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CHICAGO, (November 4, 2015) – Hedge fund compensation experienced mixed trends in 2015 as a challenging performance environment in 3Q15 offset industry-wide gains from 1H15, according to the 2016 Glocap Compensation Report, released today by Glocap and HFR. Volatile 3Q performance will likely contribute to lower bonuses for the most highly compensated, performance-sensitive roles including senior portfolio managers, traders and executives. Partially offsetting this trend, compensation and base salaries for mid- to lower-tiered employees, including analysts, operations and technology, increased in 2015, consistent with broader trends in U.S. employment.

Glocap is a premier executive search firm dedicated to serving the specialized recruiting needs of clients primarily in the alternative investment industry, and HFR is the established global leader in the indexation, analysis and research of the global hedge fund industry.

Compensation and hiring in 2015 has been driven by a number of factors, including individual, fund and firm specific performance dynamics. Total hedge fund industry capital ended 3Q15 at $2.87 trillion, reflecting a decline in 3Q from a record of $2.97 trillion as of mid-year 2015. The HFRI Fund Weighted Composite Index® posted a decline of -1.6 percent YTD.
through September 2015, and the percentage of funds which had reached their respective performance incentive fee accrual level (or “high watermark”) in the trailing 12 months fell to 53 percent, from 66 percent in 2014.

While lower performance will contribute to lower incentive compensation at many of the industry’s most well established funds, this effect will be moderated by improving employment trends in the overall U.S. economy, resulting in increased base salaries across many functional roles.

- Entry level analysts at large firms received an average base salary increase of nearly 9 percent, precipitated by increased compensation for junior bankers. As a result of muted 2015 performance, this is likely to be offset by a bonus decline of 5 percent, resulting in average annual compensation of $360,000, though analysts at top performing funds are expected to see compensation gains of nearly 6 percent.

- Average base salaries for Portfolio Managers at mid-sized firms were unchanged for 2015, while declining bonuses are likely to result in an annual compensation decline of between 8 and 11 percent to $950,000. PM compensation at top performing, mid-sized funds will be roughly twice the average level of mid-performing funds of the same size.

- Senior IT professionals are expected to experience an increase in total compensation of between 5 and 7 percent, with IT professionals at top tier funds receiving average annual compensation of nearly $350,000.

Many funds implemented policies to improve alignment of interests, including greater use of deferred compensation and mandatory bonus re-investment. In addition, many firms have increased their interest in and use of diversity policies in 2015.

“Following several years of steady gains, overall industry compensation has been mixed in 2015, varying widely by fund performance, size, seniority, functional role and specific qualities of individual contribution to firm growth and expansion,” stated Kenneth J. Heinz, President of HFR. “Compensation structures continue to evolve toward longer-term incentives, greater alignment of interest with investors, and recognizing top performing employees for their contribution to firm performance, as well as the significance of supporting operational, management and infrastructure roles. These progressive developments are likely to contribute to individual firm stability and overall industry capital growth, not only into year end, but over multiple years and market cycles.”
“Senior investment analyst compensation is driven by performance; in 2015, weak long-short equity performance will lead to lower year-on-year compensation. Investors following better performing strategies, including market neutral, macro and event-driven, are more optimistic about their compensation outlook,” commented Anthony Keizner, Head of the Hedge Fund Practice at Glocap Search. “Even though it looks like many funds will end the year with flat performance, many employees will still receive sizeable bonuses in order to reward and retain them. Even without incentive fees, the GPs of firms this year will likely have to dip into management fees in order to compensate their teams,” Keizner added.

About HFR®
HFR (Hedge Fund Research, Inc.) is the global leader in the alternative investment industry, specializing in the indexation and analysis of hedge funds. Established in 1992, HFR produces the HFRI, HFRX and HFRU Indices, the industry’s most widely used benchmarks of global hedge fund performance. HFR calculates over 100 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as well as firm characteristics on both the broadest and most influential hedge fund managers. HFR has developed a detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for clients seeking customized top-level or more sophisticated analysis. For the hedge fund industry’s leading investors and hedge fund managers, HFR is The Institutional Standard.

About Glocap
Glocap Search is a premier executive search firm dedicated to serving the specialized recruiting needs of clients primarily in the alternative investment industry. Glocap partners with select hedge funds, private equity funds, investment banks, fund of funds, real estate and other industry clients to fulfill their search needs across most functional areas. Glocap has dedicated, specialized teams of search consultants who place investment, marketing, compliance, IT, human resources, and legal professionals as well as COOs, CFOs, bankers, consultants, programmers, and administrative assistants. Founded in 1997, Glocap has over 40 full-time recruiters, spread across New York, San Francisco and Los Angeles. Their annual Compensation Report is now in its 14th year.