



Fund Analyst Compensation Report
2015 Edition

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Introduction

About SumZero

SumZero is the world's largest community of investment professionals working at hedge funds, mutual funds, and private equity funds. With more than 10,000 pre-screened professionals collaborating on a fully-transparent platform, SumZero fosters the sharing of many thousands of proprietary investment reports every year and offers several ancillary services in support of that effort. These free services include capital introduction services, buy-side career placement services, and more. SumZero's membership base is represented by analysts and PMs at nearly all of the world's largest and most prominent investment funds.

SumZero was founded by Divya Narendra (former co-founder of ConnectU) with the intent of changing the way professional investors shared information. The site is a reciprocity-based platform, meaning that members are required to share certain pieces of information in order to draw from the intellectual product of thousands of fellow SumZero members. In addition to accessing highly-differentiated investment research, the platform further enables members to build a track record, expand their networks in highly-relevant places, and identify further professional opportunities within the industry.

We are based in the Soho neighborhood of New York City. Learn more at sumzero.com.

About the SumZero Compensation Database

As part of a broader mission to empower the fund professional, SumZero maintains an internal, user-driven compensation database. This database, which launched in 2012, now hosts nearly 2,500 unique compensation entries. The feature was designed to help verified buy-side professionals understand more about norms in comp structures, the relative degree to which their respective incomes are competitive, and help position these individuals for future success. Like many aspects of SumZero, access to the database is reciprocity-driven. Users submit their own comprehensive details on comp to gain access to that detail of their peers. Permissioned users can filter the database on broad variables or construct more personalized scenarios like "show me how much a Senior Analyst covering Industrials with 5-7 years of experience at a

\$500mm Private Equity fund in Singapore made in 2014.” For the purposes of this report, however, we are looking at much broader trends.

Disclaimers

A few, important disclaimers before diving into the data:

1. The SumZero community does not purport to be a statistically accurate representation of the fund industry at large. Relatively speaking, the SumZero community tends to be heavily-weighted toward NYC-based analysts, it skews younger in terms of the overall age of its users, the community is more equity-focused, and users are generally employed at hedge funds versus other fund types.
2. This is user-generated information. We do not believe that there are many legitimate reasons why someone would or should provide misleading information since the information is collected anonymously. However, we believe that larger earners generally are disincentivized to share their actual compensation details, which may bias the data.
3. Some data points we collect include estimates which are inherently subject to error. This estimated data is only used in the “Trends” section of this report and is labeled as such.

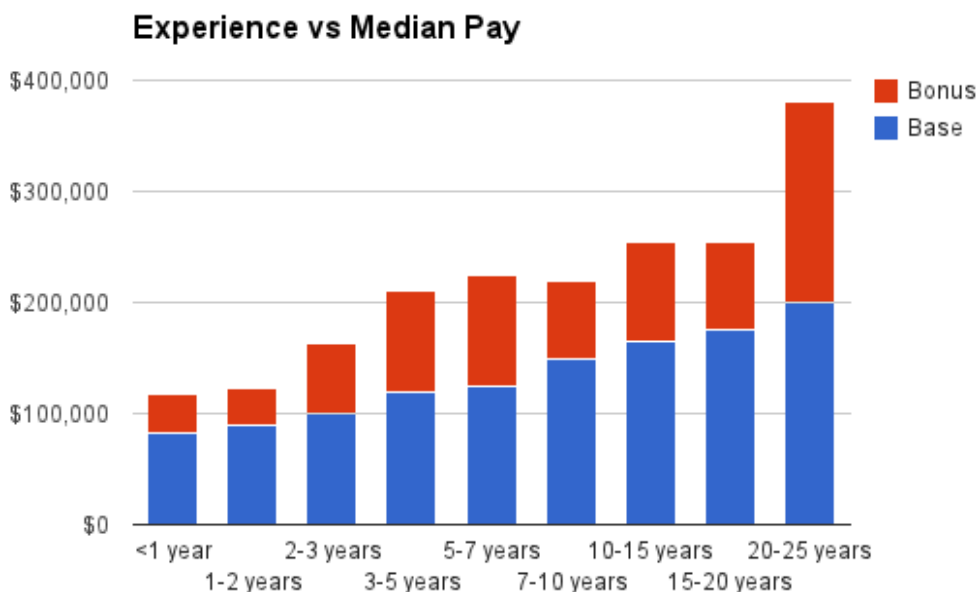
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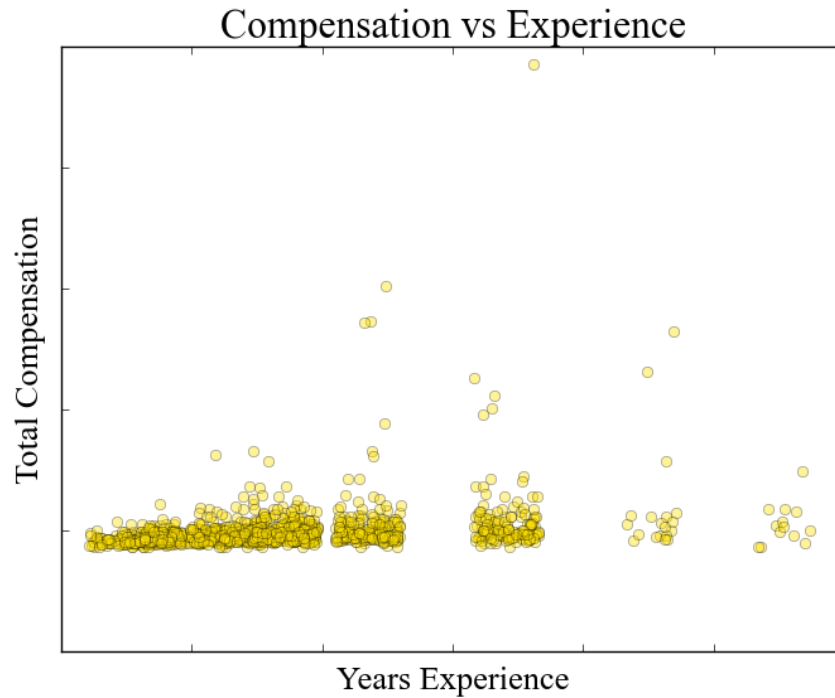
Career Cash Compensation Growth

We begin by noting that buy-side compensation is rife with outliers and tends to scatter asymmetrically upward as careers go on. As such, it's more useful to look at **median** compensation values rather than the more commonly used **average** values. This prevents such outliers from exerting undue influence and causing overestimation of pay and pay trends for the typical buy-side professional's situation. This is of particular significance because many compensation surveys do not choose to highlight median data, preferring instead to highlight trends in average compensation. We believe this is misleading on a variety of levels.

A look at income trends throughout the course of a career follows below. Segmenting the salary compensation data from 2012 and 2013 based on users' reported experience levels, we get the following graph:



Plotted are the median base salary (blue) and median discretionary cash bonus (red) of hedge fund professionals based on their years of experience in the industry. Pay clearly grows over time at hedge funds, though exactly how is a more complex question.



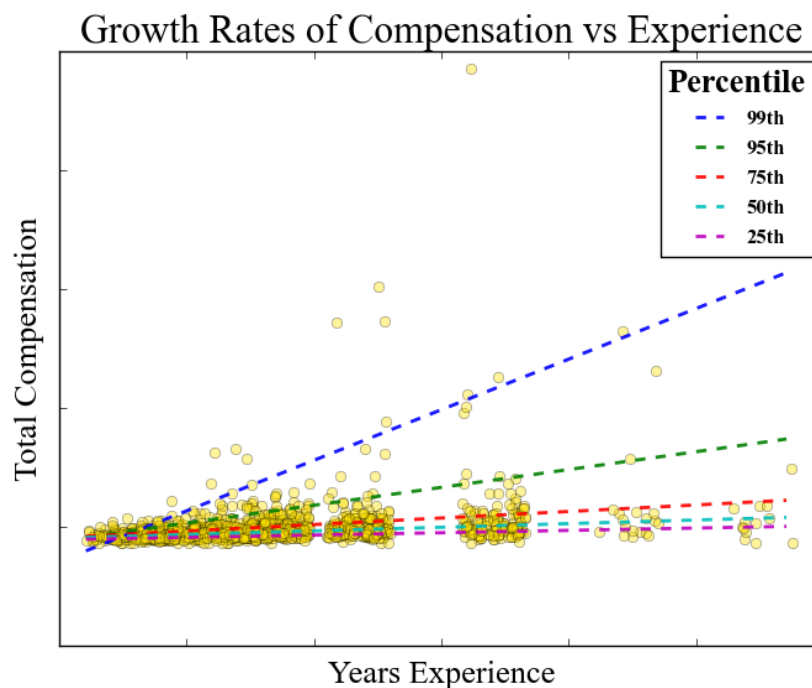
In the plot above, one can see that early on in the typical analyst's career (bottom left corner) the typical analyst is paid very similarly to his/her peers (heavy clustering exists). However, as time goes on, the distribution of pay starts to fan out considerably. More experienced professionals are compensated quite differently versus their peers.

Years Experience	0-1	1-2	2-3	3-5	5-7	7-10	10-15	15-20	20-25
Percent of Data Points	5%	9%	13%	22%	21%	16%	12%	2%	1%
25th %tile	\$72,500	\$99,250	\$120,000	\$150,000	\$180,000	\$190,000	\$230,020	\$227,500	\$225,000
50th %tile	\$120,000	\$138,750	\$180,000	\$225,000	\$275,000	\$293,000	\$325,000	\$450,000	\$400,000
75th %tile	\$190,000	\$203,750	\$250,000	\$320,000	\$400,000	\$477,500	\$585,000	\$628,000	\$700,000

The table above contains compensation percentiles tabulated by experience level. Note that the difference in between the 25th and 75th compensation percentiles for first year analysts is about \$120,000 while at 20-25 years experience the difference is \$475,000, i.e. salaries take on wider ranges as careers go on.

There is considerable attention in the media given to the huge amounts of money fund professionals are making, but our data suggests that there is actually high variability among

compensation, especially among the most experienced earners. Some earn astronomical sums, yes. Many more are compensated in ways that mirror highly-educated professionals in other, well-paying fields.



In the graph above, we fit percentile comp growth trends (the dotted lines) to the individual compensation entries (the yellow dots) to the data. The growth rate (steepness of the dashed lines) for the 25th through 75th percentiles are very similar. The the pay growth of the 95th and 99th percentiles is far greater.

Earnings Growth Percentile	Earnings Growth Per Year
25th	\$10,000
50th	\$15,000
75th	\$30,000
95th	\$80,000
99th	\$465,000

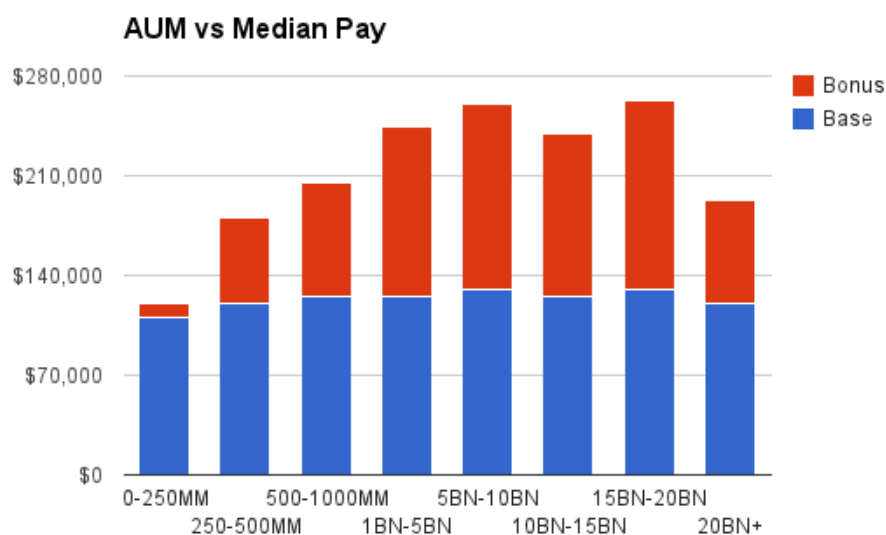
Looking at this data in table form illustrates the same concept. The 99th percentile of compensation accrues grow their pay many times faster than any of the lower percentiles and over 5 times faster than the 95th percentile. Only a very small number of professionals on the buy-side seem to be on the path to multi-millionaire level wealth based on what the data tells us.

One thing remains certain: more experience earns analysts more pay, but not necessarily in a predictable manner. In the subsequent analyses (when noted) compensation will be normalized at the 5 years experience level, assuming a 50th percentile (median) growth rate. This way we can know which funds pay more at equivalent levels of experience.

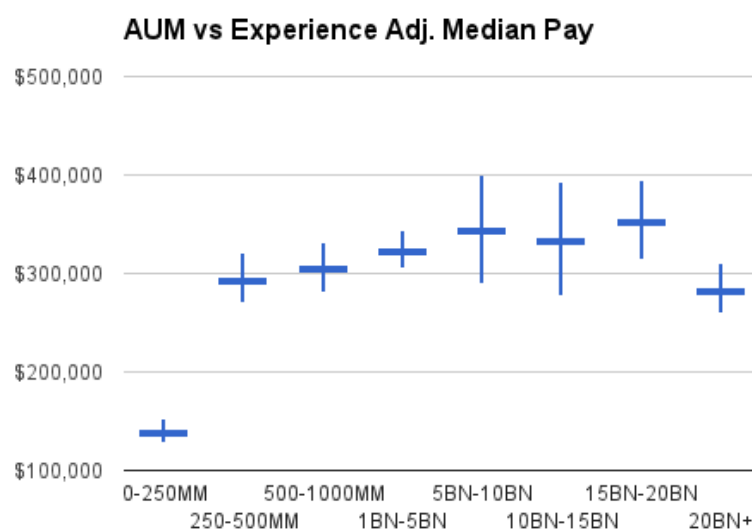
Fund Attributes and Compensation

Assets Under Management (AUM)

Most asset managers collect fees based on fund size, however compensation among research staff does not follow a monotonic upward trend.



After controlling for experience such that compensation is equalized at the 5 years experience level, we get the following, (with 95% confidence intervals):



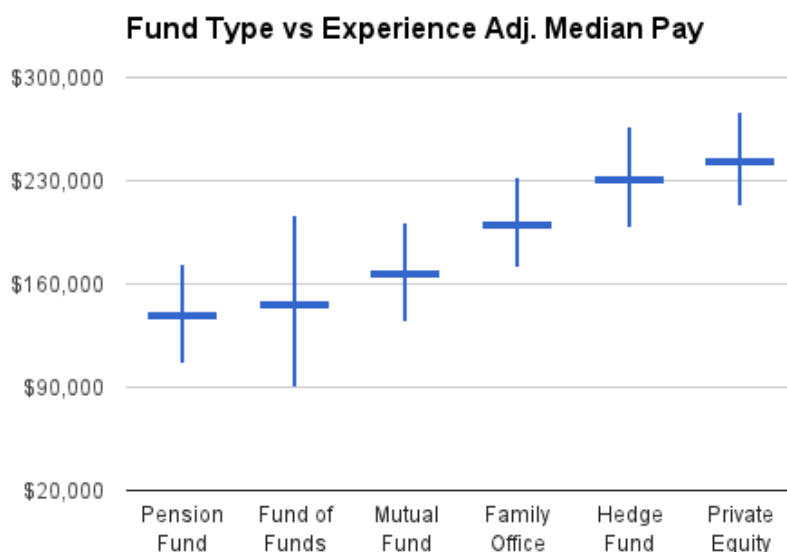
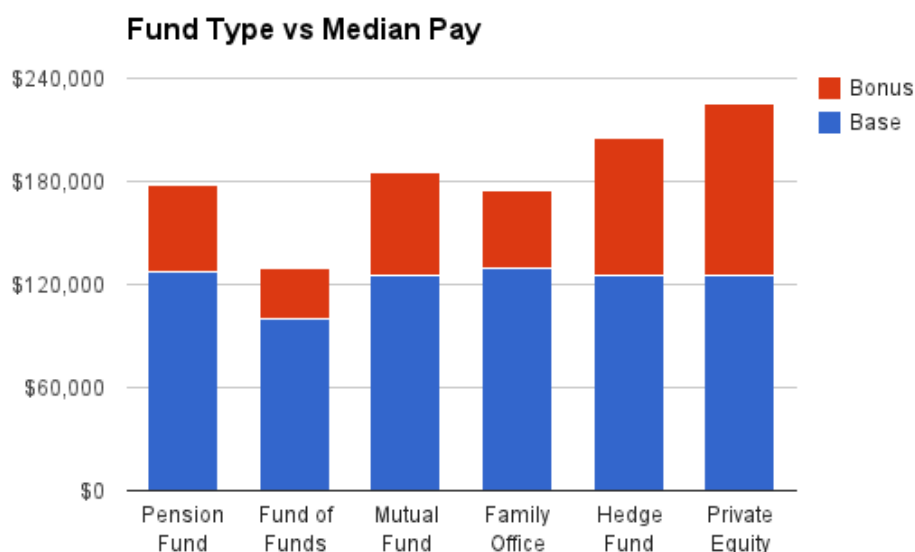
Thus, on an experience adjusted basis, earners don't make a statistically significant amount more or less based on AUM unless the fund is very small or (with less certainty) very large. As

Learn more about SumZero comp data, buyside research, job placements, cap intro services, and more at sumzero.com.

far as SumZero users are concerned, this wage deficit is about \$150K-\$200K for the smallest funds and \$0-\$75K for largest.

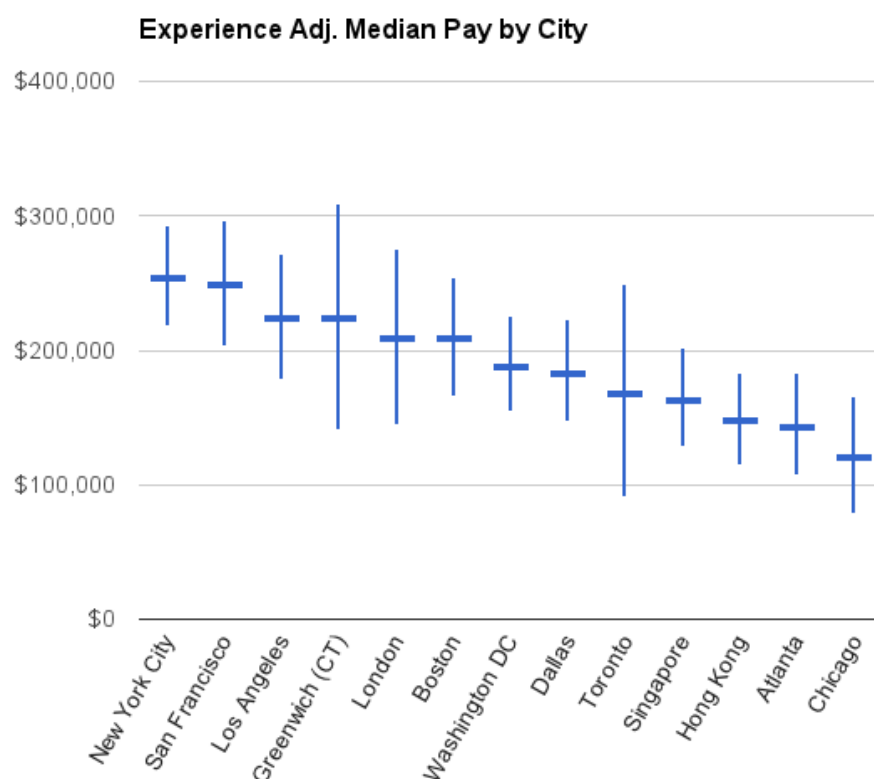
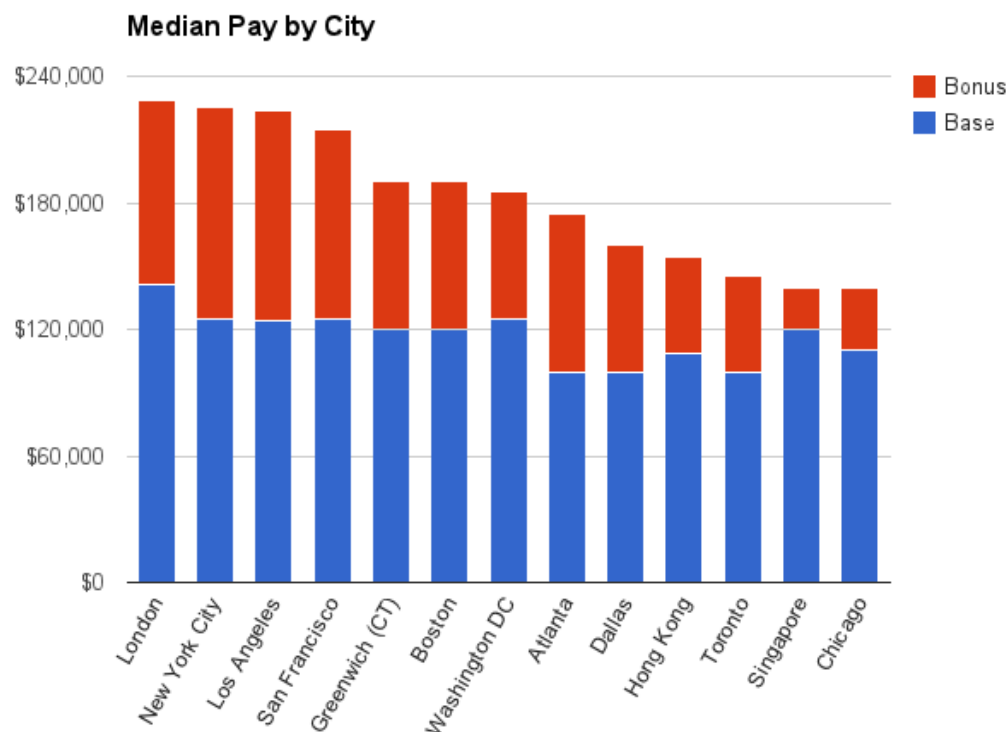
Fund Type

When segmenting compensations by fund type, the results are less distinct. Hedge funds and private equity seem to pay the most in the buy-side, especially relative to pensions.



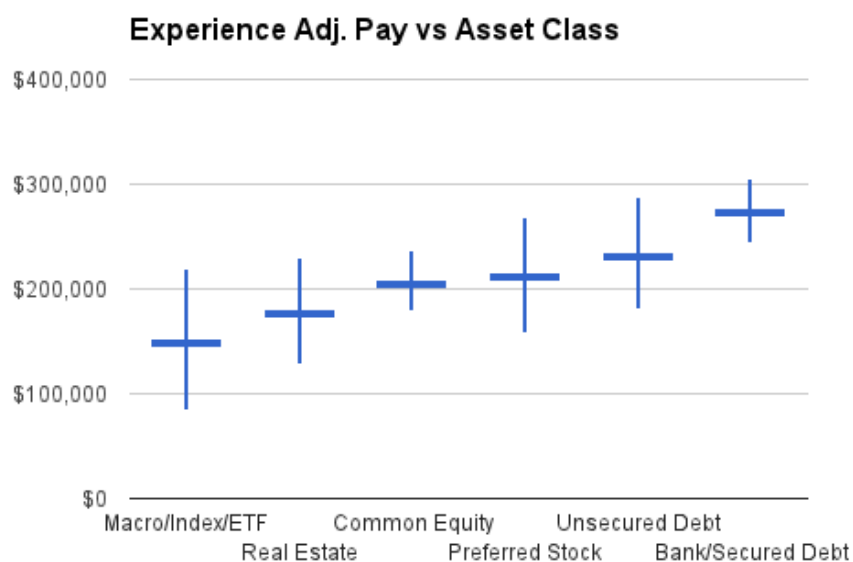
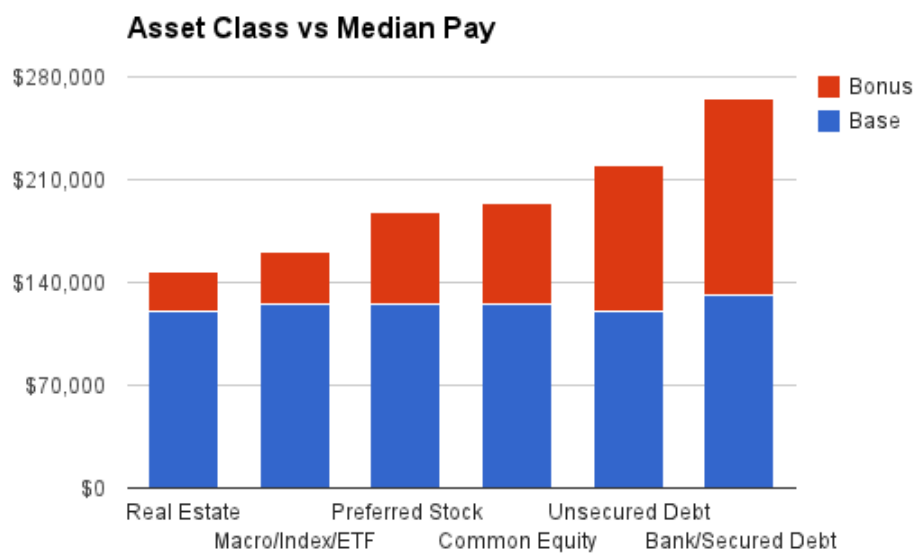
City

SumZero users come from around the world, from Abu Dhabi to Vancouver. In looking at our most heavily represented cities, major American cities tended to receive higher pay, especially on an experience adjusted basis:



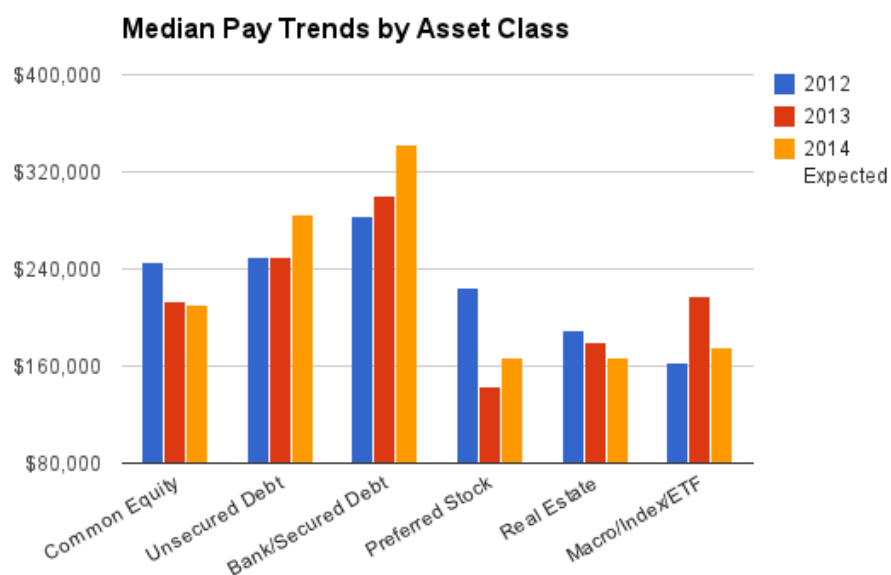
Asset Class

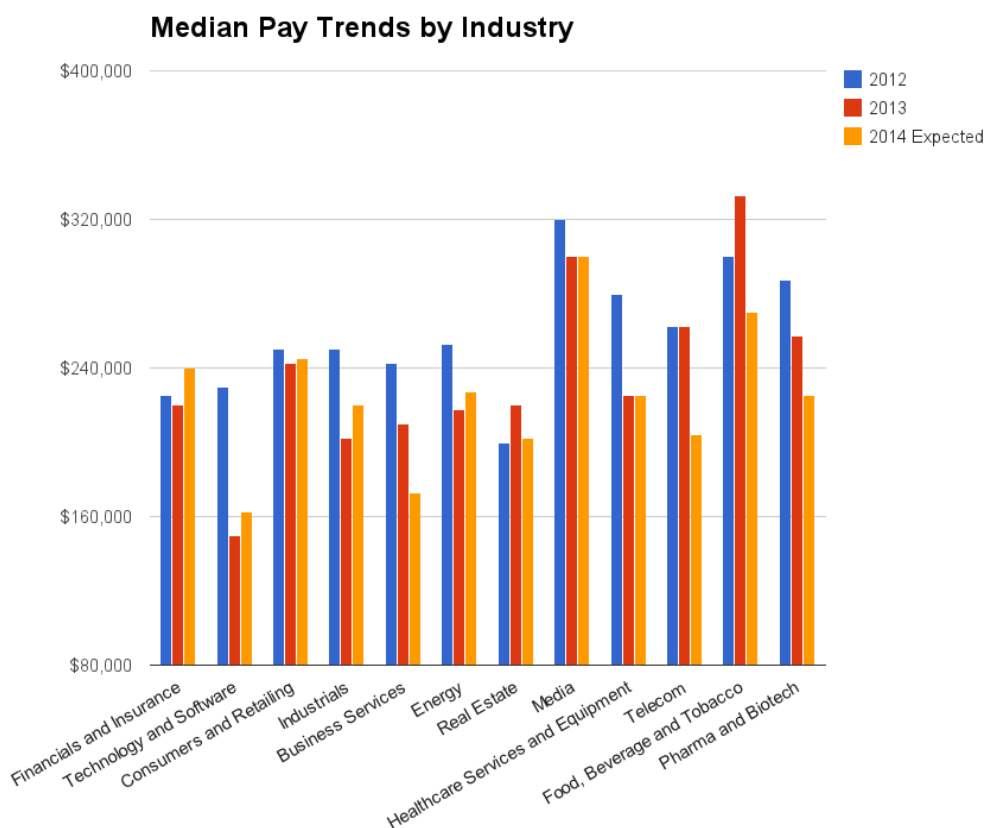
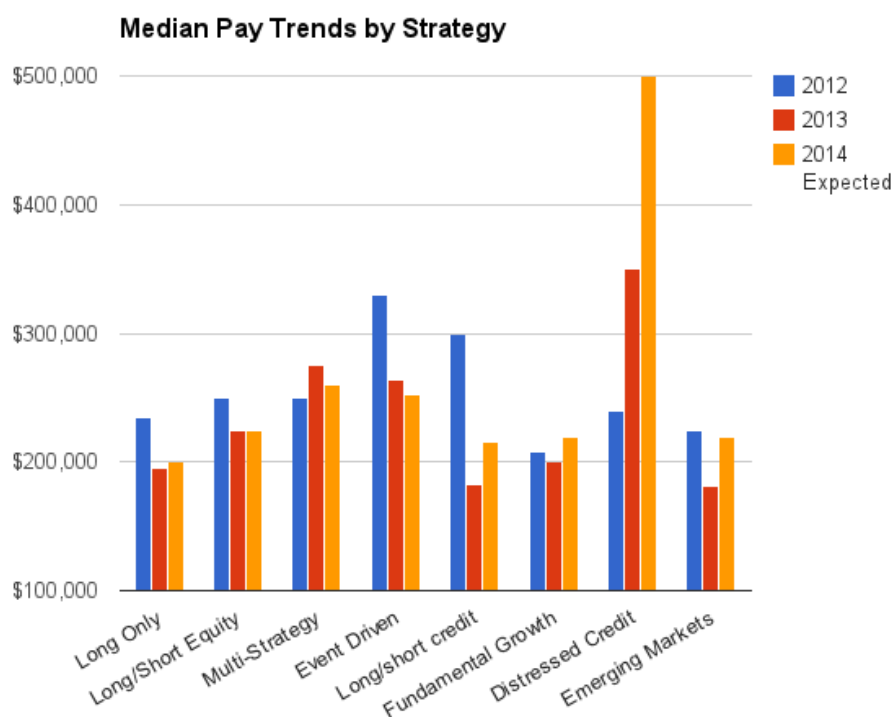
The vast majority of SumZero users focus on stocks, but the base of other asset classes is growing rapidly. For instance, we can see with statistical significance that our secured debt users make around \$50K more than our equity users.



Annual Trends

In the following section we segment our data further to highlight year over year trends in the buy-side since the 2012 inception of our compensations platform. Few of the following results have statistical significance and they have been included for informational purposes.





For more information on SumZero Compensation or the broader SumZero buy-side community, go to sumzero.com or email us at support@sumzero.com.