

Alternative Universe

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Private Equity**
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Each and every year, spring always brings butterflies, budding crocuses, returning sparrows and a fresh crop of college graduates looking for a job to start their careers in the "real world." This year, however, more people than ever will be beckoned by the lucrative opportunities awaiting those who work for hedge funds. But while many are called, few are chosen.

High Hopes For Hiring

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Federal Reserve Board chairman Alan Greenspan issued a jobs warning to newly minted MBA graduates from the University of Pennsylvania's Wharton School last week. That's because they would probably have to compete against him for a job when the 79-year old central bank chairman's term expires at the end January. The good news for today's MBAs who cannot match Greenspan's nearly six decades of private business and government experience is the job market for private equity and venture capital is beginning to loosen up.

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Hiring Behind The Hedge

BY JAMES ARMSTRONG | Each and every year, spring always brings butterflies, budding crocuses, returning sparrows and a fresh crop of college graduates looking for a job to start their careers in the “real world.” This year, however, more people than ever will be beckoned by the lucrative opportunities awaiting those who work for hedge funds. But while many are called, few are chosen.

“The small ones are not much hiring right out of college,” says Todd Noah, CPA and principal at RK Executive Search, an affiliate of Rothstein Kass & Co. And just like investment banks, he says, the large firms are looking for the best of the best. They are looking for top schools, top grades and often degrees from top graduate programs as well.

For grads who want to be analysts or traders, there is also a certain personality required for the job, Noah says. Candidates are expected to show initiative, though not to be so abrasive as to turn off their potential employers.

Back office jobs in accounting and operations might seem easier to get, but Noah says funds generally want back office staff to have at least a few years of experience. An accountant, for instance, might be expected to spend a couple of years with a public accounting firm and then another couple of years with a capital markets group working on hedge funds before finally landing a job at a fund.

Noah also observes many larger funds are separating their operations and accounting groups. “They’re starting to look more like banks,” he says.

For those lucky enough to be considered right out of college, candidates do not need a diploma from an Ivy League school, according to Mary

Hedge funds have their pick of the litter when it comes to selecting employees

O’Gorman, managing director of Snelling Search, but the college still has to be top-notch, and the student’s performance in college must have been extraordinary, whether it was at an Ivy or not.

O’Gorman says she looks for candidates who graduated not just magna, but summa cum laude. Standardized test scores can be important, too, whether they are SATs, GREs, GMATs or something else, such as the LSATs, because standardized scores allow firms to compare different candidates.

Hedge funds have been growing, O’Gorman says, which means they are hiring as well. Most of their new hires are expected to have experience, though.

For an investment analyst, O’Gorman says, candidates are expected to have an MBA, with several years of experience between their undergraduate and graduate degrees, plus more experience after that with a bank or investment manager. It also helps if the candidate is already a certified financial analyst.

But O’Gorman says there are a number of jobs providing infrastructure support for hedge funds. These positions include everything from jobs in the legal department to marketing to investor relations to administrative jobs, such as human resources, information technology and compliance. With the SEC registration deadline coming up next year, there is a particular need for compliance these days, she says.

Since hedge funds generally are not very large, they usually do not have the capability to provide training. That is why most people start out in investment banks or large investment management firms, making the move to hedge funds later, O’Gorman says.

Scott Gerson, founder of executive search firm Focus Capital Markets, says while academic performance is important, hedge funds are often looking for something a bit extra as well. That could mean winning competitions or achieving specific honors.

In particular, Gerson looks for anything related to mathematics, which could mean physics majors rather than students who specialized in economics.

“People who go into mathematics and physics have that type of brain power that you’re looking for,” Gerson says. Candidates can learn specific skills later. What he looks for is raw talent.

Gerson made a name for himself bringing physicists to Wall Street to do quantitative analysis. O’Gorman notes there is still a strong demand for quantitative analysts, particularly with backgrounds in physics, applied mathematics and engineering.

Further up the experience ladder, pedigree becomes more important, as funds look for alumni of other successful funds.

Jim Frye, managing partner of Execuseek International, says for higher-level positions, firms want candidates with directly relevant experience at successful firms in their field. To a limited degree, he says, they also seek individuals with cross-

“People who go into mathematics and physics have that type of brain power that you’re looking for,” Gerson says.

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Hedge Fund Performance, by Strategy

Last 12 Months Through April 2005, by Percent Return

This chart displays the last 12 months of the aggregate performance of hedge funds through April 2005, according to HedgeFund.net-PerTrac Universes, a feature of PerTrac Online. The data below presents select strategies. HedgeFund.net-PerTrac Universes charts the aggregate performance of a total of 35 different hedge fund strategies.

	May 2004	Jun 2004	Jul 2004	Aug 2004	Sep 2004	Oct 2004	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005	Apr 2005
All Funds	-0.50%	0.28%	-0.71%	0.01%	1.32%	0.92%	2.74%	1.49%	-0.23%	1.47%	-0.60%	-1.36%
Convert. Arbitrage	-1.31%	-0.94%	0.16%	0.44%	-0.39%	-0.38%	0.87%	0.53%	-0.87%	-0.53%	-1.40%	-3.59%
CTAs	-1.04%	-2.37%	-0.75%	-0.86%	1.95%	2.45%	4.25%	-0.02%	-3.18%	0.43%	-0.21%	-2.43%
Distressed	-0.44%	2.63%	-0.05%	1.12%	1.10%	1.35%	3.40%	2.79%	0.25%	1.35%	0.50%	-0.49%
Emerging Markets	-1.93%	0.32%	-0.36%	1.53%	3.55%	2.35%	2.96%	3.06%	2.09%	4.49%	-2.20%	-0.43%
Event Driven	-0.15%	1.22%	-0.88%	0.19%	0.98%	1.28%	3.70%	2.84%	-0.22%	1.54%	-0.32%	-1.73%
Fixed Income	-0.36%	0.71%	0.86%	0.89%	0.75%	0.80%	1.21%	1.42%	0.72%	1.05%	-0.25%	-0.30%
Fixed Income Arb.	0.35%	0.60%	0.47%	0.63%	0.48%	0.56%	0.59%	0.68%	0.54%	0.76%	0.16%	0.35%
Fund of Funds	-1.01%	0.30%	-0.42%	0.01%	0.85%	0.74%	2.53%	1.47%	0.02%	1.40%	-0.48%	-1.40%
Long/Short Hedged	-0.30%	0.80%	-1.48%	-0.07%	2.07%	0.77%	3.20%	1.74%	0.06%	2.21%	-0.96%	-1.73%
Macro	-0.40%	-0.20%	-0.30%	-0.74%	0.31%	0.73%	3.00%	0.66%	-0.48%	1.35%	-0.55%	-0.84%
Mark. Neutral Equity	0.21%	0.58%	-0.06%	-0.05%	0.54%	-0.18%	1.31%	1.35%	0.62%	0.70%	0.27%	-0.18%
Risk Arbitrage	-0.07%	0.11%	-1.08%	-0.07%	0.42%	0.75%	1.75%	1.45%	-0.20%	0.82%	0.35%	-1.24%
Short Bias	-0.54%	-0.95%	3.61%	0.11%	-1.16%	-0.42%	-3.11%	-1.92%	3.13%	1.33%	1.12%	2.58%
Technology Sector	1.44%	1.00%	-7.83%	-2.29%	1.19%	3.57%	4.70%	3.36%	-3.34%	0.78%	-1.94%	-2.43%
Value	0.29%	1.87%	-1.56%	-0.36%	2.74%	0.88%	3.44%	2.29%	-1.22%	2.44%	-0.69%	-2.52%

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HedgeFund.net-PerTrac Universes are available through PerTrac Online, an advanced tool for hedge fund analytics available exclusively to registered users of HedgeFund.net. The Universes provide a three-dimensional view of HedgeFund.net's hedge fund performance indices. Detailed percentile rankings are calculated each day for each of 35 investment strategies. The results are presented in easy-to-use tables and graphs. Alternative Universe provides monthly, yearly, and sector-focused views of PerTrac Online aggregate data on a rotating basis.

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functional experience.

"People aren't making quantum jumps from where their specialties or where their successes are," Frye says. At the same time, a fund manager with some marketing experience who can speak with prospective investors would have an added advantage.

An ideal candidate would be someone who has been involved in multiple strategies, but has specialized and been successful in one. The candidate should have a degree from an Ivy League college and have an MBA, says Frye.

"It's highly competitive," Frye says. "Everybody wants to work with hedge funds."

Many people from outside the industry would like to make the transition to hedge funds in order to take advantage of the greater pay. That

can be difficult, Frye says, even for people coming from private equity backgrounds, because there are different skills involved and someone from outside the industry will not have an established track record.

Those with good records, however, often feel like they can name their own salaries. And frequently, they can.

"The rainmakers that have the unique specialties, successful in the funds-of-funds or in long-short equities or in energy, having a successful track record and having the contacts in the marketplace for raising capital, you get just amazing figures," Frye says.

And while hedge fund jobs are popping up all over the place, they tend to still be concentrated in and around New York and London.

Focus Capital Markets' Gerson

recognizes California also has a number of funds, but says it still cannot compare with the East Coast.

"Look at the number of people going west to east versus east to west," Gerson says. "Many more are going west to east."

Frye, whose firm is based in Wall, N.J., says the New York area simply has more to offer hedge funds who want to set up shop there.

"It's the capital of the world," Frye says. "It's got everything to feed the industry from the culture to the money to the real estate to that new golf course they're building in Jersey City."

So as candidates tee up for their shot at working for a hedge fund, they need to prepare to go the full 18 holes. Hedge funds, after all, are looking for the Tiger Woods' of the investment world.