Preface

High-Impact Teams

The Alternatives industry will continue to evolve, as will organizations’ talent needs. One thing will remain constant — the results that are achieved by a high-impact team. We recognize that specific teams rarely stay intact (over time or from firm to firm), but also believe that each one of you strives to create optimal team effectiveness wherever you are.

The metrics contained in this report should help you benchmark components necessary to compensating your team members, as well as understanding what is important to them overall. Much of this you already know and will be reinforced herein. Overall, compensation is up 5-15 percent for the hedge fund/fund of funds industry on the back of renewed inflows and solid performance numbers. Top performers will be rewarded and the focus of increasingly formalized “retention plans,” while those contributing less will be given “development plans” with affiliated time frames. Teams are growing slightly in head count, but are also reorganizing to more accurately mirror the origin of asset flows and needs of clients. Additionally, if the economic environment continues to stabilize, new opportunities will open up threatening the security of team members unhappy for one reason or another.

Nearly as important as compensation is the value of culture. As the leader of your team, you have the ability to shape high-impact outcomes. We would like to be helpful to you in doing so, and in addition to the results of this survey, please let us know what would be most beneficial to you going forward.

Helping You Create & Lead High-Impact Teams by Being a High-Impact Leader

“The Big 8” are a constellation of skills that are related to high performance at all organizational levels, but are rarely even 12 percent of executives count four or more among their top-tier strengths—and are hard to develop. The Big 8 add up to generating an idea, puzzles out a strategy, planning to execute it and motivating others to work on it. The Big 8 include:

- Dealing with Ambiguity
- Creativity
- Innovation Management
- Strategic Agility
- Planning
- Motivating Others
- Building Effective Teams
- Managing Vision & Purpose

(Hallenbeck, 2012)
Talent Metrics in the Alternative Asset Management Industry

2013 Survey Findings

Hedge Funds and Fund of Funds

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Methodology

These survey findings are the result of a streamlined set of questions arrived at by discussions with the Advisory Committee and you, the Institutional Forum membership. It is our goal to continue refining the data to best suit the membership’s needs in an evolving industry. As the dynamics of the traditional and the alternative asset management industry change, so will the composition and talent components of the sales, marketing, distribution, and client service functions. In following, not all questions from previous years’ surveys were included and new questions have been incorporated. This will likely be the case moving forward, but we will track the year-over-year trends that are important to you.

Surveys were distributed in September, and results were collected anonymously in October and November. Results were supplied by a variety of senior professionals including Heads of Sales, Marketing, and/or Human Resources. We recognize that not all data provides an exact peer-to-peer comparison and that in many cases, an outlier data point may be helpful. Therefore, if there were fewer than three responses to a question, the narrative will offer insight on the response(s) that were provided.

There were a total of twenty-three firms that participated in this survey. The continued convergence of direct hedge funds with fund of funds, private equity, and/or real estate resulted in data that was not statistically relevant enough to delineate a distinct set of results for fund of funds. They are therefore included within the complete survey results. Six respondents have fund of funds businesses with the following percentage dedicated to fund of funds: 1 = 100 percent, 1 = 85 percent, 1 = 80 percent, 2 = 50 percent, 1 = 10 percent. The remaining percentages of those firms’ assets are focused on direct hedge funds, private equity, and/or real estate and 40Act products.

Thank you for taking the time to complete the 2013 survey. We hope you find the results helpful and welcome comments about structural and content improvements.
General Trends

What we have referred to as the “hedge fund industry” continues to mature and evolve into a universe of businesses often rebranding themselves as “investment management” or “alternative asset management.” This is the result of ongoing product diversification, cross-asset convergence, and further institutionalization, driven largely by the regulatory environment, demands of institutional investors, and a firm’s desire to scale. More recently we have seen the “retailization” of hedge funds (40Act, long only, mutual funds) and the trend toward a greater presence on third party distribution platforms. As seen in the survey responses, there is an increase in retail platform salespeople, although institutional investors still account for the vast majority of AUM. The notable data includes:

- Continued bifurcation between large, established funds and emerging specialty funds generating meaningful alpha and making up the largest groups of respondents
- 50 percent increase over 2012 in new product development and use of indirect distribution channels
- Sales professionals’ ability to make a more complex sale, have product expertise, speak on liability driven and other challenges critical to an optimal portfolio solution in addition to “a Rolodex”
- More formalized client service teams, less the stepchild of marketing
- Fewer dedicated consultant relations functions as we now have a clear understanding of what consultants are looking for and are not as challenged by their rigorous due diligence process
- Increase in highly liquid products (“liquid alts”) and the need for channel specific sales professionals to market these
- Increase in allocation of equity and profit sharing to sales, marketing, and client service professionals
- No respondents are closed to new investors
- An increased focus on senior level succession planning
Hedge fund founders are entrepreneurial by nature, and especially when launching a firm seek a streamlined version of the large businesses they (may have) left behind. Historically, they have often resisted formal talent management approaches. That said, as firms have grown in head count, they are recognizing the significant benefits of well-designed onboarding and targeted performance management processes. These structured programs foster cleaner and more effective internal communication, which new hires overwhelmingly seek, as well as provide fund management with a road map toward successful integration. We have seen a continued increase in the science of talent management as a means to achieve the right culture, an imperative to the talent life cycle and achieving a cohesive, high-impact team.
Survey Results

Total Current Assets Under Management

Previous years’ surveys included a top bracket at “$10 billion+,” which had a 32 percent response. The evolution toward a bifurcation between “large” and “small” is continuing to increase as indicated by this year’s results. The results from the smallest and the largest each in themselves were larger than the middle two segments ($5-$10M and $10-$20M) combined.
Majority Firm Ownership

Last year’s responses were limited to “Independent” or “Financial Services” ownership, which comprised a mere 5 percent. We expanded the response category this year and see a broader diversification of ownership including a distinction between private equity, European private bank, and asset management ownership. Notably, Independent ownership decreased from 95 percent to 63 percent of respondents.

Figure 2

Firm Ownership
Geographic Breakdown of Employees by Region

Figure 3

Firm Headquarters

Figure 4
Breakdown of Firms’ Assets Under Management

With the continuing expansion of product diversification within hedge funds broadly defined, this new question was asked and exhibits what will continue to be increased asset class, fund structure, and overall product diversification.

Figure 5
Percentage of Assets from Each of the Following Segments

Last year’s survey reported AUM segment for “new” assets, but we heard from the membership that total existing AUM segmentation would be helpful, which is represented by the following chart. Interestingly, the results from last year’s “New AUM” segments are relatively similar except for a notable 10 percent increase in retail assets. This is in line with the noted general trends.

Figure 6

<table>
<thead>
<tr>
<th>Segment</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Pension</td>
<td>24.94%</td>
</tr>
<tr>
<td>Fund of Funds</td>
<td>19.07%</td>
</tr>
<tr>
<td>Retail/HNW</td>
<td>17.06%</td>
</tr>
<tr>
<td>Other</td>
<td>13.18%</td>
</tr>
<tr>
<td>Family Office</td>
<td>11.46%</td>
</tr>
<tr>
<td>E &amp; F</td>
<td>11.07%</td>
</tr>
<tr>
<td>Corporate Pension</td>
<td>11%</td>
</tr>
<tr>
<td>Insurance Co.</td>
<td>5%</td>
</tr>
<tr>
<td>Taft Hartley</td>
<td>4.67%</td>
</tr>
</tbody>
</table>
AUM Inflows for 2012

Last year’s survey captured “new assets as a percentage of AUM,” while this year we surveyed for an absolute amount of gross inflows and net inflows.

<table>
<thead>
<tr>
<th>Gross Inflows</th>
<th>Low</th>
<th>Median</th>
<th>High</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$55 million</td>
<td>$1 billion</td>
<td>$3.8 billion</td>
<td>$1.4 billion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Inflows</th>
<th>Low</th>
<th>Median</th>
<th>High</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-$500 million</td>
<td>$300 million</td>
<td>$1.1 billion</td>
<td>$261 million</td>
</tr>
</tbody>
</table>

Launch of New Products Over the Next Twelve Months

There was a 66 percent increase in firms planning on launching new products over the next year relative to last year’s respondents, speaking to the trend toward broader diversification.
Use of Indirect Distribution Channels
Sixty-two percent of respondents indicated “yes” they are using indirect distribution channels, a 50 percent increase over last year’s results.

Percentage of Firms Open to New Investors
While last year’s survey indicated 14 percent of responding firms were closed to new investors, this year’s respondents are unanimously open to new investors.
Most Significant Retention Tool at Your Firm

Compensation (especially when deferred and invested in the firm’s funds) ranks highest and is followed by equity, profit sharing, and culture. A strong culture that values and respects all the contributing team members serves as an effective retention tool. Promotions alone rarely achieve retention and in fact can aid individuals in leaving for “better” roles. Promotions need to be accompanied by increased levels of responsibility and a view toward higher compensation.

Compensation, not surprisingly for the industry, is showing as more important than culture in these results. According to Judge, Cable, Boudreau, and Bretz (1994), pay and promotions predict career satisfaction, which is the bigger picture about the satisfaction of one’s career trajectory. Higher compensation indirectly means higher levels of perceived success, since pay is predictive.

Judge and Hurst (2008) concluded that high core self-evaluations were correlated with higher levels of pay, occupational status, and early career job satisfaction (highly paid people reported higher levels of job satisfaction). However, research also shows that 40 percent of newly hired executives fail within the first eighteen months. The cause is poor cultural fit (Brandt, Check, and Pedraza 2011). An approach that utilizes pre-hiring assessment can leverage results as a powerful tool in matching the right candidate with the right position. In an independently verified study, researchers examined 286 C-level executives over a three-year period and found that executives placed using a proprietary assessment tool in addition to traditional screening methods were eight times more likely to be promoted than executives who were placed using only traditional screening methods. Further, executives who were a strong fit with best-in-class profiles were more likely to be retained by their employer within a three-year period (Landis, Brousseau, and Johnson 2011). These results indicate that the use of meaningful assessment tools assists firms in identifying placements that fit their cultures and organizations.
Steps Taken Over the Past Two Years to Ensure the Retention of Key Sales/Marketing/Client Service Employees

Figure 11

- Increased cash bonuses: 56.25%
- Promotions: 37.50%
- Raised base salaries: 31.25%
- Offered equity: 31.25%
- Offered profit sharing: 25.00%
- Broader responsibilities: 25.00%
- Retention bonuses: 18.75%
- Training/Education: 12.50%
- Telecommuting: 12.50%
- Smaller amount deferred: 6.25%
- Increased deferred: 6.25%
- Geographic options: 6.25%
- Lateral moves: 6.25%
- Flex schedule: 6.25%
Steps the Firm Has Taken to Aid Retention

These results further reflect the dominance of compensation over cultural fit in terms of what proactive measures firms take in retaining employees. One could categorize the actions above as either "culture" related or "compensation" related. With the 40 percent fail rate, firms should pay greater attention to the cultural fit component. It represents a frequently cited reason why executives leave their firms. “Firms fail to marshal the right behavioral assessments and conduct sufficiently rigorous reference checking efforts to fully examine cultural fit” (Pavlovic, Rhea, and Beuerlein 2010). In recruiting new executives, effective assessment tools predict better placements and outcomes. Generally, firms hire on skills and fire on fit.

Long-Term Incentive Compensation

An impressive percentage of firms responding grant true equity, and a vast majority grants profit sharing as a means of incentive compensation.

Figure 12

<table>
<thead>
<tr>
<th>Compensation Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phantom Stock/Profit Sharing</td>
<td>75.00%</td>
</tr>
<tr>
<td>True Equity</td>
<td>43.75%</td>
</tr>
<tr>
<td>Stock Options</td>
<td>12.50%</td>
</tr>
</tbody>
</table>
The Opportunity to Receive Equity

We saw a notable 10 percent increase in sales staff potentially receiving equity over last year’s responses and a remarkable 350% increase indicated for client service staff. Investment staff increased 85 percent, Ops/IT by 50 percent, and the executive team decreased by 50 percent.

Figure 13

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Team</td>
<td>64.29%</td>
</tr>
<tr>
<td>Investment Staff</td>
<td>50.00%</td>
</tr>
<tr>
<td>All Employees</td>
<td>35.71%</td>
</tr>
<tr>
<td>Sales Staff</td>
<td>28.75%</td>
</tr>
<tr>
<td>Client Service Staff</td>
<td>21.43%</td>
</tr>
<tr>
<td>Legal/Compliance</td>
<td>21.43%</td>
</tr>
<tr>
<td>Operations/FA&amp;O/IT Staff</td>
<td>14.29%</td>
</tr>
</tbody>
</table>
The Opportunity to Receive Profit Sharing

Relative to last year’s responses, numbers are quite similar aside from a notable increase from 9 percent to 33 percent potential for “all employees” to receive profit sharing, an increase of just over 250 percent.

Figure 14
Most Effective Organizational Structure as a Means to Achieve Your Team's Goals

<table>
<thead>
<tr>
<th>Structure</th>
<th>%</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Channel</td>
<td>50</td>
<td>Channel combined with Product in some cases</td>
</tr>
<tr>
<td>Geography</td>
<td>30</td>
<td>Globally and within the US</td>
</tr>
<tr>
<td>Product</td>
<td>10</td>
<td>Except in the case where the firm is smaller</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>Broad/Generalist structure with flexibility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expanded sales and client service under a unified business development structure</td>
</tr>
</tbody>
</table>

Sales and Marketing Professionals

Number of Sales Professionals on Your Team

<table>
<thead>
<tr>
<th>Low</th>
<th>Median</th>
<th>High</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3</td>
<td>25</td>
<td>4.3</td>
</tr>
</tbody>
</table>
Intentions to Increase Size of Team

Figure 17

Do You Have the Level of Talent You Want?

Figure 18
Response to Achieving Desired Team

In an effort to achieve the desired team, some respondents cite reducing their teams and hiring product specialists. The most significant number of responses focused on Training and Development (working with whom you already have) vs. Hiring/Firing/Upgrading (figuring out whom you need, whom you don’t need).

In efforts to upgrade or recruit new talent, it is highly beneficial to develop a deep understanding of a candidate’s current organizational culture as a method to assess the likelihood that he or she represents a strong cultural fit with the new organization. “This need benefits from the integration of the art of a methodical search with the science of talent management. A formal tool that addresses cultural fit should assess candidates’ thinking style (i.e., how they behave when they are alone); leadership style (i.e., how they behave when everybody is looking); and career motivations (i.e., what types of jobs” maintain their engagement and interest) (Pavlovic, Rhea, and Beuerlein 2010).

Focusing on training and development, “defining and using competency-based models for talent management practices has a high return on investment” (Ulrich 2010). Over three decades of research have yielded a general consensus for the primary competencies required to be a successful leader (Orr, Sneltjes, and Dai 2010). “Depending on the requirements for success for a given role, different sets of competencies are used for different success profiles (i.e., the unique combination of competencies that describe the skill set of the ideal person for a specific level or key job). When a firm works to define multiple success profiles across the organization and create an overarching representation of how the success profiles build, intersect, or overlap, we refer to this as a competency model. … It creates focus for the many talent management efforts that take place in order to proactively fuel the talent pipeline; to prepare and grow leaders to match the requirements for success” (Orr, Sneltjes, and Dai 2010).
The Primary Responsibilities of Your Sales Professionals

Responses were similar to the previous year except for notable increases in the areas of “Responding to RFPs” and “Channel Specialization”.

Figure 19

- Generate new business: 95.24%
- Consultant coverage: 80.95%
- Grow existing client’s AUM: 80.95%
- Finals presentations: 66.67%
- Regional conferences: 52.38%
- RFPs: 42.86%
- Channel specialization: 38.10%
- Distribution platforms: 38.10%
- Manage & lead team: 19.05%
Where Sales Professionals Spend Their Time

Figure 20

Sales Team Reporting Structure – Reporting Into

Figure 21
Average Annual Fee Revenue Generated Per Sales Professional in 2012

<table>
<thead>
<tr>
<th>Low</th>
<th>Median</th>
<th>High</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.5 million</td>
<td>$4.5 million</td>
<td>$8 million</td>
<td>$4.13 million</td>
</tr>
</tbody>
</table>

Sales Team Annual Marketing Budget

This year’s response shows a year-over-year increase of nearly 40 percent of those having a marketing budget in place.
Increase or Decrease in Spending for the Sales Role Over the Next Twelve Months

Figure 24

<table>
<thead>
<tr>
<th>Low</th>
<th>Median</th>
<th>High</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>-10%</td>
<td>15%</td>
<td>30%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Purpose of the Increase or Decrease in Spending for the Sales Role Over the Next Twelve Months

Figure 25

- Headcount: 62.5%
- General Marketing: 31.25%
- Conferences: 18.75%
- Overall restructuring of...: 18.75%
Hiring of Generalists or Specialists
This represents a 20 percent increase in Generalists from 2012 and an 11 percent decrease in Specialists over 2012 results.

Figure 26
Important Criteria When Recruiting Sales Professionals
Cultural fit rated highest. Please see above comments regarding cultural fit and how to measure it.

Figure 27
Compensation Guarantees Offered to New Hires?
A return of guarantees is seen in an increase of 25 percent over 2012

Figure 28

Guarantee Duration
1 year = 93.8 percent
2 years = 6.3 percent
The Use of Non-Compete and/or Non-solicit Agreements

The past five years have shown fairly consistent responses for the use of non-competes and non-solicits.

Figure 29
The Structure and Measurement of Incentive Compensation

Figure 30

The Measurement of Discretionary Compensation

Figure 31

<table>
<thead>
<tr>
<th>Metric</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in new clients</td>
<td>100%</td>
</tr>
<tr>
<td>Increase AUM with existing clients</td>
<td>80.95%</td>
</tr>
<tr>
<td>Overall firm profitability</td>
<td>80.95%</td>
</tr>
<tr>
<td>Retention of existing clients</td>
<td>61.90%</td>
</tr>
<tr>
<td># of final presentations improvements</td>
<td>23.81%</td>
</tr>
<tr>
<td>Additional metrics (e.g., # of...)</td>
<td>19.05%</td>
</tr>
</tbody>
</table>
Capturing and Compensating for Collaborative/Team Sales Efforts
A noted frustration is the lack of a firm’s ability to capture and compensate for teaming. Responses included the following approaches:

- Qualitative metrics mainly, e.g., who has been supportive of overall team efforts, work ethic, and ability to build relationships
- Assign contribution weight to new business developed via collaboration
- Impact on the relationship and amount of effort to come to closure
- As a small firm, everyone’s contributions are known and easy to assess
- Via meeting/call metrics, individual process, and 360 reviews
- Pooling the bonus on asset gathering
- Purely subjective
- Poorly, it is a significant opportunity for improvement

The Use and Vesting of Cash Deferral Programs – Are They Used?

Figure 32
The majority of cash deferral programs are tiered relative to the amount of an employee’s bonus. For example, deferral does not kick in unless a bonus is $75,000 or above at which point a sample graduated vesting may look like this:

- $75,000 — $125,000: 10% deferral
- $126,000 - $300,000: 20% deferral
- $301,000 - $600,000: 25% deferral
- $601,000 - $1 million: 30% deferral
- $1 million +: 40% deferral

Vesting of Deferred Cash Compensation

Figure 33
The Use and Vesting of Equity Deferral Programs — Are they Used?

All responses indicated a three-year vesting, with some being cliff and others being graduated and rolling.
Changes to Compensation Schemes Over the Past Year – Have They Changed?

The inclusion of commission or formulaic comp has risen very slightly, but is generally used in combination with discretionary.

![Figure 36](image-url)
Determining Variable Compensation for Your Head of Sales

Figure 37

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discretionary bonus (subjective measures)</td>
<td>95.24%</td>
</tr>
<tr>
<td>Performance based bonus (objective measures)</td>
<td>33.33%</td>
</tr>
<tr>
<td>Commission</td>
<td>4.76%</td>
</tr>
<tr>
<td>Commission Override</td>
<td>4.76%</td>
</tr>
</tbody>
</table>

Compensation for the Head of Sales Between 2011 and 2012

Figure 38

- Increase: 80%
- Decrease: 10%
- Remain the same: 10%
Contracts for the Head of Sales
They were largely unchanged from last year, with durations being primarily one year, sometimes two years, and rarely three years.

Compensating and Retaining Sales Professionals When the Funds Are Underperforming
While 100 percent of respondents have no systematic way to compensate for the retention of assets, the following capture methods with which firms approach this:

- Paying out bonuses/above expectation compensation when no incentive fee has been earned, showing a commitment to the group
- As compensation is discretionary, retention of assets and teamwork are the primary factors
- Promise of profit participation in the future
- Try to pay them a benchmark market rate just for being in the role and managing the process
- Salary/bonus held constant to year hired
- Discretionary bonus based on contribution to overall firm
- This is managed poorly
- Focus on retention of assets as the sales team covers existing clients as well
- No explicit strategy
- Pay market rates
Product Specialists

The Presence of Product Specialists/Client Portfolio Managers

Figure 39

Reporting Structure

Responses indicate that 85 percent of Product Specialists report into Sales/Marketing, 28 percent report into Investments, as some have dual reporting into both.
Frequency with which Product Specialist Substitute for the Investment Team

Figure 40
Deployment of the Product Specialists/Client Portfolio Managers

Figure 41

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client reviews</td>
<td>100%</td>
</tr>
<tr>
<td>RFP responses</td>
<td>85.71%</td>
</tr>
<tr>
<td>Consultant meetings</td>
<td>71.43%</td>
</tr>
<tr>
<td>Writing quarterly reviews</td>
<td>57.14%</td>
</tr>
<tr>
<td>Conducting product reviews</td>
<td>57.14%</td>
</tr>
<tr>
<td>Finals presentations</td>
<td>28.57%</td>
</tr>
<tr>
<td>Conference presentations</td>
<td>28.57%</td>
</tr>
<tr>
<td>Writing white papers</td>
<td>14.29%</td>
</tr>
</tbody>
</table>

Compensation for the Product Specialists/Client Portfolio Managers

Compensation for Product Specialists is largely based on overall firm AUM hitting milestones and individual value added.
Sales Professional Compensation Data

Compensation Paid to Heads of Sales
~All but one had ten-plus years’ experience~

Figure 42

<table>
<thead>
<tr>
<th>n=9</th>
<th>Total Comp</th>
<th>Base Salary</th>
<th>Bonus</th>
<th>Equity/Profit Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>$450,000</td>
<td>$150,000</td>
<td>$250,000</td>
<td>$46,000</td>
</tr>
<tr>
<td>Median</td>
<td>$1,250,000</td>
<td>$250,000</td>
<td>$850,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>High</td>
<td>$1,825,000</td>
<td>$600,000</td>
<td>$1,850,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Average</td>
<td>$1,091,222</td>
<td>$263,888</td>
<td>$772,222</td>
<td>$124,000</td>
</tr>
</tbody>
</table>

Compensation Paid to Sales and Marketing Professionals with Ten-Plus Years
~not including Head of Sales~

Figure 43

<table>
<thead>
<tr>
<th>n=10</th>
<th>Total Comp</th>
<th>Base Salary</th>
<th>Bonus</th>
<th>Equity/Profit Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>$350,000</td>
<td>$150,000</td>
<td>$150,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Median</td>
<td>$830,000</td>
<td>$210,000</td>
<td>$520,000</td>
<td>N/A</td>
</tr>
<tr>
<td>High</td>
<td>$2,150,000</td>
<td>$400,000</td>
<td>$2,000,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Average</td>
<td>$926,222</td>
<td>$232,500</td>
<td>$694,000</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Compensation Paid to Sales and Marketing Professionals with Seven-Ten Years

<table>
<thead>
<tr>
<th></th>
<th>Total Comp</th>
<th>Base Salary</th>
<th>Bonus</th>
<th>Equity/Profit Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>$450,000</td>
<td>$150,000</td>
<td>$250,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Median</td>
<td>$675,000</td>
<td>$225,000</td>
<td>$450,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>High</td>
<td>$1,000,000</td>
<td>$275,000</td>
<td>$725,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Average</td>
<td>$708,333</td>
<td>$220,830</td>
<td>$470,830</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

Compensation Paid to Sales and Marketing Professionals with Four to Seven Years

<table>
<thead>
<tr>
<th></th>
<th>Total Comp</th>
<th>Base Salary</th>
<th>Bonus</th>
<th>Equity/Profit Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>$320,000</td>
<td>$195,000</td>
<td>$125,000</td>
<td></td>
</tr>
<tr>
<td>Median</td>
<td>$400,000</td>
<td>$200,000</td>
<td>$200,000</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>$850,000</td>
<td>$250,000</td>
<td>$600,000</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$492,500</td>
<td>$211,225</td>
<td>$281,250</td>
<td></td>
</tr>
</tbody>
</table>
Client Service Professionals

Client Service Professionals — Are They Solely Dedicated?
We saw a 10 percent increase in solely dedicated client service professionals year over year from 2012.

Size of the Dedicated Client Service Team

<table>
<thead>
<tr>
<th>Low</th>
<th>Median</th>
<th>High</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>7</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Plans to Increase the Size of the Team

<table>
<thead>
<tr>
<th>Response</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>8</td>
</tr>
<tr>
<td>Increase by 1</td>
<td>4</td>
</tr>
<tr>
<td>Increase by 2+</td>
<td>3</td>
</tr>
</tbody>
</table>
**Client Service Professionals Focus**

Responses show an increase by participants of 20 percent liaising with indirect distribution channels, and an increase of 8 percent in client reporting.

**Primary Responsibilities of Your Client Service Professionals**

- **Client reporting:** 93.33%
- **RFPs:** 66.67%
- **Hosting on-site meetings:** 60%
- **Client Meetings:** 46.67%
- **Distribution platforms:** 40%
- **Grow existing clients’ AUM:** 20%
- **Consultant coverage:** 13.33%
The Prevalence of Client Service Professionals Moving into Pure Sales Jobs

We saw an increase of 50 percent over 2012, indicating it is becoming more common for client service professionals to move into sales/marketing roles.

Figure 51

How Client Service Professionals Spend Their Time

Figure 52
Client Service Reporting Structure — To Whom the Team Reports

Figure 53

![Bar chart showing the distribution of reports to different roles: 61.11% to Head of Sales/Marketing, 22.22% to Head of Investor Relations/Client Service, 11.11% to Chief Investment Officer, and 5.56% to Chief Operating Officer.]

The Client Service Team: a Cost Center or a Profit Center

The concept of Client Service as a cost center has trended down by 20 percent over 2012 results, further validating Client Service as an imperative.

Figure 54

![Pie chart showing the percentage of the budget allocated to Client Service: 58.82% as a cost center and 41.18% as a profit center.]

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KORN/FERRY INSTITUTE
Important Issues When Recruiting Client Service Professionals

This highlights the importance of relationship skills combined with technical experience.

The Use of Non-Compete and Non-Solicit with Client Service Professionals

When in place, non-competes and non-solicits are enforced for six to twelve months.
We received very few responses that cited actual revenues produced by those who are generating business, but one respondent generated $175,000 in revenues. Notably, responses indicate a 60 percent increase in client service professionals generating new revenue, and 40 percent cite status quo.
Variable Compensation for the Head of Client Service

Figure 58

Discretionary bonus (subjective measures) vs. Performance based bonus (objective measures)

Response shows an increase of 25 percent over 2012.

Compensation for the Head of Client Service between 2011 and 2012

Figure 59

- Increase: 53.85%
- Decrease: 23.08%
- Remain the same: 23.08%
Contracts for the Head of Client Service

Our results show (14.3 percent have contracts vs. 13 percent in 2012) contracts are one to two years, very rarely three years.

Bonuses to Client Service Professionals

Bonuses are reported to be discretionary by 94 percent of respondents. The remaining 6 percent cite a hybrid structure (formulaic plus discretionary).

Ownership/Equity Awards Among Client Service Professionals over the Past Two Years

Figure 60

Percentage of Client Service Professionals Who Have Ownership/Equity

Of the seven respondents:
5 = zero members of the team have equity
1 = one member of the team has equity
1 = 100 percent of client service team has equity (do not know size of team)
Cash Deferral Programs for Client Service Professionals – Do You Use Them?

This result is an increase of 25 percent of those that do defer compared with the 2012 result.

Percentage of Deferred Compensation

Is this applied universally across the firm?

Yes: 62.5 percent
No: 37.5 percent
## Compensation Paid to Client Service Professionals

### Compensation Paid to Heads of Client Service

**Figure 63**

<table>
<thead>
<tr>
<th>Years of Experience</th>
<th>N=3</th>
<th>Total Comp</th>
<th>Base Salary</th>
<th>Bonus</th>
<th>Equity/Profit Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-10 Low</td>
<td></td>
<td>$400,000</td>
<td>$150,000</td>
<td>$200,000</td>
<td>N/A</td>
</tr>
<tr>
<td>10+ Median</td>
<td></td>
<td>$800,000</td>
<td>$200,000</td>
<td>$650,000</td>
<td>N/A</td>
</tr>
<tr>
<td>10+ High</td>
<td></td>
<td>$1,400,000</td>
<td>$200,000</td>
<td>$1,250,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>$883,000</td>
<td>$183,225</td>
<td>$700,000</td>
<td>N/A</td>
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</tbody>
</table>

### Compensation Paid to Client Service Professionals with Ten-Plus Years

**Figure 64**

<table>
<thead>
<tr>
<th>N=4</th>
<th>Total Comp</th>
<th>Base Salary</th>
<th>Bonus</th>
<th>Equity/Profit Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>$105,000</td>
<td>$85,000</td>
<td>$20,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Median</td>
<td>$350,000</td>
<td>$150,000</td>
<td>$275,000</td>
<td>N/A</td>
</tr>
<tr>
<td>High</td>
<td>$710,000</td>
<td>$157,500</td>
<td>$550,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Average</td>
<td>$380,625</td>
<td>$132,625</td>
<td>$242,500</td>
<td>N/A</td>
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</tbody>
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### Compensation Paid to Client Service Professionals with Seven-Ten Years

**Figure 65**

<table>
<thead>
<tr>
<th>N=4</th>
<th>Total Comp</th>
<th>Base Salary</th>
<th>Bonus</th>
<th>Equity/Profit Sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>$130,000</td>
<td>$100,000</td>
<td>$30,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Median</td>
<td>$190,000</td>
<td>$125,000</td>
<td>$85,000</td>
<td>N/A</td>
</tr>
<tr>
<td>High</td>
<td>$260,000</td>
<td>$140,000</td>
<td>$120,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Average</td>
<td>$760,625</td>
<td>$116,250</td>
<td>$73,750</td>
<td>N/A</td>
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</table>
Compensation Paid to Client Service Professionals with Four-Seven Years

This category and the one below are people who are predominantly internally focused with limited external exposure.

Figure 66

<table>
<thead>
<tr>
<th>N=4</th>
<th>Total Comp</th>
<th>Base Salary</th>
<th>Bonus</th>
<th>Equity/Profit Sharing</th>
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<tbody>
<tr>
<td>Low</td>
<td>$150,000</td>
<td>$86,000</td>
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</tr>
<tr>
<td>Median</td>
<td>$176,000</td>
<td>$105,000</td>
<td>$70,000</td>
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<tr>
<td>High</td>
<td>$325,000</td>
<td>$125,000</td>
<td>$225,000</td>
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</tr>
<tr>
<td>Average</td>
<td>$206,500</td>
<td>$104,000</td>
<td>$102,500</td>
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</tbody>
</table>

Compensation Paid to Client Service Professionals with One-Three Years

Figure 67

<table>
<thead>
<tr>
<th>N=5</th>
<th>Total Comp</th>
<th>Base Salary</th>
<th>Bonus</th>
<th>Equity/Profit Sharing</th>
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</thead>
<tbody>
<tr>
<td>Low</td>
<td>$65,000</td>
<td>$50,000</td>
<td>$15,000</td>
<td>N/A</td>
</tr>
<tr>
<td>Median</td>
<td>$97,000</td>
<td>$65,000</td>
<td>$24,000</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>$135,000</td>
<td>$75,000</td>
<td>$60,000</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>$98,250</td>
<td>$67,500</td>
<td>$30,750</td>
<td></td>
</tr>
</tbody>
</table>
References


About Korn Ferry’s Global Asset Management and Alternative Investment Sector

Korn Ferry’s Asset Management and Alternative Investment Sector focuses on helping companies attract, develop, and retain best-in-class executive talent. Our consultants are respected advisors to leaders in the industry on issues across all stages of the talent life cycle, including acquisition, development, and assessment. The practice combines C-suite industry experience with our senior partners’ decades of top-level global search knowledge. We understand the trends, people, and issues that drive the sector with a differentiated approach to sourcing talent across investment banking, private equity, hedge funds, capital markets, and sovereign wealth funds as well as asset and wealth management.

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The Alternative Investor Institute is a private membership organization for alternative investment management executives responsible for overseeing institutional business development. Members of the institute come together with the institutional clients and prospects they serve in exclusive settings that foster idea exchange while working to achieve common goals. The environment is collegial and collaborative, with overt marketing strictly prohibited.

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