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Top Hedge Funds See Big Drain of Sales Pros to Rivals

By Laura Suter
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Marketing staff are jumping from big, brand-name hedge funds to smaller shops in a bid for a bigger pay package, more excitement and more control.

Around 40% of the candidates making moves in the marketing space in 2013 and so far in 2014 were leaving larger hedge funds to join smaller shops, finds a new report from executive search firm **Jensen Partners**, which tracked the moves at prime brokerages and alternative asset managers over the past 15 months.

"The [hedge fund] founders understand that the way forward is to have a marketer who understands the investing network, has breadth and depth and can rebrand their small fund in the same way larger funds have branded themselves," says **Sasha Jensen, CEO and founder of Jensen Partners**.

Among those jumping from bigger shops in recent months is Sarah Park-Knight, who left $10 billion Marathon Asset Management after 11 years in favor of credit manager One William Street Capital Management, which runs $2.5 billion. Och-Ziff Capital Management lost Marc Gonyea recently, who left his job as managing director of investor relations at the $42 billion shop for smaller digs at Prosiris Capital Management, which surpassed the $1 billion in assets mark in August last year.

The move by the smaller, newer hedge funds to build out their infrastructure is largely a response to the increased flow of institutional money moving into the hedge fund space, which demands broader services. But it is also a response to the competitive fundraising environment, where the requirements, contacts and efforts demanded of the firm have become far greater to secure capital.

Previously hedge fund founders, who were usually the investment pros, also took care of all areas of the business, but now these veterans realize that model isn't effective. "They are now seeing investors demanding a lot more…and they can't deal with that on a daily basis. They have to outsource that," adds Jensen. "If they are going to attract the CIO of a pension fund [they] have to have an institutional salesforce to do so."

The movement to "institutionalize" at alts managers is well afoot, says Mike Greenstein, global alternatives investment leader at PwC.

"There is no question that there is a greater focus than ever before on the non-investment side of the firm, on the infrastructure," he says. Often, he adds, hedge funds will initially hire an "everything else" person, who takes care of all the non-investment roles, so the compliance, CFO, and marketing roles to go a person who wears more than one hat.

In return, candidates are being lured by big compensation packages on offer, often with guaranteed bonuses, which are very rare in other parts of the industry. "A number of people I have spoken to have struck incredible deals in terms of guaranteed bonus," says Jensen, citing the example of one big mover this year who secured a $2 million annual package guaranteed for two years.

Gone are the days when small hedge funds could pay subpar salaries for compensation, agrees Don Steinbrugge, managing partner at third-party marketer Agecroft Partners. "Pre-2008, a hedge fund might have got away with a fairly low-paid salesperson representing the firm. Now a hedge fund needs to make sure they have someone with very strong credentials if they expect to have any chance in the marketplace," he says.

Marketers at big firms are also more willing to be poached for a bigger challenge, says Jensen. Often at big brands, the excitement of building up a business has died down, meaning the marketer's day-to-day role is often not as challenging. These marketers have a "definite entrepreneurial desire or spirit and that's why some of these individuals are [moving]," she adds.

The contraction of the fund of funds industry, which was traditionally a big investor in small to medium hedge funds, also has had a knock-on effect on sources of capital for those firms, placing marketing and fundraising roles center focus as they try to replace those invested assets.

Firms wanting to succeed with institutional investors also need to have a very good product, a very strong marketing message and good distribution, says Steinbrugge.

"The old model was that maybe the head of a firm or COO could sell on a part-time basis and put numbers into databases and money would come. That doesn't work anymore," he says, adding that even the firms with the top track records are not getting the flows unless they proactively market the fund.

But the process is a bit of a Catch 22 for managers, says Greenstein. "If strong infrastructure is a prerequisite for getting capital, then you need to have it on day one. But having it on day one is a significant cost," he says.

And top salespeople are "obviously very expensive," says Steinbrugge, who adds that a top salesperson at a big firm is likely to command a high six-figure or seven-figure salary.

Though those with less experience obviously come cheaper, it's not an area where hedge funds want to skimp, he says. "Whoever represents the firm…they want to make sure that person is going to reflect positively on the organization. It is something worth making the investment in and not cutting corners on," he says.

Marketers willing to make the jump to smaller firms need really strong relationships with the institutional investor community, not just a stocked Rolodex, say Jensen. "The smaller hedge funds are looking for a number of different things. They want deep relationships so the candidate can call their investors and get a meeting regardless of product," she adds.

Candidates that have deep roots in the multi-family office space are in particular demand, says Jensen. "In my experience the smaller funds, the niche-y funds, are really interested in getting into the family office Rolodex because it's sticky money and they are not reluctant to invest in niche strategies," she says.

But it's not just contacts that smaller hedge funds are on the hunt for; they also want the processes and professionalism that many of these marketers will have learned from the big shops. One example is the professionalism of marketing documents and presentations from larger firms.

Despite the attractive packages small firms are pitching, there is risk for the candidates moving. Smaller funds do not have a good brand name and reputation to fall back on should they have a bad year of performance, warns Jensen. This is particularly the case for firms run by an investor who does not have the pedigree of a big hedge fund or prop trading desk.

Also, the candidates will often have to cover more areas of the business than they are used to, says Greenstein. "No business starts out fully scaled," he says. "Hopefully [the hedge fund will] have a vision of how they want to scale and bring in others to specialize in areas, but oftentimes employees are double-hatting at the beginning."

But the market at the moment allows for a lot of shopping around by the candidates, says Jensen: "People are spoiled for choice. There are so many funds and so many are hiring."