

AIMA

Gaining an edge

How hedge funds are
navigating the new
talent landscape



Introduction

Many column inches have been dedicated to detailing how different hedge fund strategies fared during the COVID-19 pandemic, but much less has been written about the ways they – and the people that run them – have maintained normal processes and supported their staff in the virtual working environment.

On average, hedge funds managed to shield their investors from the worst of the volatility sparked by the pandemic in Q1 2020, registering roughly half the losses seen by major equities indices around the world. Since then, hedge fund performance has averaged around 13% net of fees as of 31 August 2021¹. Meanwhile, inflows for 2021 up to May reached around US\$57.8 billion, erasing outflows of roughly US\$23.4 billion for 2020, according to the H2 2021 Investor Intentions report by AIMA and HFM Global².

All this, however, tells us very little about what is going on *inside* these hedge funds and how the industry is taking on modern best practices around attracting and retaining top talent. This report attempts to address that.

We paint a picture of an industry embracing the changing times to remain competitive in attracting best-in-class people. Fierce competition for the brightest minds within the alternative investment sector is set against a backdrop of large sell side institutions raising the *ante* further with sharp wage hikes for junior staff and technology giants countering with promises of innovative and flexible working environments. Respondents to the survey that informed this report detail how they are manoeuvring to take on both these challenges. Simultaneously, a strong emphasis is being placed on improving diversity, equity and inclusion (DE&I) across the industry, with many strategies being incorporated into hiring policies to attract and retain talent from a wide range of pools.

Elsewhere, this report examines which areas of their businesses firms are looking to build upon most in the coming year. Some of the most in-demand skill sets are predictable, but others may surprise you.

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¹ Calculated using the Preqin All Strategies Hedge Fund Benchmark

² <https://www.aima.org/educate/aima-research/investor-intentions-h2-2021.html>

About the research

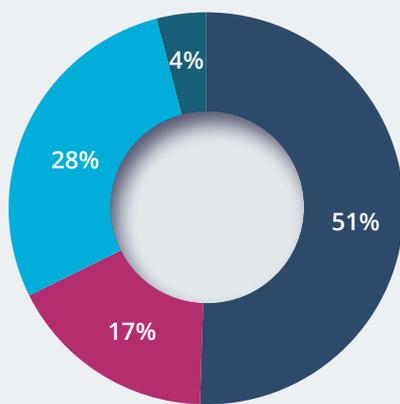
The demand for this report was borne out of the findings of the Agile & Resilient paper³ conducted in 2020 in partnership with KPMG which focused on talent retention and company culture as part of a wider study into the myriad challenges facing the alternative investment industry at the time. A year on, much has changed, requiring the topic of talent to be revisited in more detail.

The market survey that underpins this report was conducted during Q2 2021 and garnered responses from 100 hedge fund managers, accounting for roughly US\$520 billion in assets under management (AuM). Just over two-thirds of all respondents are Chief Operating Officers or HR professionals within those firms. An additional 11% manage the investor relations (IR) function at their firm. The remainder hold either C-level or other senior management roles at hedge funds or consultants.

As per figure 1, 51% of all respondents are based in Europe, the Middle East and Africa (EMEA) with 37% of that portion from the UK. Asia Pacific (APAC) represents 17% — the majority in Hong Kong — and 28% are from North America.

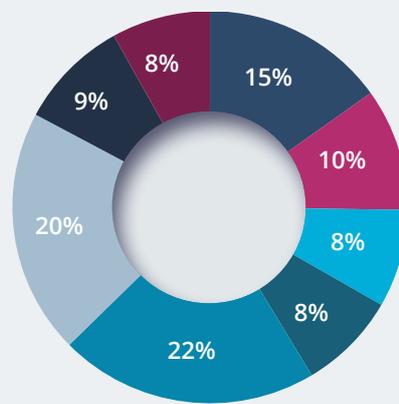
Responses are also divided by size (see figure 2), with 59% of respondents representing managers with more than US\$1 billion in AuM (described as larger managers in this report), and 41% with an AuM of US\$1 billion or less (described as smaller managers in this report).

FIGURE 1:
Breakdown of participants:
Location



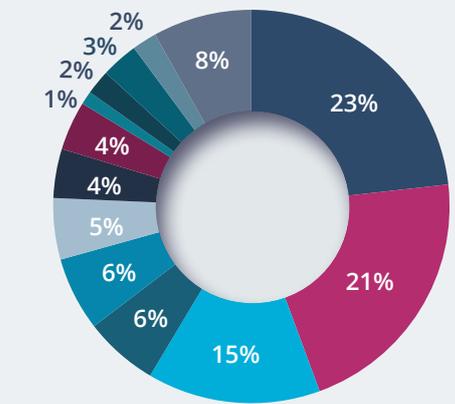
- EMEA
- APAC
- North America
- Other

FIGURE 2:
Breakdown of participants:
Size



- Less than \$100m
- \$100m - \$249m
- \$250m - \$499m
- \$500m - \$999m
- \$1bn - \$4.9bn
- \$5bn - \$9.9bn
- \$10bn - \$19.9bn
- \$20bn or greater

FIGURE 3:
Breakdown of participants:
Strategy



- Multi-Strategy
- Equity Long-Short
- Credit Long-Short
- Event Driven (including merger arbitrage, distressed and special situations)
- CTA/Managed Futures
- Funds of Funds
- Macro
- Equity Market Neutral/Quant
- Relative Value (including fixed income arbitrage, convertible arbitrage)
- Private Credit
- Long Only
- Digital Assets/Crypto
- Other

Upon closer examination of the respondents by investment strategy (see figure 3 on previous page), the majority of respondents are either multi-strategy funds (23%), equity long-short (21%), credit long-short (15%), event-driven or managed futures funds (6% each).

This tilt toward investment strategies that traditionally do not leverage quantitative expertise to a great extent is worth bearing in mind throughout this report, as all signals from the market indicate that technologists and data scientists are in high demand.

To further contextualise the findings of this survey, AIMA canvassed the views of the hedge fund industry through one-to-one interviews with hedge funds, headhunters and consultants.

Case studies that underscore some of the themes discussed throughout this report are also offered at the end of chapters one and four.

AIMA would like to thank all the participants in this project and particularly those who offered their time for the subsequent interviews that were essential to effectively interrogate the data. Additional thanks go to the members of AIMA's research committee who guided this project from inception through to publication (see acknowledgements, page 37).

Key takeaways

Chapter 1

The talent wars are intensifying — As major economies reopen for business, many people in the hedge fund industry find themselves in a strong position to assess new professional opportunities. Almost 90% of the total respondents are 'somewhat' or 'very concerned' about talent retention in the near term. Strong industry performance in recent years, including the rapid recovery from the market correction that took place in the first quarter of last year, is creating significant demand to bolster teams across various functions, but particularly around technology, operations and quantitative analytics. However, the new flexible working model many employees have come to value means employee compensation is far from the only factor when deciding whether staff members stay or leave, with non-financial benefits more important now than ever.

Chapter 2

ESG will be the next hiring frontier — ESG specialists, in all their various forms, are expected to become one of the most in-demand hires over the next five to 10 years. Almost two-thirds of all firms surveyed do

not have a dedicated ESG specialist on staff, with another third boasting between one and five ESG dedicated specialists. But, investor demand for ESG products combined with increasing regulatory pressures will make expertise in responsible investing the must-have skill set of the future.

Chapter 3

Technology now permeates every facet of hedge funds — The need to apply a technology-focused solution to almost all functions within a hedge fund – from front-office portfolio management through to back-office treasury processes – is a near-universal truth across the industry. Primarily, this has shaped hiring decisions to create intense pressure to bring data scientists and quantitative analysts into investment strategies. It is also changing the skill sets required for other roles within the firm's operations that previously did not have such a strict need for technology acumen.

Chapter 4

The desire to improve DE&I is a driving force in hiring decisions — Almost all the hedge funds surveyed describe improving DE&I as a 'very important' or 'important' theme shaping how the hedge fund industry sources talent. Firms are putting this into practice in their hiring policies with a wide range of strategies to remove biases and maximise opportunities to uncover hidden gems among candidates that might have been missed by only drawing on traditional talent pools. Although the industry, along with the wider financial sector, could always do more, this chapter includes several case studies of how progress is being made to make the alternative investment sector an inclusive working environment.

Chapter 5

Can company culture survive the end of full-time office working? — The assimilation of new hires within the company's culture and training junior staff are the biggest challenges when recruiting in the remote working environment, according to more than two-thirds of respondents. Concerns primarily revolve around ensuring junior staff still develop the hard and soft skills in a digital setting that they would have learned by being in the office full time. Despite these challenges, the survey data suggests hybrid working will become the norm for many. Hedge funds should consider accommodating flexible working while facilitating the effective communication and close collaboration within and across teams that comes from working in the same physical space.



Chapter 1

The talent wars are intensifying

As major economies move towards the next phase of the COVID-19 pandemic, the reinvigoration of financial markets is creating intense hiring demand, leading to senior management figures facing the risk of significant talent flight across their firm. “The hedge fund industry right now is on the hunt for talent at all levels in all areas. The last time I saw it this buoyant was in 2005/2006,” explains Mush Ali, Director at OneTen Associates, a specialist recruiter for the fund management sector. According to Ali, the greatest demand for talent is centred on many forms of technologists, such as software developers and quantitative analysts, and those with skills in operations functions.

Most in-demand skills

The alternative investment industry is enjoying something of a resurgence, with hedge funds having their best performance period for at least the past decade. Among other indicators, this success is currently reflected in the industry-wide AuM surpassing the US\$4 trillion mark – a new record⁴.

Such outsized returns and inflows are having a knock-on effect on hiring demands as firms scale up their functions. When asked which roles are the ‘priority hires’ for the next 12 months, operations and investment research are, unsurprisingly, the favourites, garnering 46% and 44% of the interest from respondents (see figure 4). Portfolio management (31%) investor relations (29%) are also

popular choices. The findings marry up with responses to another survey question (see figure 5) investigating which areas of the business respondents plan to develop, with investment professionals and operations, again, coming in first and second, followed by IT and IR/sales professionals. A deeper analysis of respondents reveals that multi-strategy funds are at the forefront in applying a quantitative approach to their strategies and operations. Regardless, the inescapable need to apply data to trading strategies and use technology to reduce costs and improve operational efficiency means demand for technologists will continue to be strong. This trend is discussed in more detail in chapter 3.

⁴ Source: Preqin.com

FIGURE 4: For which of the following roles do you plan to hire more over the next 12 months? (Select all that apply)



FIGURE 5: In what key areas of your business do you plan to develop your firm’s capability going forward? (Select all that apply)



The hedge fund industry right now is on the hunt for talent at all levels in all areas. The last time I saw it this buoyant was in 2005/2006.

MUSH ALI, DIRECTOR
OneTen Associates

Attention must also be given to the prominence of IR and sales roles in the survey data in both these tables. Among the many economic consequences of the pandemic was a deepening of the existing bifurcation of the asset management industry, where larger firms absorb the majority of inflows from institutional investors, making it harder for emerging managers to scale up. The remote working environment made the process of onboarding new investors more drawn out and difficult to complete without the usual in-person relationship building that is an integral part of the process. As such, IR professionals that boast a thick Rolodex of contacts proved their worth in maintaining a lifeline of capital for firms that suffered during the period of volatility. The past 18 months have highlighted, once again, the central role such people play in their firm’s long-term growth strategies, and it is therefore not surprising to see these skills relatively high on the industry hiring wish list.

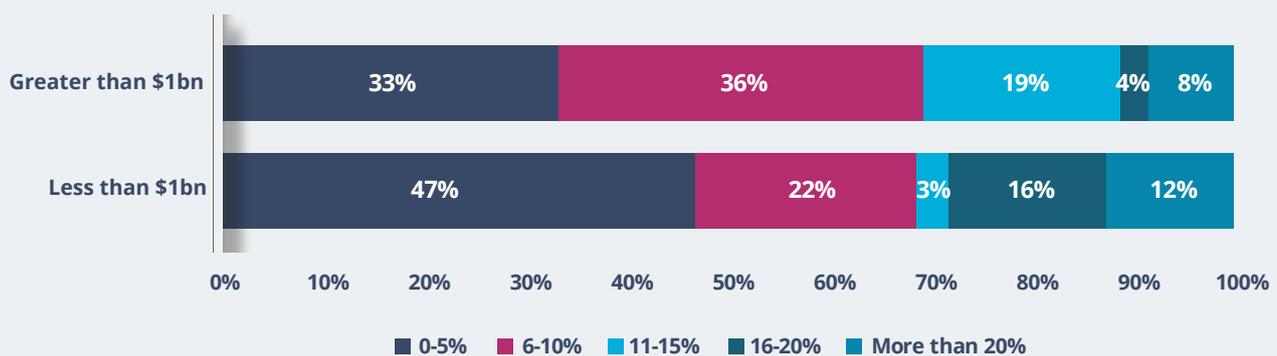
Looking ahead, environmental, social and governance (ESG) skill sets are an area of interest for hiring, with many predicting that the demand for specialists in this area will boom in the coming years. This will be primarily driven by investor demands and increased regulatory scrutiny. This emerging trend is explored fully in chapter 2.

Who is hiring?

As per figure 6, broken down by size, smaller respondents have an average recruitment target of 8.6%, which is slightly more ambitious than their larger peers at 8.4%.

This gives us an average recruitment target for all respondents of 8.5%. On the extremes, one in 10 hedge funds plan to grow their headcount by more than 20%, compared to 40% of respondents with a more modest target of 5% or less.

FIGURE 6:
What is your 2021 recruitment target as % of headcount
(Number of new employees / current headcount)? (By AuM)



On a more granular level of the smaller respondents, those managing less than US\$100 million were the main constituents of the 47% that plan to hire between 0-5% and the 22% targeting 6-10% growth. As mentioned above in relation to the renewed importance of the IR role, this is likely a consequence of pandemic-induced national lockdowns and travel bans when allocators were blocked from meeting new funds in person and so chose to invest further with the managers that they have an established relationship with. This resulted in many smaller or newer funds having a harder time scaling up over the past 18 months.

APAC reports the highest average headcount growth

Upon closer examination of this analysis by region, North American respondents were broadly more bullish in their hiring objectives (see figure 7). But, a quarter of respondents headquartered in APAC have their sights set on headcount growth of more than 20% meaning the region has the highest average recruitment target (11%), compared to North America (9%) and EMEA (7%).

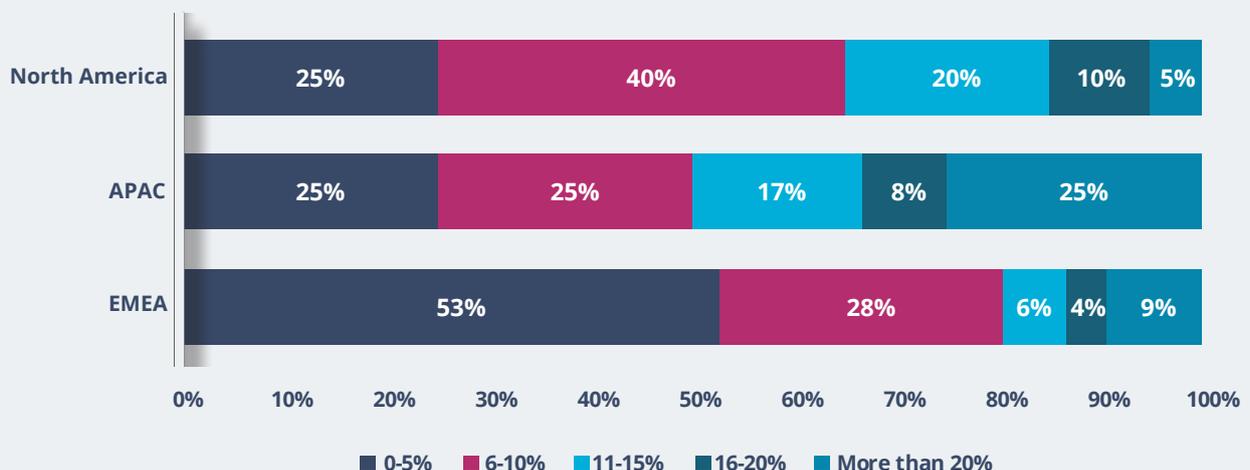
The feedback from hedge funds in APAC marks a notable change of outlook from those surveyed by AIMA and KPMG as part of the Agile & Resilient report in mid-2020. At the time, only 44% of the larger APAC respondents had hired new staff in 2020, while only 27% of smaller firms had.

Many large investors see APAC as boasting strong returns potential, with deep, local talent pools expanding further as people pour into the region seeking to be part of the growth story. Moreover, compared to other regions, the lack of uniformity in regulatory and tax requirements across APAC means that — unlike in the EU or the US — a single, strategically placed office is not always sufficient to service all regional investors. Where previously an office in Hong Kong would have been sufficient for most non-Asian managers active in APAC, they are now setting up additional hubs elsewhere across the region, creating strong hiring demand.

This trend is also seen in China, where some larger asset managers already in Hong Kong are opening a satellite office on the mainland in response to the vast potential the market has as it continues to open up to foreign investors. All of this is applying additional pressure on Hong Kong which is already at risk of seeing an exodus of financial services professionals looking to return to their native countries or step out from under the umbrella of stringent restrictions on international travel and new national security laws.

The travel restrictions put in place to curb the spread of COVID-19 across APAC are creating particularly acute hiring challenges. The culture of people moving around the various financial hubs in pursuit of new roles is an established feature of the region, but closed borders mean people are finding themselves stranded in one financial hub when their new office is in another. A representative from a large hedge fund in Hong Kong spoke of how hedge funds in APAC must make strategic decisions about whether a prospective hire is worth employing when, potentially, once in the role they will have to wait months before meeting in person. “Managers will have to ask themselves am I willing to wait for the right candidate in the wrong location,” they explain. This issue is further compounded by issues around tax and furnishing new staff with the right equipment when they are in a different location.

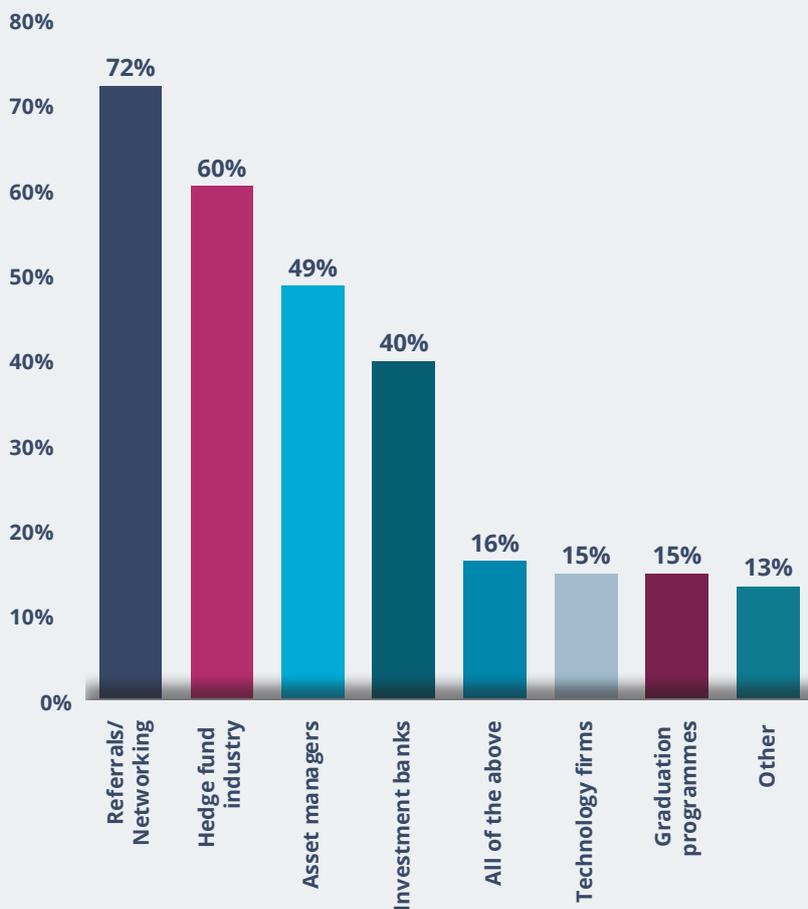
FIGURE 7: What is your 2021 recruitment target as % of headcount (Number of new employees / current headcount)? (By firm HQ)



Where are hedge funds hiring from?

The hedge fund industry remains a relationship business, it seems, with 72% of respondents using referrals and networking as their primary source of talent (see figure 8). Over half (60%) primarily look for talent within the hedge fund industry, while an additional 49% look to asset managers and 40% primarily seek out new talent from investment banks. An additional 16% said they view all the listed options as viable sources of talent, including the technology firms and graduate programmes.

FIGURE 8:
Where do you source talent primarily? (Select all that apply)

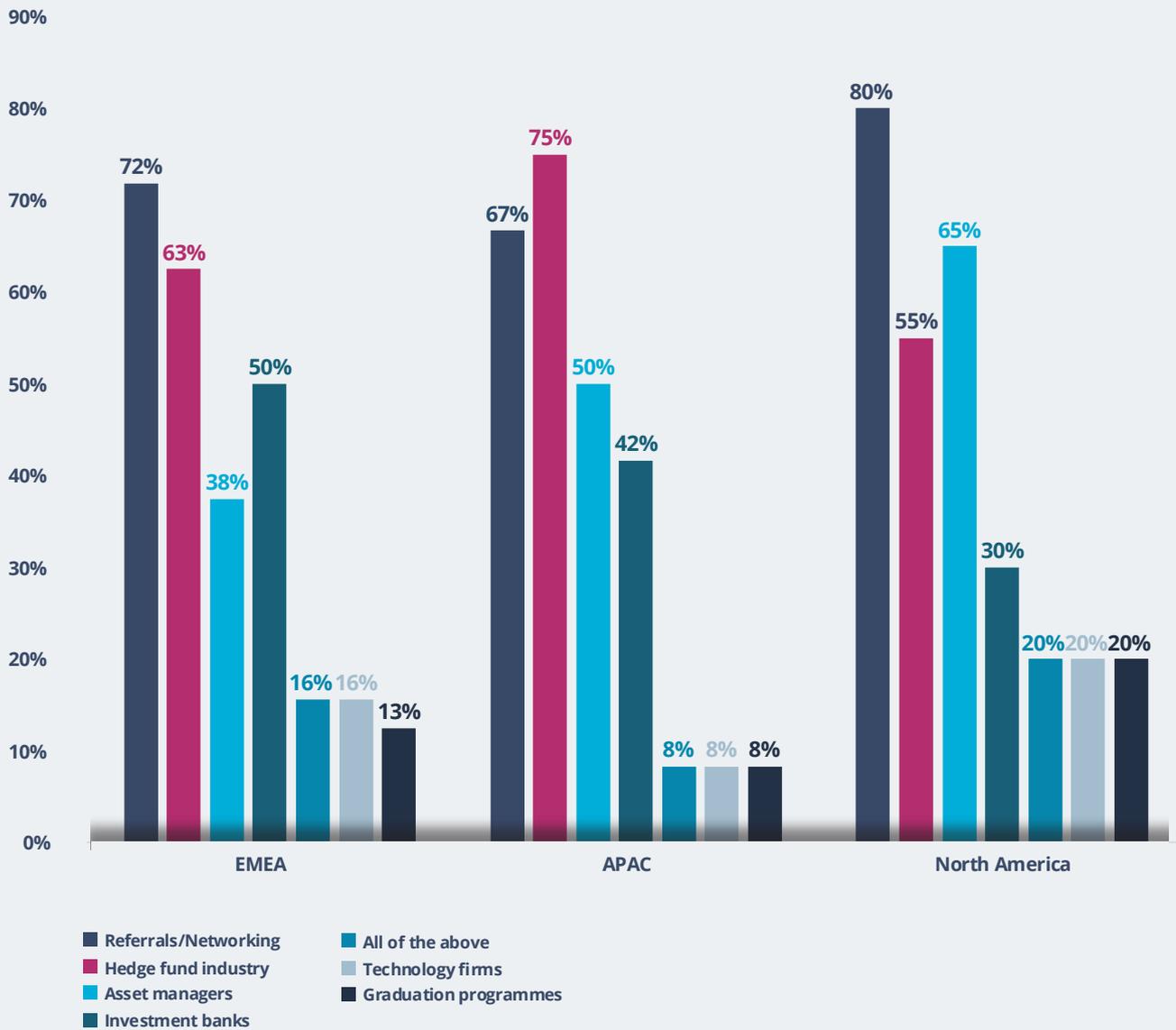


Note - the responses cited in figure 8 focused on respondents' primary sources of talent and there is no reference to the seniority of those hires. This partly explains the relatively low percentage of those respondents citing graduate programmes and technology firms that might be considered a second or third avenue for talent acquisition.

Although the preference for hiring based on referrals and networking within the financial sectors holds true generally across all three regions, the data reveals some intriguing divergences on a regional level. North American respondents who operate in the most crowded region for hedge funds show a preference for sourcing talent from asset managers, with a 10-percentage point preference lead for that answer compared to those in the region who looked to within the hedge fund industry (see figure 9 on the next page).

Meanwhile, just over seven in 10 respondents from APAC primarily look within the hedge fund industry when sourcing talent, the highest of any region. Conversely, they were also slightly less likely than their peers in other regions to rely on industry referrals.

FIGURE 9:
Where do you source talent primarily? (By firm HQ)



Risk of talent flight looms

'The Great Resignation' – a phrase coined by Anthony Klotz, a professor of management at Mays Business School of Texas A&M University and subsequently picked up by many in the media – describes the phenomenon of large numbers of professionals across many different industries including financial sectors resigning from their employment or changing their profession entirely after the radical lifestyle shift brought on by national lockdowns. Now, fears of talent flight are being further exacerbated as the success of the COVID-19 vaccine rollout in many countries unleashes the pent-up hiring demand that was stifled by the uncertainty of the pandemic since 2020.

When asked how concerned they were about talent retention for this survey, almost 90% of the total respondents are 'somewhat' or 'very concerned' about talent retention in the near term. No one interviewed

for this report is surprised by these findings, which are reinforced by a global survey of CEOs conducted by KPMG International in mid-2020 that found loss of talent was the number one risk to growth in the minds of CEOs, up from 11th in the previous version of the survey only a few months before⁵.

Closer examination of the regional responses shows that respondents from APAC are much more likely to be 'very concerned' about talent retention compared to other regions (see figure 10 on the next page). This can, in part, be explained by the survey data showing APAC as the region with the highest average hiring targets. Anecdotal evidence from conversations with hedge funds in Hong Kong and Singapore also indicate that a portion of the large ex-pat community in APAC is looking to return home, either temporarily or for the long term, to be closer to family and ride out the remainder of the pandemic.

5 <https://home.kpmg/xx/en/home/insights/2020/09/kpmg-2020-ceo-outlook-covid-19-special-edition.html>

FIGURE 10:

How concerned are you about talent retention going forward? (By firm HQ)



How are firms retaining their staff?

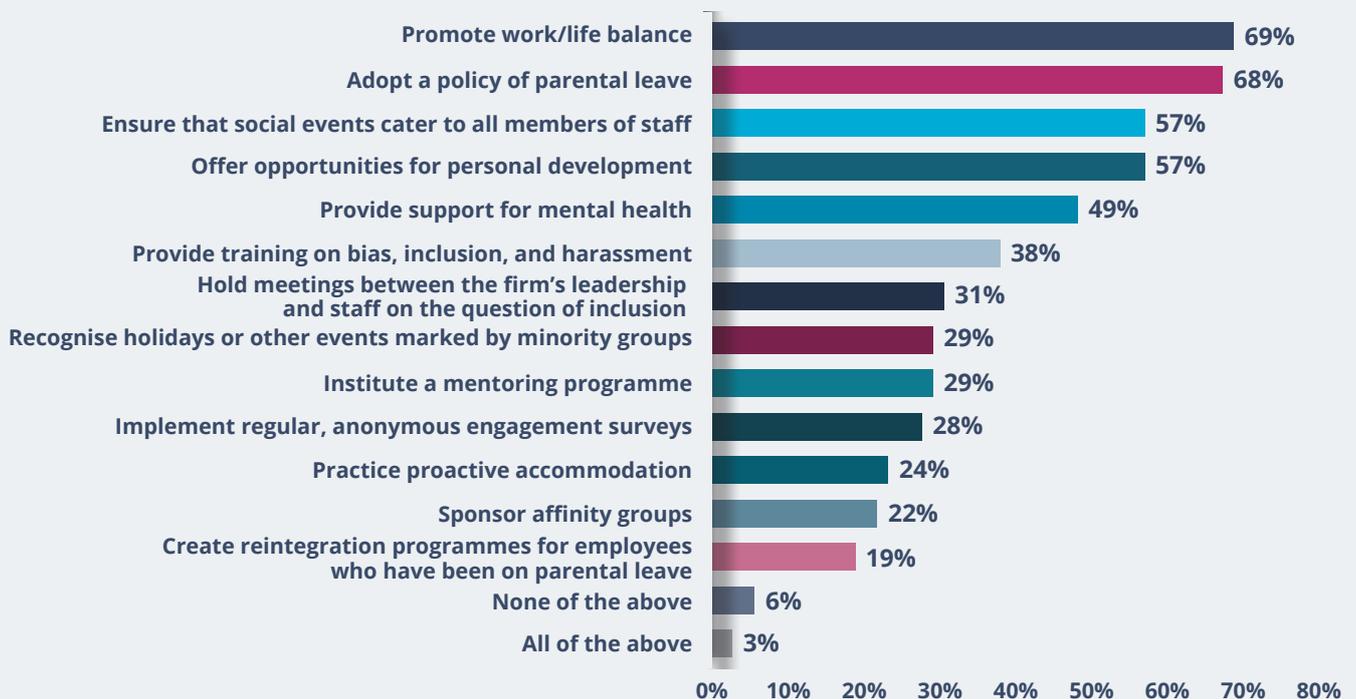
Conversations with HR professionals at hedge funds paint a picture of many people assessing how well their firm navigated the many operational and cultural challenges of the pandemic and deciding whether their professional prospects and personal requirements still align with that of their current employer. A representative for one multi-billion-dollar US hedge fund lamented that they lost highly valuable employees to competitors because the firm was too slow to inform staff that flexible working would remain for the long term. Although they had put out the same staff surveys as many other businesses to gather the views of employees’ working preferences, the final decision to go hybrid was not made until around April 2021. According to the interviewee, the delay was taken as an indication that the firm would not allow flexible working to remain, leading to some people leaving.

AIMA asked firms which techniques were most popular to keep top performers from being wooed away while also improving diversity. Promoting a better work-life balance and adopting policies to support parental leave are the pack leaders, having been selected by 69% and 68% of respondents respectively (see figure 11).

Other popular options include offering opportunities for personal development (57%), ensuring social events cater to all members of staff (57%), and mental health support (49%). It is worth noting that all but three of these 13 options are being employed by around a quarter of respondents, with an additional 3% of high achievers doing all of them.

FIGURE 11:

When seeking to retain talent, do you use any of the following techniques to retain and improve workforce diversity? (Select all that apply)



Flexible working is here to stay

Most firms' commitment to flexible working for the long term is a consequence of the societal realisation that most office-based jobs can be done from home, with many of the concerns about a drop-off in productivity laid to rest early on in 2020. Capital Fund Management's (CFM) Global Head of HR Annabel Aslett speaks for much of the industry when she says her firm wasn't concerned about monitoring performance for those working remotely. "High performers in the office remain high performers working from home," she explains. For staff, the chance to work away from the office was a revelation and most are sending a clear message to their employers they will no longer accept a full-time office-based role.

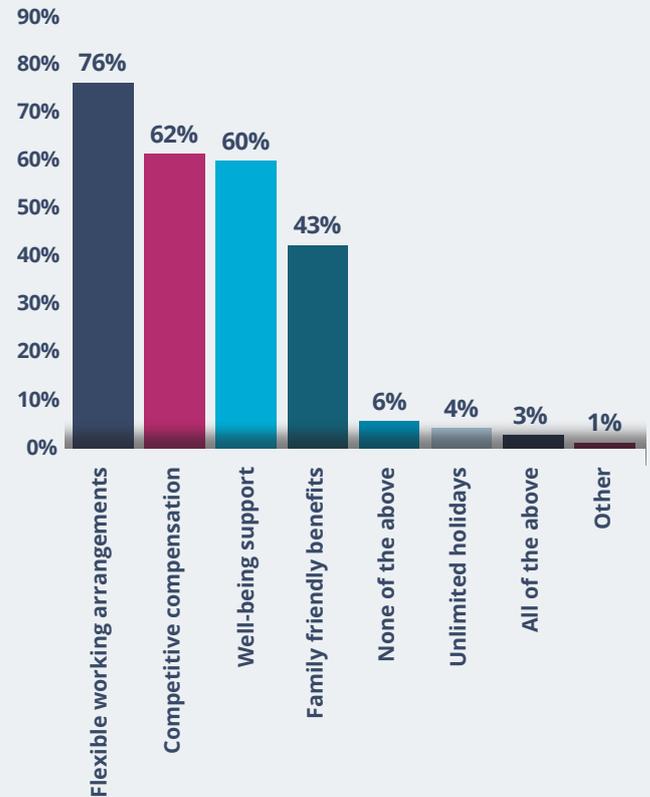
It is therefore unsurprising that 76% of respondents are planning to offer (see figure 12) flexible working options as a way to support employee well-being, making it the most popular policy. Emily Macina, Head of Human Resources at Napier Park, suggests this is a wise move by those respondents, stressing that "employers need to be flexible with their employees. COVID has shown us that we can work successfully from home, so forcing people back to the office to maintain a pre-COVID *status quo* seems short-sighted," she continues. "Almost every candidate that we have interviewed for a role this year has asked us about our return to the office plan. I think this has and will continue to be a differentiator for us moving forward."

Non-financial benefits are more important than ever

For an industry with a reputation for a hyper-competitive work culture, the emphasis on non-financial benefits may surprise some readers. As per figure 12, having a flexible working environment is the most popular technique for retaining talent, more so than competitive compensation (62%). A further 60% of respondents are providing well-being support directly. The acknowledgement that a healthy and happy workforce cannot simply be maintained with above-average compensation is particularly striking when compared to other areas of financial markets that are viewing the same challenges through a more materialistic lens. This arguably speaks to the meeting of worlds between the old and the new, a theme discussed in more detail in chapter 5.

Interestingly, North America — a region not commonly associated with the strongest social benefits for workers — boasts the highest numbers of respondents committing to more employee-friendly policies. One North America-based hedge fund HR representative interviewed for this paper mused whether the numbers might have been significantly different before the pandemic struck in 2020. In a similar vein, the prominence of mental health support — although only half of respondents offer it — was highlighted by several hedge fund interviewees as likely being on the rise due to the national lockdowns, when the risk of isolation, stress and burnout was most prominent.

FIGURE 12:
How are you planning to manage employee well-being going forward? (Select all that apply)



This focus was first identified in AIMA/KPMG's 'Agile & Resilient' paper from 2020 which referenced the increased importance being placed on supporting staffs' health both mentally and physically during the turmoil. "What has been particularly interesting through this pandemic has been the focus on employee health and safety," the report reads. "While managers are still clearly focused on maintaining and enhancing performance, our conversations indicate that many are equally concerned about the more 'human' implications of working in a decentralised environment — employee mental health, morale, work-life balance, and teamwork, for example."

That said, some interviewees argue more hedge funds should be utilising these wellness resources. One HR representative highlights that all firms should offer support in these areas given how easily available and low-cost mental health resources and other support systems are. The interviewee notes that for an industry synonymous with a poor work-life balance, this would be an easy way to address some of the well-being concerns such a competitive culture can create.

Are you considering joining the hedge fund industry?

“

“For those considering moving roles, my first advice is to focus on the quality of people you will be working with and where you might be in two years by doing that role and not just the money. The money will come if you work with good people who want to support your career. The firms that retain talent care about having the right culture and offering a chance for career progression/development – that is key when retaining talent and not always the size of the bonus paid.”

MUSH ALI, DIRECTOR, ONETEN ASSOCIATES



Top job searching tips

for industry newcomers:

1. If you want to get into a hedge fund but don't know where to start, you can gain relevant experience in a junior role at an investment bank and then look to move over to the buy-side afterwards.
2. If you are not able to get a job at an investment bank straight after university, do not give up hope.
3. Having a *LinkedIn* account is key. Include in your profile any education details (universities attended), if you have language skills, coding skills, and/or any other competency in technology. Please ensure that you update your *LinkedIn* status to highlight that you are "open to work".
4. Put your CV up on job boards – *eFinancialCareers* is the most commonly used by hedge funds.
5. Speak to your university's careers team as most hedge fund managers will reach out to their old universities.
6. Don't be afraid to approach hedge funds directly. While most do not have a careers page, sending an email to the hedge fund directly is encouraged.
7. If possible, try to do a 'sandwich course' where you get a year in industry. If not, summer internships really do help.
8. The future for any role is being able to use technology. Do a computer language course, even if you're not interested or don't think you are good at maths or science. It is the key differentiator now and completing a course in Python or another computer language could set you apart. Whether you're training to be an accountant, lawyer or want to be an analyst, this can be the difference in getting a job in a hedge fund or not.

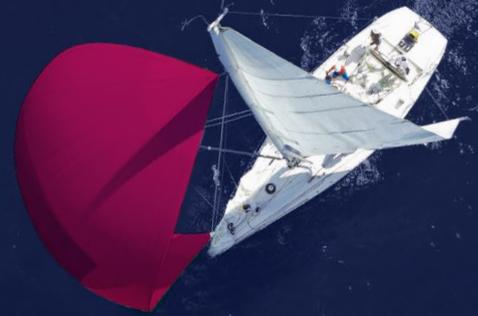
Case study:

Napier Park's analyst rotation programme, run with StreetWise Partners

StreetWise Partners is a US non-profit organisation that pairs business professionals with mentees who are unemployed or underemployed to provide them with the skills, resources, and access to networks they need to secure and maintain employment. Since its inception in 1997, StreetWise Partners has helped more than 8,000 job seekers through the support of 15,000 volunteers.

Napier Park started partnering with StreetWise Partners through its internal Giving Fund, and the analyst programme is an extension of that partnership. Napier is currently in the process of interviewing candidates from the StreetWise Partners programme as of September, to start as analysts later this Fall.

To find out more about donating to the cause or getting involved, visit: streetwisepartners.org



Chapter 2

ESG will be the next hiring frontier

The rise of responsible investing as a market force is primarily being lifted by a chorus of calls from investors for the constituents of financial markets, including hedge funds, to better understand and manage the full range of risks they are exposed to.

In part, this led to the now ubiquitous abbreviation ESG, or environment, social and governance. ESG means many things to many people but can simply be understood as the market’s attempt to codify a focus on environmental sustainability and social responsibility into everyday business.

Such is the depth of integration of ESG into financial markets that some hedge funds are now applying ESG data to their investment strategies as a new metric for whether a prospective investment will thrive in the new world order. At the same time, many hedge funds are applying ESG standards to their day-to-day business operations to ensure they live up to investor expectations.

As such, in the same way physicists and mathematicians first appeared on the fringes of the hedge fund market before assuming a more central role in applying quantitative data management to investing and risk management across many large firms, so ESG specialists are tipped to be the next frontier where firms will explore how to gain an edge.

As per figure 13, just under two thirds (62%) of respondents do not have an ESG specialist on staff. A further third (31%) has between one and five specialists on staff. Comparing the results by the firm’s size (see figure 14), larger firms are more likely to have at least one ESG specialist on staff than their smaller peers, with a difference of 42% versus 34%.

Several interviewees said that for a smaller firm, recruiting an ESG specialist today would be considered a luxury hire, although several admit that it will become increasingly necessary regardless of size as the market segment develops.

Comparing the responses per region (see figure 15 on the next page), EMEA firms are much more likely than those in other regions to have at least one ESG staff member. Over half of EMEA-based firms have at least one member of staff in a dedicated ESG role, compared to 15% in North America and 8% in APAC. The region’s breakaway lead in ESG hires is largely driven by the EU’s frontrunner position in developing supervisory frameworks around responsible investing standards. Chief among these is the Sustainable Finance Disclosure Regulation (SFDR), which had a phase one implementation in January 2021. Phase two will come into force in 2022 and brings additional requirements to boost transparency in firms’ so-called green financial products. The regulation is the centrepiece of the trading bloc’s focus on sustainability and has made it a global leader in the race to quantify and standardise ESG. Other markets from North America to APAC are sure to follow suit and add to the global shift towards a more sustainable marketplace.

FIGURE 13: How many people does your firm have in Responsible Investment (ESG) dedicated roles?

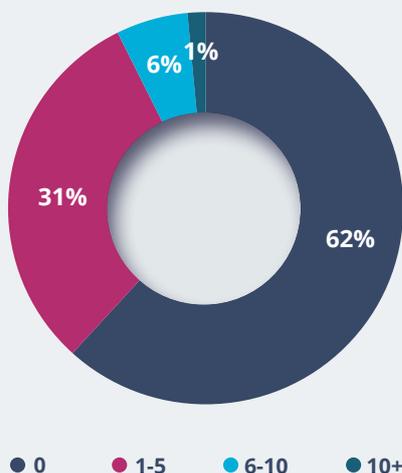


FIGURE 14: How many people does your firm have in Responsible Investment (ESG) dedicated roles? (By AuM)

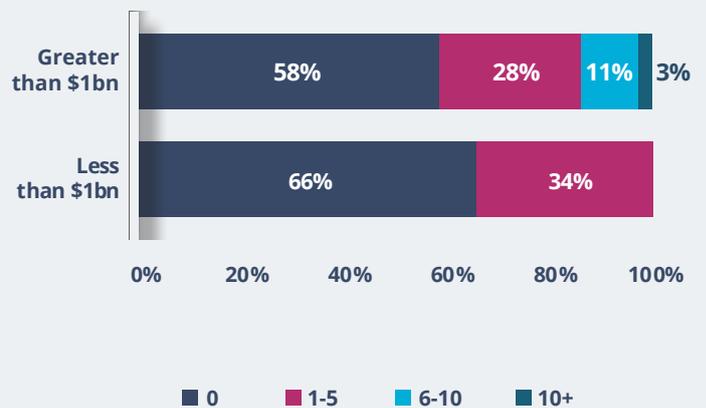
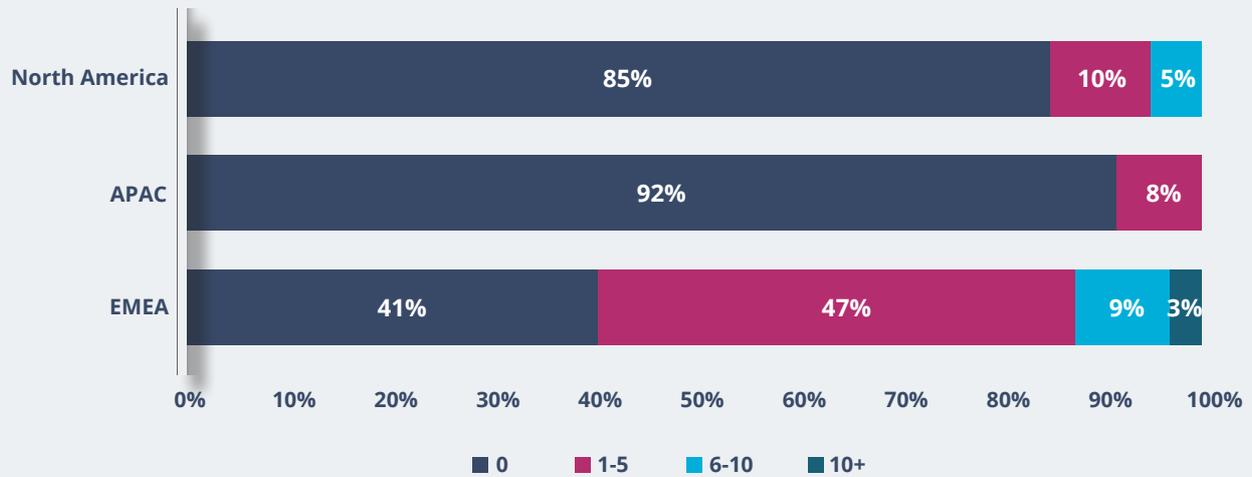


FIGURE 15:

How many people does your firm have in Responsible Investment (ESG) dedicated roles? (By firm HQ)



Overall, hedge funds are currently more likely to have their ESG policies managed by several of their senior management figures. “We don’t have someone whose title is Head of ESG, but that doesn’t mean it’s not front-and-centre in how we operate,” explains a North American hedge fund representative. Many larger firms have also set up working groups or other internal committees to establish what ESG means to them. Conversations with hedge funds in various regions indicate that many firms that do not have an ESG specialist on staff today expect to have at least one by this time next year. Moreover, several of the larger hedge funds and asset managers expect to build out whole teams dedicated to applying ESG across all functions.

One interviewee from a large UK hedge fund argued that “those who don’t invest in ESG now will be left behind”, adding that firms forced to catch up in a few years will pay over the odds to secure relevant expertise in-house, compared to those who act now. However, that may be easier said than done. Those wishing to consolidate their responsible investment and ESG strategies under a dedicated person should first crystalise what that role will entail. Conversations with hedge funds raise a wide variety of views on where an ESG specialist should sit within a firm, leading to some envisioning bringing in teams to cover all bases.



We don’t have someone whose title is Head of ESG, but that doesn’t mean it’s not front-and-centre in how we operate.

NORTH AMERICAN HEDGE FUND REPRESENTATIVE

ESG specialist: the chameleon role

One representative from a hedge fund in Hong Kong, who is looking to hire their first ESG specialist soon, mused that the role will likely be a hybrid one, combining experience with investment strategy and risk management. Further, the role will likely require well-developed data analytical skills, along with a capability to engage with investors and other stakeholders. Some experience operating in a fast-evolving regulatory environment would also be preferable.

Headhunters for the industry also say their clients are struggling to articulate what exactly they wanted from candidates and what makes someone ESG literate. Despite the lingering ambiguity, regulatory oversight coupled with investor demand for ESG products is creating acute demand for ESG expertise and firms around the world should ask themselves these questions to stay ahead of the curve as the ESG arms race intensifies.

Chapter 3

Technology now permeates every facet of the hedge fund business model



The need to apply a technology-focused solution to almost every function of a hedge fund is a near-universal truth across the industry. Technology is increasingly being used to automate hedge fund operations to relieve teams from burdensome administrative tasks and allow them to focus on their primary responsibilities. This includes the use of advanced quantitative techniques (machine learning and AI) to make many processes much faster and less labour intensive. Subsequently, most roles across a hedge fund now require a high level of competency in technology, which plays a vital role across both front office investment strategy and middle- and back-office operations functions.

"I have been a hedge fund recruitment business owner for the past 10 years and I can honestly say the pace of change for the types of backgrounds of people we are now placing has changed dramatically in the past 12 months," Ali states. "I worry that in another two years there will be no place for people who do not have an appreciation or demonstrable track record of understanding how technology will impact their role."

For smaller or newer firms this may mean a reliance on service providers to outsource resource-intensive processes or access skill sets that may not exist in house. Larger firms may choose to build or buy their technology stacks as they see fit, but not having one is not an option. A key advantage of tapping into the service provider ecosystems is the ability to scale up your capabilities in areas such as cloud technology or automatic treasury processes. Many service providers now offer a modular solution that allows smaller clients to choose from an *à la carte* menu of services rather than having to commit to a whole offering suite from the off.

The increased use of technology across the hedge fund business has naturally had a knock-on effect on the hiring strategies of most firms in terms of the skills they look for in candidates. To underscore this point, achieving 'operational efficiencies through automation' was cited as being 'very important' or 'important' by 96% of respondents when asked about which themes are shaping how the industry sources talent, making it the most prominent theme (see figure 21, page 23).

Quant-mania

The application of technology to the front office was most overtly seen during the so-called quant revolution of the 1970s when some Wall Street banks and specialist hedge funds began hiring mathematicians, physicists, code breakers and other problem-solvers without a traditional finance background to use the wealth of market data to find trading patterns. Now, the demand for those with quantitative analytical skills with PhDs in physics or theoretical maths — known as quants — is a common feature of the wider market demographic which is no longer confined to quantitative-based hedge funds. In fact, as well as classic long-short and multi-strategy funds getting in on the action, Kenneth Kan, Managing Partner at Dymon Asia Capital, says: "Competition for quant talent is fierce, especially with the growth of crypto-focused funds."

Competition for data specialists, software engineers and quants is further compounded because the financial sector is competing with several other sectors for top talent in engineering, physics, maths, AI, etc., and finance is not the first choice for many of these candidates. Recent years has seen the hedge fund industry pit itself against the FAANG sector — comprising of Facebook, Apple, Amazon, Netflix and Google — in pursuit of the brightest talent.



I have been a hedge fund recruitment business owner for the past 10 years and I can honestly say the pace of change for the types of backgrounds of people we are now placing has changed dramatically in the past 12 months.

I worry that in another two years there will be no place for people who do not have an appreciation or demonstrable track record of understanding how technology will impact their role.

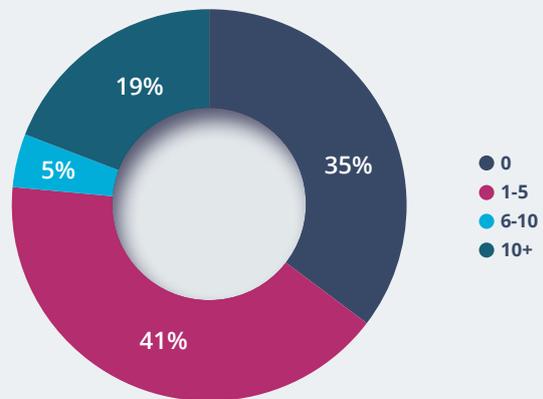
MUSH ALI, DIRECTOR
OneTen Associates

This has resulted in high-profile hires from the FAANG sector to hedge funds and *vice versa*. The engineering, defence, manufacturing, and energy sectors, as well as insurance and similar areas, are equally keen to attract people with quantitative skill sets in data analytics and software engineering. Industry observers predict that this multi-sector tug of war for these people will be a useful template for the trajectory of demand for ESG specialists.

Turning back to the hedge fund industry and the responses garnered from this survey, multi-strategy funds are driving the demand for quantitative and data analytical experts, with some long-short funds also showing an interest.

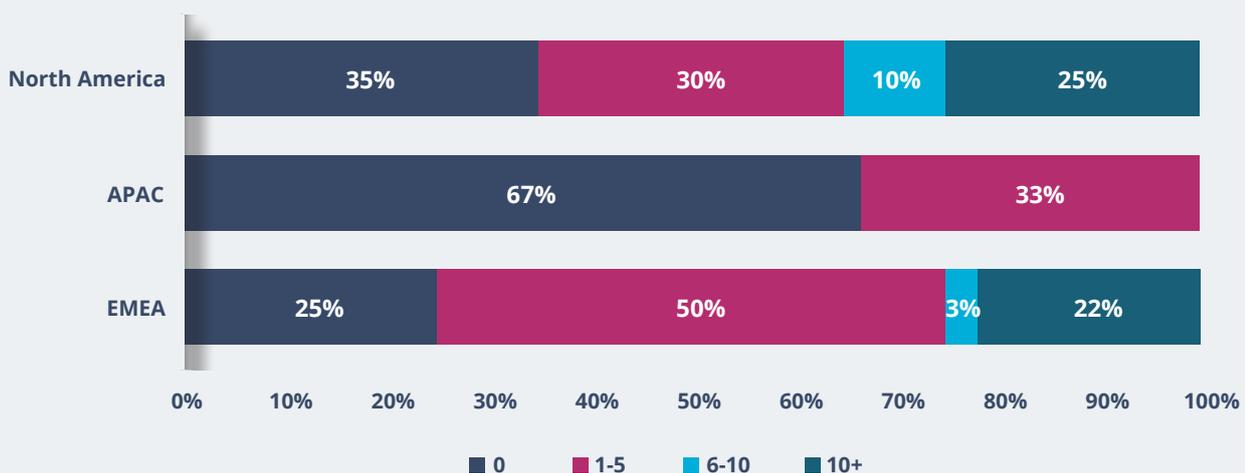
When asked how many people their firm has in such a role, two out of three respondents (65%) say they have at least one member of staff in a dedicated quant role, with the majority of this portion having between one and five (see figure 16).

FIGURE 16:
How many people does your firm have in quant dedicated role?



On a regional basis, APAC firms appear to be lagging behind their peers with more than two-thirds saying they have no dedicated quantitative professionals among their staff, while those in EMEA are the most likely to have at least one dedicated quantitative professionals on staff (see figure 17).

FIGURE 17:
How many people does your firm have in quant dedicated roles?
(By firm HQ)



Interestingly, the data from this survey reveals the influence of multi-strategy funds highlighting a commitment to hiring data experts and/or building out their capabilities in this area. Recalling the survey demographic (figure 3, page 3), one in four respondents are from multi-strategy funds. When hedge funds were asked which areas of their business they plan to develop their capability in (see figure 5, page 6), note the prominence given to the responses for Quant Analysts and IT/Tech professionals. Both these data points are underpinned by responses from multi-strategy funds. In the case of the former, half of all respondents are from multi-strategy funds, while one in three responses are multi-strategy funds for the latter (see figure 18).

Related to this, as per figure 19, note the prominence of multi-strategy funds in response to the question: how many people does your firm have in quant dedicated roles? Of those that have more than 10, 68% are multi-strategy funds while of those hedge funds that said they have between one and five quants on staff, multi-strategy funds tied with equity long-short funds with 22% of respondents each. Notably, equity long-short funds make up almost half of all the responses that cite “they do not have anyone in a dedicated quant role” representing the wide range of opinions on the need for these types of skill sets across the hedge fund industry.

When asked about their priority hires for the next 12 months (see figure 4, page 6). Among the quarter of total respondents that selected quantitative investment, just under half of these are multi-strategy funds. From the same chart, of the 19% of respondents that selected ‘data science’, just under half of all responses that comprise this finding were from multi-strategy funds.

Multi-strategy funds came to the fore again when we revisit the data as to where respondents primarily source their talent (see figure 8, page 9). Half of all multi-strategy firms surveyed cite technology firms as being their primary hunting ground for talent – compared to only a handful of respondents representing other strategies – meaning they dominate the 15% of overall respondents that selected tech firms when answering this question.

Looking ahead, multi-strategy funds are also the strategy group most likely to describe the increasing role of quants and alternative data as a ‘very important’ or ‘important’ theme in shaping how the industry sources talent (see figure 21, page 23). Equity long-short funds are slightly more likely to say it was an ‘important’ theme but are also more than twice as likely to describe this theme as ‘unimportant’, again highlighting the lack of consensus within the strategy group on this topic.

FIGURE 18:
In what key areas of your business do you plan to develop your firm’s capability going forward?
(Select all that apply) (By firm strategy)

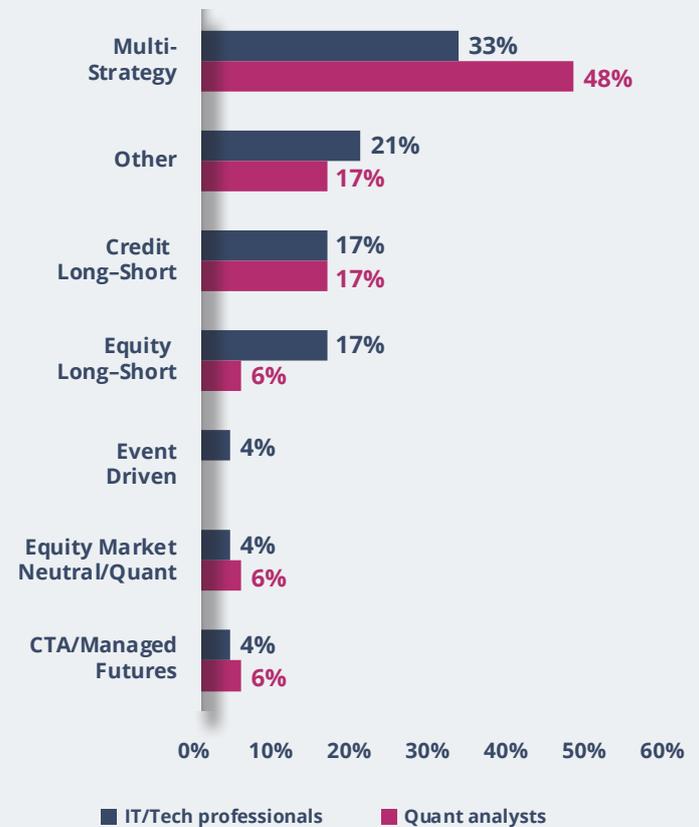
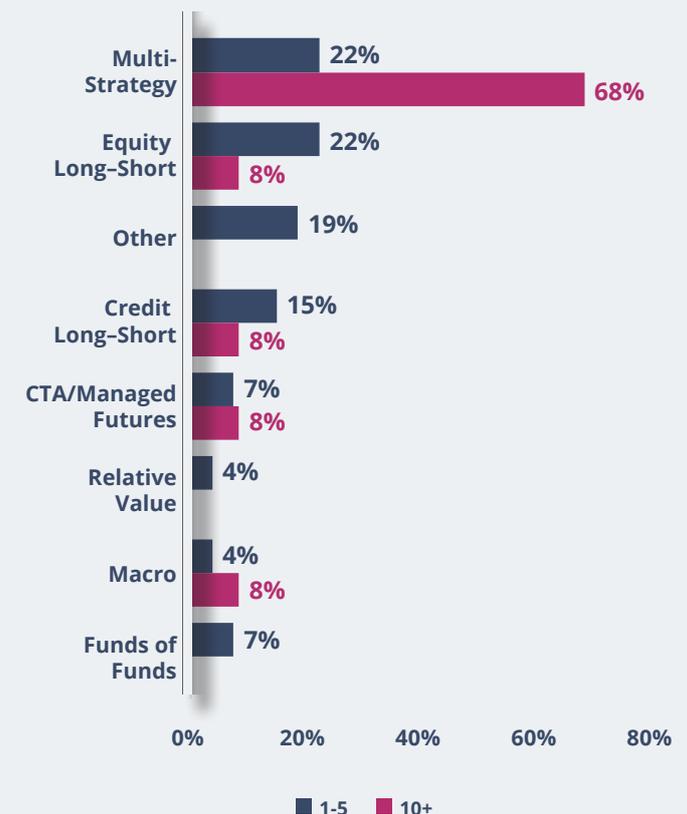


FIGURE 19:
How many people does your firm have in quant dedicated roles? (By firm strategy)

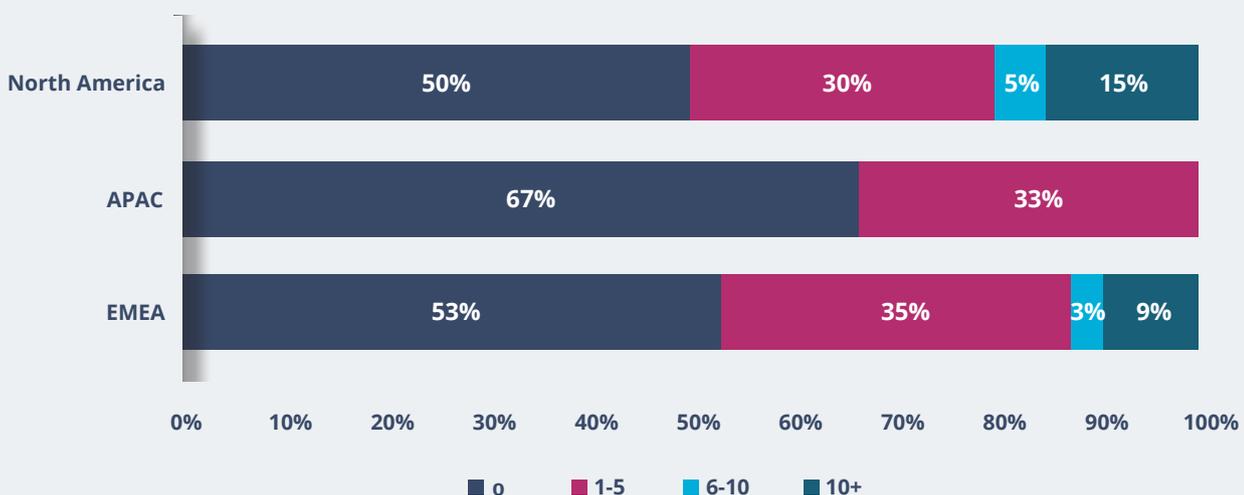


Alternative data

The speed of technological innovation, including the advent of the internet, has created a bottomless well of data for investors of all sizes, meaning the information and speed advantage enjoyed by hedge funds in years gone by has all but evaporated. In an endless search for alpha, competition is shifting away from what information you can find to how much information you can absorb and apply to your trading strategies. So came the rise of 'big data' as firms scrambled to create ever-larger datasets to measure the success and optimal functioning of all their activities. Now, alternative data is becoming the new watchword, with systematic traders seeking out metrics on social media sentiment trackers, weather patterns, credit card transactions and satellite images of department store car parks to enhance the accuracy of their algorithms. AIMA's paper on alt data 'Casting the Net' details how and where alt data is being leveraged by early adopters as a tool for generating outperformance⁶. Interestingly, some firms are bringing other growing areas of data creation, such as ESG, under the umbrella of their alt data strategy.

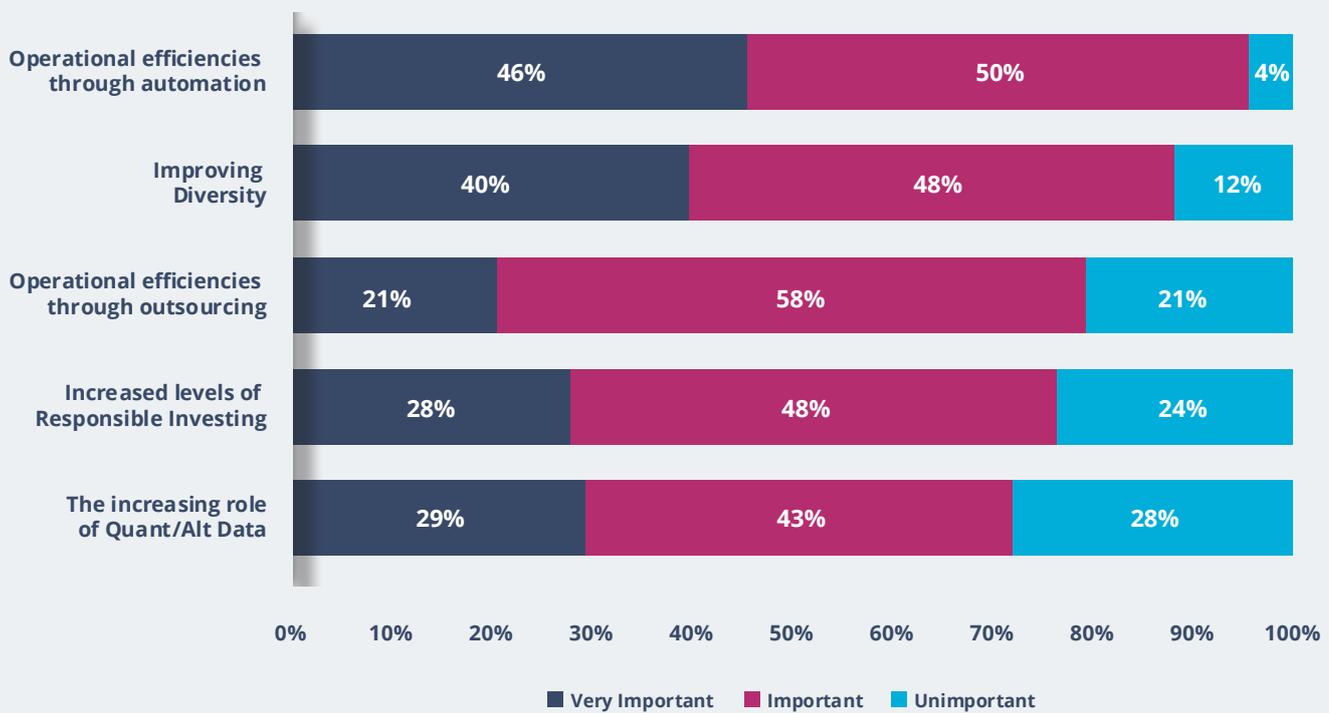
"At CFM, we are focused on ESG and are seeing that these factors are captured in less traditional and more alternative data sets," explains Aslett. "As a quantitative investment firm, we are well equipped and have the researchers, processes, and infrastructure to take advantage of this type of information." As mentioned at the end of chapter 2, the ESG market will continue to mature and generate more usable data. As a result, the role of an ESG specialist within a firm will likewise take on a more quantitative element, regardless of where that role sits within the firm, further blurring the lines between pure technologists and financiers.

FIGURE 20:
How many people does your firm have in alternative data dedicated roles? (By firm HQ)



6 <https://www.aima.org/educate/aima-research/casting-the-net.html>

FIGURE 21:
Which of the following themes are shaping how the industry sources talent?



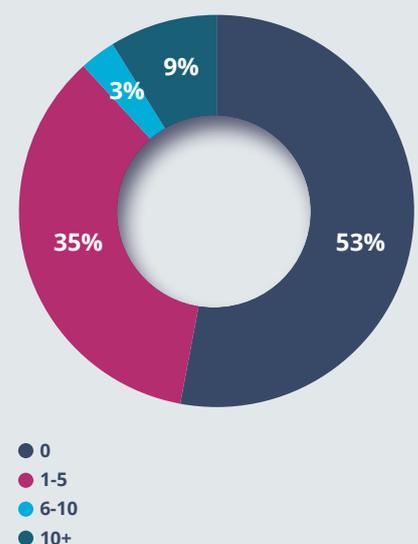
As per figure 22, just under half of all respondents have at least one person in a dedicated alternative data role. Once again, multi-strategy funds are frontrunners when it comes to hiring experts to help them better understand new forms of data. They are the most likely to have more than five dedicated alternative data specialists, but roughly as likely as equity long-short funds to have between one and five.

By region, approximately half of firms from North America and EMEA have at least one alternative data specialist, with North American firms (almost all from the US) slightly more likely to have more than 10 (see figure 20 on previous page).

With demand for data scientists, quantitative professionals and software engineers at an all-time high, and survey data indicating that more than two-thirds (72%) of respondents see the increasing role of quantitative professionals and alt data specialists as ‘very important’ or ‘important’ in shaping industry talent demand, it is fair to assume these numbers will likely increase over the short to medium term (see figure 21).

Moreover, if revenue and inflows to the industry continue at a similar pace in the second half of this year as they did in the first half of the year then portfolio managers will have even more budget to explore new products and strategies than they do today. This will further fuel hiring demand for those able to apply the latest technology solutions to their function in ever more innovative ways.

FIGURE 22:
How many people does your firm have in Alternative Data dedicated roles?



Chapter 4

The desire to improve DE&I is a driving force in hiring decisions



The global financial services sector has often been accused of falling short when it comes to fostering diversity and inclusion. That is now changing. A central pillar of the ‘S’ in ESG policies is the need to support diversity, equity, and inclusion (DE&I). Recalling figure 21 (page 23), a focus on improving diversity is among the most prominent themes shaping how the hedge fund industry sources talent. Improving diversity is described by 88% of respondents as a ‘very important’ or ‘important’ theme for the industry’s talent acquisition. This makes it the second most important trend behind the need to achieve operational efficiencies through automation.

Through the survey and interviews, hedge funds reveal many ways that they are manifesting a more diverse industry, from the initial hiring process through to retaining and training existing team members and maintaining their wellbeing. For example, Man Group emphasises that it operates a diversity-focused recruitment policy, by ensuring it has diverse interview panels and candidate lists across all roles sourced by working with active inclusion recruitment partners. Crucially though, improving diversity means making the hedge fund industry more accessible to all, including those less visible minorities such as those with underprivileged backgrounds.

Man Group established a social mobility workstream in late 2020 and since the beginning of 2021, it has conducted a series of virtual initiatives with several UK schools that have a higher proportion than average of pupils receiving free school meals. These include: engaging with 310 students in Year 7 (11-12-year-olds) and Year 10 (14-15-year-olds) from two schools outside of London to support them in thinking about the wide variety of jobs in finance; leading 20 Year 8 students through an investing game that culminated in teams presenting to three members of Man’s senior staff (this helped with the delivery of the National Curriculum); and leading mentoring circles for teachers to help develop their leadership skills. This direct school engagement adds to initiatives focused on data collection and university outreach and their engagement with the organisation Into University, which includes a review of their internal LEAD programme, the donation of Man’s apprenticeship levy, and corporate mentoring.

More case studies on how hedge funds are proactively improving DE&I can be found at the end of this chapter.

The need to improve the diversity metrics of the industry was referenced in almost all discussions with hedge funds for this report. Firms are primarily looking at where and how they source talent and the way they structure roles to appeal to a broader range of candidates than might previously have been considered. Many hedge funds stress that they are now looking for candidates with attractive skill sets or relevant experience, rather than filtering the search by which university, graduate scheme or additional qualifications are on a CV.

“We place the greatest emphasis on candidates with demonstrated expertise and experience,” explains Benjamin Tisdale, Head of Investor Relations at Prelude Capital. “Various industry accreditations in some cases are part of the mosaic, but not something we’d necessarily weigh most heavily against more role-specific factors when judging a candidate. As a global firm that has continued to expand its footprint in North America, Europe and Asia amid the remote work environment and other unique challenges of this period, attracting top talent that is capable of hitting the ground running for each role has never been more important.”



We place the greatest emphasis on candidates with demonstrated expertise and experience.

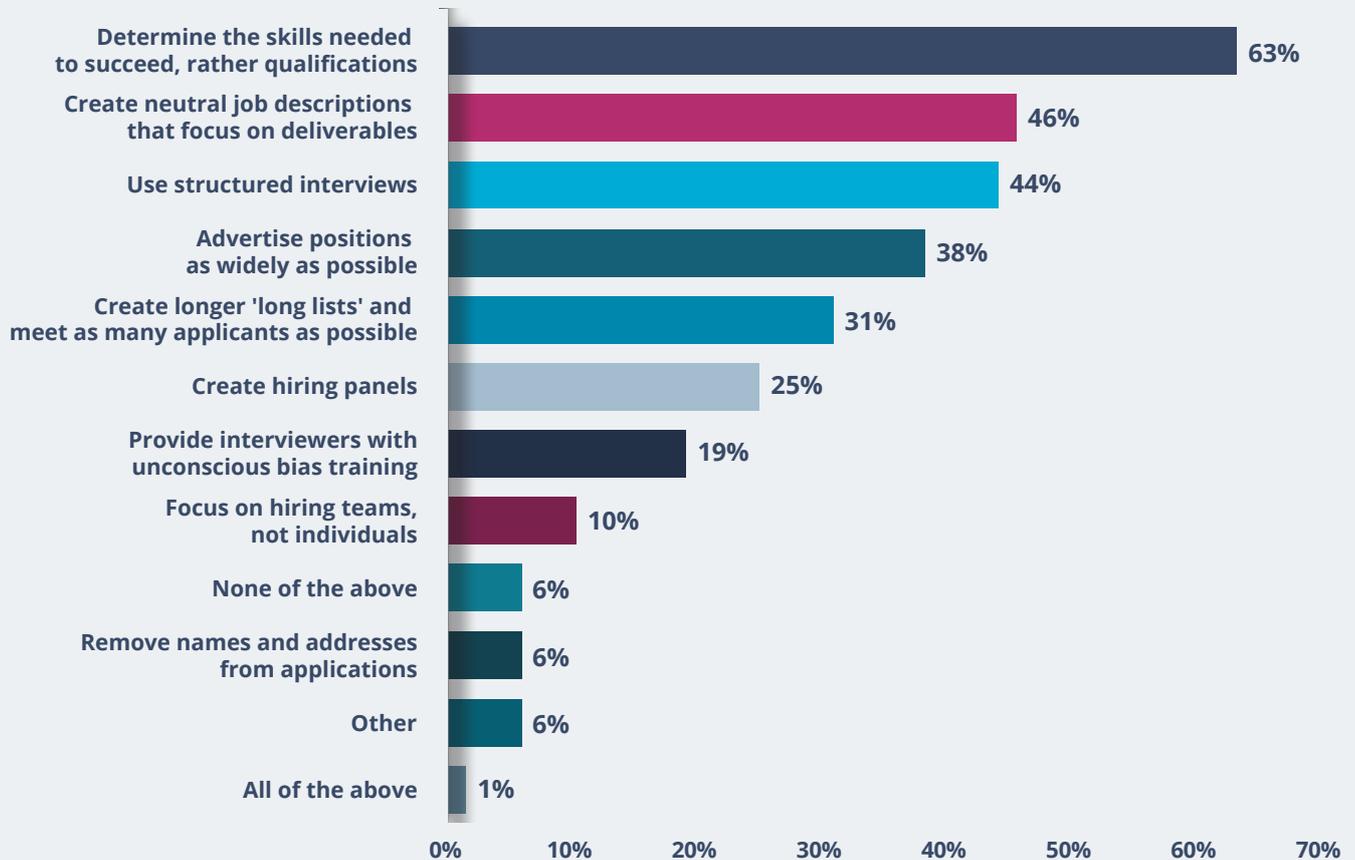
Various industry accreditations in some cases are part of the mosaic, but not something we’d necessarily weigh most heavily against more role-specific factors when judging a candidate.

BENJAMIN TISDALE

Head of Investor Relations
at Prelude Capital

FIGURE 23:

When hiring, do you use any of the following strategies to improve workforce diversity?
(Select all that apply)

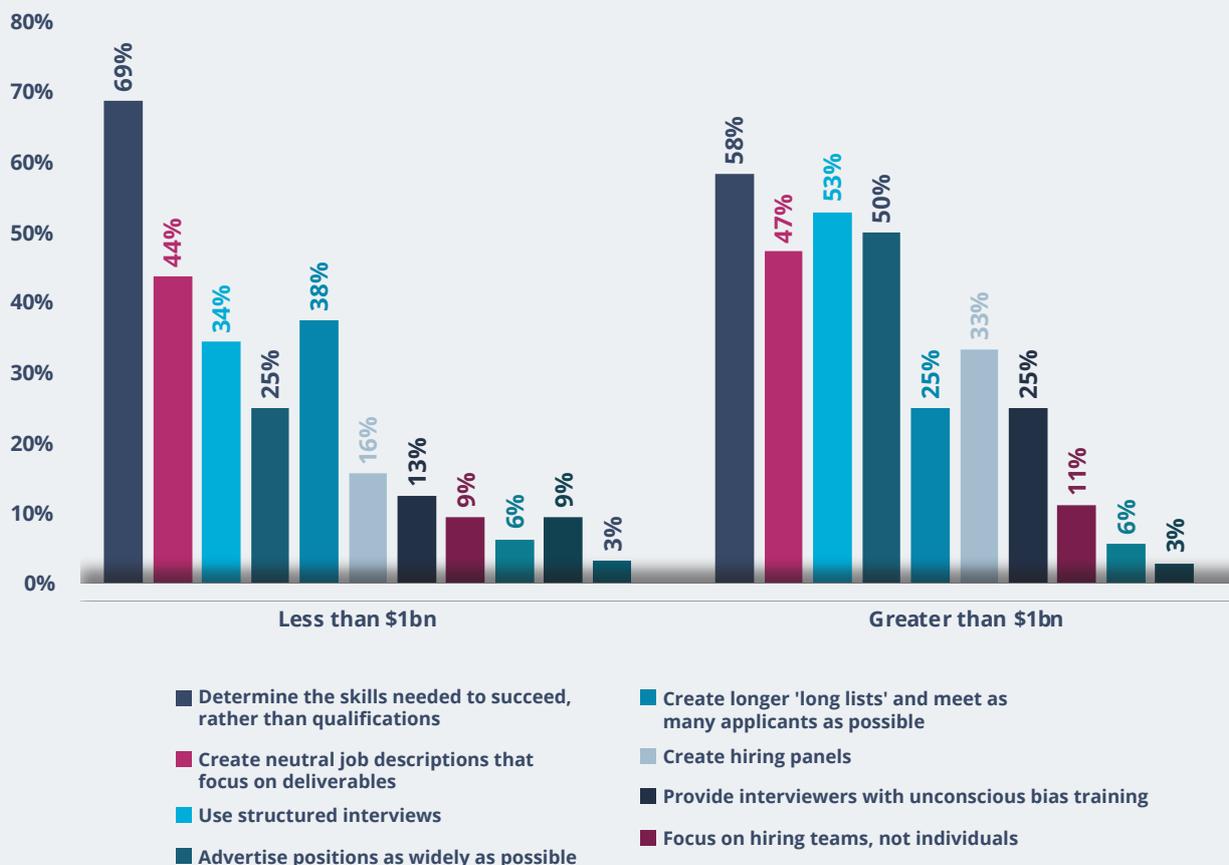


From the survey data, this came through when respondents laid out the strategies they use to improve workforce diversity when hiring (see figure 23). Determining the skills needed to succeed, rather than qualifications is the clear favourite, with nearly a 20-percentage point lead on the next most popular option of creating neutral job descriptions that focus on deliverables – which similarly speaks to the change in stance on eligible candidates.

The favouring of skills over qualifications is the most popular choice across EMEA and APAC – it was the second most popular in North America – and for larger and smaller firms, although it was a more pronounced favourite among smaller firms (see figure 24 on the next page).

FIGURE 24:

When hiring, do you use any of the following strategies to improve workforce diversity? (Select all that apply) (By AuM)



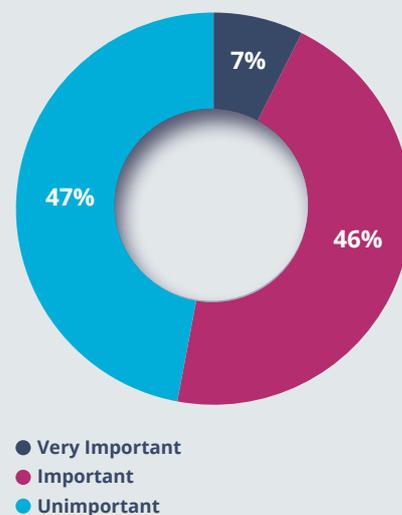
In third place is the use of structured interviews (see figure 23 on previous page). This strategy, most notably used by some major investment banks and hedge funds such as Goldman Sachs and Man Group, involves a multi-stage interview process with different members of the team and management, along with practical tests. This lengthy vetting process makes it more likely the firm will get the right candidate and also makes it much less likely that any form of conscious or unconscious bias disrupts the hiring process.

This theme is further reinforced in responses to the direct question on how important qualifications such as CFAs or CAIAs are in the recruitment process. Less than half (46%) say they are 'important', with a further 7% saying they are 'very important' (see figure 25). The essential caveat to this data point is that the question did not specify a role. You could expect the response split to be very different if it related to a front-, middle- or back-office position. That said, even the larger firms, such as Man Group, are embracing a 'skills over qualification' ethos to hiring.

Man Group, which has more than US\$135.3 billion in AuM as of June 2021⁷, states: "Holding CAIA or CFA qualifications is not a prerequisite for being hired, even in roles that would typically require them, such as investment or sales. This means that we can hire from a broader pool of talent and then support them through the process of gaining their qualifications while with us." Many other interviewees say they would accept someone without the qualification and then sponsor them to do it while they worked, although this was only partially borne out in the survey's findings.

FIGURE 25:

How important are qualifications such as CFA or CAIA to your recruitment process?



7 <https://www.man.com/half-year-results-for-the-six-months-ended-30-june-2021>

As part of developing Napier Park's DE&I policies, Macina says she explored whether listing certain qualifications in job descriptions significantly reduced the number of diverse candidates applying for a role and that she is "more cognisant of that when writing up our job descriptions".

"We will ask ourselves if it is necessary that someone comes into the role with their CFA (as an example) or if this could be something they get while working for us. By taking a hard look at some of the requirements for a role we believe we can tap into a broader talent pool," she adds.

Momentum has undoubtedly been achieved in improving DE&I within firms and at an industry level with communities, groups and events aimed at supporting underrepresented groups.

However, the survey also exposed some metrics where there is further room for improvement. When asked when making promotion decisions, what strategies firms employ to maintain or improve diversity within their workforce, just 15% examine the DE&I of their firm's board. This includes one in 10 (9%) smaller firms and twice as many larger firms (19%) that apply this strategy when making promotions.

"It's clear that hedge funds still have work to do on DE&I issues," says Sasha Jensen, CEO and founder of Jensen Partners, a woman-owned global advisory and executive search firm for the alternative asset management industry. "Making meaningful DE&I progress at any organisation requires a commitment from the top down that is reinforced by ongoing accountability mechanisms to ensure execution.

Increasingly, hedge funds are taking a data-driven approach to DE&I that allows them to systematically track progress over time, evaluate the effectiveness of DE&I programmes and enable accountability. With the right approach and accountability mechanisms, we've already seen evidence of some hedge funds making meaningful leaps forward on DE&I. However, hedge funds that have been slow to react should expect diverse talent to look for opportunities elsewhere."

Overall, however, the majority of interviewees feel that progress is being made and that several social and market forces will ensure further improvement to diversity and inclusion in the hedge fund sector is forthcoming.



Man Group

Man Group's diversity initiatives are led by the grassroots efforts of its employees and through 'Paving the Way', its dedicated initiative to help address the 'pipeline' issue, encouraging a more diverse range of talent to apply for positions at Man Group and across the investment industry more broadly.

Recruitment/addressing the diversity pipeline:

- Man Group runs diversity-focused graduate recruitment events for under-represented groups in schools/universities and works with targeted university networks
- Launched in 2020 – as a founding member, Man Group is working with #100BlackInterns to provide paid internship opportunities in front office investment positions. In addition, it is also working with #10000BlackInterns to provide the same within its infrastructure teams
- In 2020, Man Group launched a new partnership with North Carolina Agricultural and Technical University, a predominantly African American university, that will include career awareness sessions for students to learn more about investment management and the hosting of a hackathon event, challenging students to channel their technical skills and collaborate
- Man Group collaborates with the King's Maths School, a specialist state-funded school for gifted mathematicians aged 16-19 that is run in partnership with King's College London. The school brings high-quality mathematics education to students who have a particular aptitude and enthusiasm for the subject, and in addition it offers a genuine access route for students who come from backgrounds that are often underrepresented in mathematical sciences.
- Man Numeric partners with the Codman Academy in Boston, a school known for fostering diversity – billed as 'CodeMan Academy', Man Numeric hosts students on a 10-week programme to teach them about how mathematics, coding and statistics are applied in the real world, and particularly in finance.
- Man Group works with Bright Network, to identify the brightest students from all backgrounds who may be suitable for careers at Man Group. Bright Network ensures diversity within its cohort as part of its mission to help the smartest students progress in their careers.
- Man Group partners with Sponsors for Educational Opportunity (SEO) London, an organisation that works with talented students from ethnic minority groups and disadvantaged backgrounds, to offer its cohorts access to a range of opportunities across Man Group's talent programmes.
- Man Group engages with The Partnership in Boston, an organisation working with companies to build racially and ethnically diverse leadership pipelines, including through its job board, consulting services and range of Leadership Development Programmes.
- It offers a five-day Insight Programme, twice annually to provide students from non-traditional and underrepresented backgrounds with an opportunity to gain insight into the alternative investment industry.
- There is an apprenticeship programme with City Gateway, offering candidates valuable work experience, which helps them develop their careers, and several apprentices have gone on to take up full-time roles at Man Group.

Aspect Capital - 100 Black Interns project

Aspect Capital is a partner of the 100 Black Interns initiative, which later expanded to become the 10,000 Black Interns project.

The #10000BlackInterns programme offers paid work experience across a wide range of sectors each year, providing critical training and development opportunities. Its aim is for more than 20 industries to join together to provide 10,000 internships in aggregate over five years. The #100BlackInterns initiative in the investment management industry will serve as a template for other industries to follow with the aim of those sectors joining the programme, each offering at least 100 internships, where feasible, per year for five years.

To find out more visit: 100blackinterns.com



Karl Kareem Melaimi, Investment Solutions & Research Intern at Aspect Capital, discusses his involvement with the programme:

“My experience with the 100 Black Interns programme has been a positive one. They provide an excellent series of training workshops before and through the duration of your internship, hosted by a variety of experienced professionals. These workshops equip students with many of the more valuable soft skills relevant to this step in our careers.

“The most important part of this programme is the employment. I was astounded by how many

prestigious firms had decided to take part in the programme and I knew this would be a great way for me to get a foot in the door. As I was looking for opportunities within the systematic investment space, I was excited to see firms like Aspect Capital, Citadel and Man Group all taking part. Working at Aspect has been a wonderful experience. Not only was I given real responsibility, but I was also given tasks that had an immediate positive impact on the business. Working on projects with real commercial value, as opposed to those that are for educational purposes only, gave me an authentic taste of what it's like to work as a quantitative researcher/developer.”

Chapter 5

Can company culture survive the end of full-time office work?



As the pandemic brings an end to full-time remote working for many and the introduction of novel hybrid models, hedge funds once again find themselves in uncharted waters in terms of maintaining company cohesion and promoting collaboration.

Although unprecedented at the time, the mass shift to a virtual working environment was widely reported as being a smooth transition as the technology to facilitate it was readily available. Logistically, and from a people management perspective, it was also simple in that it was near universal and in many markets mandated by law. Now, with successful vaccine rollouts and offices reopening, the issue is more nuanced. As one AIMA fund manager member describes it: “Across the industry, some people are frustrated that they haven’t been called back to the office and others are questioning why they ever need to go back.”

This duality of views has given rise to fears that the firm-wide feeling of comradery and forbearance during 2020 will schism into two camps: those in the office and those at home – with a resulting negative impact on overall company culture. Both sides have compelling arguments. CFM’s Aslett describes how the professional world “had its eyes opened by COVID” to the reality of how untethered we can now be from our offices. Another interviewee similarly notes that, from a business perspective, remote working “would have been a disaster” if the COVID-19 had come even a few years earlier when the technology to maintain communications with investors and team members globally was not as sophisticated and cheap. As it happened, cloud technology, high-speed internet, cheap cybersecurity and video conferencing are now making some people question the necessity of office life and the long, expensive commute there.

On the flip side, many managers spoke of the opportunity cost of not having your teams under one roof, mingling and knowledge sharing. In a practical sense, this is most clearly needed in the front office where a chance conversation could lead to collaboration and significant revenue opportunities. Team leaders fear that sterile chat boxes and scheduled video calls strip away the spontaneous innovation that is hard to quantify or place a dollar value on but will ultimately be felt in the long term. Kenneth Kan at Dymon Asia Capital argues that: “Zoom culture risks making every company feel the same.”

Prelude Capital’s Tisdale agrees. “Prior to March 2020, we knew that our firm worked well when people were in the office, in terms of creativity and spontaneity among teams and across the company. Over the last year or so, however, we’ve been able to get creative in collaborating remotely, with many of those remote systems and processes helping to make us more resilient as a firm. And, although today many or most of our employees have returned to the office, our remote collaboration tools have remained a part of what we do, meaning that we can be more flexible in allowing work from home. Our entire firm, including our two founders, are committed to creating a very positive culture that goes beyond just work, whether in office or remote. As part of that, when it comes to hiring, we focus on candidates being ‘fit for the team’, not just in terms of their skill set but also on a personal level.”

Digitising culture

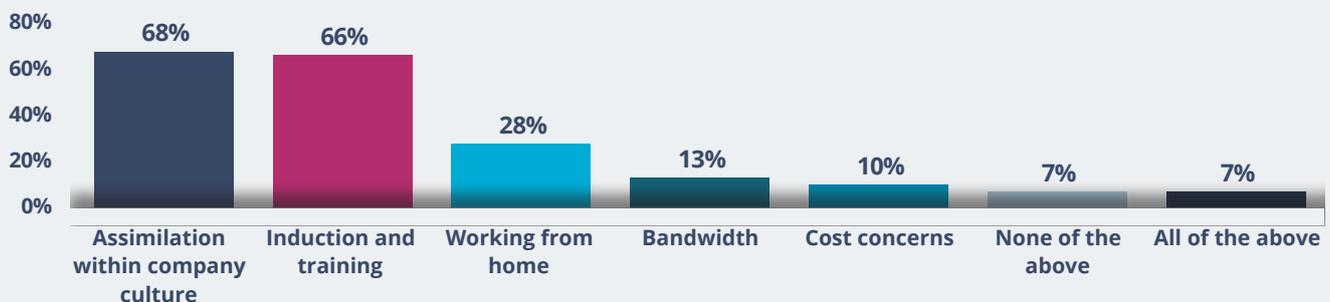
A key question that keeps many team leaders awake at night is how to ensure junior staff and new joiners continue to develop the hard and soft skills they would mould in an office environment, in the new digital realm.

After more than a year of full-time remote working, survey respondents overwhelmingly said that assimilation within company culture (68%) and induction and training of new staff (66%) are the biggest challenges of hiring and operating during the national lockdowns (see figure 26). A further 7% point to these challenges along with others including costs and the general issues around working away from a fit-for-purpose office. Only an additional 7% of respondents claim to not suffer from these limitations.

The overwhelming focus on maintaining company culture and training in a virtual environment rings true across firms in all jurisdictions and size categories, although larger North American firms are slightly more likely to cite these concerns.

Although smaller respondents still see maintaining culture and training as by far the most challenging aspects of recruiting in a remote environment — though to a lesser degree — they are also more likely to suffer from issues around costs and general home working. Digging deeper into the data, all but one of the firms that flag cost concerns manage less than US\$100 million, the smallest category bracket. This group are also slightly more likely to see working from home as a challenge to recruitment, although at least one respondent also selected this option in each AuM range.

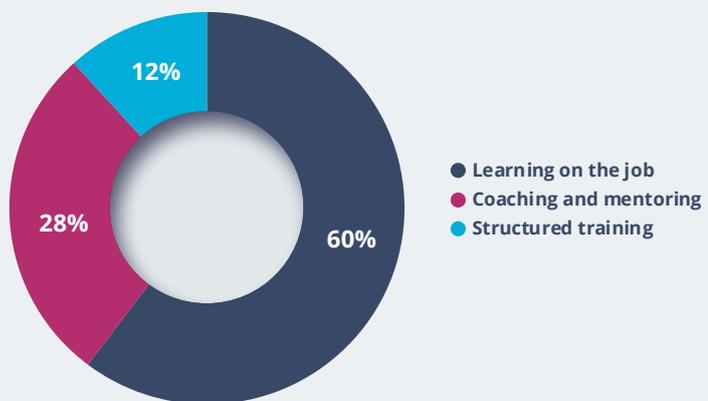
FIGURE 26:
In a remote/digital environment, what are the challenges to recruiting? (Select all that apply)



The trouble with training

One AIMA manager member notes that their move to remote working was relatively painless because “remote working poses fewer challenges with more tenured employees”. But, for those with a significant number of junior staff, developing those teams is a major obstacle. The common challenges around induction and training in a remote working environment can be partly attributed to training methods. Over half (60%) of respondents primarily train staff using a ‘learn on-the-job’ approach with a further 28% relying on coaching and mentoring (see figure 27).

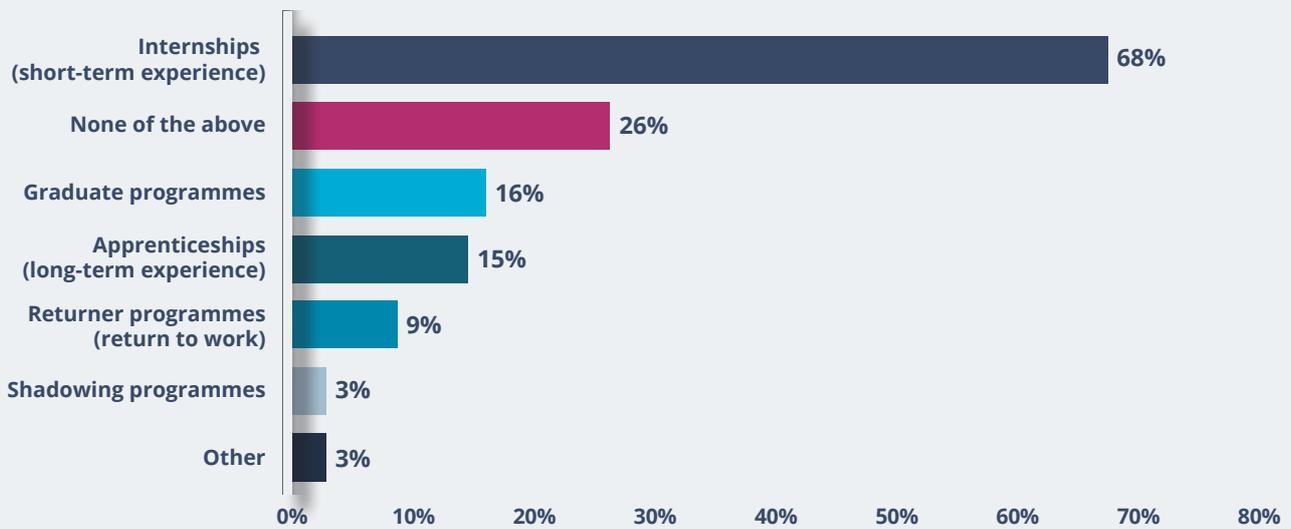
FIGURE 27:
How do you primarily approach the training process?



The more informal styles of learning work best when junior staff and interns are in the room with their senior colleagues, observing how they approach various situations and learning through osmosis. This structure is significantly hampered by a remote working environment. By contrast, only 12% said they have structured learning in place. The emphasis on practical training and working with senior mentors is overwhelmingly the method of choice for both larger and smaller survey respondents.

Upon closer examination of the types of programmes firms are operating. Most firms have facilities in place for interns, apprenticeships and/or graduate programmes – many of which are directly focused on improving DE&I across the industry (see figure 28 on the next page). Further, these continued in a virtual setting during the pandemic and where necessary, since. However, many HR professionals at hedge funds AIMA spoke to said they were acutely aware that participants in these schemes were not getting the immersive experience enjoyed by their peers in previous years and they are attempting to recreate the social and professional benefits virtually.

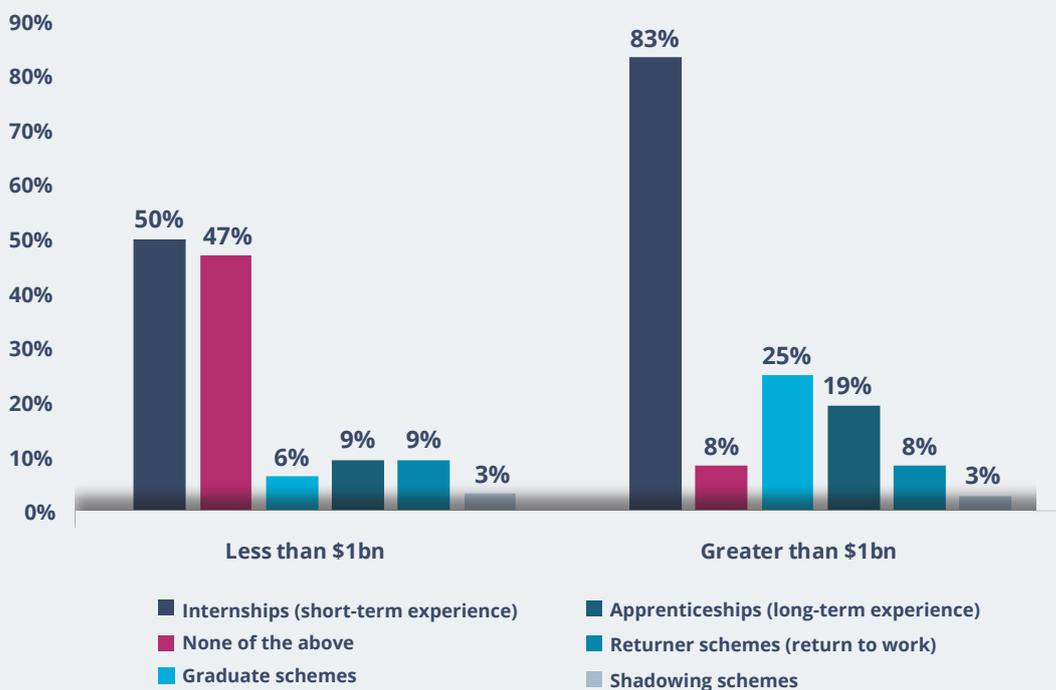
FIGURE 28:
Which of the following programmes do you run? (Select all that apply)



Perhaps unsurprisingly, smaller funds are significantly less likely to operate any of the listed programmes given the resource demands of providing a fulfilling placement and connections required with educational institutions (see figure 29).

A noteworthy absence is the lack of returner initiatives, meaning programmes for those who may have left the industry for a period (to look after a child, for example) and need support to re-enter. During interviews for this report, the deficit of this initiative was repeatedly linked to the historic lack of family-friendly benefits.

FIGURE 29:
Which of the following programmes do you run? (Select all that apply) (By AuM)



However, the standout preference across respondents of all sizes is for short-term internships. These programmes enable employers and employees to benefit from having an industry experience (typically six months) to ascertain whether the employee has (or can develop) the right skill set to work at the firm. From the intern’s perspective, they can gain invaluable real-world experience in a competitive industry that they may not have considered entering otherwise.

Asked what they are doing to help develop talent in a remote working environment, the most popular answer given is regular online meetings (78%) followed by webinars and online seminars (50%) and coaching — both external and internal — (44%) (see figure 30). This preference hierarchy is the same for both large and smaller respondents.

One North American manager stressed that the trend of improving staff welfare and flexibility to accommodate these cases was already established before the pandemic. But, they concede that the new working environment has been a wake-up call to senior management who do not want to lose talent due to a lack of infrastructure to support a more diverse workforce that may bring new working requirements.

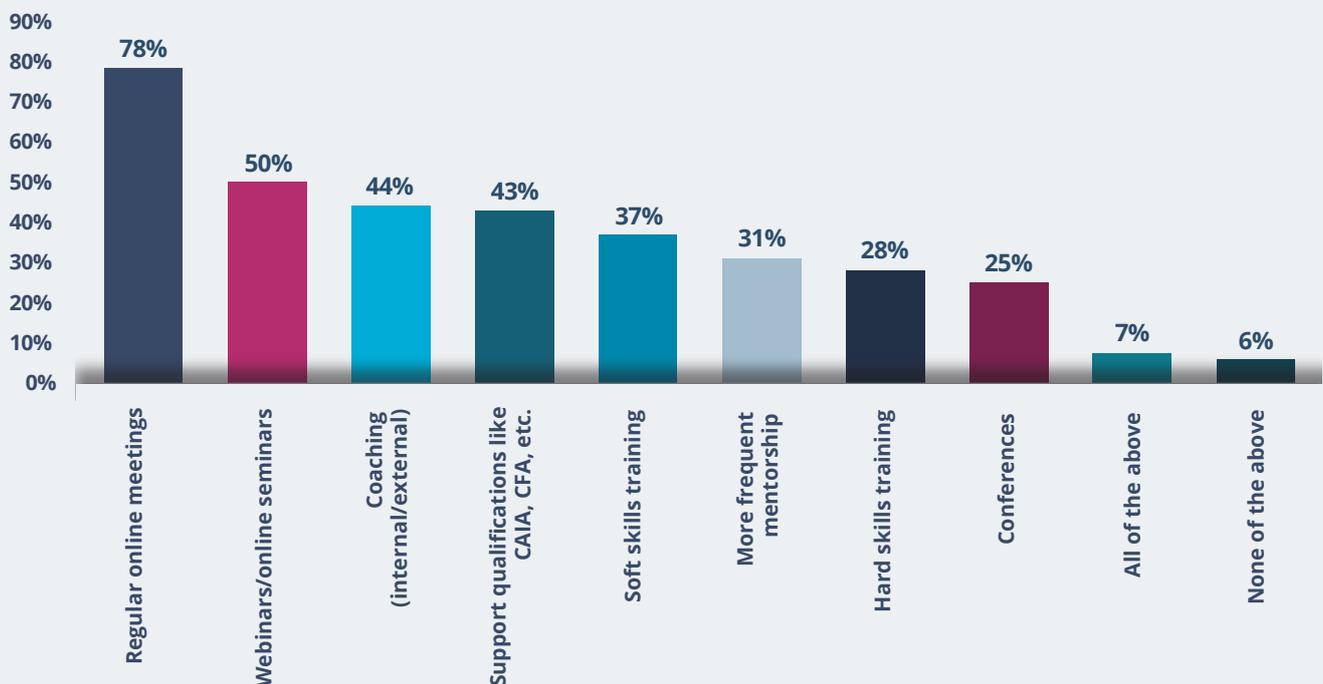
Beyond structured training, multiple firms are putting a lot of thought into recreating the normal experience for all new joiners at their firm while in a virtual environment. Pre-recorded welcome videos, arranged virtual meetings and presentations on the firm’s goals, structure and place in the market are among the most popular strategies employed.

Softer approaches include creating hampers with a welcome note (handwritten in one instance) with a company-branded fleece, mug and other goodies that arrive at the new employee’s home alongside a laptop, a second monitor and other equipment. These personal touches are aimed at fostering a sense of belonging in staff members that may not meet their peers for a long time, or ever.

Encouragingly for hedge funds, the survey data indicates they have an opportunity to capture the talent pool expressing a heightened demand for non-financial benefits rather than going toe-to-toe with the big banks on employee compensation.

By offering flexibility in working and proactively improving market diversity both in terms of social demographics and introducing new skill sets, hedge funds can capture a form of ‘talent alpha’ that will allow the market to thrive in the long term.

FIGURE 30:
How is your firm thinking about developing its talent in a remote working environment?
(Select all that apply)



Conclusion

Although COVID-19 did not affect the trajectory of greater hiring demand for technology and ESG specialists, it did reinforce and enhance the importance of maintaining your investor relations and operations functions to adapt to the new hybrid model of working as a firm and engaging with investors and external stakeholders.

Undeniably, however, the narrative of how firms operate will be punctuated with BC – before COVID – and AC – after COVID. There is no going back when it comes to the flexible working model that is now developing.

All these emerging and established themes culminate to ensure the war for talent within the hedge fund industry, including the evolution of DE&I and that elusive term: 'culture', will remain a crucial area of the industry for the long term. AIMA will endeavour to revisit this topic from new angles to provide updated data and insights in the future.

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AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry.

AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 200 members that manage US\$450 billion of private credit assets globally.

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