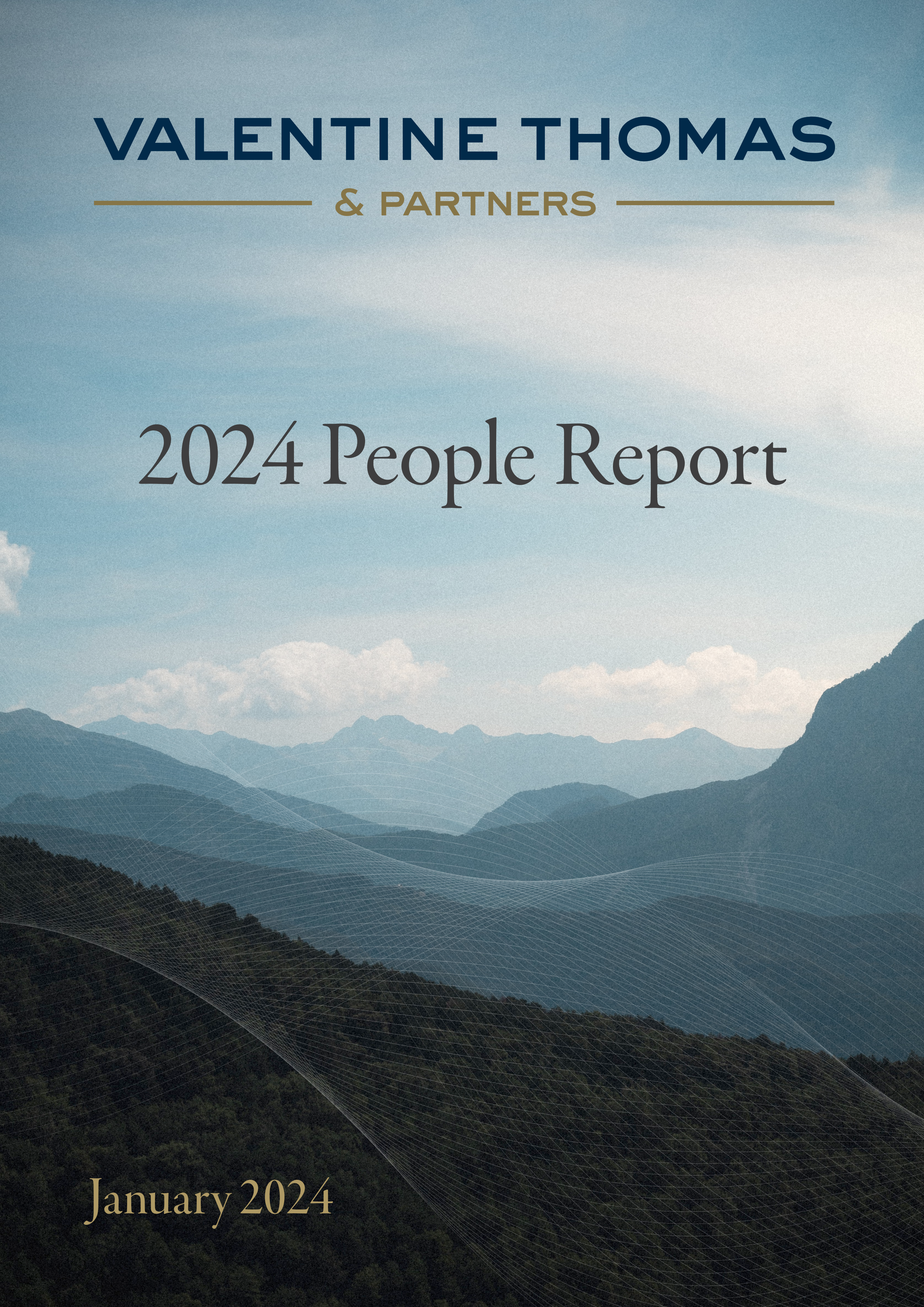
VALENTINE THOMAS

& PARTNERS

2024 People Report



January 2024

2024 People Report

Introduction

From a talent perspective 2023 was a job seekers annus horribilis! Doom and gloom largely dominated the talent headlines with either performance issues or job cuts. BlackRock, abrdn, Janus Henderson and Wellington led the way, however, almost all managers followed suit to a greater or lesser degree. Most firms battened down the hatches and made do with their current stable of talent.

Smaller bonus pools and select headcount reductions were played out at many asset managers; there was a clear 'pay for performance' model in place as firms looked to prioritise high performers at the expense of others. In stark contrast, the first 9-months of 2022 were as busy a hiring market as anything we have ever seen, although this made little sense from a macroeconomic perspective.

Come Q4 of 2022, we noticed a significant slow down in hiring activity in not only our clients but across the board. Virtually every mainstream asset manager put in place hiring freezes for all non-essential roles and the first 6 months of 2023 was as quiet as anything in recent memory.

But every cloud has a silver lining, and in the summer we started to see asset management hiring pick up, tentatively at first, but gathering pace and providing a welcome contrast to the first half of the year. At Valentine Thomas & Partners, we are pleased to report a challenging yet ultimately successful year, with an emphasis on critical strategic projects across C-Suite as well as Portfolio Management and Distribution hires.

There seems to be very little pattern to the hiring activity and it is hard to pick 'hot spots'. What is clear is that any senior hiring is thoughtful and business-critical.

Budgets are still heavily scrutinised and we do not see this changing throughout this year. We also note that hiring has taken longer than we can ever remember. Many more people want to interview candidates, timelines get pushed, headcount is given then retracted. This is a problem for both job seekers and firms in hiring mode.

So whilst we are not back to 'normal' hiring conditions, the backdrop feels much healthier than it did a year ago. Clients are talking to us about plans, team structures, and future growth areas which is reassuring, and we note a pick up in hiring more broadly. We think a large part of this is that asset managers cannot sit on the sidelines indefinitely and wait for the storm to pass.

Our 2024 People Report highlights some of the significant trends and themes in the market, as well as a comparison between the asset management talent landscape in 2022 v 2023 with a few crystal ball gazing predictions for 2024.

Comparison 2023 v 2022

From our data, we observed that overall front office asset management hiring was down *35%* for the first 9-months of 2023 compared to the same period in 2022. This was a bleak headline but one that warranted further analysis.

Please note that the data below is taken from public sources that we capture throughout the year. Also note that we specialise in senior hiring and the majority of the time it is only senior hires that are reported on.

- In the first 9-months of the year, there was a *48%* drop in the number of females appointed to CEO positions, however, some notable appointments in Q4 saw this statistic even out to post similar results to 2022. It is also interesting to note that even though overall hiring activity was down in 2023, we recorded a *34%* increase in CEO hiring. This is not uncommon to see in challenging markets as boards look to bring in CEOs who can navigate both turbulent waters and give a clear strategy to where a firm will emerge in the next 3-5 years.

*The data above is reflective of the people moves recorded in our monthly People Moves Newsletters, captured from public sources throughout the year. This data reflects senior executive appointments only.

41 CEO Hires in 2022*

55 CEO Hires in 2023*

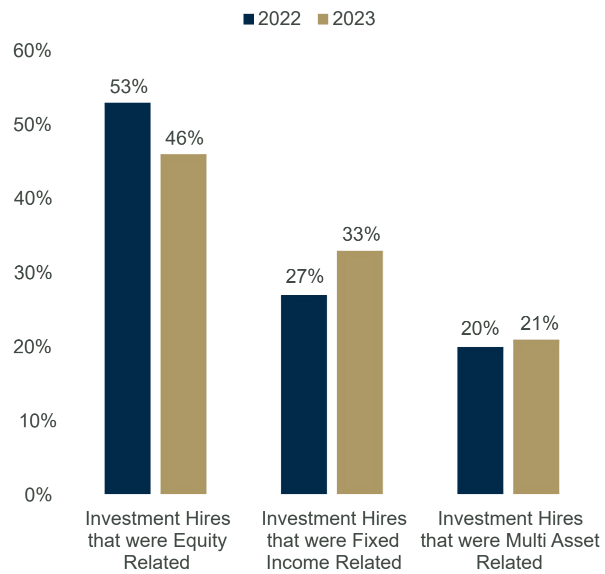
- **Distribution** hiring remains strong, with our data showing a near *20%* rise (a proportion of these will be hires made in late 2022, published in 2023). Unsurprisingly, there has been a lot more growth in hiring within the Wholesale / Wealth channel in the UK and Europe when compared to Institutional. That said, there have been pockets of hiring activity within institutional sales and the picture across continental Europe has been more robust, especially in Switzerland, Nordics, and the Netherlands, where we are active on several searches.

103 ESG Related Moves in 2022*

38 ESG Related Moves in 2023*

- **ESG** hiring has a taken significant hit (down *63%* year-on-year). On the surface this contrast could be seen to be a by-product of the US backlash against the use of ESG, with 18 US states introducing some sort of anti-ESG law. In Europe, the reality is largely down to the extremely high levels of hiring activity seen in 2022. Whilst ESG hiring will remain core to most investment managers' hiring plans long term, last year was more considered and the rush for talent at levels subsided. This was aligned with performance in this area being down in most cases.
- **Investment hiring** has seen pockets of activity, but the overall picture is a reduction of *9%* compared with 2022. Within that, Equities has seen the biggest drop, although there have been some notable thematic hires as well as some upgrading and building of Analyst teams.
- **Fixed Income** has seen a slight rise; hardly surprising as bond markets recover, and Central Banks make a decisive exit from QE. Multi-Asset saw few hires in 2023, as some firms shuttered funds and others reduced headcount.

Investment Hiring*



Compensation Trends

In the case of firms that were hiring, salary negotiations have reached a stalemate as employers found themselves constrained by tight budgets, while candidates were still living in a bygone era of inflated pandemic-era packages. Economic realities forced compromise on both sides.

Furthermore, hiring cycles grew longer as cautious employers insisted on additional layers of interviews and due diligence. There were signs that candidates were beginning to become more risk-averse when it came to moving jobs, as the old adage of last-in-first-out reared its head once more.

2022 was a difficult year for compensation and 2023 was also challenging. Firms had to balance blanket requests for higher base salaries (existing and new staff) with smaller bonus pools. Performance management is now conducted across all our clients when it comes to bonus discussions. We hope 2024 sees a return to a better balance on compensation.

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M&A

In November 2023, Financial News quoted Martin Gilbert saying this is as "good a time as any to acquire, but it's a competitive landscape with more buyers than sellers". Gilbert noted that integration remains a key challenge "It's easy to buy and it's very hard to integrate."

This echoes our own conversations with asset management leaders. 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 across the fund management space, albeit focused on specific areas such as alternatives. 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.

Predictions for 2024

There is already a pick-up in fixed income hiring activity, both investment and distribution. Teams that have remain unchanged are now starting to add investment talent, strengthen distribution networks or, at the extreme, upgrade fixed-income talent on a team wide basis.

Active Equities remain a core part of portfolios. We anticipate seeing more activity across thematic and value strategies as firms diversify from growth strategies. There is a real appetite for teams that come with a track record and assets, which is easier said than done.

Mainstream firms will continue to hire private market talent as they look to grow their product offering. The challenges of culture, compensation, and bonus incentives remain (which we have covered in detail in previous articles); that said, firms seem to be moving forwards within this area.

In the medium term, as the global economy heads back into growth, and inflationary and interest rate pressures ease, asset management revenues will bounce back. We anticipate that this increase will be led by a continued surge in private markets revenues, which is predicted to account for around half of global asset management revenues within five years.

The search for growth and yield is taking asset managers into new segments, geographies, and asset classes, with all the expected results: additional complexity, operational demands, and risk of being spread too thin across subscale offerings.

We expect another wave of senior distribution leadership hiring to be conducted in 2024. Many firms still need to bring in leadership that can meet the new market dynamics. We expect distribution hiring to remain consistent at a country level, with some regions busier than others. UK institutional will continue to be challenged and we observe people in this channel looking to diversify their experience (channel or geography).

ESG hiring remains topical. 2023 has been a difficult year for many ESG investments and we note the impact on talent. Our view for 2024 and beyond is consistent, this area will remain a core pillar for firms and will only grow. There may have been a slowdown in hiring, but this has been from an incredible high. It feels more like a sensible and balanced hiring market for this talent pool currently.

Whilst 2023 has been difficult, we are seeing more activity and more confidence in the market. Hiring levels will be up this year as firms look to position themselves for better times ahead.

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