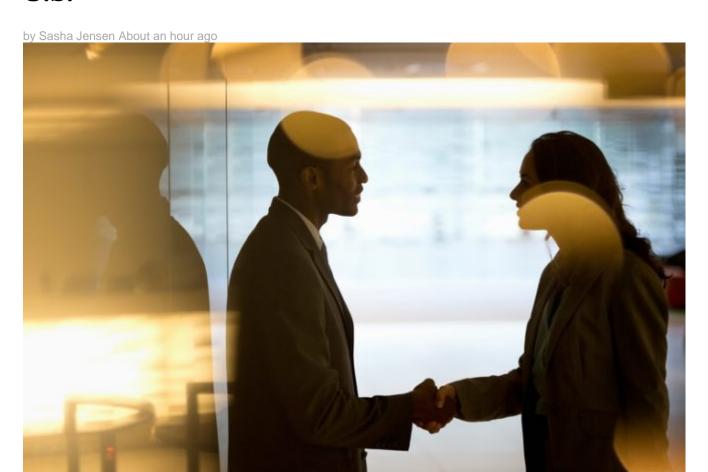




How Brexit has affected hedge fund hiring in the U.S.



Demand for talented asset-raisers with strong track records or niche client or product specialization is high among alternative asset managers.

There will always be demand for talent, and the U.S. is the largest market in the world. Given the uncertainty in England and across the European continent, it's not surprising that financial services firms might be thinking about relocating. However, it's way too soon to attribute any moves specifically to Brexit.

In the long run, I don't expect significant attrition from financial services sales, marketing and distribution professionals or marketing and business development jobs in the UK. The general Brexit fears have been overblown. Most key geographic regions across the globe

are undergoing events leading to market uncertainty: think the banking crisis in Italy, the election in the U.S. and struggling markets in China and Japan.

With Theresa May leading the charge towards a more moderate Brexit, it may indeed be safer for these jobs to stay in Britain, and a number of signs are pointing to certain parts of the financial market in the UK being stronger than initially assumed.

Outlook for the financial services job market in the U.S. after Brexit

Financial luminaries like Steve Cohen, for example, have recently been discussing the weakness of the hedge fund talent pool, especially in the U.S. I don't necessarily hold the same view – talent, after all, is a matter of opinion.

But for the foreseeable future, I believe demand for talented asset-raisers, especially those with strong track records or niche client or product specialization, will remain high.

What's more, as Wall Street seeks to keep younger professionals from trading in their suits for hoodies and moving out to Silicon Valley, the demand for younger professionals with strong, if limited experience and raw aptitude will continue to increase.

Brexit's impact on hedge funds hiring

Alternatives distribution hiring pre-Brexit increased quarter-over-quarter across all alternatives strategies, and we're seeing hedge funds continue to hire at high volumes, but there's a clear shift towards certain types of strategies.

For example, our data shows that in the first quarter of 2016 there were 61 equity hires and 42 credit hires. Now, in the second quarter of 2016, those numbers have nearly flipped, with 37 equity hires and 52 credit hires.

This reflects both the continued strong investor demand for private credit strategies and a market-wide shift away from strategies with high correlations to the market – in part as a response to recent volatility – diversifying towards strategies with lower correlations, such as credit.

Hedge funds and investors alike saw what happened with Brexit when the FTSE 100 plummeted by 550 points – a larger percentage loss than the one after the collapse of Lehman Brothers – and are eager to avoid the same fate. That's why you see so much more interest in less-correlated strategies and asset classes such as credit, real estate and infrastructure. Many hedge funds will be looking to bring on board professionals with experience in those areas.

Potential impact on hiring in the private equity space

There were 48 private equity distribution hires in the second quarter of 2016, down from 65 hires in the first quarter, but it was still the second most active quarter over the past two years – PE hiring activity was up 30% in Q2 compared to the prior year period. So there's obviously still demand for private equity investments, but it's hard to say where that demand will be based.

Hiring for distribution professionals was strongest in private equity, real estate, real assets and private debt, trends I expect to continue. Overall, I expect to see a drop in hiring numbers in Q3 and Q4 as many managers are waiting to see how the political and regulatory situation surrounding Brexit develops.

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