

ASSET MANAGEMENT HIRING TRENDS

Navigating Talent
Opportunities To Gain
Your Competitive Edge

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DEAR COLLEAGUES & FRIENDS

First and foremost, I hope you and your family are safe.

I have intentionally delayed my quarterly market update as America engages in dialogue and debate regarding potential socioeconomic and political shifts, as well as Covid-19 protocol. However, as we work to establish our new “norm”, our financial community continues to move forward.

I cannot emphasize enough that now is the very best time for employers to hire. The market dislocation has blown open the doors to the most exceptional talent universe in my 15 years in the industry as a marketer or executive recruiter.

As the past couple of months have played out, there have been many transformative and structural changes at firms as managers reposition themselves, or even shutter all together due to these unforeseen circumstances.

I have witnessed an incredible surge in talent flow across portfolio management and marketing. Many candidates otherwise closed for conversation are now willing to engage and consider their next opportunity. The unique work-from-

home environment has actually aided recruiting and deeper conversation as candidates no longer have to find time to step away from their offices like secret agents.

Regardless of world events, existing clients have asked us to continue our work, and our new clients are looking to seize talent flooding the markets. We expect some firms to pivot in many respects to maintain their competitive edge, including the people in whom they invest. The average life of searches represents more than three months, therefore the “new norm” has not deterred our overall process, we have simply substituted in person with technology for now.

With an ample talent pool both overtly and quietly available, and firms seeking differentiation and better performance, we feel confident in a strong back half of 2020 for hiring.

Please see the asset management hiring trends of 2020. I hope this piece will be insightful to our community.

RESTRUCTURING OPPORTUNITIES

With the Fed trying to put a floor on asset values, the monetary policy moves could impact the real intrinsic value of a portfolio. Managers are conveying that distress values may take time to reveal themselves. The wait-and-see impact leaves open the opportunity for distressed/opportunistic plays for funds willing to be patient as the economy unravels.

From both buy and sellside, restructuring is going to be a core theme and hiring trend for the next two years. Susceptible and hard-asset industries, including real estate, hospitality, airlines, consumer, and retail, will face challenges. Investors focused on distressed should find their moment and rival the distressed boom of 2008-2010. Structured credit funds, mindful of the surge in Alt-A assets and other deep value credit from 2010 to 2013, will be on guard for credit asset

recoveries, particularly after some structured credits funds have generated performance declines.

Experience in marketing and investment niches matters during times like these. Managers have a bigger selection of talent and will almost always prefer hiring “like for like.” For instance, restructuring professionals who were investing during the last credit cycle of 2008-2009 are well-positioned on how to handle a crumbling market. Likewise, marketers who have a track record of success against headwinds of our last financial crisis are experienced and nuanced to bring a firm to market and raise/retain capital.

RAGING MIDDLE MARKET GROWTH

Many large private equity/debt firms are too big in AUM to participate in middle market investments. Large managers who invest in more traditional up-market PE are raising opportunistic or co-investment funds to invest in smaller deal sizes that provide a higher return profile.

Firms are chasing front office candidates within the lower and middle market universe who can evaluate deals across a wide array of sectors, and marketing candidates who

have appropriate relationships for more opportunistic funds.

Overvalued assets and companies have reset value expectations. The reset has benefited the middle-market investment opportunities, which are flourishing from deal flow for both mainstream and esoteric investments.

SHIFTS IN MARKETING & IR

Hedge fund performance has been all over the map, but what is certain is that the environment has shifted from broad hunting to defensive marketing and strategy.

Client retention is critical. I anticipate a current need for dynamic marketers who can “switch-hit” between marketing and IR, rather than hired guns or fundraisers without in-house experience.

However, there has been a distinct slowdown in new product specialists and consultant

relations searches. We have seen client requests down 70% from the last year. There is also a decrease in senior IR demand. The likely culprit: price sensitivity. Firms are also reluctant to invest in roles that they perceive as indirect revenue or overhead, despite the necessity of these functions.

INVESTMENT STRATEGY DEMANDS

As firms seek to capitalize on an ever-changing market, I have received requests for special situations portfolio managers. Unfortunately, select hedge fund indices have indicated that the strategy has performed poorly, but the skill set is meaningfully more attractive with increased volatility and restructuring.

Since secondaries stand to benefit from adverse markets, we see an uptick in hiring, especially for investment senior leadership. On the investor relations side, distribution had its most successful fundraises to date in 2019. With lofty expectations for the next 18 months, there will be a demand for more client-facing professionals.

In my view, real estate is one of the most exciting asset classes to watch. From the

private side, this is the time to raise new funds in residential real estate in core markets that historically bounce back quickly – it will be a fire sale. On the real estate private credit side, many structured credit funds are licking their chops for CMBS restructuring investments.

Macro and quant have been performing sectors, and there is always new human capital growth potential with funds who have outperformed.

COMPENSATION EXPECTATIONS

Most firms are facing performance and fee pressures. Additionally, allocators are playing the “sit-and-watch” approach. Experienced and currently employed potential hires who have a proven track record will still need robust incentives to move during such a challenging time, as they essentially will have to reboot. We anticipate that client expectations will be pronounced for new candidates, particularly given the depth of the candidate pool at the moment.

During this cycle, I believe that managers will come to an understanding that “you get what you pay for.” While many current aspects of

the industry represent a “buyer’s market,” there is nonetheless tremendous upside and less money/time spent on ramping up a lesser hire.

I see firms formulating offers that are more meaningfully weighted on the back-end. And while most firms pay the majority of cash bonuses each year, some firms are beginning to defer a percentage of cash. Firms often structure these arrangements to not only manage costs but also as a reliable retention tool.

WORK FROM HOME

I have been asked about this topic repeatedly and hence including quick thoughts here

Many banks and asset managers have stated that they do not expect an office return until September or beyond. To protect employees, firms have developed scheduled plans to rotate teams in and out of the office. Going forward, firms will likely offer WFH as a benefit/incentive. This is particularly attractive for Tri-State suburban commuters.

Travel to meet companies or investors is on hold for now and will likely decrease in general even when the tri-state area normalizes. We have honed our virtual abilities to service the ever-evolving landscape. Professionals used to heavy travel (bankers, marketers) have been vocal publicly in how client communication still flourishes

when extensive travel logistics fall apart.

WFH has inspired employers to consider candidates outside of their geography, when those candidates would have been excluded from prior search processes. The broader trend allows our clients to have a more expansive selection of talent.

Whether you are at this point or not, I think most fund professionals miss office camaraderie. Human nature seeks to embrace habit. While all office plants may have perished, I’m willing to bet that most of us are missing water cooler chat, at the very least.

IN CLOSING

In closing, I wish everyone health, wealth, and happiness. I look forward to providing market intelligence to help you make the right hire or to position your candidacy. Should you have questions, please do not hesitate to reach out for guidance.

Best,
Alex



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ALEXIS DUFRESNE is a Managing Director at Whitney Partners. As a senior consultant for the asset management community, Alexis focuses on marketing and portfolio management roles. Her work spans across single mandated searches, to team build outs. Alexis's background as a former hedge fund marketer provides her with a technical understanding of the space, increases her ability to connect with clients and candidates, and allows her to leverage a deep network of allocators, marketers, and managers.

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