



Careers In Finance

## Getting Hired By A Hedge Fund

Sandy Gross 07.27.09, 4:30 PM ET

The Obama administration's new executive pay guidelines for banks receiving Troubled Asset Relief Program (TARP) money, the merger of smaller investment funds, funds being acquired by bigger banks, and downsizing at traditional investment banks, have all conspired to create opportunities for financial services professionals at hedge funds, private equity firms and venture capital groups.

Now is a good time to pursue job opportunities in private investments.

Before you jump in--or back in--to the highly volatile world of alternative investment funds, there are a few things you need to know: which sectors are hot, which front office jobs are getting busy and the importance of understanding the culture of the environment you might ultimately choose to step into.

Well-capitalized funds that are interested in expanding tend to view massive cutbacks at large investment banks as an opportunity to diversify their businesses and increase their "human capital." Plus smaller firms are capitalizing on the fact that the declining value of deferred compensation agreements--whether pinched by TARP rules or market conditions--has made previously "untouchable" executives accessible to smaller alternative investment funds.

You have a very interesting job market out there. Here are some of the job functions within the investment business seeing a big pickup in hiring activity.

**Distressed Credit Specialists:** As one example, right now there is a flurry of hiring in distressed credit. As the economy slowly starts to rebound, this is an area that could see nice returns and upside. According to our clients who are hiring in this space, now is the time to take advantage of this market by finding professionals who can uncover distressed assets, de-construct them, value them and repackage them. A candidate with strong merger-and-acquisition experience, structuring, and perhaps even some time spent on a trading desk, will understand how businesses operate and probably perform well in this area.

**Compliance and Accounting Officers:** Increasing calls for regulation on the financial services industry will create new positions in compliance and accounting. Accounting experience will be very valuable as funds need to take new measures to monitor risk and comply with regulators like the Securities and Exchange Commission, the FDIC and others. Aspiring fund accountants should consider their backgrounds. Corporate accountants may have a different skill set than

those who have worked, for example, in the operations department at a hedge fund. Ask yourself: "What are some of the ways that my background may complement this new role and where might there be experience gaps?" Be ready to address this question and to make a strong case that you have strong and relevant qualifications for the job.

**Risk Management Officers:** These are seasoned, hands-on professionals who can effectively interface with the SEC and other government regulators. Today's risk managers will be a fund's front line of defense to ensure integrity for their institutional and private clients who will be demanding transparency.

**Securitization Professionals:** The credit crisis may have its roots in the world of securities like collateralized mortgage obligations, collateralized loan obligations and residential mortgage-backed securities, but there is demand for professionals with a deep understanding of these instruments. Funds are looking to capitalize on that expertise to value, structure and sell these securities.

**Foreign Exchange Traders:** These professionals will continue to be in high demand because of the ongoing dislocations taking place in capital markets and the resulting effect on local economies. These factors create volatility in FX along with an opportunity to make money in foreign exchange markets.

**Global Macro Economists:** These professionals will be sought out to help portfolio managers respond quickly to sudden shifts in market conditions and express these views accurately through trading. A strong understanding of global economics, currency dynamics and risk assessment will be required to capitalize on market inefficiencies and market cycles resulting in appropriate sector allocations.

**Relationship Managers:** Funds trying to raise new money from institutional investors or shore up relationships with current investors will want a candidate who has a strong capital-raising record coupled with a rich Rolodex. This is the job of a senior "investor relations" professional or a "capital raiser." Sales will be part of the focus for these "relationship managers" as their experience on Wall Street will enable them to articulate the strategy, risk management, asset allocation and compliance methodologies to current and prospective investors. This function is crucial as sales, marketing and investor relations teams will be charged with restoring the confidence needed to get investments back to the level they were at the beginning of 2008, and to help restore reputations in an embarrassing investment environment.

## **Cultural Considerations**

When thinking about where to apply your financial skills, consider what type of fund is right for you. Start-up hedge funds, for example, place seasoned professionals in a "do-it-yourself" environment. A lack of support staff, operations professionals, research help and other resources that someone may have had at their disposal at a large investment bank just aren't feasible at a start-up.

Be honest with yourself. Can you handle the culture, pace and volatility of a smaller fund with fewer resources than you may be accustomed to having? If you can, you could be looking at a potentially huge reward for your risk. The payoff is much greater for those who have been with a fund from its earliest stages.

High levels of uncertainty are placing a premium on job seekers with solid records of positive returns. And in a post-Madoff, post-Dreier world, people who are honest and have strong reputations for being ethical, professional and loyal, will win the day.

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