent balance within consultant relations and product specialists, gender diversity drops off in fundraising and senior leadership especially as we move up the seniority ranks; the percentage of women dropped from 33.5% at the individual contributor level to just over 18% at the senior leadership level.

While the heavy travel component of sales roles likely contributes to this imbalance, we would argue the differential is unnecessarily large. Companies with a culture of flexibility, respect, and autonomy generally can attract and retain best-in-class talent. This may be particularly appealing to women, and is highly relevant to institutional fundraising—firm-level support for work-life balance helps mitigate the trade-offs and complexities that heavy travel schedules require. In 2016 alone we watched several "interview courtships" fail over work-life balance concerns. To cite two examples, one client lost a top-tier female consultant relations professional rather than allow her to work from a home office on Fridays. Another client, with a strong culture of an early start time, lost a male fundraiser partially due to concerns that his late start time and vacation days due to personal obligations would cause friction. "No one questions my work ethic when I am working from home on the weekends," joked one candidate. We anticipate these scenarios will only occur more frequently as Millennials and Generation Z professionals come up the ranks.

Pay Equity

While we didn't originally set out to examine gender difference in pay, we became curious to explore whether, if any, gender-related compensation differences exist. We specifically looked at fundraising professionals—a category where we captured enough data to support a point of view—across firm types. To be clear, we are not compensation experts, but our grassroots view of gender difference in fundraising compensation, particularly at the leadership level, suggests a need for closer examination. We offer this snapshot simply to raise the question and hope the compensation specialists will explore it further.

First, the good news. With a 6% differential at the individual contributor level we are much closer to parity than the general economy, in which women with bachelor's degrees or higher earned 76% compared with their male peers, and full-time working women with less than a high-school diploma earned 79% in comparison with male peers, according to the United States Department of Labor. In 2016 the *Wall Street Journal* examined pay in 446 major occupations and found that women in many elite jobs earned well below men, and of the 10 major occupation groups where women's earnings lagged most, 5 were in finance.[3]

For the 179 respondents in our survey who characterized themselves as fundraising/sales or hybrid fundraising/sales/IR professionals (60 female and 119 male), female individual contributors averaged total compensation of $583,619, compared with the $619,192 of their male counterparts, a 6% difference.

At the leadership level, defined as managing an experienced team of professionals, we had 109 respondents (21 female and 88 male), a notably smaller sample size. Female distribution leaders averaged total compensation of $839,367, compared with their male counterparts who earned, on average, $939,418. However, the almost 12% differential could be attributed to the difference in years of experience (20 years on average for women versus 25 years for men).

We are closely watching public policy attempts to address pay equity. In May, 2017, New York City Mayor Bill de Blasio signed Executive Order 21, a bill that prohibits all New York City employers from inquiring about a prospective employee's salary history. From the city's web site: "By restricting questions regarding an applicant's previous compensation—which is often used as a benchmark from which to determine starting pay in a new position—employers take a vital step to stop perpetuating a cycle of suppressed wages for women and people of color within their workforce."

The potential effectiveness of this law, due to go into effect in October 2017, is certainly subject for debate. We can say with certainty, though, that it would fundamentally change standard business practice for companies operating in New York City, a major financial services hub.

While the industry seeks clarity on the impact of this bill, and we await guidance around best practices, it's clear that public policy, as much as business relevance, is driving increased attention on diversity and pay equity.

	Sales		Leadership	
	Female	Male	Female	Male
Base mean	$227, 017	$211,613	$225,250	$278,729
Bonus mean	$356,602	$407,579	$614,117	$660,689
Total comp (mean)	$583,619	$619,192	$839,367	$939,418
Years of experience (avg)	17	20	20	25
Responses	**60**	**119**	**21**	**88**

[3] Janet Adamy and Paul Overberg, "Women in Elite Jobs Face Stubborn Pay Gap," *Wall Street Journal*, May 17, 2016.

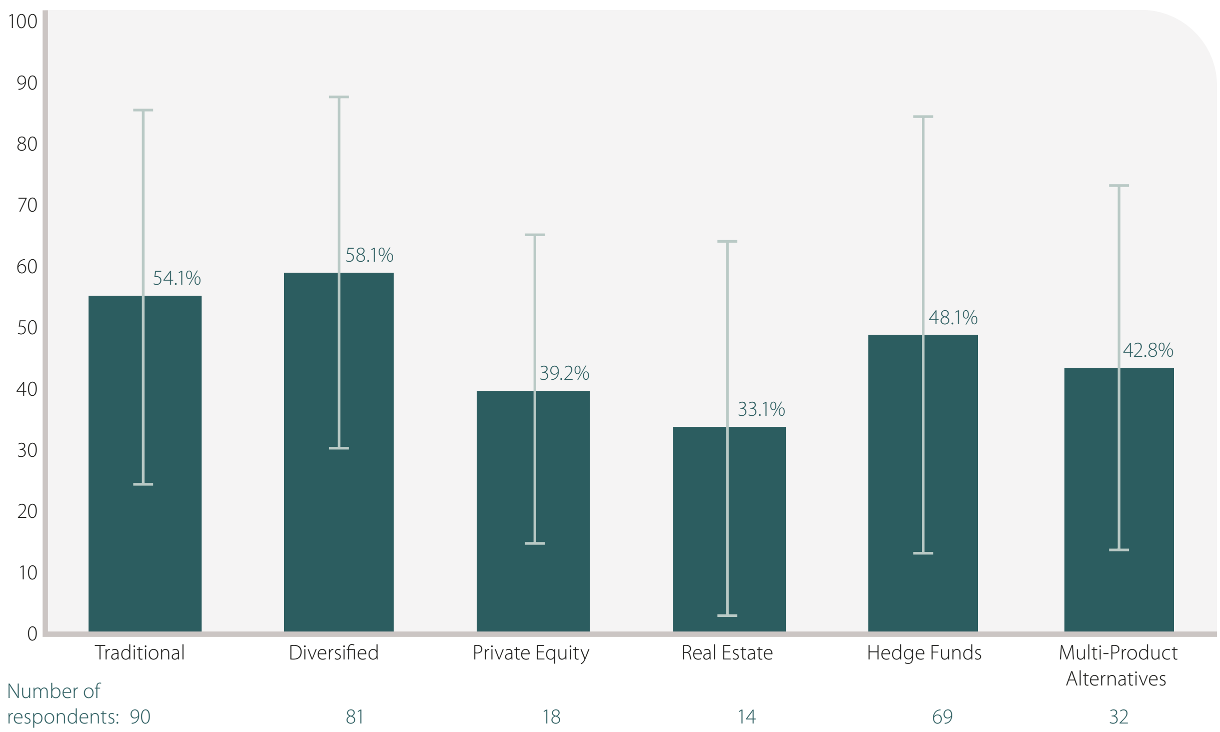
Section VII. Capital Raising and Retention

2016 and 2017 have been described as the most competitive capital-raising years on record. We asked survey respondents a wide range of questions on the topic, including what factors most affected their ability to raise capital, their perceived level of difficulty in raising and retaining assets, and the balance of flows from new versus existing investors.

Depending on firm type, an average of 33% and 58% of inflows in 2016 came from new investors. We found this statistic interesting because so much attention is paid to prospecting for new capital. We see this reflected in the level of recruiting activity and compensation for sales/fundraisers compared with investor relations/ client service. Particularly in this market environment, companies should consider strengthening their investor-relations and client-services efforts to better serve—and cross sell—their existing base.

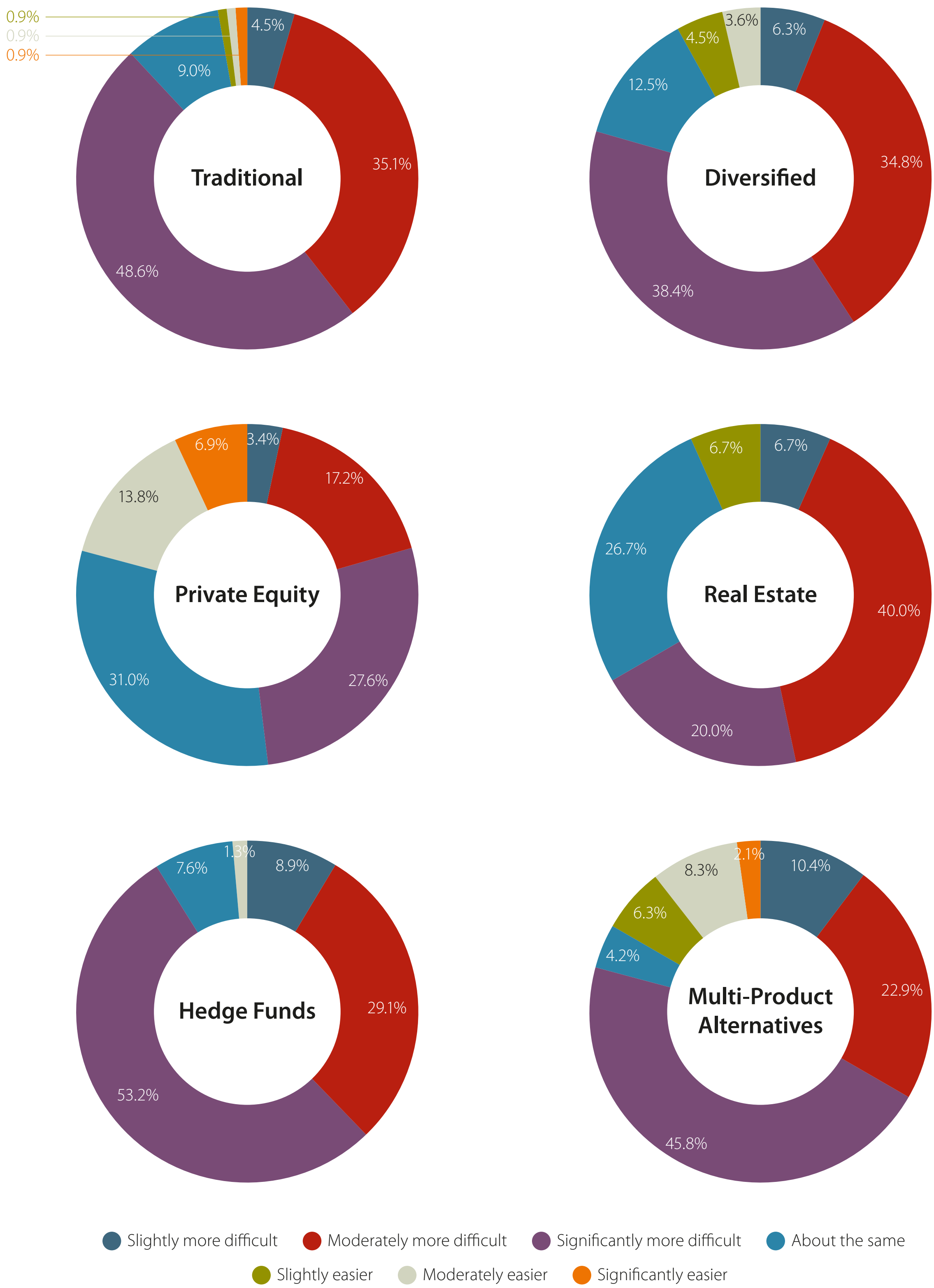
355 respondents offered more than 60 different factors affecting their ability to raise and retain capital, with investment performance clearly being the strongest driver. Within traditional firms, the rise of passive investing also had significant impact, and respondents at diversified firms frequently cited passive investing, in addition to new product development and their firm's ability to differentiate. Hedge funds struggled with headlines and general investor sentiment, even when their funds were performing well. Real estate and private equity respondents credited having key funds in the market and differentiation. Respondents across all firm types cited long-term relationships, differentiation, stability within the investment teams, and a client-service mentality as important in attracting and retaining capital.

Approximately what % of asset flows came from new investors in 2016?



Note: Each bar represents an average, and the range of responses marked in each bar fall within one standard deviation of that average.

What is your view on the level of difficulty in *raising* capital today compared with 3 years ago?



What is your view on the level of difficulty in *retaining* capital today compared with 3 years ago?

Section VIII. Institutional Distribution Structures

The size and composition of institutional distribution teams vary widely. Segmenting by firm type and assets under management provided a granular view, but we believe the real story lies in understanding the influence of product complexity, a much more difficult nuance to quantify.

Not surprisingly, there was a steady increase in the number of distribution professionals as firms increased in size; particularly in sales/fundraising and investor relations/client services. As firms grew in assets under management and product complexity, the number of product specialists and consultant relations professionals increased, particularly within alternatives, where these roles tend to be absent in smaller shops.

Regarding sales teams specifically, there is constant debate about the most effective structure. One could advocate in favor of the cost and travel efficiencies of geographic alignment; equally, an argument in favor of client-channel alignment and the advantages of a deeper understanding of client nuances in process and behavior might be just as persuasive. The most common structures within traditional and diversified asset managers are those using either geography alone or a hybrid client-channel/geographic alignment. Single- and even multi-strategy hedge funds typically lack formal structure until they reach at least the $1 billion mark, and often client-facing professionals within these firms operate in a hybrid sales and investor relations role. Real estate and private equity firms, with their leaner teams, cyclical fundraising approach, and stronger emphasis on investor relations, most often lack formal alignment. By comparison, multi-product alternatives firms are typically more organized, with most having a formal structure in place by the time they reach $10 billion in assets under management.

While alignment by product is much less common—in fact, none of our survey respondents fell into this camp—several well-known exceptions exist among the top alternatives firms. Even when salespeople are accountable for growth in specific products, a high degree of collaboration is expected. Individuals in these roles are expected to identify and capitalize on cross-selling opportunities and be well versed across all products. The complexity of a product-aligned sales team has implications for the character traits and professional strengths of the individuals hired in these roles, as well as the degree to which firms incorporate team bonuses into their compensation structures.

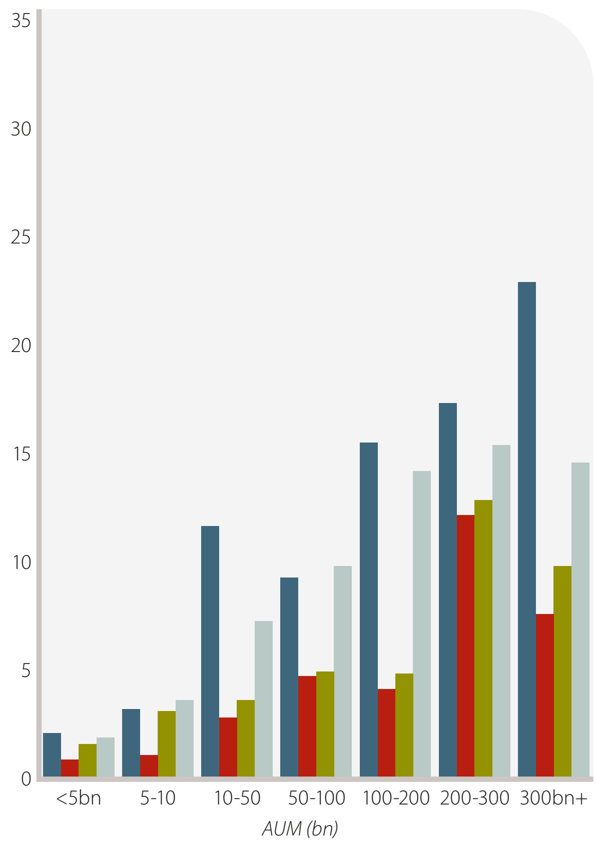
We will discuss the consultant relations, product specialist, and investor relations/client services functions further in the following sections.

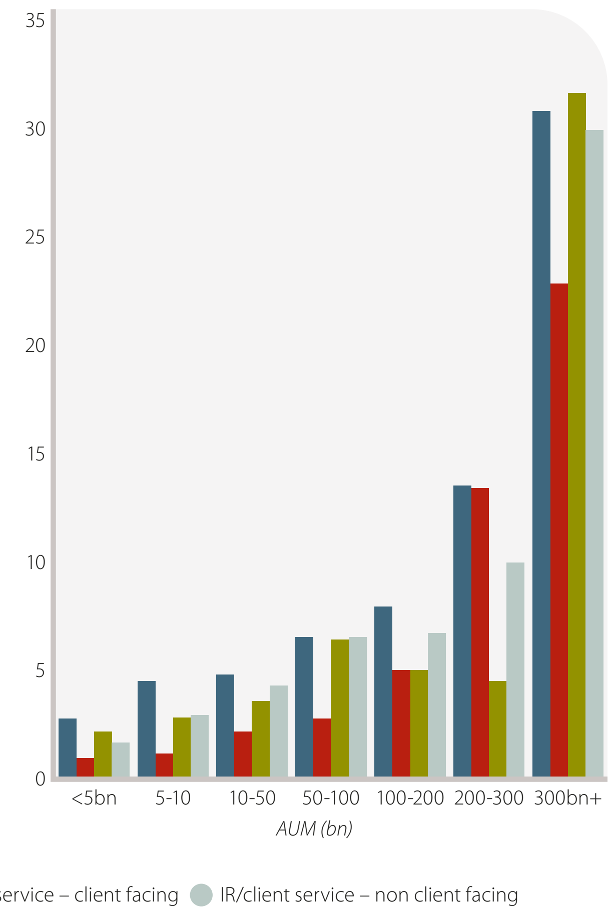
455 respondents described how their sales teams are aligned and how their firm's overall distribution teams are staffed. We offer the resulting view on team composition (shown as mean number of professionals employed per function) and segmented by firm type and AUM on the following pages.

Team Composition

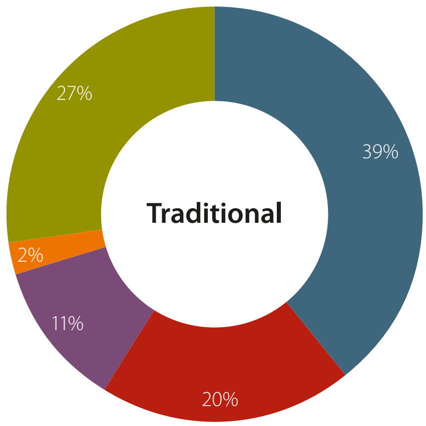
Traditional *(Responses 121)*

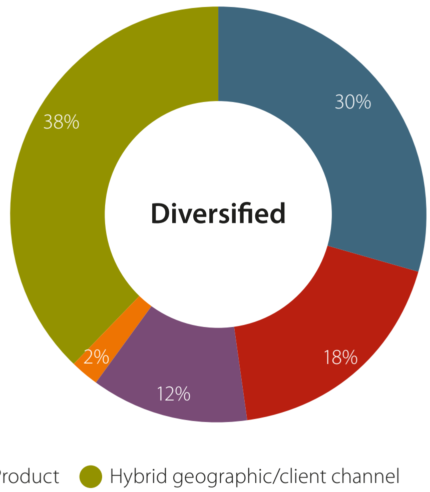
Diversified *(Responses 115)*





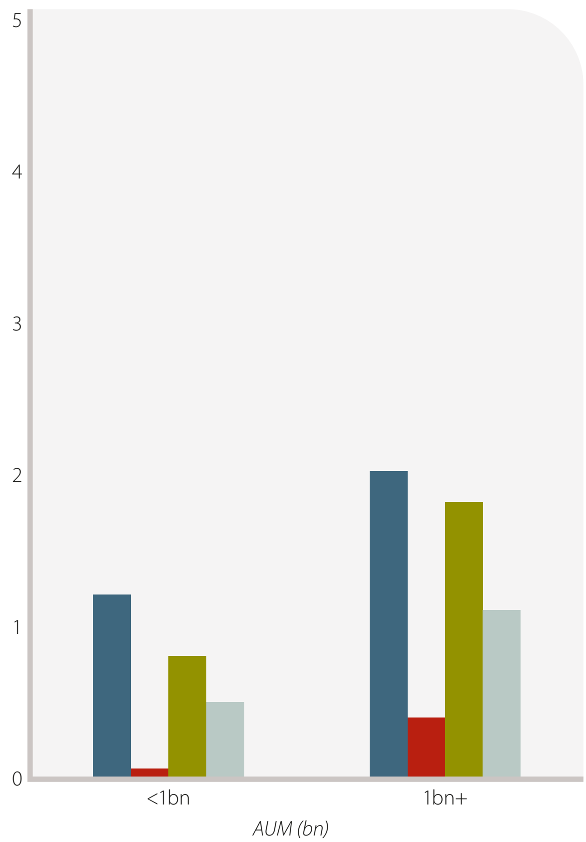
Sales Team Alignment



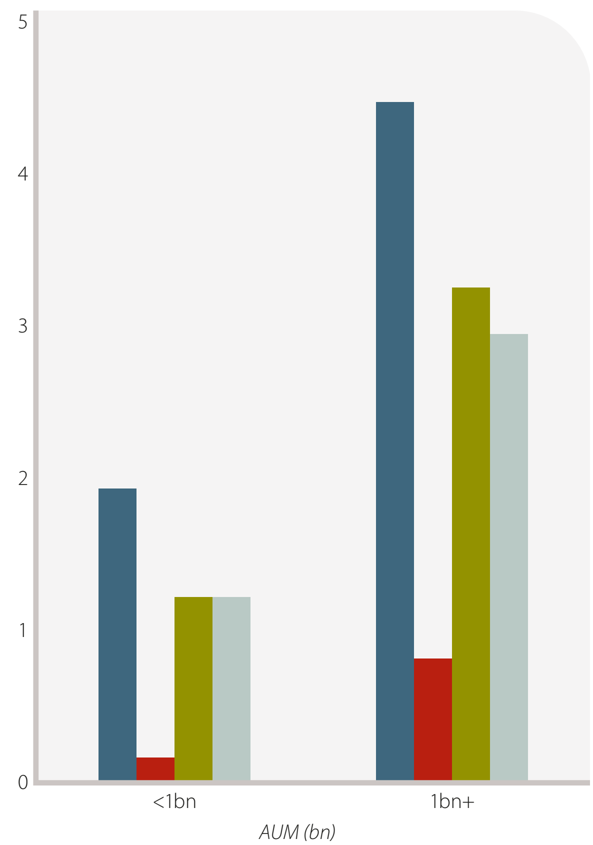


Team Composition

Single Manager Hedge Fund *(Responses 59)*

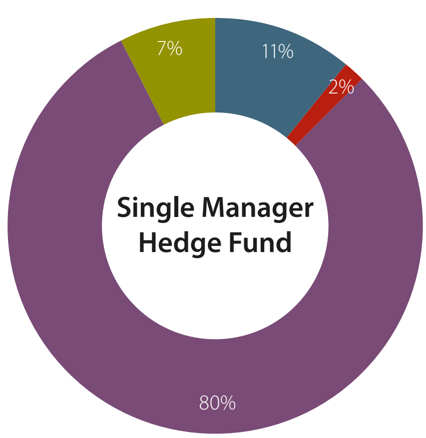


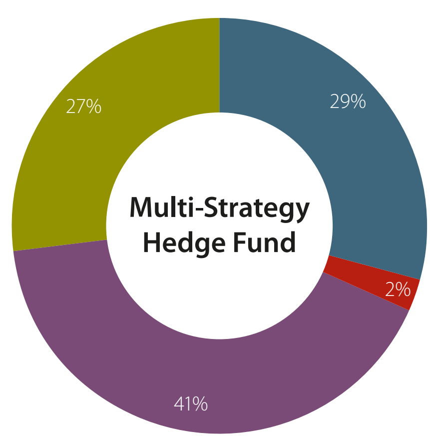
Multi-Strategy Hedge Fund *(Responses 43)*



Fundraising/sales · Product specialists · IR/client service – client facing · IR/client service – non client facing

Sales Team Alignment

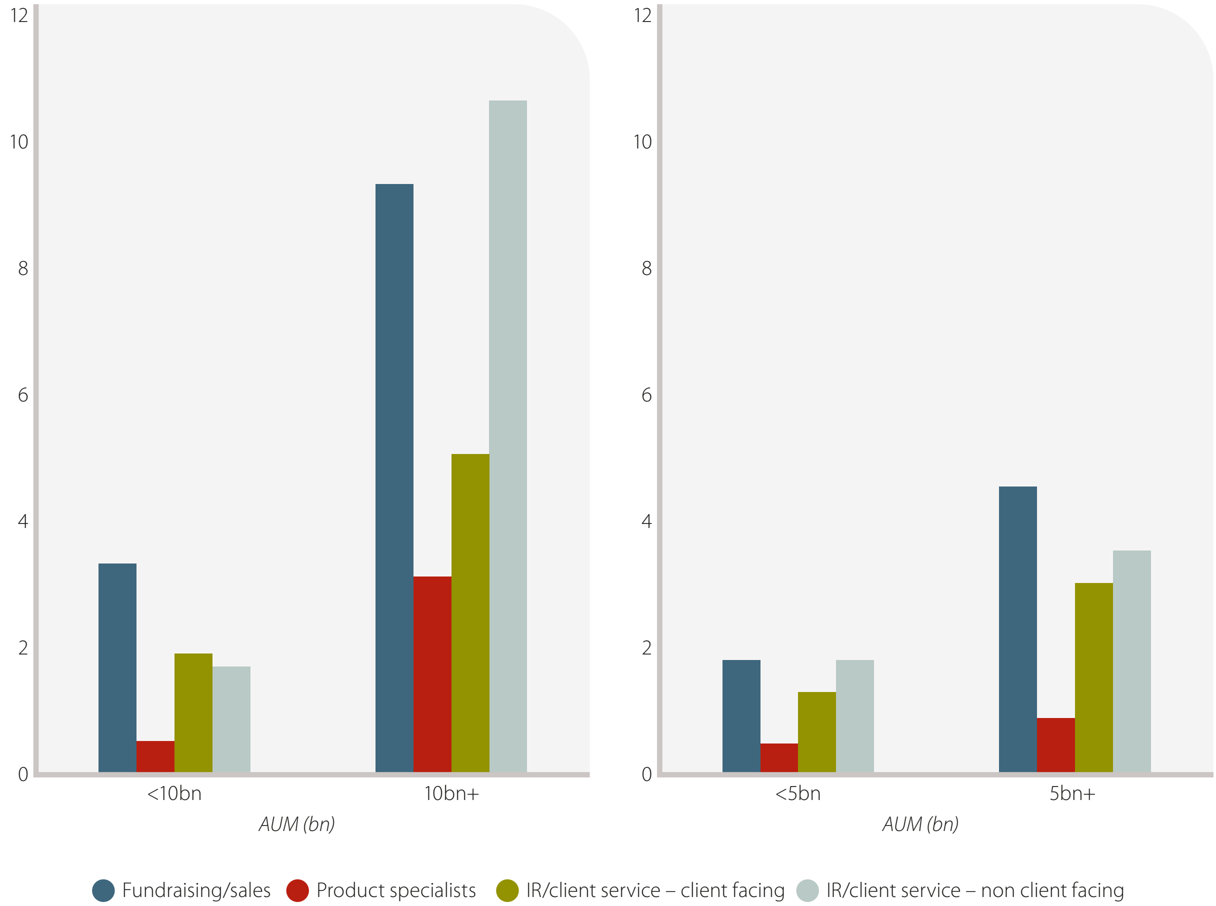




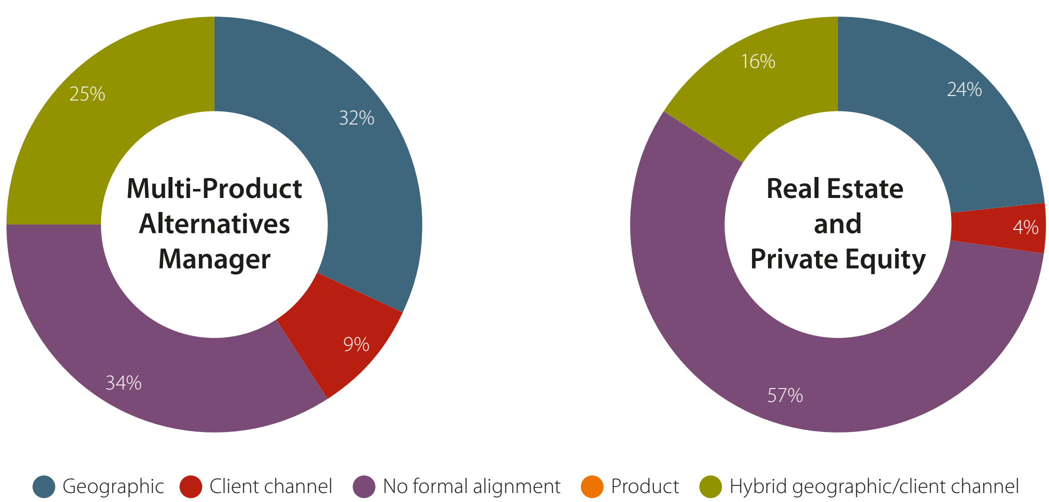
Geographic · Client channel · No formal alignment · Product · Hybrid geographic/client channel

Team Composition

Multi-Product Alternatives Manager *(Responses 55)* **Real Estate and Private Equity** *(Responses 52)*



Sales Team Alignment



Section IX. Spotlight on Consultant Relations

Introduction

The influence of investment consultants on allocation decisions has increased in recent years, reaching almost 100% involvement within certain client channels. Asset managers have been building and, more recently, refining their consultant relations efforts to address the process and nuances of navigating the consultant channel as effectively as possible.

According to a 2016 report by Cerulli Associates, *US Investment Consultants 2016*, the percentage of investment managers that rated the consultant relations function as "very important" almost doubled from 42% in 2011 to 79% in 2016. These numbers are consistent with our experience in working with asset managers on their consultant relations efforts, and are further reflected in our research. While smaller firms typically include consultant coverage along with broader responsibilities within the sales team, the majority of larger firms have one or more dedicated individuals. In our survey, 66% of respondents at firms with more than $10 billion in assets under management, and 82% at firms with more than $50 billion AUM, reported a dedicated consultant relations effort.

As firms have expanded their dedicated consultant coverage teams, the increasing number of individuals calling on consultants themselves has made market share for attention a real concern. As a result, the qualities hiring managers look for in a consultant relations professional have evolved, and we have noticed firms seeking to hire more strategic and dynamic individuals, particularly at the leadership level.

2016 and 2017 hiring trends reflect this shift: more established players (where this function has been the norm for some time) emphasize maximizing the efficacy of existing teams and making sure the best talent is in place. Specifically, such firms are re-evaluating their compensation models to best support collaboration with the institutional sales team, upgrading talent and, at the leadership level, placing equal emphasis on strategic and tactical abilities. There were several high-profile searches for consultant relations professionals in 2016, and many of these hiring managers competed against multiple offers and counter offers from the prospective hire's current employer. The talent pool for top-quality talent (defined as truly strategic, proactive, and technically proficient) remains tight, resulting in a competitive hiring landscape.

Attributes and Responsibilities of Top Consultant Relations Professionals

Survey insights

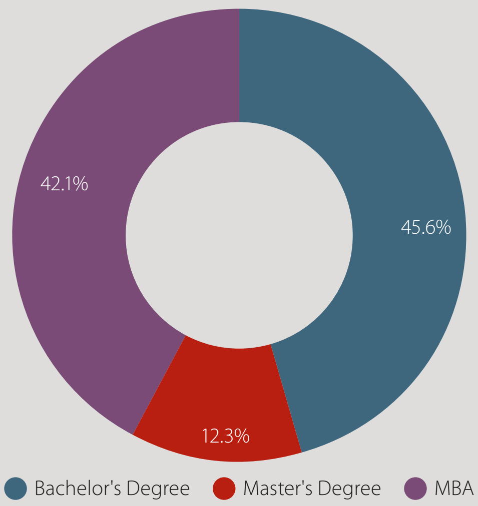
This section focuses on the 57 respondents who identified themselves as dedicated exclusively to consultant relations, though it's interesting to note that 138 of overall respondents claimed some consultant relations responsibilities.

First, we looked closely at the demographic makeup of consultant relations professionals and the firms that employ them.

Consultant relations professionals tend to be well educated (55% of survey respondents had Master's degrees in business or another field of study) and 31.5% had the CFA designation. This is notably higher than among fundraising/sales professionals, 47% of whom held Master's degrees and 18% of whom were a CFA.

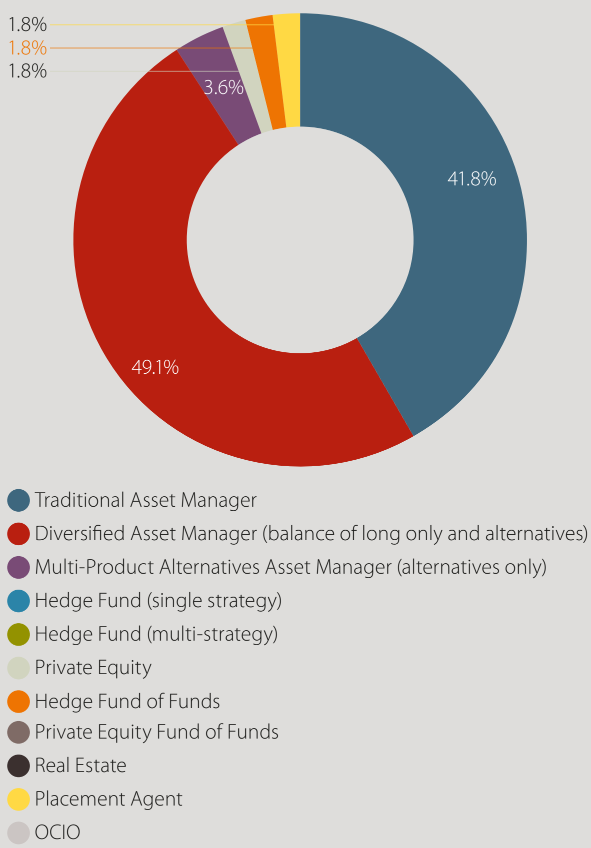
Select all certifications you current hold	
CFA	17
CAIA	5
CPA	0
Series 3	22
Series 6	7
Series 7	50
Series 24	15
Series 31	3
Series 63	41
Series 65	11
No certifications	1

What is the highest level of education you have completed?

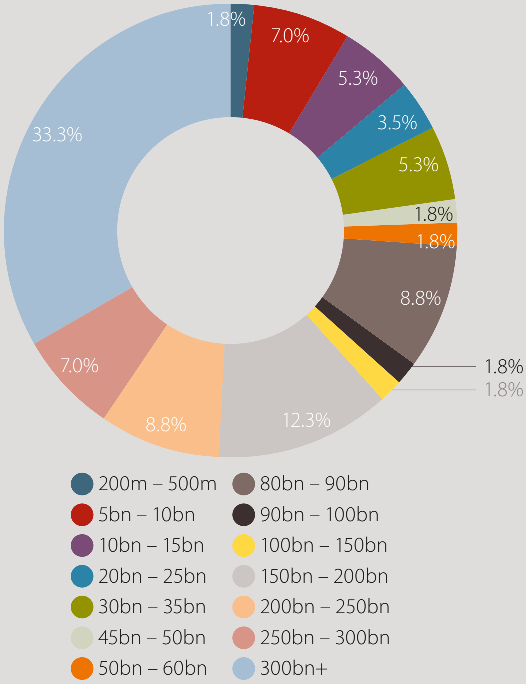


The majority of our respondents characterized their current firm as a traditional asset manager (42%) or diversified asset manager (49%). The remaining 9% came from alternative investment firms, at which having dedicated consultant coverage is a less common but growing trend. About two-thirds of consultant relations professionals in our survey reported working for publicly traded firms.

How would you characterize your current firm?

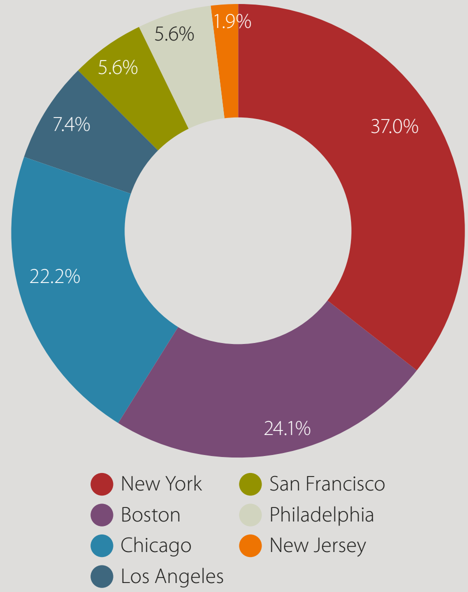


What are the total AUM of your current firm?



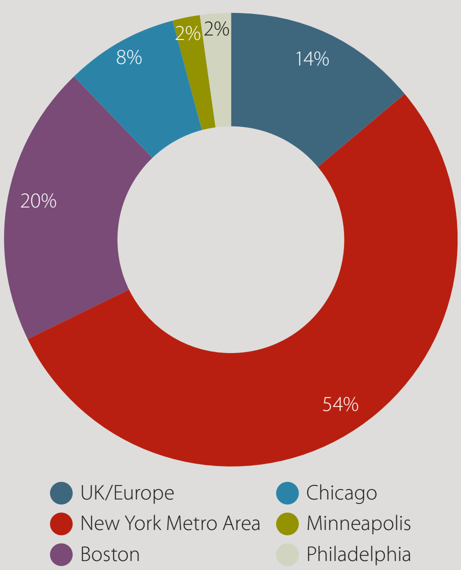
Not surprisingly, the vast majority sat within firms with $80 billion AUM or more.

Where do you work?

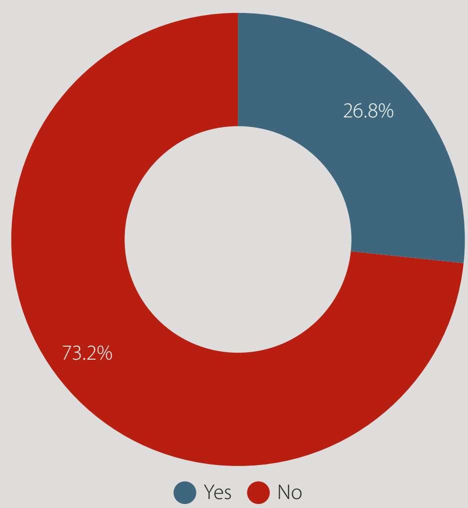


The majority work at firm headquarters, but like their institutional sales colleagues, a healthy percentage (27%) reported working remotely.

Where is your firm based?



Do you live in a different city from your firm and commute?



Similar to their institutional sales colleagues, consultant relations professionals view capital raising and retention as more difficult today compared with three years ago.

Comparison raising and retention

What is your view on the level of difficulty in retaining client assets today compared with 3 years ago?		
Capital Retention	**Sales**	**Consultant Relations**
Slightly more difficult	14.2%	14.0%
Moderately more difficult	25.2%	24.0%
Significantly more difficult	17.7%	12.0%
About the same	35.8%	48.0%
Slightly easier	2.8%	0.0%
Moderately easier	2.8%	2.0%
Significantly easier	1.4%	0.0%
Responses	**282**	**57**

What is your view on the level of difficulty in raising capital today compared with 3 years ago?		
Capital Raising	**Sales**	**Consultant Relations**
Slightly more difficult	5.9%	4.0%
Moderately more difficult	29.0%	38.0%
Significantly more difficult	46.9%	48.0%
About the same	10.5%	8.0%
Slightly easier	2.4%	0.0%
Moderately easier	4.2%	2.0%
Significantly easier	1.0%	0.0%
Respondents	**286**	**57**

Some 47% of respondents had management responsibility as part of their role. The scope included overseeing two- to eight-person dedicated consultant relations teams, and often also included areas such as the RFP team and portfolio services. Most contributed at both strategic and tactical levels, often balancing direct coverage of the top consulting firms with global coordination and business planning.

Movement considerations

Some 14% of respondents reported changing jobs in 2016, somewhat lower than fundraising/sales professionals (19%).

Interestingly, 25% of our consultant relations respondents reported they are actively looking and an additional 62.5% are open to considering new opportunities if presented. Only 12.5% were firmly committed to their current situations. The percentage of consultant relations professionals who are actively looking today (25%) is notably higher than when we asked the question in 2013 (10%).

How would you characterize your current state of mind? *(2017 versus 2013 comparison)*

Compensation

We will cover base and bonus numbers in the section on compensation. To summarize, total annual compensation for consultant relations continues to trail sales/fundraising professionals. And yet, consultant relations professionals reported satisfaction levels with 2016 compensation as either on par or higher than their counterparts.

We asked participants to rate how they felt their 2016 total compensation aligned with their contribution to the firm: 40.8% of consultant relations professionals characterized this as moderately or highly accurate, but only 22.6% of the broader sales population did so.

When asked how their 2016 bonuses aligned with their expectations, there was little difference between the two groups, with 40.8% of consultant relations professionals and 42.5% of sales professionals reporting that bonuses met expectations.

In your view, how well did your 2016 total compensation reflect your contribution to the firm?

	Highly accurate	Moderately accurate	Neutral	Moderately inaccurate	Highly inaccurate	Response count
Consultant Relations	8	12	10	16	3	49
	16.3%	24.5%	20.4%	32.7%	6.1%	

In your view, how well did your 2016 total compensation reflect your contribution to the firm?

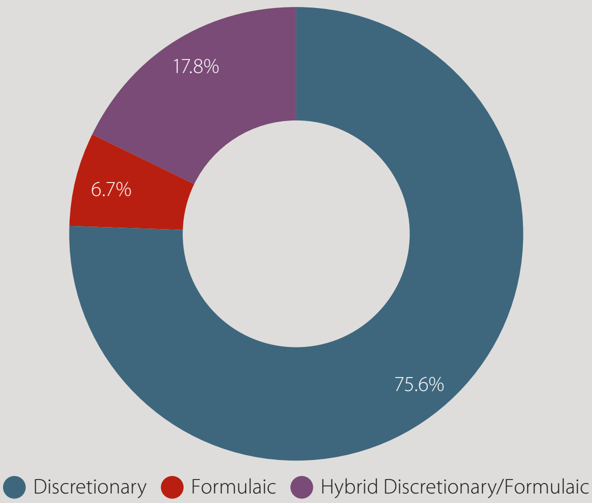
	Highly accurate	Moderately accurate	Neutral	Moderately inaccurate	Highly inaccurate	Response count
Sales/Fundraising	21	35	71	81	40	248
	8.5%	14.1%	28.6%	32.7%	16.1%	
Other						10

Overall, how did your 2016 bonus align with expectations?						
Answer Options	Significantly exceeded expectations	Moderately exceeded expectations	Met expectations	Moderately below expectations	Significantly below expectations	Response Count
Consultant Relations	1	5	20	17	6	49
	2.0%	10.2%	40.8%	34.7%	12.2%	

Overall, how did your 2016 bonus align with expectations?						
Answer Options	Significantly exceeded expectations	Moderately exceeded expectations	Met expectations	Moderately below expectations	Significantly below expectations	Response Count
Sales/Fundraising	0	12	108	96	38	254
	0.0%	4.7%	42.5%	37.8%	15.0%	

Structurally, just under 76% of consultant relations professionals are paid on a purely discretionary basis, and the majority enjoy equity or equity-like participation. About half of individual contributors reported having a deferred compensation component; the typical range was 10–25%, with several outliers between 50–66%. Interestingly, there was a clear difference of opinion on how deferred compensation was viewed: almost all Heads of Consultant Relations reported either favorable or mixed feelings toward deferral, and the vast majority of respondents at the individual contributor level had an unfavorable view. We will explore the benefits and challenges of deferred compensation in the compensation section.

How was your 2016 bonus structured?



What other components comprised your total compensation in 2016 (check all that apply)?	
Stock options	11
Direct participation in the funds	5
Equity-like participation	9
Equity in the firm	14
Sign on bonus	0
Retention bonus	3
Carry	0
Respondents	33

In summary, 2016 was a robust year for consultant relations hiring. We expect this trend to continue as the understanding and attention required to successfully navigate the consultant universe only become more challenging.

Section X. Spotlight on Product Specialists

The product specialist[4] role can be one of the most complex and challenging hires for an asset manager to make. While the role has existed for some time, the global financial crisis and subsequent performance and industry pressures elevated the position and the requirements to perform it well. The established pool of those who fit these requirements remains shallow, which leads hiring managers to look to a range of analogous roles, in addition to exploring the more "plug and play" talent pool found among competitors.

Product specialists come from a range of buy- and sell-side backgrounds including:

- Buy-side portfolio manager
- Buy-side research analyst
- Sell-side trading
- Sell-side solutions
- Investment banking and capital markets
- Risk management
- Sell-side equity research
- Investment strategy
- Product development

Working closely with the sales teams, effective product specialists are a critical liaison between a firm's investment teams and current and prospective investors. Overall, they possess very deep technical product knowledge, along with strong interpersonal and presentation skills—a combination of traits that can be difficult to find in one person. As product specialists become more experienced, their role generally takes on more client-facing and portfolio manager proxy responsibility, with those coming up the ranks more focused on marketing materials, communication, and documentation.

Senior product specialists serve as a proxy for the portfolio managers and are effective communicators through multiple channels. These include monthly and quarterly fund letters, thought leadership, conferences and events, formal presentations to existing and prospective clients, and (more recently) through technology platforms such as interactive webinars that cover performance, current positioning, and the investment outlook.

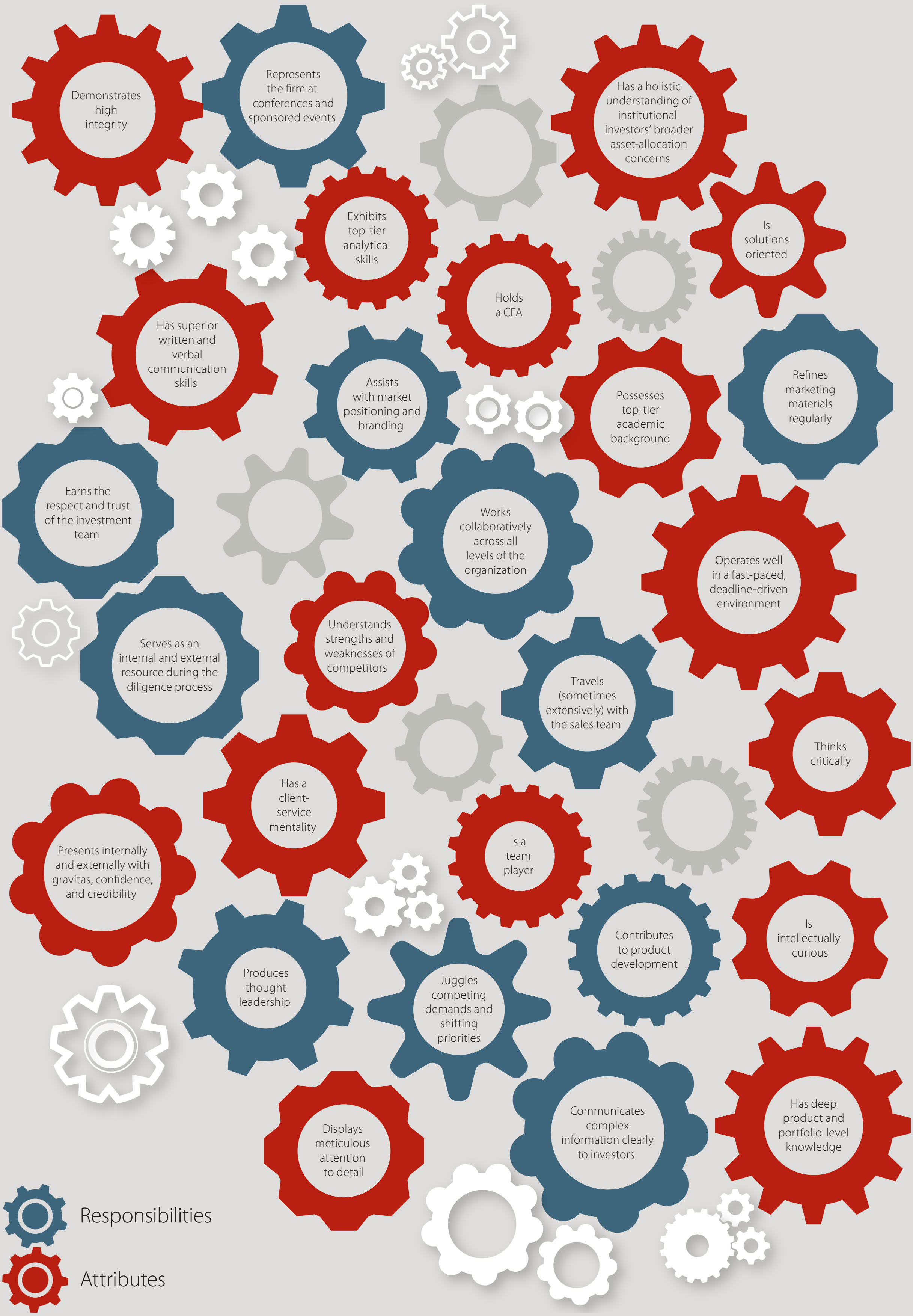
In recent years there has been debate about the need for product specialists, particularly as firms explore ways to contain costs. Some argue that the role of a salesperson has changed, with salespeople expected to wear the product specialist hat themselves.

While this may be true, we believe the five main forces driving the need for product specialists remain strong:

1. Demands from institutional investors for transparency, communication, and access continue to increase.
2. Salespeople are required to spend more time on outreach, travel, and meetings than ever, given competition for capital and the lengthened institutional sales cycle.
3. Investment teams compete for attention from salespeople, creating internal friction that a product specialist can help mitigate.
4. Diversification within asset managers increases the breadth and complexity of product offerings, and limit a salesperson's ability to develop deep knowledge of each product.
5. Market volatility requires investment teams to remain focused on portfolios.

[4] We use the term product specialist for the sake of brevity, but this section also includes titles such as client portfolio manager, investment specialist, or client portfolio specialist.

Attributes and responsibilities of top product specialists



Survey insights

While 504 respondents offered structural insights, and 48 (9.3%) of our survey respondents claimed some product specialist responsibilities in their current roles, only 15 respondents were purely dedicated to the function. Without a larger sample size, we cannot draw firm conclusions from the data, but our experience combined with our survey responses offer interesting observations:

- 2017 hiring trends suggest the strongest need for product specialists in credit and quantitative strategies.
- While the rate of hiring product specialists significantly trails that of fundraising/sales professionals, a little more than 22% of our survey respondents reported their firms will hire for this function in 2017.
- We had more than 500 respondents discuss where the product specialist role reports within their firms; in our experience this question is the subject of vigorous internal debate, with little industry standardization. Of the 59% of respondents at firms employing product specialists, a little fewer than 30% said the function reports to the investment teams, 17% to sales, and 12% reported to both.
- In our view, when product specialists report directly to sales, the result is often an increased risk of internal conflict and ambiguity with fundraising professionals; we recommend a dual reporting structure or alignment with the investment team.
- Compensation is most often discretionary, with a small percentage of product specialists paid on a hybrid discretionary/formula structure. When a formulaic component exists, it is more likely expressed through a team bonus pool than tied to individual production metrics.
- Base salaries range from $150,000 to $250,000 with an average base of $225,000. Base salaries remained flat between 2016 and 2017.
- 2016 bonuses ranged from $125,000 to $600,000, with an average of $349,000 and median of $325,000. In 2015, bonuses ranged from $125,000 to $500,000, with an average of $313,833 and a median of $335,000.
- Overall, most product specialists felt their 2016 bonus aligned with expectations, with a handful saying they were moderately below expectations, and one indicating significantly below.
- Sentiment on how their 2016 total compensation reflected their contribution was less positive, with the clear majority feeling it was either moderately or highly inaccurate. Two reported it was moderately accurate and the remainder claimed neutrality.
- Bonuses for most product specialists were not subject to deferrals. In the handful of cases reporting deferred compensation, the range was a reasonable 12–20%.
- In line with the broader distribution community, most product specialists characterized their state of mind as “not looking but open to considering new opportunities if presented.” A handful are actively looking; only one reported feeling firmly committed to their current situation.

In summary, product specialists provide a relatively cost-efficient source of leverage to a distribution effort, and we believe competition for professionals to fill this critical role will remain robust while the talent pool continues to mature.

Section XI. Spotlight on Client Service and Investor Relations

In this section we offer insights regarding the client service and investor relations functions, roles that serve the needs of existing investors without success metrics linked to prospecting for new capital.

While firms have always valued having a strong platform from which to serve existing investors, historically recruiting activity and compensation have been skewed toward fundraising. We expected this to change during the global financial crisis as capital retention took on greater importance, but the shift did not occur to the degree we anticipated.

As such, we were pleased to see a healthy level of anticipated client service and investor relations hiring for 2017 emerge in our survey, particularly among alternatives managers. As mentioned in Section 3, over a fifth of all survey respondents reported their firms would hire for this function this year, and just under half of alternatives respondents expected their firms to do so.

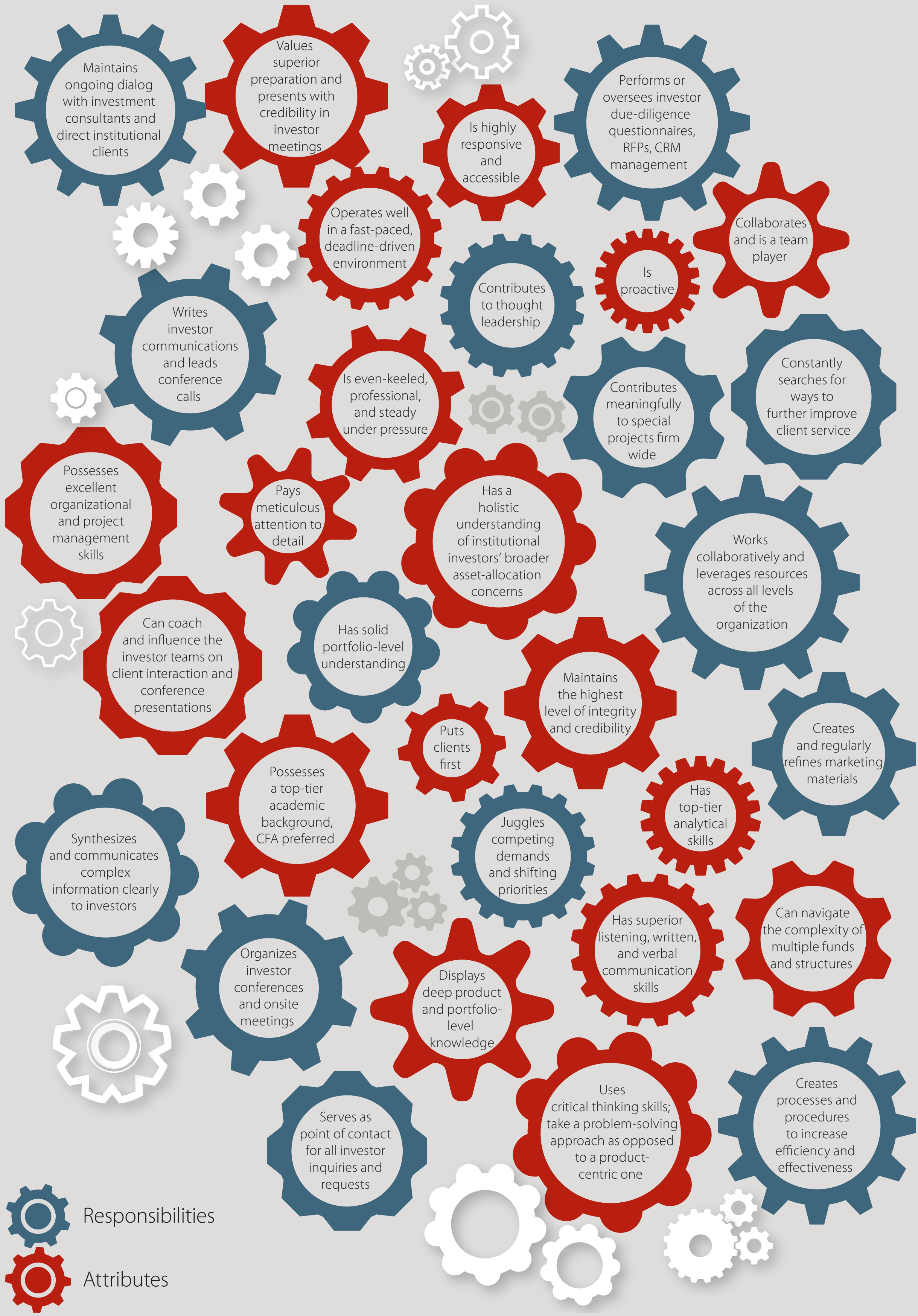
Recruiting experienced professionals from competitor firms is the most typical strategy when seeking client service and investor relations talent. Yet hiring firms seem comfortable considering "out-of-the-box" candidates in this function, particularly when there is a prior relationship and trust has been established. Creative hires might include consultants, investment professionals, or sell-side professionals seeking a transition to investment management. Experienced buy-side fundraising professionals may migrate to these roles to continue the client work they find rewarding while scaling back travel. Finally, client service and investor relations professionals are increasingly "home grown," as firms recruit junior-level talent on campus or early in their careers and groom them.

Talented client service and investor relations professionals perform a critical role in client retention, and add value by freeing up salespeople to focus on prospecting. The best are attuned to cross-selling opportunities and relay important feedback from investors regarding product development.

What functions will your firm hire for in 2017?

	All firm types	Alternatives	Traditional	Diversified
Investor relations/client service (client-facing)	33.2%	48.3%	32.8%	24.6%
Investor relations/client service (non-client-facing)	23.1%	27.6%	20.7%	26.1%
Responses	**208**	**58**	**58**	**65**

Attributes and responsibilities of top client service and investor relations professionals



Survey insights

More than 200 respondents offered structural insights and 120 (23.8%) of our survey respondents cited some client service responsibilities as part of their current role. However, only 55 respondents could be identified as purely dedicated to either investor relations or client service given the crossover with fundraising (particularly at smaller firms or alternatives) and a general lack of standardization in titles. Without a larger and more clearly defined sample size, we elected not to include this function in the following compensation section. Instead, we offer these insights gathered from our survey and recruiting experience:

- While the rate of hiring client service and investor relations professionals continues to trail that of fundraising/sales, 33% of survey respondents reported their firms will hire for investor relations/client service (support/non-client-facing) professionals and 23% for investor relations/client service (client-facing) professionals in 2017.
- A discretionary compensation model is most often deployed.
- Base salaries range from $125,000 at the mid-level to $350,000 for a Head of Investor Relations/Client Services.
- 2016 bonuses ranged from $125,000 at the mid-level to $800,000 for a Head of Investor Relations/Client Services; we rarely find individuals making seven-figure total compensation unless they are running a large team or have a fundraising component to their role.
- Overall, the majority felt their 2016 bonus aligned with expectations, with 35% citing being moderately or significantly below expectations.
- Sentiment on how their 2016 total compensation aligned with their contribution was mixed, with half perceiving it as moderately or highly accurate, a quarter neutral, and a quarter finding it moderately or highly inaccurate.
- Bonuses were typically not subject to meaningful deferrals.
- Only 10% reported changing firms in 2016, a lower turnover rate than the overall distribution population.
- Investor relations/client services professionals demonstrate slightly more loyalty than those in fundraising/sales, with 15% firmly committed to their current situation. The vast majority characterized their state of mind as “not looking but open to considering new opportunities if presented.”

In summary, as attainment of new capital remains elusive, we expect more firms to place greater value on asset retention. As a result, client services and investor relations professionals should remain in strong demand, given their relatively low cost in relation to their potential value.

Section XII. Compensation

- Sales/fundraising
- Hybrid sales/fundraising/investor relations

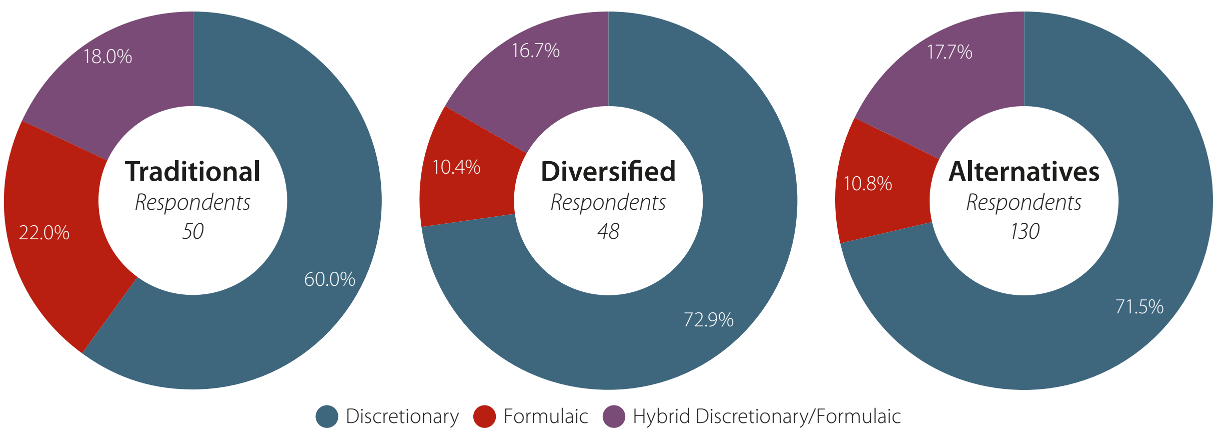
Introduction

This section focuses on professionals who are directly accountable for capital raising. Some 341 respondents identified the primary focus of their role as either sales/fundraising or hybrid sales and investor relations, and we include both in this section. The majority of these respondents offered structural insights, and 270 provided specific base and bonus compensation data. Given the large number of respondents in this function, we segmented our findings to offer the most granular view possible.

Structure

A discretionary bonus model was the most frequently cited structure. Though there are exceptions, firms have been moving away from the use of strict formulas. Only 10% of respondents from diversified and alternatives managers, and 22% of respondents from traditional firms, described their 2016 bonus structure as formulaic.

How was your 2016 bonus structured?



What other components comprised your total compensation in 2016?

	Traditional	Diversified	Alternatives
Stock options	6	7	7
Direct participation in the funds	3	10	26
Equity-like participation	6	8	17
Equity in the firm	9	17	17
Sign-on bonus	2	4	3
Retention bonus	2	4	6
Carry	1	1	27
Other*	14	8	22
Responses	**24**	**38**	**168**

Note: Respondents could check multiple options.
** "Other" included deferred compensation, commissions, profit sharing, relocation and commuting expenses, restricted stock units, and 401k match.*

Deferred compensation

Traditional

The majority of our 45 respondents from traditional long-only equities and fixed income firms have no deferred component to their bonus. Of the 32.5% who do, the percentage deferred ranged from 10% to 75%.

Diversified

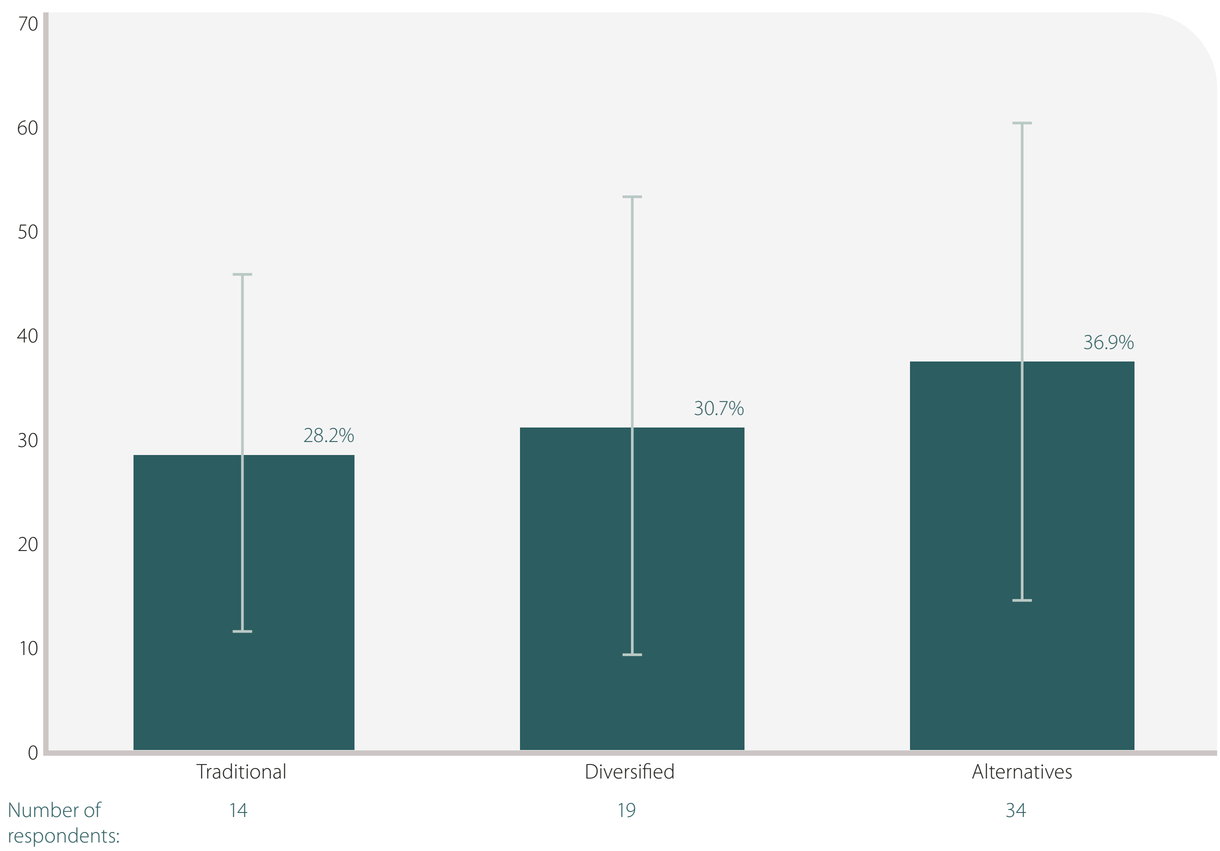
The majority of our 47 respondents from diversified (long-only and alternative) firms have no deferred component to their bonus. Of the 43.5% who do, the percentage deferred ranged from 10% to 100%.

Alternatives

The majority of our 114 respondents from alternative investment have no deferred component to their bonus. Among the 31.6% who do, the percentage deferred ranged from 7% to 100%

We found significant variability in deferred compensation among individuals, even within the same firm type.

Percentage deferred *(for those individuals whose bonus is subject to deferral)*



Note: Each bar represents an average, and the range of responses marked in each bar fall within one standard deviation of that average.

We asked respondents to describe their direct experience with deferred compensation. Similar to the views expressed during our individual conversations, survey responses showed a mixed or unfavorable view of deferred compensation.

Often, the goals of these programs are long-term retention and employee engagement. We believe two key criteria must be satisfied for these goals to be realized: the program must provide a real wealth-building opportunity for its participants, and it must align with the interests of investors and employees across the firm. Without these, the challenges of a deferred program can outweigh the benefits. For example, an aggressive deferred program, especially when it comes as a surprise to employees at year-end, can inhibit a firm's ability to recruit top talent. Word of employee dissatisfaction often spreads throughout the market, and potential candidates are deterred from joining the firm, even years after market gossip was current. In all but the most extreme cases, a hiring firm will likely match a prospective recruit's deferred compensation "like for like"—so these programs, often being time consuming and resource intensive to manage, lose their value as retention tools.

What is your view on your direct experience with deferred compensation?

	Traditional	Diversified	Alternatives
Extremely favorable	7.8%	0.0%	0.7%
Mostly favorable	5.9%	5.9%	6.4%
Somewhat favorable	3.9%	11.8%	10.6%
Mixed	17.7%	19.6%	11.4%
Agnostic	7.8%	13.7%	9.2%
Somewhat unfavorable	15.7%	13.7%	19.2%
Mostly unfavorable	7.8%	15.7%	12.1%
Extremely unfavorable	11.8%	5.9%	11.4%
NA	21.6%	13.7%	19.2%
Respondents	**51**	**51**	**141**

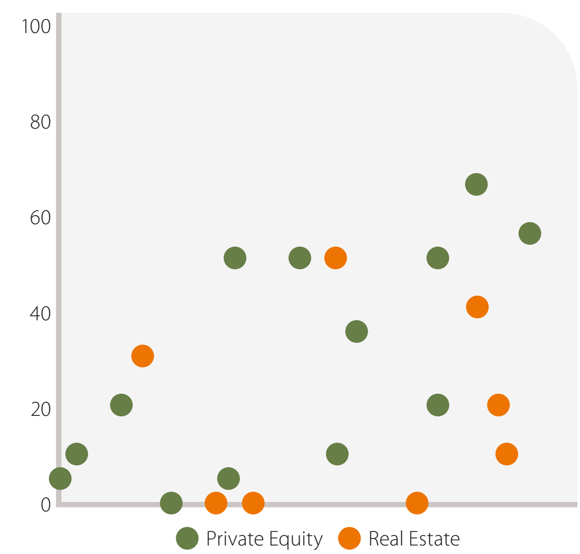
Carried interest

Twenty-one survey participants from real estate and private equity firms offered their insight on carry. The majority (80.9%) reported being awarded carry, and it ranged from 0% to 65% of their total compensation, with a mean of 25% and median of 20%.

As with many other components of a total compensation plan, there was significant variability among our survey respondents, and we have found the same lack of standardization in individual interviews during search projects.

Views on carry are generally very favorable in our experience: they create a powerful alignment of interests with limited partners, a strong sense of ownership and employee engagement, and a meaningful, long-term wealthbuilding opportunity for participants.

For real estate and private equity professionals, what % of your total compensation is in carry?



Compensation

Market sentiment

Overall, how did your 2016 bonus align with expectations?						
	Traditional		Diversified		Alternatives	
Significantly exceeded expectations	*0.00%*	0	*0.00%*	0	*0.00%*	0
Moderately exceeded expectations	*3.77%*	2	*5.66%*	3	*4.65%*	6
Met expectations	*54.72%*	29	*20.75%*	11	*44.96%*	58
Moderately below expectations	*26.42%*	14	*60.38%*	32	*32.56%*	42
Significantly below expectations	*15.09%*	8	*13.21%*	7	*17.83%*	23
Respondents	**53**		**53**		**129**	

In your view, how well did your 2016 total compensation reflect your contribution to the firm?						
	Traditional		Diversified		Alternatives	
Significantly exceeded expectations	*10.00%*	5	*7.69%*	4	*7.87%*	10
Moderately exceeded expectations	*18.00%*	9	*0.00%*	0	*18.90%*	24
Met expectations	*26.00.%*	13	*34.62%*	18	*25.20%*	32
Moderately below expectations	*32.00%*	16	*42.31%*	22	*29.13%*	37
Significantly below expectations	*14.00%*	7	*15.38%*	8	*18.90%*	24
Respondents	**50**		**52**		**127**	

Compensation

To offer the most granular view possible while also considering sample size, we present base and cash bonus insights segmented by firm type and years of experience. For the traditional and diversified sections, we break it into three categories. For alternatives, where we had a much larger sample size, we offer four. This structure may limit readers' ability to make side-by-side comparisons among different firm types, but it enables us to provide a much deeper comparison between peers at similar, and often competing, firms. We also elected to use years of experience, as opposed to title, as a guide given the lack of standardization in titles across the industry. Compensation is presented in USD.

General observations

- Outliers at the low end of the bonus spectrum reported raising little to no capital while those earning the highest bonuses reported raising significant capital.
- In many cases, an individual's track record and compensation, positive or negative, was consistent over multiple years.
- Bonuses were largely flat or down from 2015 to 2016.
- Base salaries rose between 2016 and 2017 across firm types and levels.

Traditional (long-only equities and fixed income)

11–20 years of experience (individual contributor)	Mean	Median	Range	Respondents
2017 base	190,263	185,000	115,000 – 330,000	19
2016 base	180,500	180,000	115,000 – 300,000	19
2016 bonus	332,333	243,000	25,000 – 1,300,000	19
2015 bonus	339,111	264,000	20,000 – 1,100,000	19

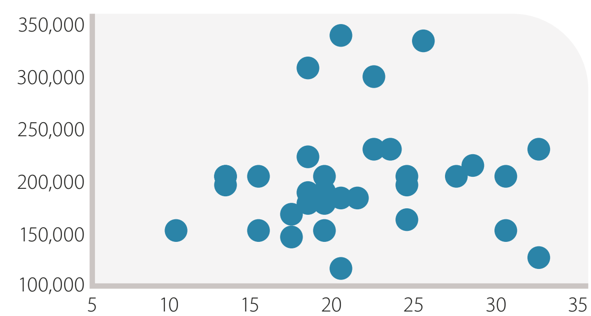
21+ years of experience (individual contributor)	Mean	Median	Range	Respondents
2017 base	207,785	200,000	125,000 – 325,000	14
2016 base	196,758	200,000	110,000 – 300,000	14
2016 bonus	331,730	300,000	30,000 – 900,000	13
2015 bonus	343,846	300,000	18,000 – 950,000	13

Leadership (player/coach)	Mean	Median	Range	Respondents
2017 base	268,517	250,000	98,000 – 500,000	29
2016 base	259,655	250,000	98,000* – 500,000	29
2016 bonus	536,444	450,000	175,000 – 2,000,000	27
2015 bonus	528,889	400,000	150,000 – 2,000,000	27

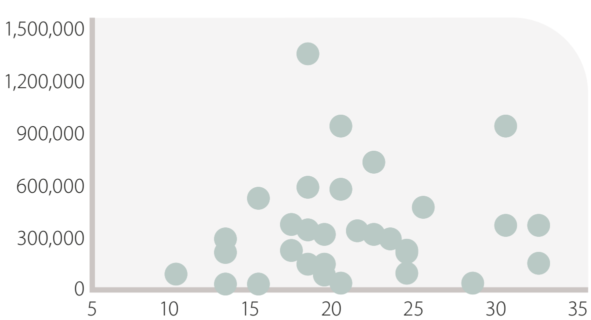
**$98,000 respondent was at a start-up firm.*

Individual contributor *(years of experience)*

2017 Base

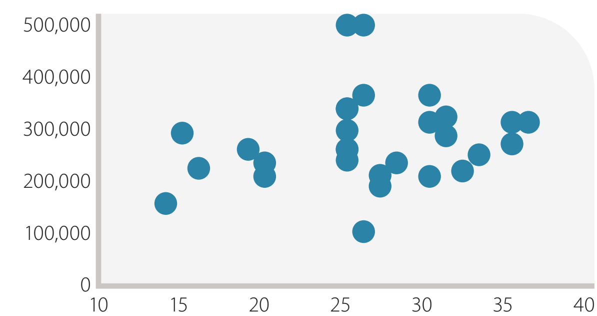


2016 Bonus

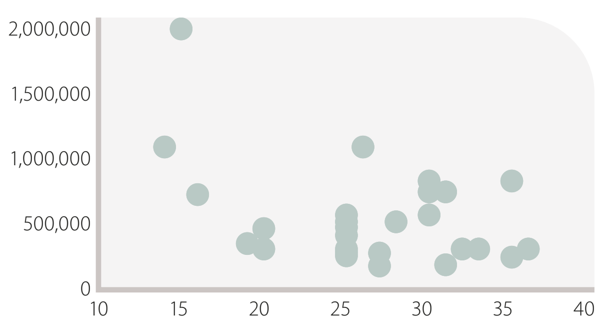


Leadership *(years of experience)*

2017 Base



2016 Bonus



Diversified (long only and alternatives)

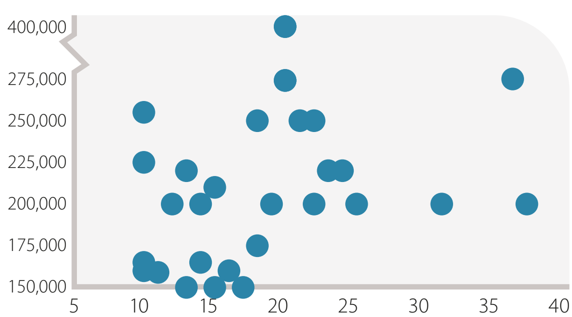
10–19 years of experience (individual contributor)	Mean	Median	Range	Respondents
2017 base	187,882	175,000	150,000 – 255,000	17
2016 base	172,187	160,000	115,000 – 255,000	16
2016 bonus	300,093	205,000	100,000 – 1,1616,000	16
2015 bonus	277,500	180,000	120,000 – 1,350,000	16

20+ years of experience (individual contributor)	Mean	Median	Range	Respondents
2017 base	241,500	220,000	200,000 – 400,000	10
2016 base	238,636	200,000	200,000 – 400,000	11
2016 bonus	341,363	325,000	50,000 – 700,000	12
2015 bonus	352,363	386,000	50,000 – 575,000	11

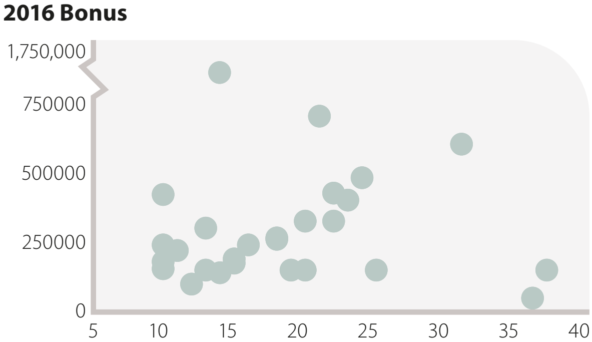
Leadership (player/coach)	Mean	Median	Range	Respondents
2017 base	265,967	250,000	150,000 – 575,000	34
2016 base	255,379	250,000	150,000 – 500,000	34
2016 bonus	667,870	500,000	100,000 – 4,100,000	32
2015 bonus	705,468	567,500	125,000 – 3,650,000	33

Individual contributor *(years of experience)*

2017 Base

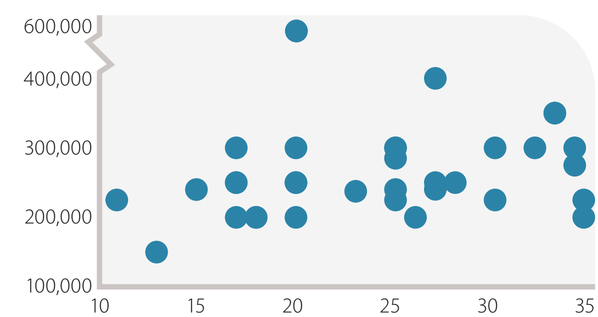


2016 Bonus

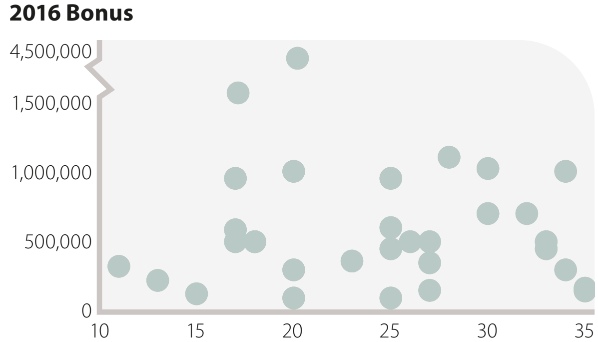


Leadership *(years of experience)*

2017 Base



2016 Bonus



Alternatives (hedge fund, real estate, private equity)

8–14 years of experience (individual contributor)				
	Mean	Median	Range	Respondents
2017 base	181,464	175,000	90,000 – 400,000	28
2016 base	173,107	160,000	90,000 – 400,000	28
2016 bonus	275,000	220,000	20,000 – 1,000,000	26
2015 bonus	279,000	200,000	20,000 – 1,400,000	27

15–20 years of experience (individual contributor)				
	Mean	Median	Range	Respondents
2017 base	223,167	225,000	50,000 – 500,000	36
2016 base	210,784	200,000	75,000 – 500,000	37
2016 bonus	356,176	305,000	0 – 1,320,000	36
2015 bonus	373,490	350,000	0 – 2,000,000	37

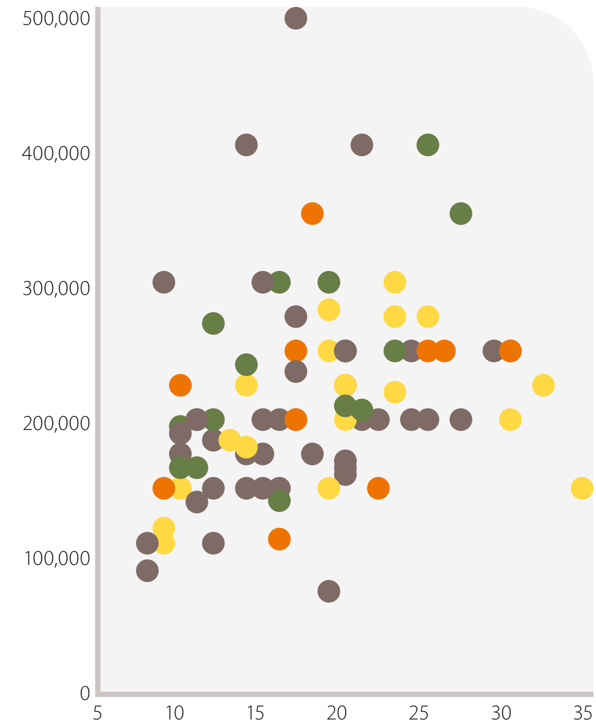
21+ years of experience (individual contributor)				
	Mean	Median	Range	Respondents
2017 base	245,917	250,000	150,000 – 400,000	24
2016 base	245,625	250,000	150,000 – 400,000	24
2016 bonus	380,000	285,000	25,000 – 1,000,000	22
2015 bonus	397,762	300,000	50,000 – 1,000,000	21

Leadership (player/coach)				
	Mean	Median	Range	Respondents
2017 base	275,545	250,000	125,000 – 500,000	56
2016 base	263,091	250,000	125,000 – 500,000	56
2016 bonus	851,615	675,000	0 – 5,500,000	52
2015 bonus	883,558	712,500	0 – 5,000,000	52

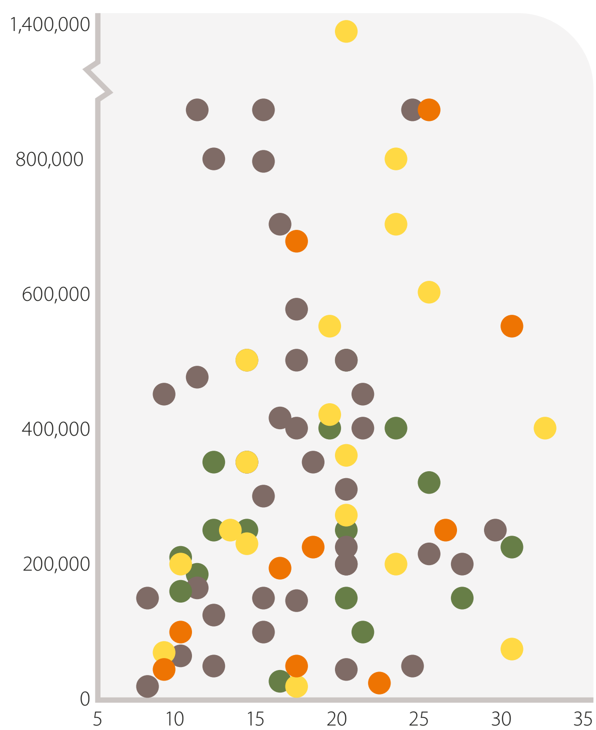
Alternatives (hedge fund, real estate, private equity)

Individual contributor *(years of experience)*

2017 Base

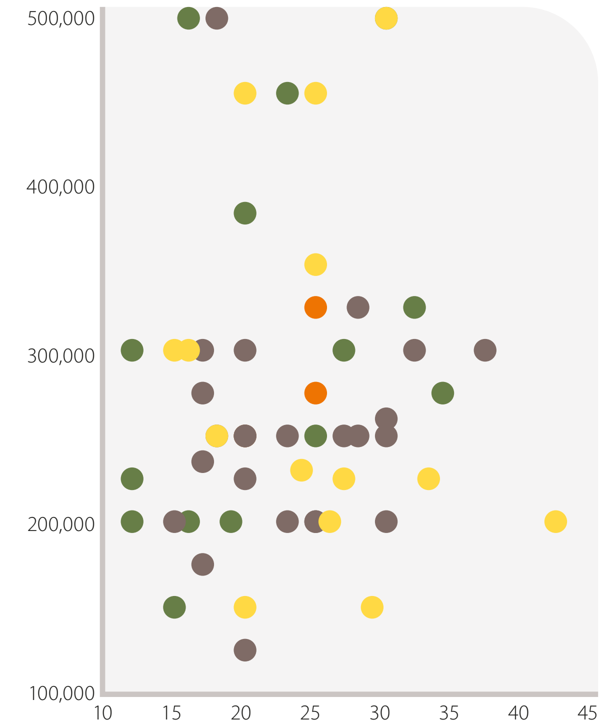


2016 Bonus

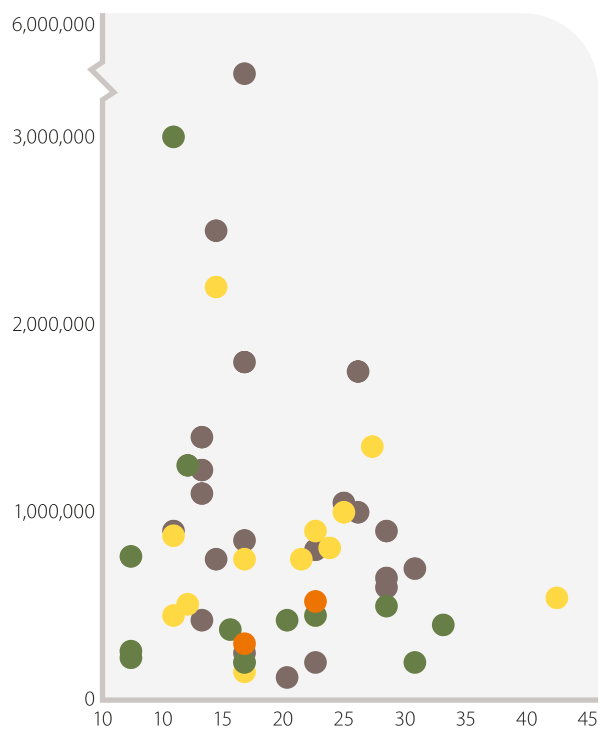


Leadership *(years of experience)*

2017 Base



2016 Bonus

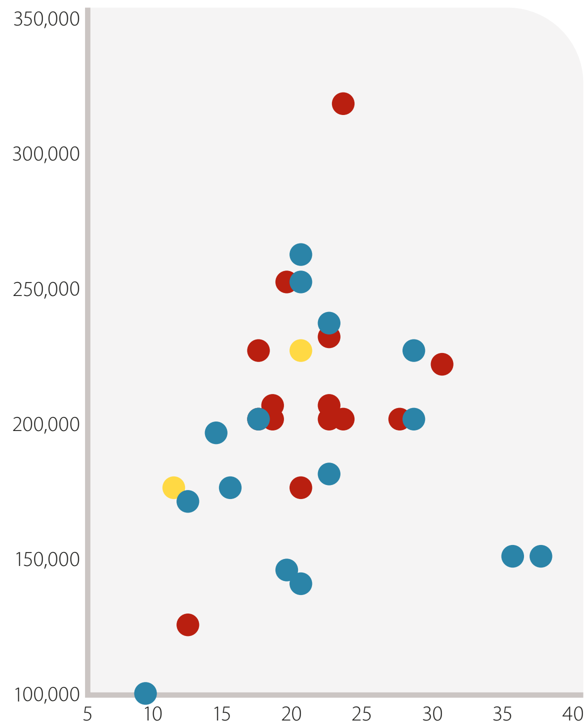


Real Estate Private Equity Hedge Funds Multi-Product Alternatives

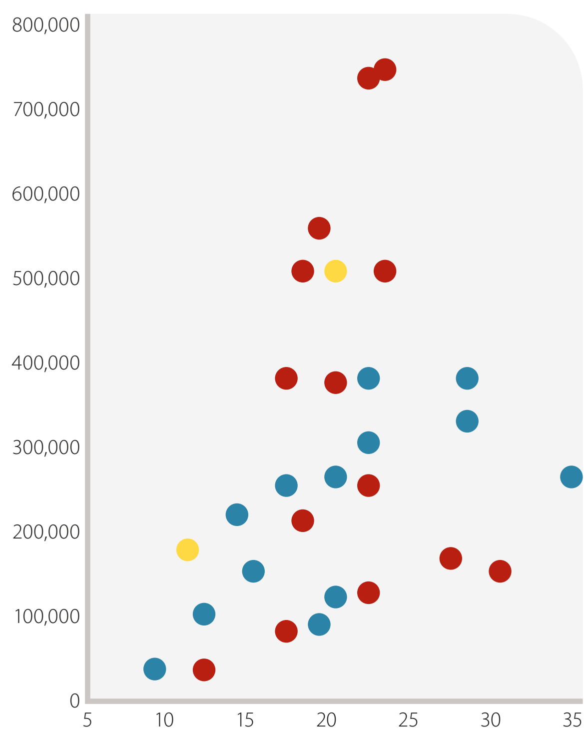
Consultant relations (all firm types)

Consultant relations *(individual contributor)*

2017 Base

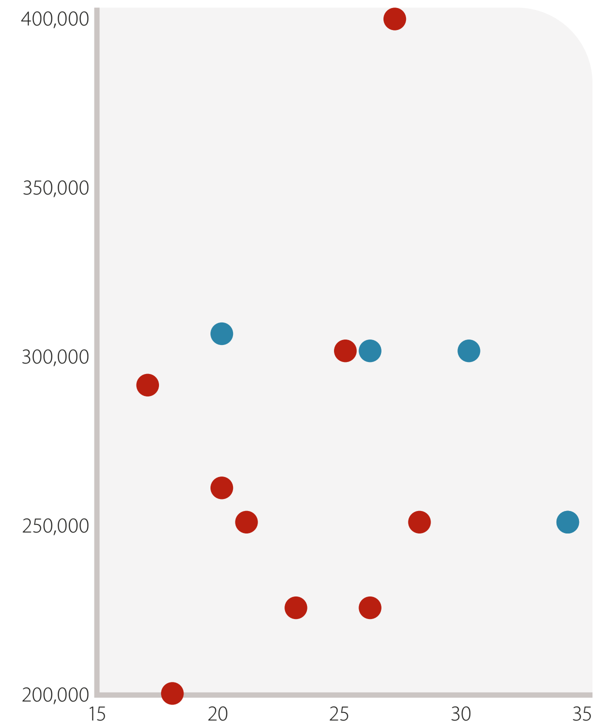


2016 Bonus

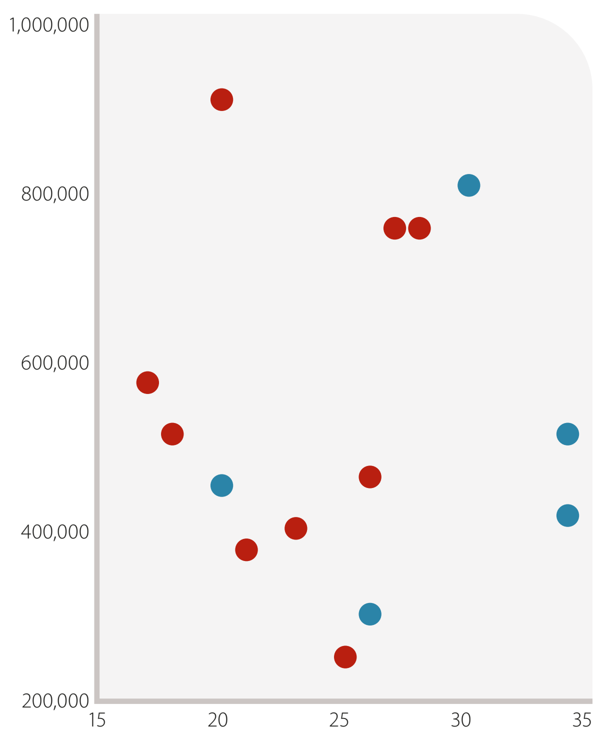


Head of consultant relations

2017 Base



2016 Bonus

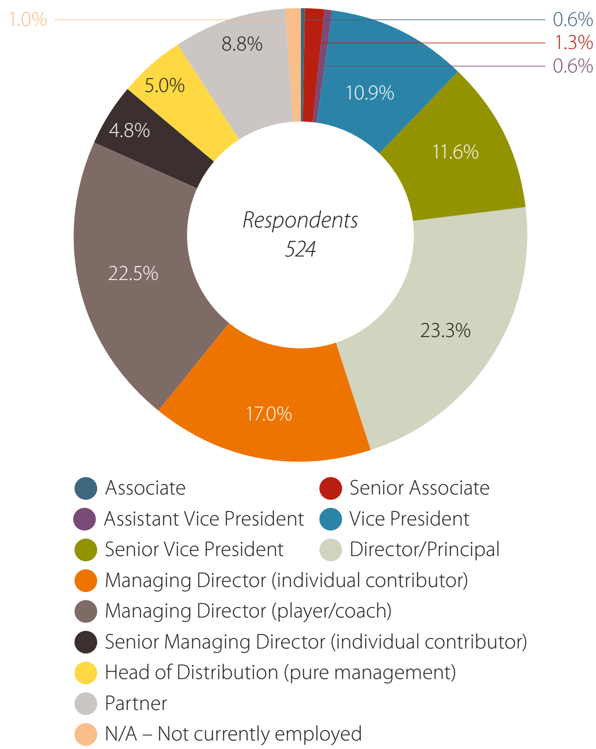


Traditional Diversified Alternatives

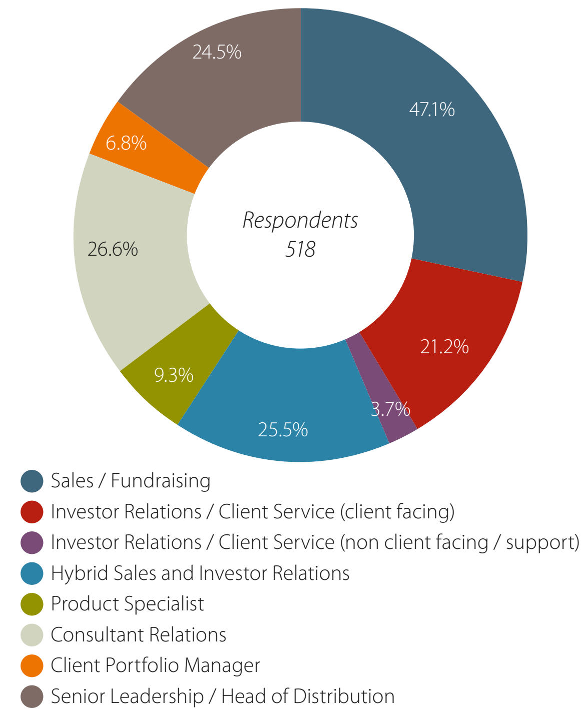
Note: Given limited responses we did not create a grid with mean, median, and range for consultant relations.

Section XIII. Demographics of Survey Respondents

Which best describes your current level?

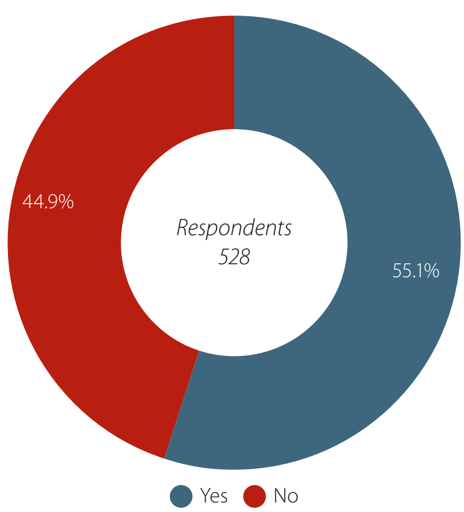


How would you characterize the primary focus of your current role?

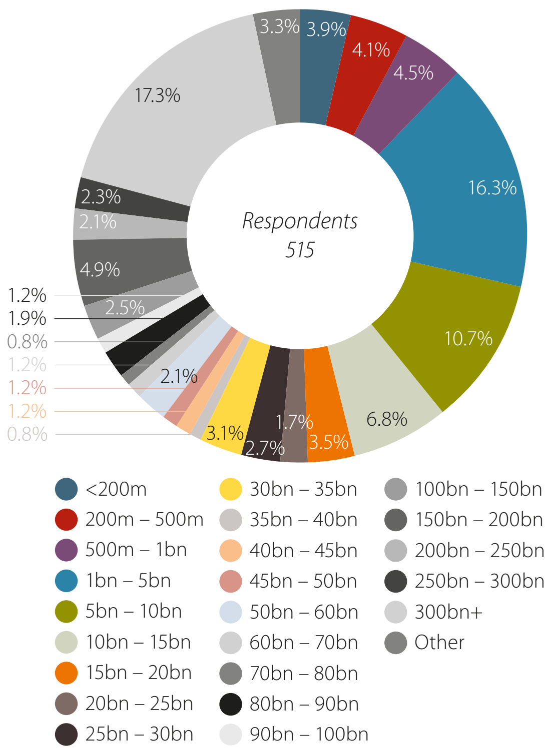


**Total exceeds 100% because a number of respondents chose several options. They were later sorted into functional specialities using their reported formal job title and responsibilities.*

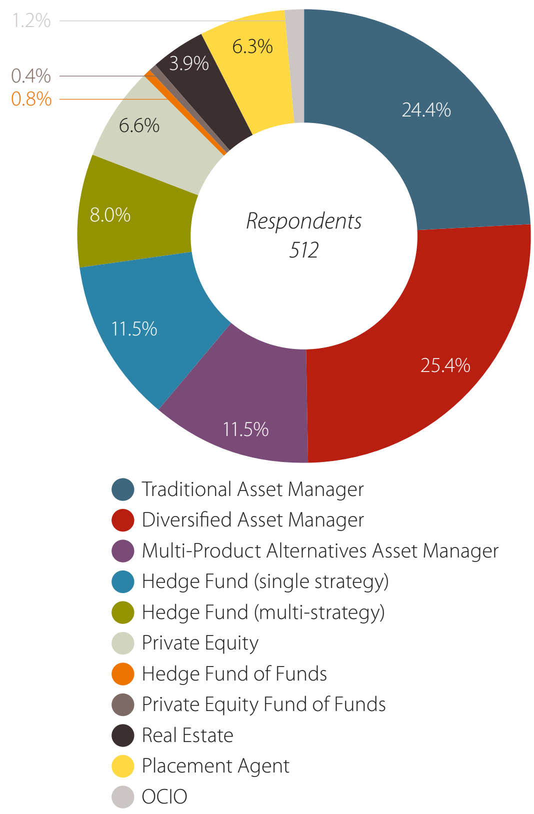
Does your role include management?



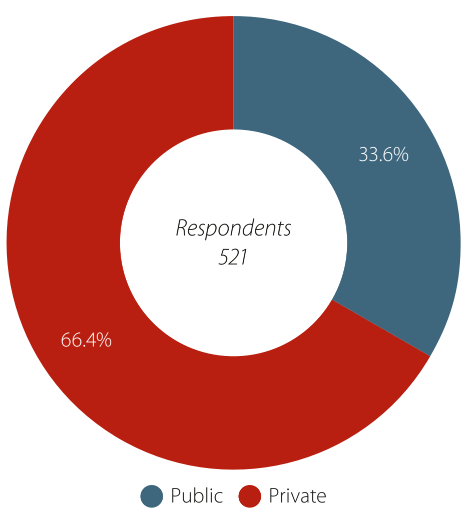
What are the total assets under management of your current firm?



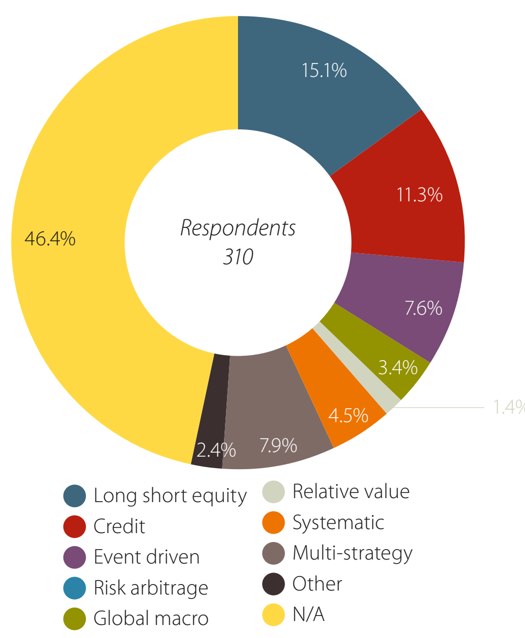
How would you characterize your current firm?



What is your current firm's ownership structure?



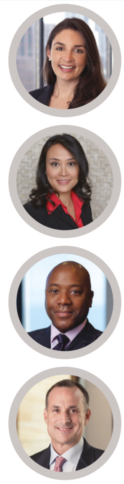
If your firm is a hedge fund, what is its primary investment strategy?



Section XIV. Global Investment Management Consultants

Americas






Lisa Baird
New York

Lee Hanson
San Francisco

Liz Simpson
New York

Laurie Thompson
New York

Daniel Edwards
Washington, D.C.

Timothy Holt
New York

Kia Tang
Dallas

Deepali Vyas
New York

Paul Gibson
New York

Jonathan Mackey
Toronto

Lyndon Taylor
Chicago

Golnaz Yekrangian
Toronto

Amy Goldfinger
New York

Renee Neri
New York

Todd Taylor
New York

Europe and Africa




Elise Andström
Stockholm

Jenni Hibbert
London

Viviana Landoni
Milan

Andy Smith
London

Chantal Clavier
London

John Hindley
London

Pilar Santiago
Madrid

Florence Soulé De Lafont
Paris

David Harms
London

Carsten Kroehl
Frankfurt

Pascale Simon
Brussels

Lawrence Trefi
Paris

Alejandro Henning
Zurich

Sophie Landale
Paris

Asia Pacific and Middle East




Christoffer Black
Tokyo

David Chun-Yue Hui
Hong Kong

Oliver Read
Hong Kong

Sandeep Surana
Mumbai

Michael Di Cicco
Singapore

Kiwook Kim
Seoul

David Scambler
Sydney

Craig Williams
Sydney

Shadi El Farr
Dubai

Aya Iinuma
Tokyo

Puneet Pratap Singh
Mumbai/New Delhi

Linda Ye Zhang
Shanghai

Steven Greenberg
Tokyo

Steven McCrindle
Hong Kong

Financial Services Practice

Heidrick & Struggles' global Financial Services Practice uses our broad and deep experience to find the leaders today who are equipped to address the critical issues of tomorrow.

Emerging from global crises while adapting to new markets, the global financial services industry needs leaders with the technical skills, creativity, and insight to craft winning strategies in an increasingly data-heavy digital world. With more than 80 consultants in locations around the world, our Financial Services Practice team combines unparalleled search resources with a deeply consultative approach. We have strong expertise across all financial services sectors, including: asset management; consumer and commercial finance; financial services infrastructure; financial technology; global markets; hedge funds; insurance; investment banking; private equity; real estate; venture capital; and wealth management.

Possessing a client roster that includes most of the world's financial services firms, and being a recognized leader in emerging markets, Heidrick & Struggles blends search and consulting services to build long-lasting relationships. We employ functional expertise and access to a global candidate pool to provide our clients with the right leaders for where they are now, and where they will be in the future.

Leaders of Heidrick & Struggles' Global Financial Services Practice

David Boehmer
Global Practice Managing Partner
dboehmer@heidrick.com

Jenni Hibbert
Regional Managing Partner, Europe and Africa
jhibbert@heidrick.com

Frazer Wilson
Regional Managing Partner, Asia Pacific and Middle East
fwilson@heidrick.com

Leaders of Investment Management Segment in the Americas

Lisa Baird
Partner, Investment Management Segment
lbaird@heidrick.com

Graham Beatty
Partner, Real Estate Sector
gbeatty@heidrick.com

Jonathan Goldstein
Partner, Private Equity Sector
jgoldstein@heidrick.com

Todd Taylor
Partner, Wealth Management Sector
ttaylor@heidrick.com

Deepali Vyas
Principal, Hedge Funds Sector
dvyas@heidrick.com

About the author

Laurie Thompson (lthompson@heidrick.com) is a principal in Heidrick & Struggles' New York office and a member of the Financial Services Practice.

Heidrick & Struggles

Heidrick & Struggles is a premier provider of senior-level executive search, culture shaping, and leadership consulting services. For more than 60 years we have focused on quality service and built strong relationships with clients and individuals worldwide. Today, Heidrick & Struggles' leadership experts operate from principal business centers globally

www.heidrick.com

WE HELP OUR CLIENTS CHANGE THE WORLD, ONE LEADERSHIP TEAM AT A TIME®

hs-00254