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Big Firms Downsize But Q1 Hedge Fund Hiring Sees Uptick

By Lydia Tomkiw April 26, 2017

The first quarter of 2017 has seen an overall uptick in hiring as hedge fund industry inflows begin to rebound after a difficult 2016. But some firms – including notable names such as **Och-Ziff Capital Management**, **Tudor Investment Corporation**, and **Bridgewater Associates** – have concentrated on slimming down their staff sizes, industry watchers say.

Headcounts are continuing to grow at some of the industry's giant, institutional-quality multimanager and multistrategy hedge funds at the same time that high profile closures like **Eton Park** take place and smaller funds are either absorbed or shutter, says **Michael Goodman**, managing partner at New York-based recruiting firm **Long Ridge Partners**.

"It's an interesting environment because you're seeing more hedge funds than ever close down. There continues to be a fair amount of redemptions…There's fee compression in the space, yet the demand for talent has never been higher," Goodman says.

Recent ADV filings with the **Securities and Exchange Commission** show a range of activity from firms regarding their full- and part-time employees, excluding any clerical workers. **Two Sigma Investments** saw its staff grow from 856 in November 2016 to 1,075, according to its latest filing at the end of March. The firm declined to comment about its increased staff. California-based **Farallon Capital Management** added a handful of staffers, growing from 161 employees in July 2016 to 167, with its assets under management reaching $22 billion.

Others have been paring back. **Bridgewater** saw its employee count drop from 1,583 in late August 2016 to 1,491 in its March 31 filing. Under a Connecticut state program, Bridgewater could create as many as 750 new jobs by 2021 in a deal that involves state assistance and a tax credit, as **reported**. The firm declined to comment. Och-Ziff saw its staff size drop from 659 in its late January 2017 filing to 498 in April, according to a spokesman for the firm. The spokesman says the 659 number in the ADV represents the firm's headcount at the beginning of 2016. Tudor Investment's staff count dropped from 409 at the end of September 2016 to 355 at the end of last month. Tudor has cut its fees and hired mathematicians and scientists in a quant push, as **reported**. The firm declined to provide further comment.

The hiring boost comes as the hedge fund industry sees a recovery from its worst monthly outflows since 2009, with $29.3 billion leaving the sector in December 2016. Investors put a net $15.7 billion in March into hedge funds for a total of $21.9 billion in inflows during the first quarter of 2017, according to **eVestment**. The March inflows marked the largest for the industry over the past 20 months, with new capital targeting macro, managed futures, and quantitative equity strategies.

“There are a decent number of firms that did do pretty well and they are hiring in a normal way. ‘I need two of these, an analyst in this group’…nothing dramatic,” says **Adam Zoia**, CEO of search firm **Glocap**. “What’s new is the idea of downsizing.”

Some hedge funds are focusing on becoming leaner and more operationally efficient, while for those looking to hire it has become a bit of a “buyer’s market” thanks to some big name closures in the past year, says **Deepali Vyas**, head of Americas global markets and the hedge fund practice at **Heidrick & Struggles**.

“It’s always in cycles – firms typically over-hire when things are great and get rid of staff when things aren’t great,” she says. “It’s really thinking about what’s necessary.”

One area that remains hot is quant hiring, from data scientists to statisticians. Distribution has been more mixed with many cuts in the space, but others are hiring for such jobs. Larger firms are looking for investor relations professionals as well as strategy specific specialists who can provide nuanced coverage, Vyas says.

Hedge funds have also picked up their hiring of experienced marketers as firms respond to investor demands for better fee structures and client service, says **Sasha Jensen**, CEO of **Context Jensen Partners**, an executive search firm.

“There continues to be strong demand for experienced marketers that can move beyond the Rolodex and really connect and develop deep relationships with investors,” she said in an email to *FundFire*. “Already in the first quarter we’ve seen record hiring numbers across all alternatives, with nearly 20% growth in the hedge fund space compared to the same quarter last year.”

Many hedge funds were overly optimistic about asset growth and became overstaffed, and many knew they needed to make cuts, says **Alan Johnson**, managing director of compensation consultancy **Johnson Associates**. While some of the changes have been significant when examining the total percentage of the workforce, clients are savvy enough to know to be focused on the half dozen people that are critical to moving a firm forward, he says.

“It is possible and it’s happening where performance is getting a bit better and they are letting people go,” he says. “The business side of it is a little different than the return side of it.”