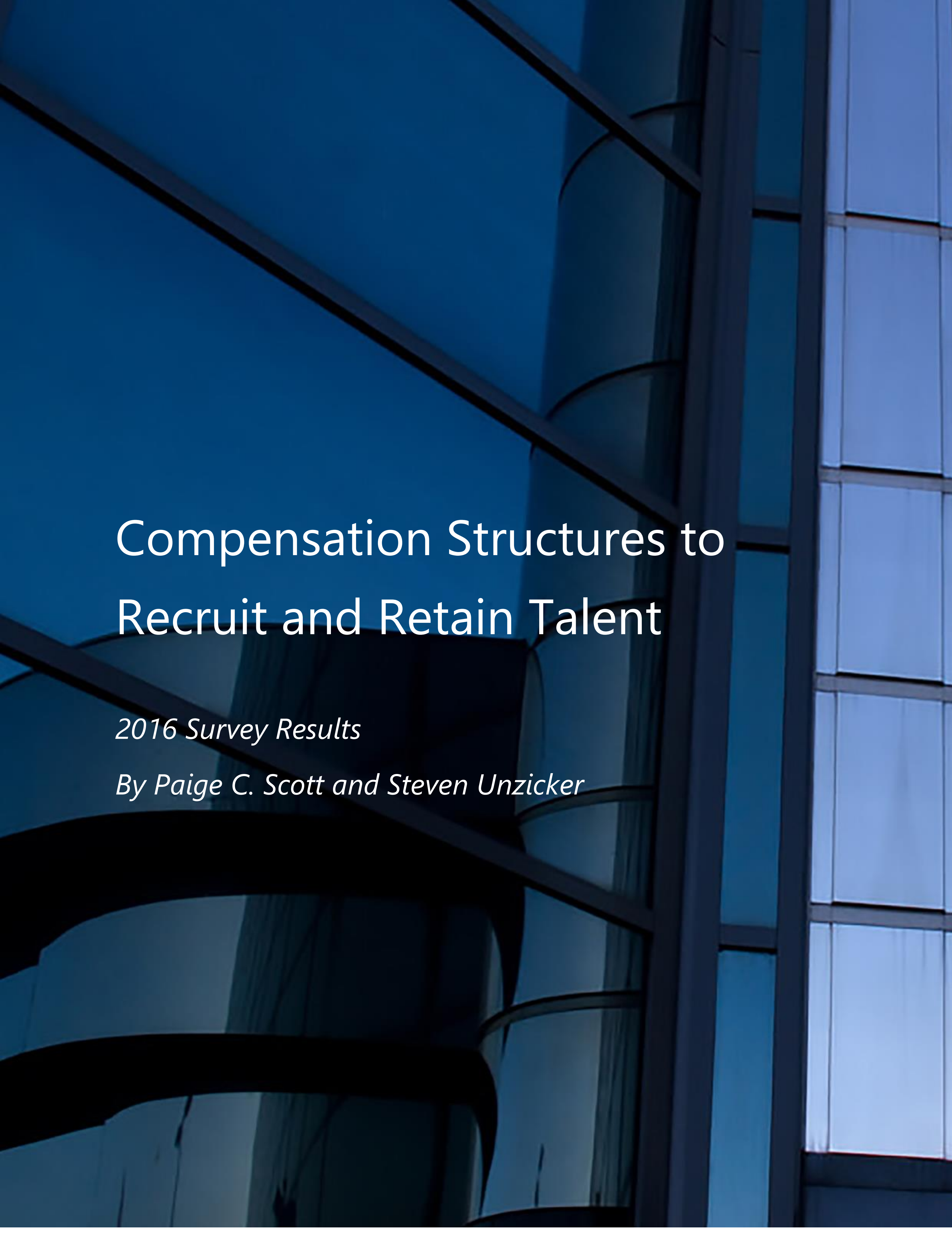

Compensation Structures to Recruit and Retain Talent

2016 Survey Results

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INSTITUTIONAL INVESTOR INSTITUTE
BY ASSET OWNERS, FOR ASSET OWNERS

Kingsley Gate Partners

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MARKET OVERVIEW

For nearly a decade, we have documented the growing obstacles to growth in the European asset management industry. Even as the industry rises on the back of market appreciation, many firms continue to struggle as the competitive landscape shifts below their collective feet. The cumulative effect has been a slowdown in hiring and a more urgent need to manage compensation expectations. One-on-one interviews with a number of survey participants provided a deeper frame of reference to allow us to understand the current environment and its impact on recruiting efforts and compensation plans.

Fee compression was a common refrain among interviewees. The level of pressure varies by country and product, but it appears to be here to stay and has played a more forceful role across the competitive landscape. It was claimed by some survey participants that it is not unusual in certain markets for investors to demand up to a 50% discount on fees up front. Perhaps it goes without saying that the follow-on effect of fee pressure can have a major impact on a firm's ability to recruit the best people or offer competitive compensation packages.

With the focus on fee pressure challenges, we are not hearing as much about regulatory issues. Many firms have already adjusted to the bigger regulatory changes. However, regulations still keep many executives up at night, particularly in the way they affect business processes, productivity, and compensation. The benchmarking of base salary, for example, has become a bigger issue since regulators forced compensation structures to become less variable.

Transparency continues to be an important theme. Investors want as much visibility into their managers as possible in order to better inform the construction of their portfolios, operational processes, and also to minimize the risk of surprise. It is also particularly important to the growing number of investors looking to embed ESG methodology as an active and robust element of all strategies managed (as opposed to a single strategy dedicated to ESG).

Investor segment dynamics can have important ramifications for compensation. The sovereign wealth fund (SWF) segment, for example, was hard hit by the collapse of oil prices. Significant redemptions followed at some asset managers, making it extremely difficult for firms or individuals focused on these investors to make any headway, let alone keep compensation levels at par. The length of the sales cycle can also vary significantly by segment, and teams selling into the intermediary or HNW platforms often find the decision-making framework far shorter for allocations (although far less "sticky") than those selling to pension funds.

There is also the ongoing shift of assets to beta or passive. For a number of years, traditional index strategies as well as so-called smart beta funds have both been taking market share from actively managed strategies as investors continue to de-risk. Firms have all started to feel the knock-on effects, including the downward pressure on fees, the growing emphasis on differentiation, and the wider acceptance of unconstrained or alternative strategies.

All of these things have implications for how firms go about recruiting, training, and compensating institutional business development professionals. It is these themes that we intend to explore via the survey results shown on the following pages. We realise it is never easy to complete a survey of this length, but reliable business metrics are particularly important in times of change. We want to thank everyone who spent the time to complete this year's survey as well as those who agreed to be interviewed. We hope you will find the information and analysis contained within to be useful as you plan and prepare for your firm to compete effectively as the business climate evolves.

SURVEY METHODOLOGY

This is the ninth year that this survey has been conducted by The European Institutional Investor Institute (EIII). As in previous years, data collected via questionnaires was supplemented with interviews of Institute members. These wide-ranging exchanges covered topics ranging from the regional variations in the business climate to recruiting challenges and the quest for a more creative and diverse workforce. Interview findings provided invaluable colour and context to the formal survey results given how often these themes impact and drive revenue opportunities, and therefore profitability and bonus pool funding.

Survey responses were gathered from participating money management firms and aggregated on an anonymous basis between October and December of 2016. Heads of sales and marketing and human resources, as well as managing directors and other senior executives provided data. All participation was on a strictly confidential basis and results are only shown in aggregated form. In an effort to maximise utility and data anonymity, a minimum of three data points is required to produce a result. Results for questions resulting in fewer than three responses are shown as N/A. Responses to questions concerning assets under management (AUM), spending, and compensation were allowed in EUR, GBP, or USD. For purposes of this paper, all responses were converted to Euros at rates current as of 31 December 2016.[1]

[1] Responses in Pound Sterling were converted at a rate of 1 GBP = 1.1720 EUR, while those in U.S. Dollars were converted at a rate of 1 USD = 0.9506 EUR

PROFILE OF RESPONDENTS

Twenty-four asset management firms participated in this year's survey, with many taking the time to be interviewed in addition to completing the survey. A wide range of organisations are represented, from smaller independent boutiques to global firms offering a comprehensive array of investment strategies packaged in a variety of vehicles. Most firms in the survey manage a mix of institutional and retail money, but institutional assets account for an average 55% of total assets, somewhat lower than the 70% range we've seen in recent years.

Large firms account for an ever-growing proportion of participants, and those with more than €100 billion under management account for 83% of this year's participants (Figure 1). The average size of firms in the survey rose to 10% from a year earlier to €278 billion of assets under management. Independent employee-owned firms participated alongside subsidiaries of banks, insurance companies, and financial services firms. Reflecting the global nature of the European Institute's membership, participating firms are headquartered around the world (Figure 2). Looking toward the United Kingdom's upcoming divorce from Europe, we are now tracking British firms separately from their continental brethren. One third of all respondents hail from the UK whiles another 22% call mainland Europe home.

Product convergence continues, with 61% of firms in the survey managing alternative funds in addition to long-only products (Figure 3). Purely alternative firms (i.e. hedge funds) were not included this year, as they had the opportunity to participate in the inaugural survey hosted by the European Alternative Investments Institute (EAII). It is increasingly rare to see separate and distinct sales efforts for traditional and alternative products at the same firms. Less than one out of ten participants is now organized in this fashion, down from one out of every five firms last year and almost two out of every five the year before that (Figure 4).

Figure 1. Respondent AUM

% of firms

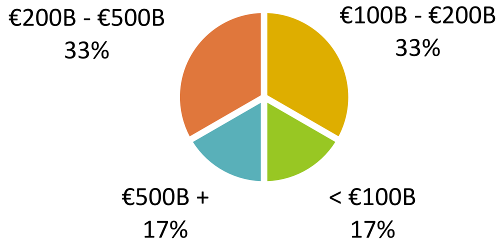


Figure 2. Location of Headquarters

% of firms

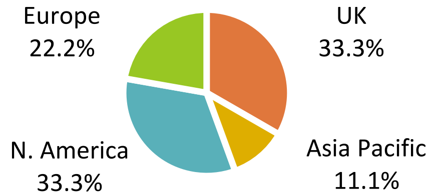


Figure 3. Types of Investments Managed

% of firms

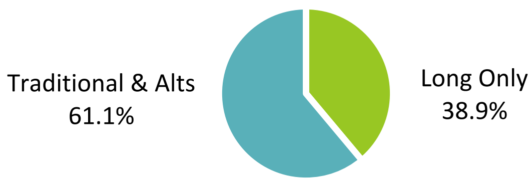


Figure 4. Separate Sales Force for Long-Only and Non-Traditional Products?

% of firms

FINDINGS

Fee Revenue

Underscoring the uphill battle faced by many asset gatherers in this business climate, overall fee generation fell for a second straight year at an accelerated pace. Average new fees per sales professional dropped to €2.2 million from €2.8 million a year earlier, while the median slid from €2.6 million to €1.6 million (Figure 5). Medians had been closely aligned with averages over the past two years, indicating a relatively healthy business climate where many firms enjoyed at least modest success. A growing gap may indicate that this is now changing.

Fee generation was also more concentrated in the mid-range this year, with production at the upper end falling yet again (Figure 6). For the first time in our survey, no firms reported average production of more than €5 million in fees per sales professional.

Approximately 25% of gross fee revenue is typically used to compensate distribution professionals, similar to levels seen last year (Figure 7). Despite the downward trend, fee pressure is not widely seen to be affecting recruitment and compensation—yet. Fewer than one in three firms said fee compression is having a negative impact on their ability to hire talent (Figure 8). However, similar pressures in another part of the industry hint that this state of affairs may not last. When we recently asked European hedge fund managers the same question, they were more likely to say fee compression was affecting their ability to attract and pay top talent.

Figure 5. New Fee Revenue

	25th Percentile	Median	75th Percentile	Average
€ millions	3.6	1.6	1.2	2.2

Figure 6. Average Annual Fee Revenue per Institutional Sales Professional

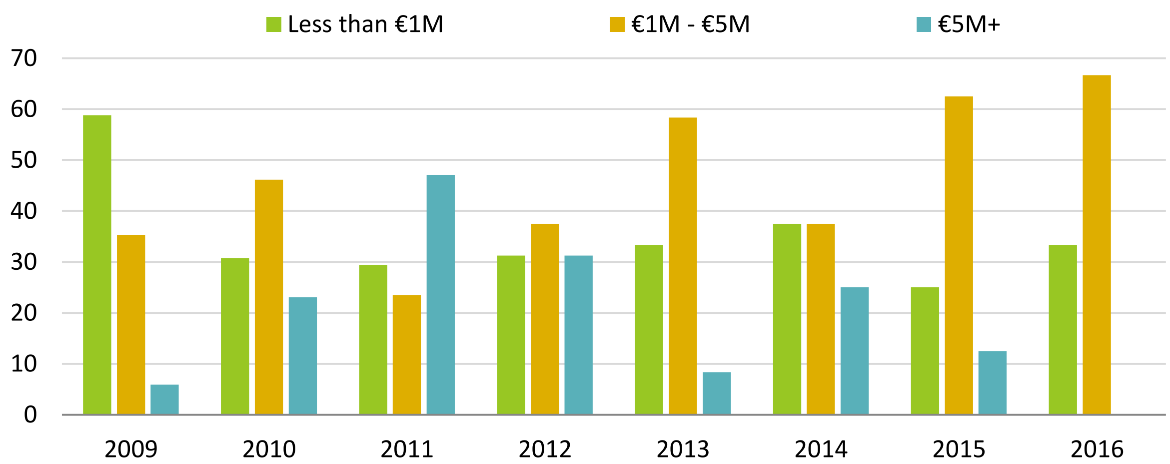
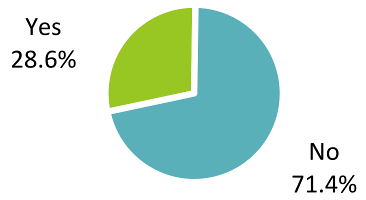


Figure 7. Percentage of Fee Revenue Used to Compensate Sales, Marketing, and CS Professionals

	25th Percentile	Median	75th Percentile	Average
% of Gross Fee Revenue	25.0%	25.0%	22.0%	27.4%

Figure 8. Is fee pressure having a negative impact on your ability to recruit and hire talent?

% of firms



Sales Compensation Structure

The decision-making process involved in awarding bonuses may be completely discretionary, but it is more common to balance qualitative and quantitative factors (Figure 9). Very few firms focus on one metric alone. It is much more common to also weigh other criteria including some that are "softer" and more difficult to measure.

Asset management firms tend to be relatively consistent over time with their priorities when it comes to evaluating their personnel, but we also see gradual changes playing out over time as the competitive environment continues to evolve. This year marked another shift toward prioritizing the immediate contribution of individuals over future events or firm-wide metrics. This is highlighted in the list of metrics used to award performance-based bonuses, where revenue production and asset raising prowess handily outweigh other considerations (Figure 10). This trend has largely been driven by the priority firms are giving to individual sales professionals who can get results in a tight, competitive market.

It follows that we also saw a greater emphasis placed on current revenue generation when awarding discretionary bonuses, with 38% of firms ranking it as the most important factor considered (Figure 11). Almost eight out of ten have revenue generation among their top three metrics.

A person's contribution to their firm's strategic goals is also widely valued. This contribution is being measured in increasingly nuanced ways, with some firms developing complex cash flow models by segment and territory. Overall dedication and effort are also weighed at many firms, as are attitudes toward one's teammates in addition to leadership skills. The ability to bring a "winning" attitude is also a highly prized attribute.

Only 13% of survey participants report performance fees being shared with sales professionals (Figure 12). This is in line with last year, when only 15% reported sharing performance fees.

Figure 9. How does your firm determine bonuses for its institutional sales professionals?

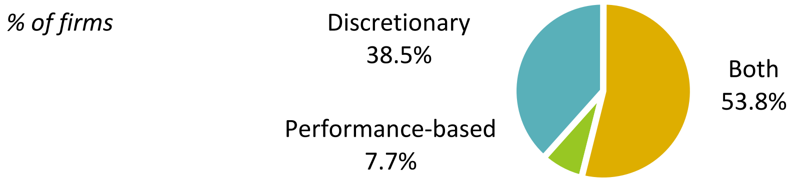


Figure 10. Metrics Used to Determine Performance-Based Bonuses

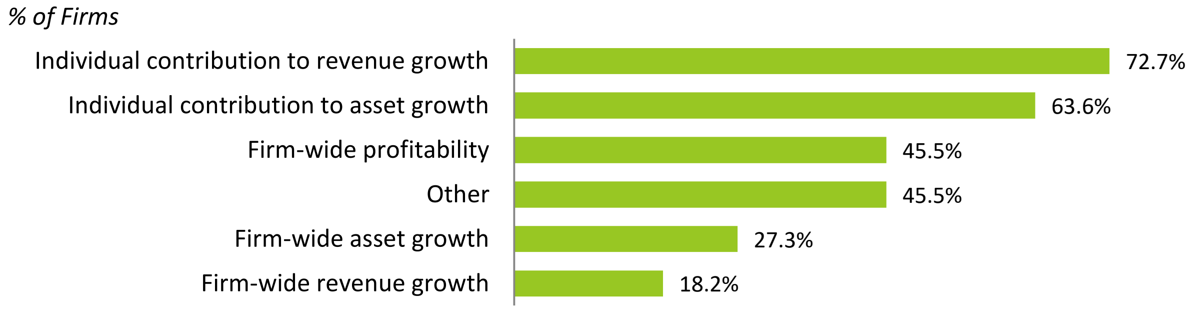


Figure 11. Factors Rated by Importance When Determining Discretionary Awards

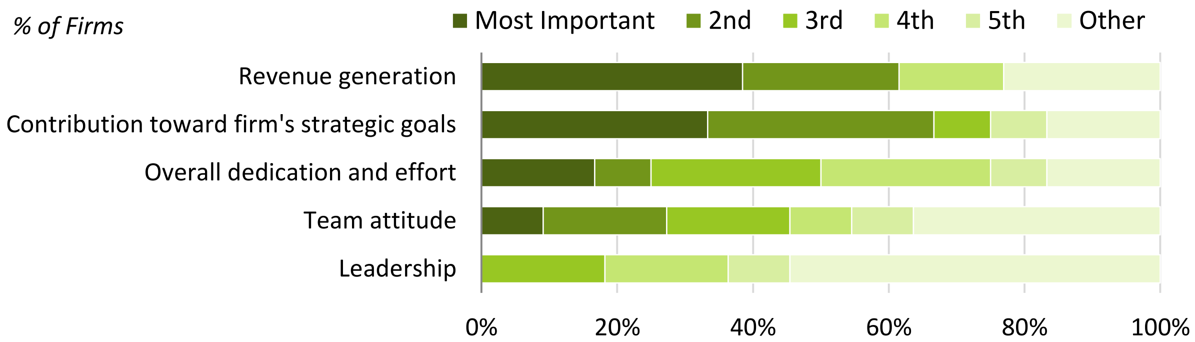
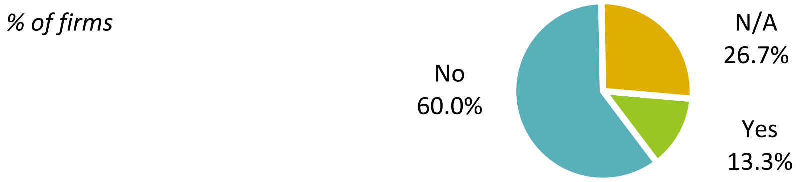


Figure 12. Are Performance-Based Fees Ever Shared With Sales Team?



Long-Term Incentives

The emphasis on current production does not necessarily correspond to a widespread movement away from longer term goals and objectives. If anything, these elements are more important than ever, but they are more likely to be reflected in deferred cash and other long-term incentive plans (LTIPs).

Almost two out of three firms use equity and other types of ownership units as long-term incentives for institutional sales professionals (Figure 13). This is on par with what we have seen in other years. Deferred cash has played a steadily growing role in compensation plans, and they now constitute the most commonly used form of long-term incentives (Figure 14). In addition to more widespread use, interviews revealed that a larger proportion of compensation is being deferred as well. All of this makes sense in light of pressure from shareholders and clients as well as the necessity of regulatory compliance no matter the firm's ownership structure.

Company shares and phantom shares are also popular. These incentives are used more often to incentivise senior sales professionals, and they play an even more prominent role in the pay of top producers. Equity awards for top quartile earners accounted for a median 20% of total compensation. This is in line with last year's 21%.

Figure 13. Are Equity or Equity-like Incentives Granted to Sales Professionals?

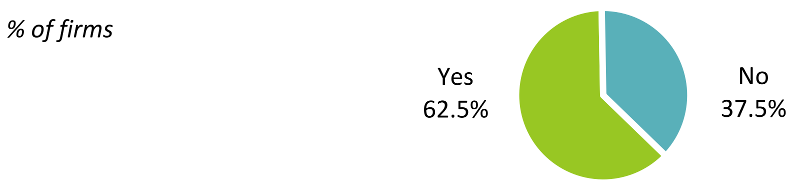
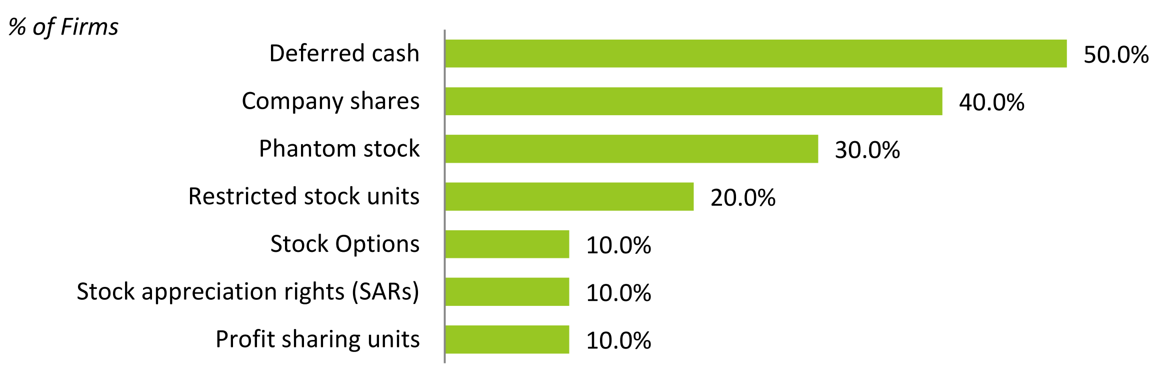


Figure 14. Types of Long-Term Incentives Granted to Sales Professionals



Commissions

Traditional commissions have been falling out of favour for some time, but they have yet to disappear completely. More than half of the firms in this year's survey report using some form of commissions (Figure 15). The persistence of commissions in pay structures can be attributed in part to their malleability. Pay out schedules used to be the primary differentiator between commission plans that were most commonly based on net new revenue; however, a growing number of compensation plans have become more complex, adopting hybrid approaches that use multiple metrics, incorporate discretionary elements, or pool revenues generated across teams.

The recent turmoil in compensation planning, driven in large part by regulatory changes, appears to be settling down. Only 7% of firms in the survey reported changes to their compensation plan over the preceding year (Figure 16). A year earlier, one out of three respondents said their firms had made changes to compensation structure, measurement criteria, or formulas.

Figure 15. Basis for Determining Commissions

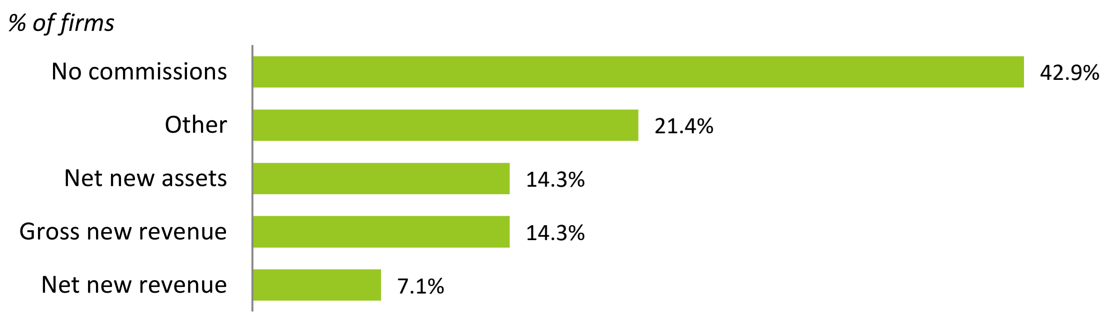
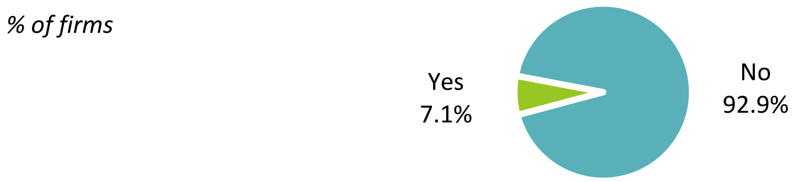


Figure 16. Has Your Compensation Plan Changed Over the Past Year?



Hiring and Spending

Hiring slowed after two years of frenzied activity. It has not come to a full stop, but activity is notably more muted. An average of less than one full time employee (FTE) was added to sales teams in Europe, compared with two and a half the previous year (Figure 17). Furthermore, the slowdown is likely to continue, with fewer than half of all firms planning to hire in 2017 (Figure 18).

Less recruiting means fewer guarantees. After three consecutive years of growth, the number of firms using guarantees to attract new recruits fell to 50% in the most recent survey.

Many factors go into finding and recruiting the right candidates to join a sales team. Personal relationships are an important consideration, particularly in an environment where it is increasingly important that new hires quickly become productive (Figure 20). Experience is also critical, as is product expertise. It's interesting to note that academic pedigree, while important, is not considered as critical as it used to be in the recruitment process.

It is a more balanced set of requirements than you might see among alternative managers, who are more likely to prize product expertise above all else. In our interviews, we heard quite a lot about how technical expertise is increasingly valued on sales teams, so this particular factor may become more of a priority in the coming years with traditional managers as a way to differentiate and connect with asset owners.

Another reason to think that technical expertise will become a more prominent requirement? The vast majority of firms already employ product specialists (Figure 21). Almost every firm with product specialists on staff say they have a positive impact on their ability to raise assets, but the fact is that it is no longer a differentiating characteristic. Expertise and content are increasingly seen as a requirement at every step of the sales process, not only when specialists are available.

Even as firms gently apply the brakes to hiring plans, they are re-examining where they can find the best talent. Competitor firms are the preferred source of talent, followed closely by recruiters and internal hires (Figure 22). Sell-side firms and consulting organizations, on the other hand, are not commonly seen as the best places to search for new recruits. We have found that specific investment banks are a favourite source of new recruits for hedge funds, but this has also created highly homogenized teams that leave little room for diversity or creative thinking. The trade-off of having the right culture fit and the appropriate level of technical acumen means firms will have to challenge themselves to look beyond the usual places to seek more diverse teams.

Some firms are also giving thought to how a more diverse team might benefit them. More than two out of three firms are actively trying to formulate more diverse teams through hiring (Figure 23). In an industry still dominated by white men, most people agree that gender and ethnicity alone represent diversity (Figure 24). Some firms go further by embracing diversity of age or sexual orientation. In an industry where some teams are comprised almost entirely of people from the same schools and/or previous employers, even educational background can be a source of diversity at some firms.

Figure 17. Institutional Sales Headcount and Hiring

	25th Percentile	Median	75th Percentile	Average
Current number of sales professionals	20.0	8.0	4.0	13.6
Change from a year earlier	1.0	0.0	0.0	0.9

Figure 18. Is Your Firm Hiring Institutional Sales Professionals in the Coming 12 Months?

% of firms

Figure 19. Guarantees Offered to New Sales Team Recruits?

% of firms

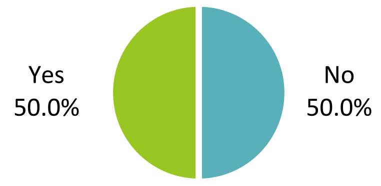


Figure 20. Rate each factor on its importance when your firm hires sales professionals.

% of Firms

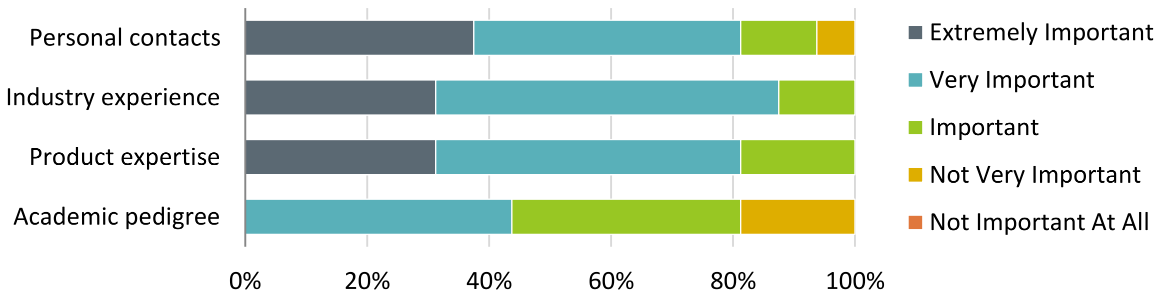


Figure 21. How much impact do product specialists have on institutional sales at your firm?

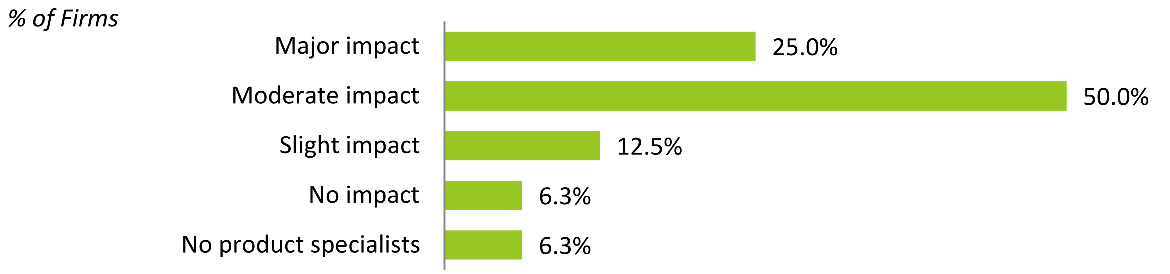


Figure 22. Rank the following by how important they are as sources of talent for your firm

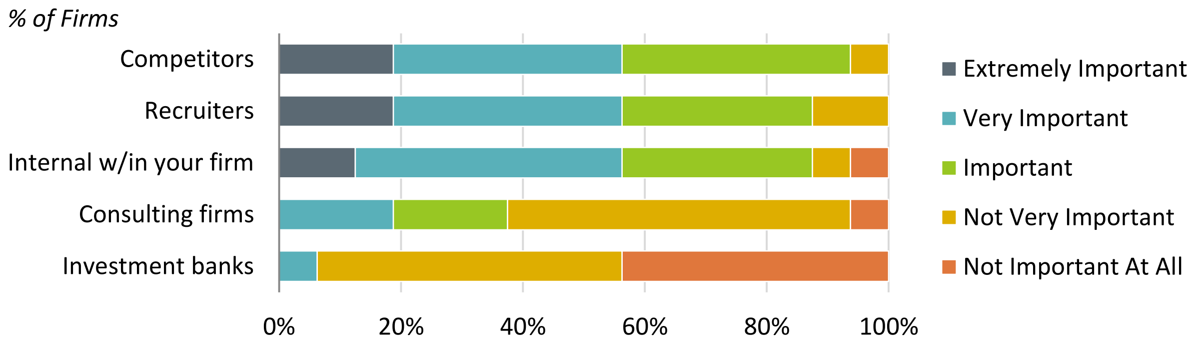


Figure 23. Is your firm actively aiming to become more diverse through hiring?

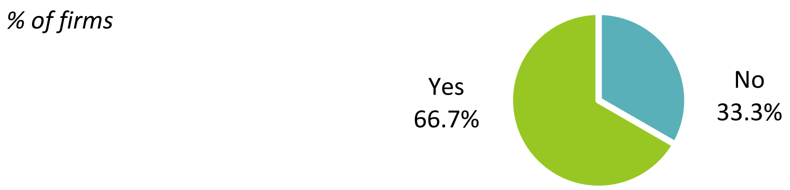


Figure 24. What does diversity mean in your recruiting and hiring efforts? (Select all that apply)

Compensation Data

Like last year, more than eight out of ten firms in the survey employ a head of institutional sales for Europe (Figure 25). Firms without this position get by with senior sales professionals in one or more key markets. Country heads are most common in the UK and Germany, where 75% and 64% of firms respectively employ senior sales professionals. Country heads are somewhat less common in other markets, ranging from 47% of firms in the Nordic nations to 21% of firms in the Benelux region.

Overall pay for senior professionals drifted sideways or slightly upward over the last compensation cycle. Heads of European sales reported slightly lower compensation in narrower range than the prior two years (Figure 26). Median total compensation in this group slipped to €627,000 from €692,000 a year earlier. There were fewer outliers at the upper end than we often find at the most senior levels. The 25th percentile came in at €823,000, falling slightly short of last year's overall average.

It should be noted that these year-over-year comparisons do not necessarily mean European sales heads actually saw their compensation decline. Lower levels seen this year are primarily a reflection of changes to the composition of the survey universe (e.g. larger firms and no pure hedge fund managers are represented) from one year to the next. There is overlap between the two groups, but this year's was larger yet more likely to report compensation levels in a narrower band. In fact, three out of four European sales heads in this year's survey saw their compensation rise over this period (Figure 27). The rest either saw no change or were new hires. None reported declining compensation.

An average base salary of €230,000 accounted for 32% of total compensation paid to European sales heads, virtually unchanged from a year earlier. Interestingly, long-term incentives were more widely used among this year's group, accounting for an average 12% of total compensation.

Senior sales professionals covering the Benelux region may be the least common, but they are also among the most highly compensated, along with Germany country heads (Figures 28 and 29). Compensation for both of these groups was up from the prior year, resulting in median total compensation of €505,000. Averages of approximately €530,000 were also similar across both regions, but those in Germany were paid in narrower range. Interestingly, senior sales professionals in these regions were among the least likely to report rising compensation from a year earlier.

Average total compensation for senior sales professionals in Switzerland rose slightly to €489,000, even as the median slipped to €452,000 (Figure 30). This group is notable for having the highest median equity awards (€76,000) among all country heads. Swiss sales heads reported total compensation in an extremely narrow range, with only €110,000 separating the 75th percentile (€420,000) and the 25th percentile (€530,000).

In contrast, we saw the range of compensation paid to senior UK professionals expand significantly, with those in the top quartile earning €631,000 or more (Figure 31). The average among this group bounced back by 14% (to €456,000) after declining the previous year. Those covering the Nordic region were paid in a similar range to their colleagues in the UK (Figure 32).

Total compensation among top quartile earners across all senior sales professionals averaged €924,000 (Figure 34). Of this, €246,000 came in the form of base salary, €80,000 as commissions, €320,000 as bonuses, and another €169,000 as equity or other long-term incentives. Those at the top of this group (i.e. the top quartile of the top quartile) made €1,000,000 or more.

Looking forward, UK country heads were predicted to see compensation climb by 10% (Figure 35). Those in Germany and France could expect 5% increases. Switzerland is the major exception to these relatively rosy forecasts. The sometimes exorbitant cost of doing business in Switzerland has resulted in a move to normalize compensation. This has led to dampened expectations, with some firms predicting cuts of 5% or more for their Swiss country heads.

Figure 25. Country/Regional Sales Heads Currently Employed

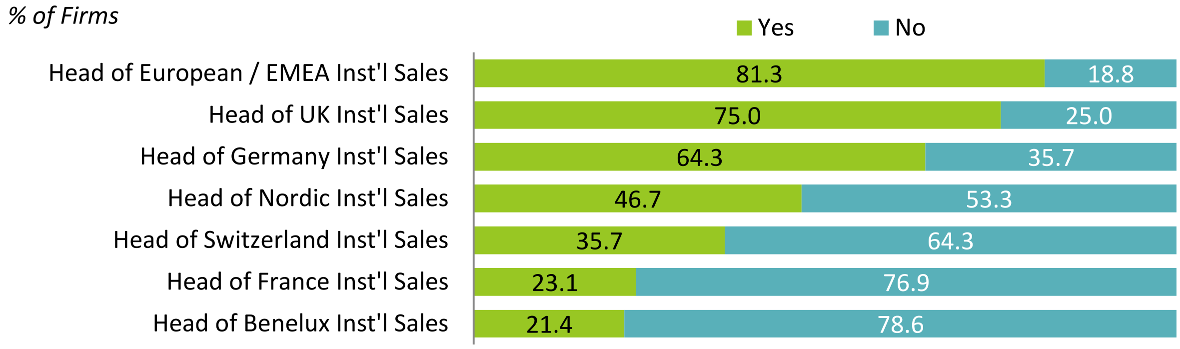
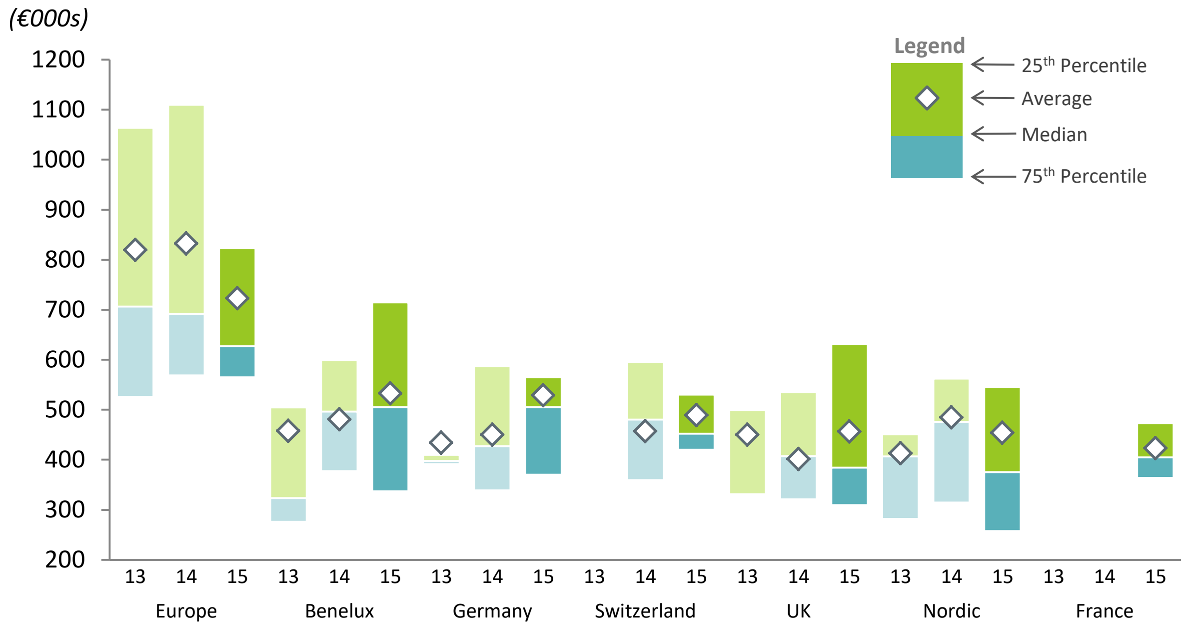


Figure 26. 3-Year Compensation Trends for Country/Regional Heads of Institutional Sales



	Europe 13	Europe 14	Europe 15	Benelux 13	Benelux 14	Benelux 15	Germany 13	Germany 14	Germany 15	Switzerland 13	Switzerland 14	Switzerland 15	UK 13	UK 14	UK 15	Nordic 13	Nordic 14	Nordic 15	France 13	France 14	France 15
25th Perc.	1063	1109	823	505	599	715	410	587	565		595	530	499	535	631	451	562	546			473
Median	707	692	627	324	496	505	397	427	505		480	452	331	407	384	406	476	375			405
75th Perc.	526	569	565	276	377	337	391	339	370		360	420	329	321	309	282	314	258			364
Average	819	832	723	457	480	533	434	450	529		457	489	450	401	456	413	484	454			423

Figure 27. Compensation for Head of Institutional Sales – Europe

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	245	0	402	153	823	75.0	Higher
Median	238	0	352	41	627	0.0	Lower
75th Percentile	217	0	318	0	565	16.7	Unchanged
Average	230	0	367	86	723	8.3	New Hire

Figure 28. Compensation for Head of Institutional Sales – Benelux

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	211	143	225	135	715	33.3	Higher
Median	169	0	50	0	505	66.7	Lower
75th Percentile	144	0	50	0	337	0.0	Unchanged
Average	181	95	167	90	533	0.0	New Hire

Figure 29. Compensation for Head of Institutional Sales – Germany

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	210	0	221	105	565	37.5	Higher
Median	192	0	200	66	505	0.0	Lower
75th Percentile	170	0	142	0	370	37.5	Unchanged
Average	191	105	174	59	529	25.0	New Hire

Figure 30. Compensation for Head of Institutional Sales – Switzerland

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	228	0	234	121	530	40.0	Higher
Median	185	0	229	76	452	20.0	Lower
75th Percentile	176	0	205	0	420	40.0	Unchanged
Average	202	0	181	70	489	0.0	New Hire

Figure 31. Compensation for Head of Institutional Sales – United Kingdom

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	219	0	265	111	631	60.0	Higher
Median	188	0	166	41	384	30.0	Lower
75th Percentile	147	0	141	0	309	0.0	Unchanged
Average	185	0	191	65	456	10.0	New Hire

Figure 32. Compensation for Head of Institutional Sales – Nordic Region

	€000s					% of Firms
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year
25th Percentile	173	0	309	64	546	66.7 Higher
Median	158	0	191	38	375	33.3 Lower
75th Percentile	135	0	103	8	258	0.0 Unchanged
Average	164	0	219	71	454	0.0 New Hire

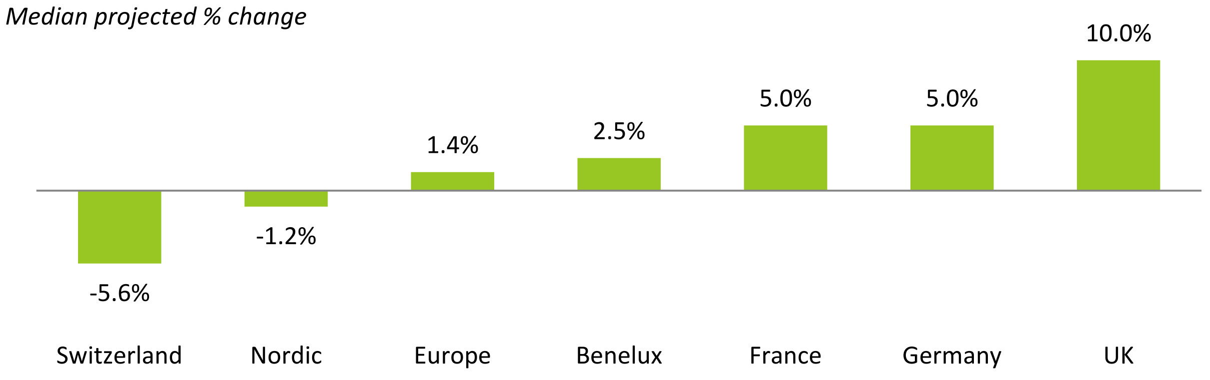
Figure 33. Compensation for Head of Institutional Sales – France

	€000s					% of Firms
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year
25th Percentile	173	0	253	48	473	66.7 Higher
Median	162	0	220	0	405	0.0 Lower
75th Percentile	154	0	198	0	364	33.3 Unchanged
Average	164	0	227	32	423	0.0 New Hire

Figure 34. Compensation for Heads of Sales – Top Quartile Earners

	€000s					% of Firms
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year
25th Percentile	250	0	449	270	1,003	77.8 Higher
Median	239	0	401	182	924	22.2 Lower
75th Percentile	238	0	356	85	813	0.0 Unchanged
Average	246	82	380	169	924	0.0 New Hire

Figure 35. Projected % Change to Compensation for Regional Sales Heads in 2015



In addition to senior sales professionals with overall responsibility for specific markets, compensation data is also collected for other sales staff. These tend to be less experienced professionals (Most have less than 10 years of experience), but experience levels range from those who are clearly identified as “junior” staff to those with enough experience to qualify as veterans without management responsibilities.

Average total compensation in this group rose to €332,000 from €284,000 a year earlier (Figure 36). More significantly, the entire range moved upward. 25th percentile compensation of €394,000 is on par with two years ago, but the bottom end of the range has moved up steadily, and this year’s 75th percentile of €252,000 handily exceeds the median value two years ago. Almost half of all sales professionals without management responsibility saw their compensation climb from a year earlier, outnumbering those with lower compensation by a two to one margin (Figure 37).

An upward trend could be discerned across most regions. The Nordic market saw solid gains, with average compensation climbing to €385,000 and placing them above most of their peers while also approaching compensation levels found among their superiors (Figure 38). Median compensation, meanwhile, climbed to €406,000 making them the most highly paid group by this measure.

Pay levels for sales professionals in “other” regions (i.e. those not addressed directly by the survey) exhibit the most range (Figure 39). The group includes people with coverage of Italy, Austria, Spain, Middle Eastern markets, and others. Average total compensation of €332,000 amongst this group is higher than most, but median compensation falls short of that paid to their Nordic or Swiss peers. This group also exhibits the greatest variability, and those in the top quartile made €444,000 or more.

Compensation data for Swiss professionals, on the other hand, revealed very little variability, with an interquartile range from €293,000 at the lower end to €347,000 at the upper end (Figure 40). Base salaries for Swiss sales professionals tend to be higher than in most other markets.

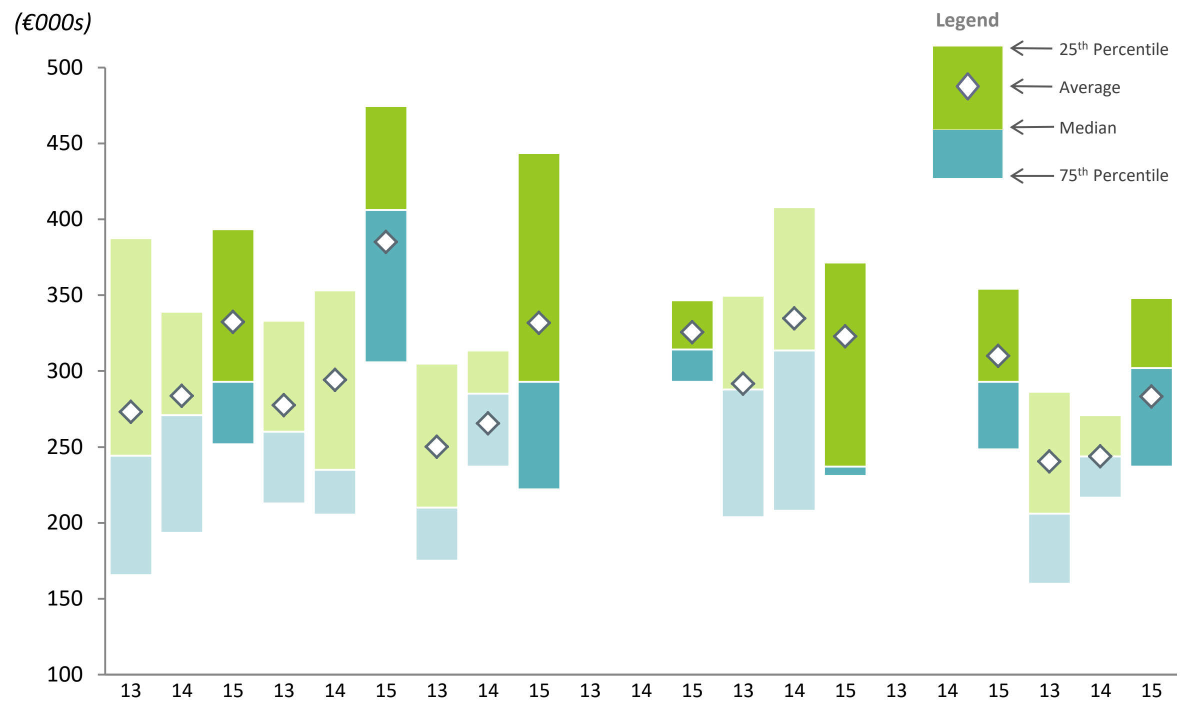
The UK market was less buoyant than other regions. Average total compensation of €323,000 was slightly lower than last year, while median compensation slipped precipitously (Figure 41). In addition to a stagnant market where only one in three reported higher compensation, this decline also reflects the relatively high number of new hires as well as the effect of the falling pound sterling.

Half of all German sales professionals saw their compensation fall, while the other half saw no change (Figure 42). Average total compensation of €310,000 slightly exceeded a median of €293,000. Average base salaries of €242,000 were the highest of all the regions covered by the survey.

Compensation levels in the Benelux region posted solid gains for the second straight year, but average total compensation of €283,000 trailed other regions (Figure 43).

Non-management sales professionals in most markets were projected to see further increases in their compensation over the coming year (Figure 45). Those in Germany, the Benelux region, and other markets led the way with median projected increases of approximately 8%. Their peers in the UK were not expected to fare so well, with no change expected. It is sales professionals in Switzerland, though, that were projected to be hardest hit by a backlash in what has proven to be one of the most "expensive" markets to do business in Europe. A move to "normalizing" compensation resulted in a median projected decrease of 9%, making for an even grimmer outlook than the one faced by their superiors.

Figure 36.   3- Year Compensation Trends for Sales Professionals (Ex-Country Heads)



	All			Nordic			Other			Switzerland			UK			Germany			Benelux		
	13	14	15	13	14	15	13	14	15	13	14	15	13	14	15	13	14	15	13	14	15
25th Perc.	388	339	394	333	353	475	305	314	444			347	350	408	372			354	286	271	348
Median	244	271	293	260	235	406	210	285	293			314	288	314	237			293	206	244	302
75th Perc.	166	193	252	213	206	306	175	237	222			293	204	208	231			249	160	217	237
Average	273	284	332	277	294	385	250	266	332			326	291	335	323			310	240	244	283

Figure 37. Compensation for All Institutional Sales Professionals (Ex-Country Heads)

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	229	0	234	19	394	44.8	Higher
Median	175	0	117	0	293	27.6	Lower
75th Percentile	145	0	26	0	252	6.9	Unchanged
Average	184	0	125	23	332	20.7	New Hire

Figure 38. Compensation for Institutional Sales Professionals – Nordic Region

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	192	0	138	144	475	66.7	Higher
Median	185	0	99	108	406	0.0	Lower
75th Percentile	164	0	81	54	306	0.0	Unchanged
Average	176	0	113	96	385	33.3	New Hire

Figure 39. Compensation for Institutional Sales Professionals – Other

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	229	0	256	4	444	66.7	Higher
Median	176	0	117	0	293	33.3	Lower
75th Percentile	113	0	19	0	222	0.0	Unchanged
Average	177	0	138	16	332	0.0	New Hire

Figure 40. Compensation for Institutional Sales Professionals – Switzerland

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	293	0	148	9	347	0.0	Higher
Median	236	0	60	0	314	50.0	Lower
75th Percentile	171	0	0	0	293	0.0	Unchanged
Average	228	0	88	9	326	50.0	New Hire

Figure 41. Compensation for Institutional Sales Professionals – United Kingdom

	€000s					% of Firms	
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year	
25th Percentile	184	0	175	29	372	33.3	Higher
Median	140	0	72	25	237	0.0	Lower
75th Percentile	132	0	71	13	231	33.3	Unchanged
Average	164	0	140	19	323	33.3	New Hire

Figure 42. Compensation for Institutional Sales Professionals – Germany

	€000s					% of Firms
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year
25th Percentile	320	0	123	0	354	0.0 Higher
Median	234	0	67	0	293	50.0 Lower
75th Percentile	156	0	12	0	249	50.0 Unchanged
Average	242	0	68	0	310	0.0 New Hire

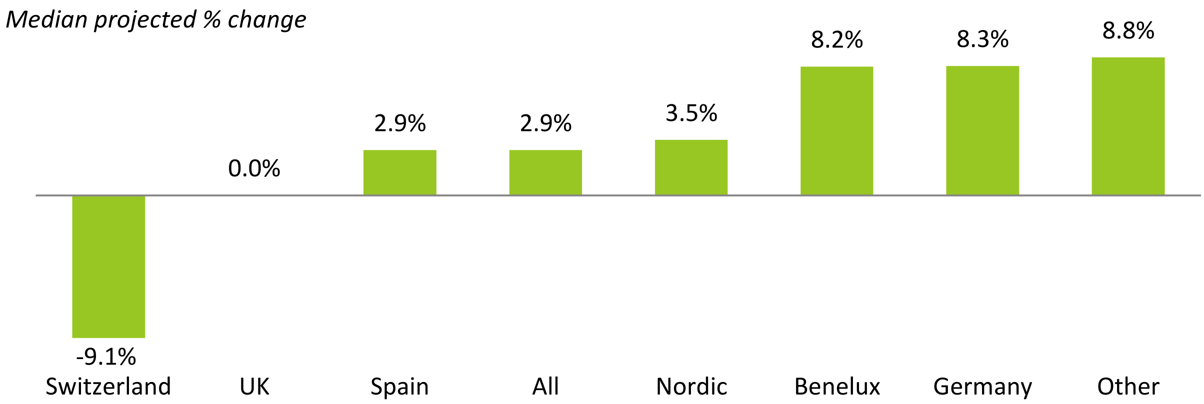
Figure 43. Compensation for Institutional Sales Professionals – Benelux Region

	€000s					% of Firms
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year
25th Percentile	165	0	136	23	348	25.0 Higher
Median	155	0	90	0	302	25.0 Lower
75th Percentile	143	0	62	0	237	0.0 Unchanged
Average	153	0	108	23	283	50.0 New Hire

Figure 44. Compensation for Institutional Sales Professionals – Top Quartile Earners

	€000s					% of Firms
	Salary	Commission	Bonus	Equity	Total	Change from Prior Year
25th Percentile	229	0	278	108	538	100.0 Higher
Median	229	0	278	0	506	0.0 Lower
75th Percentile	199	0	143	0	506	0.0 Unchanged
Average	235	0	230	60	525	0.0 New Hire

Figure 45. Projected % Change to Compensation for Junior Sales Professionals in 2015



CONCLUSIONS

Compensation levels have not suffered as much as the market environment would lead one to believe. In the face of industry headwinds, senior leaders are fighting to compensate and retain talent. For the moment, compensation appears to be relatively stable in most markets (with the notable exception of Switzerland). Still, pay raises are likely to be more modest than they have been in recent years, asset raising expectations are more muted, and compensation models are effectively settling down after much tinkering in the face of regulatory and client pressures.

Some asset management executives are taking advantage of this pause to holistically reconsider their talent acquisition and remuneration strategies.

Skill sets are a good example of this. Many people we interviewed talked about how the sales process has already become much more technical. Many firms already employ product specialists to meet this need, but it can nevertheless be difficult to even get a meeting with the asset owner unless accompanied by the CIO. Expectations have shifted, and the entire sales process now emphasizes expertise over relationships. This changes who, how, and where new sales professionals are hired.

Another shift is the growing emphasis on relationship management. As asset retention becomes as (or more) important than raising new assets, the ability and willingness to service clients effectively will play a bigger role in recruiting and compensation and ultimately in competitive differentiation.

Prospecting is more challenging than ever, and some firms are betting that the best sale professionals will be those that use data and technology most effectively. One sales executive went so far as to say that the optimal model might entail hiring data mining professionals and paying them like sales people.

All of these factors mean sales professionals are starting to be evaluated in different ways. As a result, compensation plans have shifted from relatively straightforward formulas to far more complex, discretionary models incorporating a wider variety of KPIs and LTIPs.

The most successful managers in the future may be those that generate or tap into fresh ideas. Most asset management firms are conservative and steady organizations by design, but new thinking could help in a number of ways. Work environments might evolve to better suit a younger, more diverse workforce with different work styles and habits Clients might be better served by different, more creative, modern forms of social/digital communication. Creativity is at a premium, and a growing number of firms are actively trying to diversify their teams in order to catalyse it.

We intend to track and document these changes over the coming years. We look forward to reporting which approaches and/or models set the new standard for excellence and innovation in a time where it is sorely needed.

ABOUT THE SPONSORS

European Institutional Investor Institute

The European Institutional Investor Institute is a private-membership organisation for financial institutions. The Institute meets five times a year in different European countries. The first meeting of the year is the Senior Delegates' Meeting, attended by members only, and focuses on market and operational issues. The following four meetings are regional investor roundtables where we look at the issues facing in particular regions. These four meetings are attended by the appropriate III representative and a guest group of institutional investors from the region. The four regions covered are Benelux pension funds; Nordic pension funds; UK & Ireland pension funds; and German, Austrian & Swiss pension funds. EIII provides its members with research, data and information regarding institutional investors and asset management firms.

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ABOUT THE AUTHORS

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Paige Scott is a Senior Partner and leads the Kingsley Gate Partners' asset management practice. With over 20 years of asset management search experience, Paige has led and completed "front office" searches across the globe for Global Heads of Institutional Sales & Marketing, Business Development, Consultant Relations, Product Specialists; to Heads of Active and Passive Strategies including team "lift outs" within fixed income, equities and alternative asset classes. Paige is actively involved in advising asset managers on global expansion activities and has developed specialized knowledge within Pension Risk Transfer (de-risking) build outs.

Paige started her retained search career with Pearson, Caldwell & Farnsworth (San Francisco) in 1998. The firm was acquired by Korn/Ferry International a year later. Paige became Senior Client Partner at Korn/Ferry (Boston) before leaving in 2005 to join Sextant Search Partners, a specialty boutique financial services search firm dedicated to alternative asset classes. In 2009, Paige joined Sheffield Haworth and subsequently opened both the firm's Boston and San Francisco offices while leading the North American Asset Management Practice and serving as a member of the U.S. Executive Committee.

Paige is a member of the Advisory Board of 100 Women in Hedge Funds. Paige currently leads the publication/production of compensation/"Best Practices" white papers for the Global Fixed Income Institute (GFII); the European Institutional Investor Institute (EIII) and the European Institute (EI) and is a regular speaker at all three annual senior delegate conferences for EIII, EI and GFII. She earned a Bachelor of Arts in French and Russian Literature from Wheaton College in Norton, Massachusetts. Paige is based in San Francisco. She can be contacted by phone at (628)-333-2319 or by email at pscott@kingsleygate.com.

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