VALENTINE THOMAS
& PARTNERS

# VT People Report

2023

# 2023 People Report

The asset management industry started 2022 in a position of unusual robustness, with strong inflows and performance. But optimism was short-lived as a perfect storm of events took place, sending markets into bear territory.

Despite the headwinds, our clients adapted to the challenging environment and most firms had successful years, as indeed did we at Valentine Thomas & Partners, and we are pleased to report a further successful year completed with new appointments across C-Suite functions as well as team moves and Portfolio Management and Distribution hires.

From a talent viewpoint, the first half of the year was as busy as anything we have ever seen, although made little sense from a macroeconomic perspective. Inevitably a lot of hiring in ESG but also huge demand in Private Markets / Real Assets, both investment and particularly distribution. Additionally, of course, given the post-Brexit environment here, we saw a lot of UK and European distribution searches as asset managers sought new models to access clients and prospects.

This is the third year of the VT People Report – a brief analysis of hiring data over the past 12 months. Whilst there are many areas of focus, we want to highlight some key hot spots we observed from last year and, in particular, compare the findings year-on-year. Whilst our data is just a snapshot of publicly available data, it nevertheless showcases some interesting trends.

## The rise and rise of Private Markets

> "Talent retention remains our top strategic priority"
>
> *Infrastructure Investment CEO*

The continued mainstreaming of Alternatives has seen managers focus not only on their traditional strengths but also increasing their product offerings in new areas, be that illiquid credit, infrastructure, real estate, or private equity. In addition, managers are expanding distribution of their existing products to new customers, such as retail investors. Managers such as Apollo, Blackstone, KKR, Ares and Brookfield have all built teams focused on developing their footprint in the Wealth channel.

And with that mainstreaming has come added responsibility for Alternative managers, with increasing scrutiny on fund managers' talent management programs and ESG policies. In addition to delivering on their commitments, Alternatives firms are embracing a more long-term view of their overall business to position it for the future, becoming much more focused and active around succession planning strategies. Talent management has become more pressing for managers, leading to rising compensation and increased focus on diversity, equity and inclusion (DEI).

# Distribution

2022 was an incredibly busy year for distribution hiring with many firms either reinforcing client-facing teams or growing into new geographies/channels. Valentine Thomas has been busy across this area, with both traditional and alternative firms, and we do not see this area slowing down.

Distribution leadership hiring has been busy with many firms looking to reimagine their client-facing businesses. Today the role is almost akin to that of a Chief Commercial Officer, with responsibilities for digital strategy, acquisition strategy and many other areas. It is not surprising the last few years has seen this talent pool move into the CEO role as firms understand that the 'client is king'.

Fewer international firms setting up in the UK market – for years this has been a busy market for international firms looking to get a foothold in the UK market and beyond. We have witnessed a slowdown in firms looking to set up a London hub and hope it is an impact of Covid vs a long-term trend due to Brexit and other factors.

> "Our big growth engine is the wealth management channel. We are growing rapidly to cover an ever increasingly complicated European landscape."
>
> *Global Head of Wealth Distribution, Private Markets Manager*

Institutional hiring has been steady but not remarkable. Again, pockets of hiring has seen areas such as the Nordics, Switzerland and Germany continue to dominate the talent flow. We have seen little movement in the Consultant Relations channel and UK institutional has had its well-documented challenges post the now infamous mini-budget last year. Firms, and people that cover this channel, need to revisit their coverage model of this segment going forward. It is no coincidence that many who cover this channel are thinking about broadening their remits.

Unlocking the wealth / retail channel has continued to be a priority for many investment managers. Firms are looking to hire individuals who have a depth of relationships in the wealth community, be that discretionary, GFI and family office clients and people that can really bring a clear strategy on how to win in this channel. Interestingly we observe that alternative firms are open to hire individuals that have less 'alternatives' experience in order to bring in 'expertise' in wealth.

Many salespeople are keen to consider a move to alternative asset management. They want relevant product and a chance to grow their respective markets. Many have made the move and it continues to be a trend we witness. That said, there is a clear difference in mindset and approach from selling an open-ended fund to selling a closed-end product.

We have had many conversations with clients around what future client facing team structures will look like, what does the salesperson of the future look like etc. Whilst many consider this area, few make radical changes in line with this. This is driven by existing team structures, territories, client ownership and bonus models which are hard to change. That said we are starting to see changes at the more junior ranks in distribution talent.

The 'talent squeeze' in the industry still persists, even with the challenging macro backdrop. We constantly hear how firms really struggle to attract or retain talent at the mid and junior levels in particular. Our prediction in this area will be hiring will be slower through the first half of the year and the second half will see firms come back to the market at broadly the same time, looking at the same talent which will lead to..... more talent shortages, more demand and higher compensation levels (haven't we read this story before!).

# ESG

> "ESG continues to be a talent hotspot in today's hiring landscape. Salaries and bonus levels continue to rise in a market where demand exceeds supply"
>
> *Head of ESG, Global Investment Manager*

Despite momentum and positive long-term outlook, ESG investments haven't fared as well in 2022's bear market. For example, with a war on our doorstep, the strong climate focus suddenly took a back seat to the EU's energy resiliency. Furthermore, with numerous accusations of greenwashing, investors, regulators, and consumers alike have been wrestling with how to measure, expose, and safeguard against corporates or investment products overstating their environmental or social benefits.

Although near-term there is uncertainty around rules, the emergence of higher-quality consistent data and clearer standards will help. Despite this, asset managers globally are expected to increase their ESG-related assets under management to $34 trillion by 2026.

Regardless of where we are in the market cycle, one thing is clear; ESG talent at all levels remains truly sought after. Over *10%* of all moves we recorded were dedicated ESG roles, whether they be investment, product, or distribution.

ESG continues to be a talent hotspot in today's hiring landscape. Salaries and bonus levels continue to rise in a market where demand exceeds supply. Firms must evidence a genuine commitment and plan to drive greater ESG integration and be prepared to offer rewarding compensation packages that offer good upside.

# DE&I and Culture

> "The most enduring principle of sound investment management is diversification, yet it is remarkably absent from team construction across all spectrums of the investment profession."
>
> *CFA Institute*

In the UK, initiatives such as 10,000 Black Interns and the Diversity Project are gaining prominence and making giant strides in creating opportunities for underrepresented talent. Indeed, at Valentine Thomas, we have just taken on our first intern in partnership with 10,000 Black Interns.

Whilst DE&I takes up a huge amount of time internally, culture is another area that we see firms investing more time and resources in. In a post-pandemic world where there is a fragmented workforce due to the rise in remote working, leaders need new skills and learnings to help lead and develop these teams. What worked before will not always work in the future. Firms that help their leaders retool will be the winners of tomorrow.

Whilst everyone working in the investment management industry clearly understand their priority is to deliver investment performance for clients, employees now want to go further and understand what firms are doing around purpose, both internally and externally. They want to understand the firm's mission statement, it's corporate culture and how it responds to some of the main macro themes today such as ESG and Diversity. Firms are having to get much better at creating working environments that can answer these questions whilst delivering performance for their clients. Not an easy task in the current environment!

Valentine Thomas are pleased to report that of all moves within ESG, *59%* of those were female; which is an increase on last year's *55%*. Of all industry moves recorded, *30%* were female, and interestingly, with all leadership roles we recorded (C-Suite and above), *22%* of those went to females.

# M&A

> "UK fund manager M&A hits record in 2022 as battle for scale rages"
>
> *Financial News*

A recent Financial News article screamed "UK fund manager M&A hits record in 2022 as battle for scale rages", as a record number of deals came as firms sought 'synergies and growth' amid a tough economic backdrop. 192 deals ($6.7bn value) were struck involving UK fund houses in 2022, the highest number since records began. Headline transactions announced last year included Franklin Templeton's purchase of Alcentra and RBC acquiring Brewin Dolphin for £1.6bn.

With the industry facing bottom-line erosion, as well as organic growth challenges, asset managers will look for opportunities to gain an edge in areas that can spur future growth. We expect M&A activity to continue on a smaller scale across the fund management space, albeit focused on specific areas such as alternatives.

We continue to see traditional asset management groups expand offerings in alternative investments as they seek to boost profitability and, often through M&A.

However, this brings its own challenge in the form of cultural fit. Alternatives groups pay their employees differently compared to traditional managers, relying heavily on performance, and overall compensation can be substantially higher. One way to avoid this is by taking stakes in individual asset managers that remain independent and are run separately, rather than full blown acquisitions.

M&A naturally brings about cost savings, a major part of this being talent. We spoke with many people last year who were impacted negatively by M&A activity, irrespective of their performance. Inevitably, we see this trend continuing as firms seek out cost savings and operational synergies.

# Compensation

> "Bonuses across both investment and distribution will be down by as much as 20% compared to last year"
>
> *Head of Human Resources, UK Asset Manager*

Many firms have recorded steep falls in assets under management this year, driven by heavy investor outflows and market performance amid a backdrop of soaring inflation and rising interest rates. Global asset managers are facing tough decisions in 2023 as falling assets force them to cut costs while, at the same time, finding themselves under pressure to upgrade their technology and win new clients.

This is resulting in both lower bonus pools for most firms compared with last year, as well as specific areas of hiring activity. Our conversations with senior HR and line management suggest bonuses across both investment and distribution will be down by as much as *20%* compared to last year.

We do not observe any major changes to compensation structures. However, one area that is consistent across all individuals working in this sector is a push for increased base salaries. Inflationary pressures, the cost-of-living crisis, and a rise in mortgage rates mean people are increasingly fixated on what is 'guaranteed' vs the promise of a bonus.

That said, going forward, many employees will face real wage cuts as annual compensation increases fall

behind inflation. For asset managers, these realities will be layered on top of longer-term technological

transformation, a declining-fee environment, and ongoing political disruption and uncertainty.

# The Year Ahead

> "The global economy is slowing and the UK is in recession, and will remain so for the whole of 2023"
>
> *Office for Budget Responsibility*

Longer term, the UK is facing a decade of huge economic change, from restructuring after Brexit and the pandemic, to urgently transitioning towards a net zero future, and adapting to technological shifts amid an ageing population. As ever, there will be opportunities for nimble and focused asset management firms.

Looking ahead, the downward pressure on fees shows no signs of stopping, and whilst active management remains under pressure, one would expect that recent market actions would be a catalyst for a possible active comeback.

Equity markets have enjoyed a strong start to 2023 and we expect fixed income to bounce back strongly from the painful selloff in 2022, with yields and valuations now look more attractive than they have for a long time.

The demand for private markets investing continues unabated (with special interest in 2023 for yield-oriented and inflation-protected strategies).

In terms of work patterns, as much as some employers want their employees back in the office, they need to be flexible with their demands. Asset management firms that promote workplace flexibility have an advantage over those that don't. Employees and applicants with options will go where the grass is greener.

In the current challenging environment, CEOs and leadership teams need to be laser focused on their business strategy. Evidence would suggest that firms need to play to their core strengths more than ever, and not be distracted by "shiny object syndrome".

** The information in this document has been taken from both public and private data sources and intended as a market snapshot. In no way is it designed to reflect the hiring market in its entirety.*

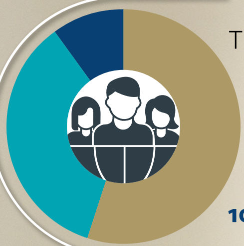
# VALENTINE THOMAS & PARTNERS

# 2022 People Report

Over the course of 2022, Valentine Thomas analysed more than one thousand people moves in the asset management sector. We analysed major hiring trends and crunched this data further.

The top EMEA hiring hotspots throughout **2022**


VALENTINE THOMAS & PARTNERS



The split of Valentine Thomas' leadership search activity was

**55%** Client Facing

**35%** Investments

**10%** Other

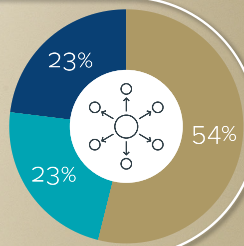
**41** CEO hires have been recorded; **20%** of which were female.

Out of all the CEO hires,

**54%** had a background in Investment,

**23%** had a background in Client Facing,

and **23%** had a background in other.

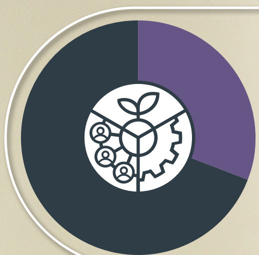



The male and female leadership split was **75% : 25%**.

Out of the total female moves recorded,

**22%** were within a leadership* role.

**22%**



**31%** Out of the total female moves recorded, **31%** were ESG-related.

Overall, the ratio of **Male : Female** ESG moves recorded was **41% : 59%**

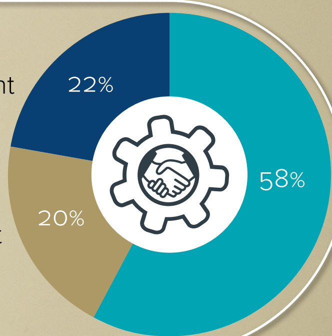
Over one thousand movements; of which **70%** Male, **30%** Female

The proportion of investment to Client Facing related moves were as follows:

**58%** Investments,

**20%** Client Facing,

**22%** Non-Investment




*Leadership moves relate to C-Suite and above titles

**Please note that this data is reflective of a UK news market.

# About Us

Over **550** searches conducted

Team of **7** dedicated to investment & Wealth Management

Placements in **13** countries

**100+** collective years of asset management search experience

- Valentine Thomas is a partner owned business. We lead every search and adopt a partnership approach to each engagement.
- Founded in 2004, we are dedicated to investment and wealth management.
- We are a leading boutique in the asset management market, with an outstanding network and a database of over 50,000 people.
- We have no shareholders to service; our clients come first.
- Given our size, we can offer our clients flexibility for each engagement.
- We have a small off-limits list compared to larger firms, allowing us greater access to the talent market.
- Reputation for Diversity appointments.

## The Team

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