# Another Gloomy Bonus Season for the Buy Side

## 2016 Asset Management Compensation

December 13, 2016
Executive Summary:

Pay levels in the asset management industry are on the decline in 2016—marking the second consecutive year of reduced compensation for professionals at traditional asset management firms and the third for hedge funds.

Even after recent disappointments in pay, this year's bonus season could bring some unpleasant surprises. The reason: Last year, for the first time in recent memory, some traditional asset management firms faced difficult conditions but found ways to avoid or at least minimize compensation cuts. In the face of continued business headwinds, that will be much harder to do this year—and even more difficult for hedge funds, some of which are feeling extreme pressure following several consecutive years of disappointing performance.

As major investment indices have climbed to record highs over the past 12 months, another pay reduction might come as unexpected news, particularly for portfolio managers that have notched solid investment returns in their own funds this year.

## NOTABLE TRENDS AND TAKEAWAYS

- Incentive compensation down versus prior year
- Incentive declines for second year in traditional asset management and third year for hedge funds
- Potential for misalignment of expectations (employee perception and firm realities)
- Pressures on asset management business continue; regulatory effects and fee pressures expected to reduce margins
- Hedge fund pay continues to be below peak
- Flat or lower than prior year compensation levels for professionals across the board
- Deferrals have stabilized
- Even in challenging environment, better outcomes with improved communication and performance management
- Individual performance perceived as having reduced impact
- Increased differentiation and improved performance management essential
- Sales compensation remains in the cross hairs

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