

The hunt for talent in Asia

The Asian hedge fund industry is still growing strongly, and while the depth of indigenous talent is certainly expanding, the region still needs to rely heavily on imported expertise

Asia's hedge fund industry is showing signs of a deepening of the talent pool with a small, but growing, number of spin-outs from within the industry. Ward Ferry was one of the trailblazers when Lloyd George Management men, Scobie Ward and Peter Ferry, struck out on their own in 2000. More recent examples include Brooke Capital which was set up by ex-Wharton Investment Advisors man Jonathan Brooke; Falcon Pacific, a spin-out from Penta; and LAPP Capital's co-founding partner Dinh Nguyen, previously with Singapore-based Kenrich Partners.

However, it will be a long time yet before the Asian hedge fund industry does not need to rely heavily on importing expertise, both from overseas or from other sectors of the financial industry. Although not every successful fund manager or prop trader can be a sure thing in a hedge fund setting, the long-only fund management industry and investment banks continue to be rich hunting grounds for hedge fund talent.

The industry as a whole is still very much in a growth phase. While the US and European hedge fund industries have reached maturity, Asia still has a long way to go. "It's a sad indictment of Asia that we're still playing catch-up. The bottom line in this sector is that growth is going to be meteoric and our biggest challenge is still human resources," says Karl Hurst, managing director of HT Capital Management in Hong Kong.



Albert Ee of Tribeca

The growing interest among larger US and European hedge fund managers in setting up a storefront in Asia should stimulate the local hedge fund talent pool in the long run, as will the arrival in Asia of specialist hedge fund headhunters. "It's a good thing that more headhunters are setting up shop in Asia because it should improve the calibre of talent here," says Hurst. However, for now it is a seller's market with too many hedge funds chasing talent.

"There's definitely a lot of competition," says Sheridan Mather, director of headhunters Pinnacle Asia Ltd. "It takes longer if you are based in Asia to fulfill requirements than in New York or London. For example, I'm moving

someone from Chicago to Hong Kong to fill a position that would have been taken in a week in New York."

There is, however, a supply of outside talent and a stint in Asia is still seen as a way to fast-track a manager's career. Compensation packages are comparable with other hedge fund hubs and both Australia and Singapore score highly in terms of lifestyle considerations. "We have talent looking us up with a view to moving to Australia and that movement is based on a lifestyle decision," says Chris Donohoe, associate director of PM Capital in Sydney.

Similarly Tribeca, which is in the process of recruiting between 13 and 18 investment professionals to work out of Singapore, has no problems attracting potential candidates, says Albert Ee, president of Tribeca Global Management Asia. "We are interviewing Asia-wide, but also looking at people trading Asian assets from London and New York. A lot of people with families like Singapore, and both here and in Hong Kong, the tax rate is very favourable," he says.

While Hong Kong, Singapore and Sydney are all easy places for imported talent to settle in, Tokyo presents more of a challenge and managers there are not so readily able to tap directly imported talent. "We've generally shied away from importing talent," says Gareth Phillips, CFO of Triloka Capital in Tokyo. "It's a mistake to think that you can always bring

JOB SEARCH: THE COST OF TALENT (US\$ P.A.)

Location	London	New York	Hong Kong	Singapore	Sydney	Tokyo
CEO	250,000-5m	250,000-5m	250,000-3m	250,000-1m	300,000-1.5m	250,000-5m
CIO	300,000-3m	300,000-3m	300,000-1.5m	300,000-1.5m	300,000-1.5m	500,000-2m
COO	200,000-600,000+	200,000-600,000+	100,000-1m	100,000-1m	200,000-1m	200,000-1.0m
Fund Manager	175,000-3m	175,000-3m	250,000-2m	200,000-1.5m	225,000-1.5m	300,000-2.5m
Trader	100,000-500,000	80,000-500,000	80,000-300,000	70,000-250,000	75,000-250,000	100,000-500,000
Analyst	60,000-300,000	100,000-500,000	80,000-300,000	80,000-250,000	80,000-250,000	80,000-300,000
Compliance officer	100,000-275,000	100,000-275,000	100,000-225,000	100,000-200,000	80,000-200,000	100,000-275,000
Back office	50,000-100,000	50,000-75,000	30,000-125,000	30,000-125,000	45,000-120,000	54,000-175,000

Sources: HedgeHunt and Pinnacle.

Note: wide variation in ranges is due to bonuses and partnerships drawings

skills in from Europe and the US and use them here. There is not necessarily portability of skill sets and the cultural skill set is not something that is easily acquired," he explains.

Indeed, those people most in demand in Asia are those who can straddle east and west- typically local people with a high standard of English and experience overseas. "When hiring we tend to look for people who gained their formative experience in the more developed markets of the US or Europe," says Jessica McCarroll, director of Lynx Arbitrage in Hong Kong.

Given the heavy domination of long/short equity funds in the Asian hedge funds space, it is no surprise that the long-only side has spawned many of the industry's success stories. As a major player in Asian long-only investment as well as being a hedge fund manager in its own right, the JF group, for example, has spawned a number of high-profile hedge fund spin-outs such as Boyer Allan, EIP's Toby Bland and most recently Low Seow Che in Singapore and Chung Man Wing, both in the process of setting up hedge funds. "Hedge fund managers are the ones who are confident and good- we breed for that. Man Wing is the latest of a long line," says Doug Eu, chief executive of JF Funds in Hong Kong.

Making the leap from long-only to long/short is not such a big stretch, says Eu. "Shorting is not rocket science. There is an unfounded mystique that only people who grew up investing in a particular asset class can do it," says Eu. Similarly PM Capital in Sydney grew out of the long-only side with its founder Paul Moore coming from Bankers Trust Australia. PM Capital continues to hire people with a long-only background.

"We don't have a problem with people having no experience on the short side," says PM Capital's Donohoe. "That said we haven't hired anyone with a background in index-based fund management. We are only interested in high-conviction managers who talk in terms of whether or not they want to own the stock, not in terms of over-weights and under-weights," he adds.

Beyond long/short equity the Asian talent pool gets very shallow, industry experts say. The lack of a floor trading culture, for example, has made the search harder than it would be in the US or

Europe for Lynx Arbitrage. "Ideally, what we look for when hiring is someone with a range of floor trading experience, especially someone who has managed their own book and who is therefore fully cognisant of all the costs of putting on and getting out of positions," says McCarroll.

The migration of prop traders is an established trend, they do not always fit into a small business environment and Mather sees the flow of prop traders slowing. "A lot of prop traders who had the desire to set up hedge funds have pretty much done it already," he says. Not everyone is enamoured with prop traders either as the skill set is not always a good fit. "For the style of fund we're operating, their skill set doesn't match because a lot come back to Australia with equities experience," says Steve Howell, CEO of Sydney-based Basis Capital.

The lack of depth in the local market means that managers setting up in Asia sometimes have to be less choosy when recruiting managers, analysts or researchers. "There is under-supply on the research side in Asia," says Mather.

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There is also a particularly noticeable shortage of suitable people on the business management side. For back-office personnel a small, relatively new start-up is less appealing in brand-conscious Asia than in more developed hedge fund hubs. "In Asia, quite often when you are talking at a more junior level, people don't quite understand what hedge funds are and are concerned it will be another boom and bust bubble like dotcoms in 2000. They would rather work for big names," says Mather.

For smaller managers, not having sufficient support on the business management side can be detrimental. "The biggest and most problematic area is in the business management end. The companies that tend to succeed are where the principals stick to their jobs and, if they can't do it themselves, bring someone in to do the business management," says

Duncan MacKay, director of headhunter HedgeHunt Ltd.

Australia and Japan lead the region in terms of growing talent from within. "We've relied on bringing up very smart young people with a degree and some experience in accounting or broking who have a passion for investing," says Donohoe. Similarly, Tetsuo Tanimura, CEO of Tower Investment Management in Tokyo can now find the raw talent that he needs at home. "We specialise in long/short equity and we are proud of our local skills. We never even thought to get people outside Japan and we are using a very authentic apprenticeship system, using good raw material to mould as we like," he says.

Given the diversity and depth of Japan's hedge fund industry relative to the rest of Asia, it is no surprise that the talent pool there is richer. Some houses rely solely on non-local talent. "A lot of the trades hedge funds do are more typically done by the non-Asian community and it can be quite difficult to attract well-qualified local individuals because of apprehension about joining a small firm run by non-locals, particularly in the context of Japan's culture of lifetime employment. There is a local talent pool but it's difficult for foreign firms to get access to it," says Triloka's Phillips.

However, other firms have managed to dip into both local and non-local talent pools. Whitney, for example, has always hired local people in senior roles and Whitney's Ed Brogan sees the local talent pool going from strength to strength. "Up until fairly recently, there were not a lot of training grounds for long/short equity managers. For experienced people, long-only versus long/short equity is a bigger differentiating factor than whether they are Japanese or foreign. The next wave will be more indigenous managers. Plenty of Japanese people want to work in hedge funds, but you have to understand their issues and what they want," he says.

While the Asian hedge fund industry still has much to gain from skilled professionals flowing in from outside, ultimately its ability to thrive will rely on the growing and deepening of experience within its own ranks.

But the path will not be smooth just as with their counterparts in Europe and the US. Asian managers will also have to undergo the brutal Darwinian process of survival of the fittest.