

## Talent Shortage Confounds Quant Managers

Increasing demand for quantitative-investment strategies is fueling a hiring frenzy for algorithmic traders, computer scientists and just about anyone versed in big data or artificial intelligence.

Hedge fund recruiters and operations personnel said quant managers have grown desperate in their search for talent, as they now find themselves competing in the job market not only against other investment firms but also with companies in other industries. “There’s a fixed number of people who can do this,” said an executive at a large quant-trading operation.

A new survey of institutional investors by **J.P. Morgan** found that more than one in five plan to increase their exposures to quantitative equity funds this year, compared to only 5% who were bullish on that strategy a year ago. Among fund managers, the trend is driving demand not only for quant analysts and traders, but also for marketing and investor-relations professionals conversant in algorithmic investing (see list of hedge fund recruiting firms on Pages 5-7).

“During periods of uncertainty and volatility, systematic strategies historically tend to outperform, hence the increasing current demand for client-facing talent,” said **Alexis DuFresne**, managing director at executive-search firm **Solomon Page Group**.

Some large quant-fund operators have gotten creative in their efforts to identify talent. **Two Sigma** and **Millennium Management’s** WorldQuant unit, for example, sponsor algorithmic-trading competitions open to anyone with an internet connection. Through its WorldQuant Challenge, the Millennium unit has drawn submissions from some 7,000 amateur code writers working in far-flung locales around the globe. To date, WorldQuant has signed on about 400 of them as research consultants, and even has hired a few for full-time positions.

One result of the supply-demand imbalance for hedge fund professionals is what **Adam Kahn** of recruiting firm **Odyssey Search Partners** calls “junior-ization.”

“Lots of firms need help and they’re looking at more [investments] — they’ve got to do deeper research and they’ve got to

get investments right after a tough year,” Kahn said. “But they don’t really have the budget to go out and hire somebody who is expensive. It’s very difficult for them to create a budget for a guy who is making a million bucks.”

Complicating the picture for fund managers is the fact that technology professionals recruited from other fields expect most of their compensation to come in the form of a base salary, rather than a performance bonus. A compensation report that **HFR** published in November found that managers who recruited technology professionals from other industries were forced to offer base salaries of up to 50% above the norm.

Other recent surveys, meanwhile, have found many hedge fund investment professionals expect to see a decline in their overall compensation amid continued weak performance. For example, analysts and traders working on long/short equity funds told Odyssey Search that they expect their 2016 pay packages to be 21% less, on average, than the year before.

Long/short equity funds, traditionally the biggest source of job opportunities for hedge fund investment professionals, have done little hiring of late. But DuFresne, of Solomon Page, expects that to change. “There has been virtually no hiring in the space for the past three years, and turnover and retooling are inevitable,” she said.

DuFresne also sees strong demand for hedge fund marketers who cover less-liquid strategies that often require investors to lock up their capital for years at a time. “I am seeing many hedge funds hiring private equity marketers specifically to gain access to larger investors who tend to hold their investments for longer,” she said.

**David Claypoole**, whose **Parks Legal Placement** specializes in legal and compliance positions, said he sees a soft spot in the job market when it comes to senior executives. He cited the example of one “incredibly well-qualified” general counsel who was out of work for about a year after losing a high-salary job at a hedge fund firm. However, demand remains strong for junior and mid-level compliance professionals, Claypoole said. ❖