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Hedge Funds Hire while Financial Sector Fires

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CHICAGO (HedgeWorld.com)—Recent layoffs sweeping Wall Street are a golden opportunity for established hedge funds looking to recruit top traders and bolster their middle-office staff, and after the beating the Street has taken this year, some professionals once leery of leaving cushy investment banking jobs are giving hedge funds a second look.

According to data from eFinancialCareers, a global career search platform, U.S. hedge fund job postings in the second quarter of 2008 were up 38% compared to the second quarter of 2007. Equities job postings, meanwhile, rose only 8%, while commodities postings were up 32% and derivatives job postings declined by 30%. Applications submitted to hedge fund job postings were up 135% over that same time period.

Meanwhile, layoffs across major investment banks topped 60,000 last month, according to recent figures tabulated by *The Deal*.

"What [hedge funds] are doing is recognizing the opportunity for attracting the sort of skills and talent they might not have had a couple years ago," said John Benson, chief executive and founder of eFinancialCareers. "Their firms were maybe smaller then, and as financial markets boomed, perhaps moving to a hedge fund was not as attractive."

Andrew Saunders, vice president of New York-based capital introduction platform Hedge Connection, agreed. "It used to be, 'I can't join this new hedge fund because I have a nice job at an investment bank,'" he said. "With Bear Stearns' demise and what's going on with the Street, it's fundamentally shaken the idea of what's stable and what's not."

Indeed, recent months have seen several high-profile senior traders leave investment banks for hedge funds. GLG, a British hedge fund run by several former Goldman Sachs partners, recently poached talent from Morgan Stanley and from Goldman itself [Previous Reuters Story](#). Hedge funds also have shown interest in hiring away equity analysts and researchers, Mr. Benson said.

In Mr. Benson's view, most of the hiring is being done by established hedge fund firms looking to boost their headcounts. "A fund that started two or three years ago, they will keep their operation pretty lean and mean while they prove themselves," he said. "Once they've got some performance, they can start to expand and bring on some new analysts or people to take the load off the principals."

The trend is at work in Asia as well, where hedge fund firms are targeting portfolio managers, analysts and traders, according to eFinancialCareers data, along with middle-office staff like risk managers and compliance officers. Recruitment firm Matthew Hoyle International recently reported a 48% increase in the number of executives leaving investment banks for hedge funds in Asia over the first five months of the year, according to a July report in the *South China Morning Post*.

Since eFinancialCareers opened its Singapore office in January 2007, Mr. Benson said the company has seen more and more funds establishing a physical presence on the ground in Asia, as well as in the Middle East, where regulators in Bahrain and Dubai have instituted financial infrastructure designed to lure more funds.

"In terms of salary, what we're seeing is that hedge funds in Asia might have had to pay a premium of 30% to 40% in

total compensation over a bank, but that premium is shrinking," said Mr. Benson. "Something around 20% would be considered very good today."

Stepping up staff in the current environment goes beyond cherry-picking top trading talent. Mr. Saunders said that as hedge funds grow in asset size, they need a client services team similar to what institutional investors expect from long-only managers. "A pension fund wants to see a team, not one guy they're calling—they want to know how their information is handled," he said.

Part of this, Mr. Saunders said, is that startup managers are beginning to realize that they cannot maintain the hedge fund business mentality of the late 1990s, launching as a small operation strictly through limited partner investors. More seeding deals are being done, he said, and investors' old bias against these deals—i.e., if a fund needs a seed investor to get started, it's probably not any good—is disappearing. "Having a well-respected name supporting you is becoming a very respectable way to launch," he said.

It's also a way to quickly scale up operations. "You're loathe to hire until you have the cash flow to support that, but if you're seeded by a manager with a \$25 million investment plus working capital, you can build up a team starting on day one," said Mr. Saunders. "You can get bigger faster than you would normally."

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