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Context Jensen: Alternatives Continue to Attract Fundraising Talent

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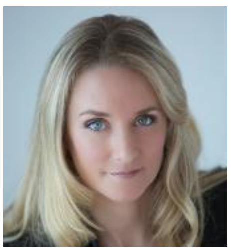
Editor's note: *Despite recent market volatility, disappointing returns and fund outflows, demand for marketing/capital raising professionals in the alternatives industry remains very strong, according to data from industry executive search firm* ***Context Jensen Partners.*** *In this contributed article, founder* ***Sasha Jensen*** *offers insights into the hiring trends currently visible in the fund marketing space.*

Alternatives Continue to Attract Fundraising Talent
By Sasha Jensen



Despite recent market volatility and fund outflows, alternative investment managers have continued extensive hiring initiatives for capital raising and investor relations professionals through the first quarter of 2016, following an especially active 2015.

Our firm recently released the first installment of the Context Jensen Partners' Newsletter, which provides a quarterly snapshot and analysis of key hiring trends in the alternatives distribution space. We've found that while the recent negative market sentiment around certain alternatives asset classes has certainly led to some well-publicized incidents of high turnover among marketing professionals as well as firm closures, we've found just as many firms looking to double down on their distribution efforts to ensure assets stay put through rocky times.

Table 1: Behind the Numbers

2015	Hedge Funds	Private Equity	Traditional Inv. Mgt.	Investment Banking
Q1	-1	5	18	-10
Q2	14	-3	10	-33
Q3	12	-7	-16	22
Q4	1	11	-26	16
NET 2015 Hires	**26**	**6**	**-14**	**-5**

Hedge funds experienced significantly more hires than departures from their distribution platforms in 2015, resulting in a net increase of 26 marketing professionals from January to December of last year, with the second and third quarters showing particularly strong activity. Although the fourth quarter tailed off somewhat, overall, the year showed a significant increase in hiring for alternatives marketing professionals as investors continued to allocate to hedge funds in strong numbers. According to data from BarclayHedge, hedge fund assets under management reached an all-time high of $2.8 trillion by the end of 2015.

Private equity also benefitted from this talent flow with a net increase of 6 marketing professionals, including an especially strong finish to the year with our research team tracking a net 11 new hires in Q4. Many of these distribution hires are going into several strategies, including growth equity, energy buyouts, middle market buyouts, and infrastructure. Our data suggests this strong activity will continue, with Q1 2016 showing a 47% year-over-year increase in distribution movement within the private equity industry compared to Q1 2015. Private equity fundraising hires also tend to be more “sticky” than other hires, with 46% of all private equity moves in Q1 2016 coming from outside of private equity (including banking, private funds groups, and liquid strategies), reflecting the relative stability of the private equity fundraising sector.

The Outlook for 2016

Tracking alternative distribution hires and departures provides a unique look into current trends across the financial services industry. Although 2016 has started slowly for hedge funds in terms of performance and negative headlines, the industry is by no means pumping the brakes on asset raising. According to a recent allocator report published by our affiliate, Context Summits, 79 percent of allocators surveyed said they plan to increase investments to hedge fund managers in 2016, and 96 percent of investors said they plan to allocate in two or more funds.

In response to this continued interest, many hedge funds are pursuing seasoned marketing candidates with strong investor relationships in an effort to retain assets under management and satisfy allocator demands for increased fund reporting and diligence. These investors demands have also contributed to a growing trend in smaller, younger funds (with assets under <$500mm) towards institutionalizing their marketing efforts.

Private equity fundraising remains strong, with a flurry of activity through Q1 2016. While there is still much capital available in private markets, there is a significant divide in the success and speed of different fundraising efforts. Successful firms have been able to raise funds at a pace of $500 million to upwards of $1 billion per month. These firms are able to hold final close within a year or less and find their funds significantly oversubscribed.

Some top managers, however, have struggled to maintain fundraising pace through recent market volatility. Given the sometimes fickle fundraising environment and volatile markets, firms are placing more emphasis than ever on the strength of a fundraising team’s client service capabilities between fundraising cycles. Investors, whether in hedge funds or private markets, want assurances that their assets are well taken care of, placing ever more pressure on firms to enhance their marketing capabilities as we head into the second half of 2016.

Sasha Jensen is founder and CEO of ***Context Jensen Partners****, an executive search firm exclusively dedicated to sourcing strategic capital raisers across the entire alternative asset management industry. The Context Jensen Partners research team has tracked over 2,000 capital raising hires across all alternative strategies since 2013, and publishes a quarterly newsletter on the latest hiring trends in the alternatives distribution space.*