

INVESTMENT MANAGEMENT: OPPORTUNITIES FOR A NEW GENERATION

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The investment management industry continues to be a dynamic, demanding, and well compensated industry with tremendous career opportunities in many areas. The industry has evolved from boutique/cottage players through the mid 1980's to rapidly growing, increasingly professional multi-product franchises through the bull market of the nineties. With the market correction, over the last three years, we have seen the industry move into its current third phase of necessary evolution: efficient, balanced organizations combining quality investment talent with sophisticated distribution capabilities, and reinforced by cutting edge technology and operations. Successful firms going forward will only survive and prosper if they equally recognize and address investment performance, coordinated distribution, and sophisticated business management.

As the current markets of late 2003 indicate, many firms, of all sizes and types, are struggling to make the adjustment to this more demanding, market-driven, cost-efficient model. Many institutional firms continue to struggle with post-bull market bloated cost structures in the ongoing lower return environment. The fast growing hedge fund and hedge fund of funds worlds are now playing "institutional catch-up" as they expand and realize the need for high quality operational/technology infrastructure and traditional institutional marketing professionals. In terms of service, distribution, and investment performance, the wealth management players (brokers, private bankers, investment counselors/advisors) continue to struggle to "crack-the-code" on the appropriate affluent customer model. In the mutual fund arena, the current spate of

negative press has created a crisis of confidence in senior leadership that is still unfolding. The areas of risk management and compliance have never been more important to money managers of all types.

Why is this important to anyone trying to navigate his or her career in investment management? Because all of the above issues create tremendous opportunity for high quality professionals across the full breadth of functional areas including investments, sales/marketing, operations/technology, and, critically, senior business leadership.

The demand and need for superior talent has not slowed since the end of the nineties bull market. While the war for talent has not abated, organizations/hiring managers have become more discerning. In today's sophisticated, demanding environment, quality is once again king. This is true in terms of both professional and personal qualifications. Regardless of the functional area, clients are demanding proven track records, well thought-out career paths and demonstrated team-oriented people skills.

Some specifics:

Investments: Demand for top decile analyst/portfolio management talent has only increased in this lower return market combined with the ongoing hedge fund expansion. Demonstrated passion/commitment is important as indicated by academic/professional advancement (MBA, CFA, etc.). Top performance is not only measured by strong analytical/quantitative skills but by broader business judgment and risk management savvy. In

this differentiated performance era, average players are weeded out more quickly...who has outperformed since 2000? These people are in demand!

Marketing/Sales (Distribution): The activity here has been on the alternatives side (hedge funds, hedge fund of funds) as these firms gain critical mass and want to institutionalize. Traditional institutional players have not been as active in recruiting over the last two years, as these firms; struggling with inefficient cost structures, have reduced in this area, focusing what resources they have on investment performance. This trend is starting to change in the institutional arena, and, with the second half of 2003 mutual fund/retail senior executive fall-out, we expect the demand for, and emergence of, a “next generation” of sophisticated, investment savvy, and broad based leaders in all areas of distribution. Old school relationship - only sales types need not apply!

Technology/Operations: These two areas have become increasingly visible in this next phase of the investment management industry. To deliver the required efficiency, any successful firm going forward must possess superior business management skills. This will require flexible, business savvy executives who combine substantive, strategic insights with managing or outsourcing complex technology or back office infrastructures. Additionally, for readily apparent reasons, there continues to be a critical need for professionals with enhanced risk management and compliance experience. Going forward, these executives will be proactive, “seat at the table,” members/leaders of senior management.

CEO Leadership: The market conditions of the last three years, combined with the ethical lapses now being seen at the highest levels of the mutual fund sector, continue to highlight the need and ongoing demand for broad-based business oriented senior leadership in this increasingly competitive, demanding, and complex industry. The accelerated expansion of the industry during the frothy nineties did not allow for the development or maturation of much of the industry's senior leadership. As a result, there is a huge demand for leaders who are properly equipped to manage and lead in the investment world as it exists today and going forward. In that context, the need will only become more acute for new senior talent from inside and outside the industry who combine vision and leadership with business breadth, including investments, distribution, risk management, corporate governance, and human resource management.

What we have not yet discussed (and what we feel will be the most critical qualifications for success for executives in any of the above-mentioned areas) is the high quality personal characteristics that we have sought consistently in candidates over our combined 50 years in executive search. Many of these timeless personal characteristics became less of a priority over the last ten years, and the resulting greed and industry excesses are still being vividly felt. We find it not only refreshing, but also critically important that successful current and future investment leaders must bring high personal integrity, energy and passion, team play, a blend of self-confidence with humility, a sense of humor, and the ability to communicate in an honest and candid manner.

Again, all of this equates to tremendous individual opportunity in this exciting field. The industry has been forced to mature due to new technology, complex capital markets, and global

expansion. Successful players in investment management going forward will bring a high level of intellect, investment savvy, and functional breadth that will be combined with a personal grounding in terms of impeccable values, ethics, and people skills which we should expect in any area of endeavor.