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Bidding war brews for top-notch hedge fund managers

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As alternative investment vehicles gain momentum, recruiting experienced hedge fund managers qualifies as the next key challenge for investment and financial services firms.

Hedge funds are typically private investment funds that use hedging techniques. The fund attempts to win with aggressive strategies, such as short-selling, leverage, swaps, arbitrage and derivatives. They cross the boundaries of stocks, bonds, currencies, foreign and commodity markets.

This complicated trading strategy demands specialized skills, and those skills can be difficult to secure, according to Jim Langan, a partner with Boston-based recruiter **Winter, Wyman's** investment and financial services division.

Market conditions are driving the demand. On one hand, capital flow into alternative asset classes opened the door to hedge funds. However, in the wake of the summer declines in the credit markets, an unstable stock market, and falling housing prices, a number of hedge funds have witnessed substantial drops in performance and assets. Several once-successful hedge funds have closed shop, making candidates more hesitant to join small- to mid-sized funds that don't offer a proven track record through down cycles.

"To attract the best and brightest in what is clearly a candidate-starved marketplace, companies need to be constantly having conversations with passive job seekers before they have an opening or need," Langan said. "Individuals want to work for companies with a strong reputation in the industry and a management team that they are comfortable with and will be able to guide the firm through changes in the economy."

There are only so many stars in a financial services industry that is experiencing consolidation, said Howard Seidel, a partner with **Essex Partners**, a Boston-based executive career transition firm. That means there's always competition for the best and the brightest candidates in the financial services field, and hedge fund managers are no exception.

"Professionals in financial services most always are interested in the financial upside of the career options, meaning what is the equity piece of the equation and role? They also place a great deal of interest on the firm's culture," Seidel said. "Remember, the power lies with the candidate especially if they are a rock star."

The answers for both sides of the hiring table are not answered in a one-time interview, he added. Rather, getting a suitable fit demands multiple meetings and frank discussions. Indeed, recruiters agree the interview process can leave a long-term impression on the hedge fund management candidate.

The companies with the best track record of hiring top talent have an interview process that's professional, organized, highlights the companies strengths and explains the true responsibilities of the position, Langan noted. That said, he added, each person at the hiring company must send a consistent message to the candidate.

"If two managers are organized and prepared for the interview, but the third one is preoccupied and has no idea why he is meeting a candidate, that is not a good way to attract the right person," Langan insisted. "Candidates will be turned off, lose interest, or question the sincerity of the organization. Firms must be aware at all times of how they are being perceived by the candidate."

Adam Herz, president of **Hunter Advisors Corp.**, a New York City-based executive hedge fund recruitment specialists, said the conditions are ripe for a bidding war.

"Investment firms will pay a premium for talented investment managers with a track record -- and that demand is going to continue to increase," Herz said. "There's a lot of capital out there and not enough talented individuals to deploy it as large institutions get more comfortable with alternative sources."