



2014

CUSTOM COMPENSATION STUDY SAMPLE

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ABOUT OPTIONS GROUP

Founded in 1992, Options Group is a leading global executive search and strategic consulting firm for the financial-services industry. Since 2000, we have maintained a local presence on five continents and have placed thousands of mid-to senior-level professionals in all areas of the financial services industry at a range of institutions. With over one-hundred consultants and market intelligence analysts worldwide, Options Group has a thorough knowledge of key competencies in the financial industry and is at the cutting edge of global hiring services and compensation trends for securities, investment banking, hedge funds, asset management, private equity and information technology.

FIRMS AND ROLES IN THIS STUDY

ROLES:

- Chief Compliance Officer
- Head of Operations
- VP Business Development/Head of Distribution
- Portfolio Manager, Credit
- Credit Research Analyst

REPRESENTATIVE FIRMS INCLUDED IN BENCHMARKS:

Green Owl Capital

Akuna Capital

Eaton Vance

Wisdom Tree

Comvergex

Wedbush Securities

Baycrest Partners

Casey Securities

ING Investment Management

BTIG

Natixis Securities

BMO Capital Markets

Cantor Fitzgerald

SunTrust Robinson Humphrey

J. Goldman & Co.

Gresham Investment

Management

Paloma Partners

Sandler O'Neill

Fred Alger Management

Wedbush Securities

Stifel Nicolaus

Sterne Agee

Zurich Insurance Group

New York Life

Raymond James

Fifth Third Bank

Key Bank

METHODOLOGY

Options Group selected firms that would serve as the most appropriate benchmarks for Firm X. Based upon compensation data from these firms, we placed them in percentiles (i.e. 33% of chief compliance officers received a base salary between \$150K and \$200K). We then selected the appropriate compensation levels and adjusted them for factors unique to Firm X.

Firm X has had a presence in New York for 20 years and is part of a large stable asset management and advisory firm. Companies with low attrition rates and a proven commitment to a region will typically pay 15% to 20% less than competitors, as employees accept this in exchange for job stability and less volatile compensation. Firm X in New York has less than 50 employees. While staff may take on more responsibilities beyond their stated role, for mid-level and junior level professionals, this may be an advantage to learn other aspects of the business that they would otherwise not be exposed to in a large organization. However, this also lends to the issue of upward mobility. If there is limited opportunities for promotions, compensation may need to be higher than suggested ranges to retain certain staff.

An additional note on compensation levels for portfolio manager and research analysts, some professionals included in the overall benchmarks on slide 6 include those at multi-manager funds. The higher levels of compensation (which Options Group did not suggest for Firm X) reflect investment teams that manage ~\$1B in AUM but also contribute investment ideas to other funds within the firm.

SUMMARY – PERCENTILE OF BASE SALARIES IN SAMPLE SIZE

	Sample Size=	14	19	15	18	15
	Base Salary 2013	CCO	Head of Ops	Bus. Dev	PM	Research
Start-up firms, stand-alone funds with AUM <\$100M	\$50K to \$75K	-	-	-	-	-
	\$75K to \$100K	-	-	-	-	-
	\$100K to \$150K	-	21%	-	17%	33%
Target range for Firm X and similar firms	\$150K to \$200K	33%	42%	40%	17%	47%
	\$200K to \$300K	56%	37%	60%	50%	20%
Global investment firms, funds with AUM >\$10B	\$300K to \$400K	11%	-	-	17%	-
	\$400K to \$500K	-	-	-	-	-

SUMMARY – PERCENTILE OF TOTAL COMPENSATION IN SAMPLE SIZE

	Sample Size=	14	19	15	18	15
	Total Compensation 2013	CCO	Head of Ops	Bus. Dev	PM	Research
Start-up firms, stand-alone funds with AUM <\$100M	\$100K to \$150K	-	-	-	-	-
	\$150K to \$200K	-	5%	7%	-	13%
	\$200K to \$300K	22%	32%	13%	17%	20%
Target range for Firm X and similar firms	\$300K to \$400K	33%	47%	7%	11%	27%
	\$400K to \$500K	33%	16%	20%	17%	33%
	\$500K to \$750K	11%	-	33%	22%	7%
Global investment firms, funds with AUM >\$10B	\$750K to \$1M	-	-	20%	6%	-
	\$1.1M to \$2M	-	-	-	28%	-
	\$2.1M to \$3M	-	-	-	-	-

SUMMARY – FIRM X VS. OPTIONS GROUP BENCHMARKS

BASE SALARY 2013			
	CCO	Head of Ops	Business Development
Firm X	\$225K	\$165K	\$150K
OG Suggested Range	\$200K to \$300K	\$150K to \$200K	\$150K to \$200K
Result	On Target	On Target	On Target

	PM	Research MBA	Research non-MBA
Firm X	\$225K	\$140K	\$115K
OG Suggested Range	\$200K to \$300K	\$125K to \$150K	\$100K to \$125K
Result	On Target	On Target	On Target

TOTAL COMPENSATION 2013			
	CCO	Head of Ops	Business Development
Firm X	\$325K	\$235K	\$240K
OG Suggested Range	\$300K to \$400K	\$250K to \$300K	\$300K to \$400K
Result	On Target	Acceptable	Acceptable
	PM	Research MBA	Research non-MBA
Firm X	\$500K	\$205K	\$170K
OG Suggested Range	\$550K to \$600K	\$250K to \$350K	\$250K to \$350K
Result	Acceptable	Below Target	Below Target

CREDIT PORTFOLIO MANAGER

Portfolio manager for high yield credit with ~\$1B AUM at long-only buy-side institutions (asset management firms, insurance companies, asset management divisions within a broker-dealer).

- 67% of PMs manage 1 to 10 research analysts, although this was not significant factor in compensation.
 - PMs investing in only investment grade comprise the bottom 20%. The top 20% invest across the spectrum from investment grade to distressed, but also contribute their top ideas to other funds in the same firm.
 - 28% of PMs receive a formulaic bonus versus 50% whose bonus is discretionary.
 - PMs that earn over \$1M manage compensation ~\$1B, but are typically employed at multi-manager firms and contribute ideas to other funds within the firm.
- ✓ **Base salary within range. Credit PM bonuses at asset management firms are typically 100% to 250% of base salary, based upon performance and net new assets.**
- ✓ **Demand for long-only credit PMs without cross-asset (macro) experience limited, therefore may not merit any “retention” premium.**

BASE SALARY 2013	
Portfolio Manager	
Firm X	\$225K
OG Suggested Range	\$200K to \$300K
Result	On Target

TOTAL COMPENSATION 2013	
Portfolio Manager	
Firm X	\$500K
OG Suggested Range	\$550K to \$600K
Result	Acceptable

CREDIT RESEARCH ANALYST

Credit research analysts with 6 to 8 years experience at small and mid-sized asset management firms:

- Analysts with more than 5 years experience have no discernible difference in base salary or compensation for research analysts with only bachelor's degree , with CFA or with MBA from top American university.
 - However, only 20% have only a bachelor's degree and 7% have both a CFA and a MBA.
 - The largest factor in compensation is if they are in a managerial role - the highest paid research analysts are managing between 1 to 10 other research analysts.
 - Analysts that earn over \$500K are typically junior PMs or employed at multi-manager firms and contribute ideas to other funds within the firm.
- ✓ **Base salaries are within range. Firm X is currently pays around 40% bonus as a percentage of base salary. Credit analyst bonuses at asset management firms are typically 50% to 100% of base salary, based upon performance and net new assets.**
 - ✓ **Demand for long-only credit analysts without cross-asset (macro) experience limited, however, they have more options than PMs. Moderate risk for poaching by other asset management firms, hedge funds or insurance companies.**
 - ✓ **Suggest raising base salaries for non-MBA analyst to \$125K and MBA analyst to \$150K and raise bonus to at least 50% of base salary.**

BASE SALARY 2013	
Research MBA	
Firm X	\$140K
OG Suggested Range	\$125K to \$150K
Result	On Target

TOTAL COMPENSATION 2013	
Research MBA	
Firm X	\$205K
OG Suggested Range	\$250K to \$350K
Result	Below Target

BASE SALARY 2013	
Research non-MBA	
Firm X	\$115K
OG Suggested Range	\$100K to \$125K
Result	On Target

TOTAL COMPENSATION 2013	
Research non-MBA	
Firm X	\$170K
OG Suggested Range	\$250K to \$350K
Result	Below Target

COMPENSATION CONSULTANT

Jessica Lee
Director

Jessica joined the Options Group Market Intelligence Unit in 2010. Her primary responsibilities are to analyze global compensation and hiring trends and oversee the firm's publicity. She joined Options Group following over a decade of experience as a buy-side and sell-side equity analyst.

She was most recently an equity analyst for CNBC's Mad Money. Jessica began her career at Donaldson, Lufkin, & Jenrette and served a variety of equity research roles at Lehman Brothers and Bank of America Securities. She was a registered FINRA representative and successfully passed Series 7, 63, 86, 87 & 95 exams. Jessica holds Bachelor degrees in Physics and Philosophy from Rutgers College in New Brunswick, NJ.

GLOBAL LOCATIONS

New York	121 East 18th Street New York, NY 10003 212.982.0900
London	3 Copthall Avenue, 5th Floor London, EC2R 7BH +44.207.448.0100
Hong Kong	902 Dina House, 11 Duddell Street Central Hong Kong +852.2155.1300
São Paulo	Rua Do Rocio, 288 11th Floor São Paulo-SP +55.11.4082.9010
Tokyo	Casa Esencia 4F, 1-3-13 Azabu Juban, Minato-ku Tokyo 106-0045, Japan +81.3.6441.2403
Zürich	106 Bahnhofstrasse, 8001 Zürich, Switzerland +41.43.443.7490
Bogotá	Av. Chili Carrera 7A. NO. 71-21 Torre a Piso 5 Bogota, Colombia +57.1.358.2602
Newport Beach	710 Newport Beach Ctr. Drive, Suite 760 Newport Beach, CA 92660 949.706.6500
Delhi	Executive Center, Level 18, Building 5, Tower A, DLF Cyber City, DLF Phase-3 Gurgaon +91.124.388.2788
Frankfurt	An Der Welle 4, 60322 Frankfurt, Germany +49.69.7593.8660
Mumbai	231 Trade Centre, 2nd Floor, Bandra Curla Complex Bandra (East) Mumbai 400 051 +91.22.2652.2130
Singapore	9 Raffles Place, Republic Plaza, Level 57 Singapore 048618 +65.6823.1550
Sydney	Level 20, Tower 2, Darling Park 201 Sussex St, NSW Sydney, Australia +614.2342.7554