ODYSSEY SEARCH PARTNERS

Odyssey's Quarterly Newsletter – Q1 2018

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"Man cannot discover new oceans unless he has the courage to lose sight of the shore." – Andre Gide

As we start the year off, we reflect on the economic confidence that developed in 2017 and take a stab at how we envisage hiring in 2018. We examine one of the areas garnering even more attention lately - the fund marketing world. Another phenomenon we've been witnessing is how private equity firms are diversifying their areas of focus; we delve into this in the third article.

Additionally, prospective managers often find themselves deciding between joining a seed platform or starting their own fund - we evaluate the choices involved here. Finally, we step back and examine what some describe as "the war on talent." How have methods to source and interview candidates evolved over the last decade for both recruiters and funds?

We look forward to your thoughts, your feedback and continued dialogue, and wish you well for 2018.

The Odyssey Search Team

Hedge Fund Moves

Name	Joining	Leaving
Adam Ramada	Islet Capital	Och-Ziff Capital Management Group
Chris Crawford	Maplelane Capital	JAT Capital Management LP
Chris Driessen	Point72 Asset Management	T Rowe Price
Michael Oriolo	Millennium Partners	Point72 Asset Management
Robert J. Lee	Select Equity Group	Hoplite Capital
Sandeep Kulkarni	Consonance Capital	QVT Financial

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Performance, Compensation and Hiring in 2017 & 2018

If asked to pick a word to describe investor sentiment in 2017, many would choose 'confident.' The rising stock market, the growth of cryptocurrency and the sale of a (damaged) Leonardo Da Vinci painting for $450M, all serve to highlight the collective belief that the 2008 crash is now in our rear-view mirror, and that the economy is back on sure footing.

This confidence has afforded a boost to several investment strategies, chief among them the hedge fund industry. According to eVestment, the average hedge fund gained +8.8% during the calendar year 2017. While this lagged the S&P500 at +19% and the NASDAQ at +28%, it remains the best return for the industry in several years. Compared to the net withdrawal of $106B in hedge fund assets during 2016, hedge fund assets grew $188B in 2017 (data from Eurekahedge). Exactly half of this stemmed from inflows and the other half from performance gains. Market neutral and event-driven strategies did best. Over 80% of hedge fund managers posted positive returns in 2017, the highest proportion since 2013. This provides welcome news for an industry that has suffered some major setbacks in recent years, and whose recent press coverage has concentrated on fund closures and the growth of passive management.

With the boost in performance came an uptick in compensation expectations. In a Q4 Odyssey survey of investment professionals, hedge fund investment professionals predicted that 2017 year-end bonuses would be over 30% higher than the previous year, and private equity professionals expected a 10% rise. Yet, these expectations may not have taken into account high water marks and fee compression. New fund launches in 2017 had an average performance fee of 17.11% and management fee of 1.26%, well down from the traditional 2 & 20. While it is still too early to draw official conclusions on year-end compensation (*be on the lookout for our Q2 newsletter, which will feature a year-end 2017 bonus analysis*), we've spoken with several funds, investors and allocators, and can unofficially surmise that 2017 comp did rise year-on-year, but only modestly (5-15%). This would be well under general analyst expectations (*as Odyssey predicted - see coverage in Bloomberg, Dec 2017*).

Private equity, meanwhile, seems to be going from strength to strength and 2017 saw record fund launches. According to Citi Business Advisory, the years 2014 to the first half of 2017 saw $2.7T flow into alternative investments, 43% of which flowed into traditional LBO private equity, 35% into infrastructure/real assets, 12% into private debt and just 2% into hedge funds (though that still represents $53B). We also saw in 2017 a boom in more esoteric private investments (*an article on this topic starts on page 5 in this Newsletter*). Private credit/direct lending continued its rise.

In terms of hiring, strong juniors from investment banking programs were in greater demand than ever in 2017, as investment managers competed with tech firms, VC/growth firms and each other for access to top-tier talent. The on-cycle process, which initiates earlier and earlier every single year, actually began so early that it was over by the December holidays (to clarify: this means that summer 2017 college graduates who started on banking desks in August/September 2017, interviewed and were given offers to start in buy-side roles for the summer of 2019!). Specialists (Healthcare, TMT, Energy, Financials) remain in high demand, and outside of the core investment roles, most buy-side firms seem to be searching for data scientists and client service professionals with banking and investment experience.

We often hear the phrase, "There's no shortage of people applying for jobs, but good people are hard to find." The WSJ noted that US unemployment stood at 4.1% by year-end, the lowest December figure since 2000. If world recovery continues apace (The World Bank predicts global growth of 3% in 2018), then demand for new hires will continue to be robust.

Though nothing is inevitable. Geopolitical events could certainly throw the world economy off track. We're one press of a button (big or small) from a cataclysmic event. Given the potential for global calamity, inflation, rising rates and cryptocurrency bubbles popping are less dramatic headwinds to be concerned about, though remain risk factors. Ending the year, we saw a big uptick in distressed credit searches – apparently some investors are planning for an end to this bull run. However at this very moment, at least, those headwinds aren't strong enough to shake the foundation of early 2018's economic temperament: investor confidence.

The Increasing Significance of the Fund Marketing Function

Marketing is currently under the spotlight. Given the generally positive fund returns of 2017, along with added pressures on fees and assets, funds are turning to their marketing functions to maintain and grow their assets. With this in mind, we took the pulse of a number of leading hedge fund and private equity marketing and IR professionals about the key trends in marketing in 2018.

Below are the core themes we encountered:

1) **Increased Customization –** Clients are demanding more and customization is the new name of the game. One Marketing head put it simply, *"The power has basically shifted – before LPs needed access to the best GPs; now GPs need the support of the best LPs."* As a result, there's an increased need to cultivate a real partnership with clients, which manifests in bespoke solutions like SMAs and "fund of one" mandates. It takes more technical and consultative sales people with a knowledge of structuring to handle the increased array of wrappers that financial products now come in (UCITS, 40 Act, etc.) The client needs to feel understood and catered to more than ever.

2) **Increased Complexity –** As demands have increased, investment product complexity has increased in parallel. LP accounts can consist of fund and direct investments, and co-investments. Many funds have experienced a blurring of asset classes between private/public, equity/credit, long/short and long only. Speaking to drivers of long/short equity performance is one thing, but doing so for litigation finance or royalty investing requires a new degree of sophistication. The current expectation is that complicated questions are not to be deferred to the PM or CFO – and this is happening as funds are being pressured to be even more responsive and transparent. As one senior marketer told us, "*Being able to think strategically across multiple asset classes or functions should continue to be valued more as the world continues to blur between fund investments, co-investments and one-off opportunities."*

3) **Increased Need for Industry Expertise -** The caliber and training of business development professionals is being pushed ever higher. One driver of this trend is that tougher questions are being asked. What are the risk limits and how are they imposed? How is the fund utilizing AI and Big Data? Is the fund tackling concerns over cyber security and succession planning?

   When asked about how to solve for this, a PM at a multi-billion-dollar fund explained: *"There is an enhanced need for business development professionals to have the requisite investment background, as well as an understanding of evolving allocator needs."*

   An alternative solution, especially within bigger marketing teams on the private equity side, is for co-existence and collaboration between professionals with different competencies. As explained by one senior private equity marketer, *"It's nice to have salespeople with investment backgrounds but the reality is LPs still want to meet with investment professionals. So the value add of marketer with an investment background can be exaggerated and they may be less strong at relationship building, etc."*

In terms of the requisite experiences needed, another senior fundraiser and firm partner put it like this: *"People able to understand the portfolio, the business and the strategic direction of the firm – and potentially to help shape it – is something which has always been valued, yet has remained in short supply.*" Another head marketer stressed the critical need for experience "…*with intermediary clients including private banks, wires, regional broker dealers and RIAs."* Consultant relationships are highly valued, yet many noted these are currently lagging. Big firms are focusing on connections with family offices, sovereigns, and pension plans/wealth funds across Asia and the Middle East.

As this relates to the future structure of teams, here we might see a clear difference between alternative asset management firms. On the hedge fund side, we see more experienced and knowledgeable marketers; some foresaw a merging of the Marketing Director and Head of Business Strategy roles in order to better serve clients' highly sophisticated and customized requests. On the private equity side, many noted that the division at large funds between sales and product specialists will likely only intensify. A relationship manager might represent over a dozen offerings at the mega-funds *(see the next article in this newsletter about the expansion of the mandate of many private equity firms*). Specialists are needed to ensure clients receive the level of service they call for.

However, across all alternative asset management types, most felt that we are likely to see enhanced IR resources allocated in an effort to appropriately service clients' increasing demands. One Head of Business Development at a Midwestern-based global alternative asset management fund said: *"For the $10B+ Alternative firms, we will likely see an increase in intermediary coverage and possible cross pollination across consultant coverage and intermediary/platform coverage."*

Not everyone predicted that teams would radically change much in size or structure, but few doubted that the caliber of marketers, and the demands put upon them, would do anything other than increase. Throw in the continual fee pressure coming from all LPs and it's clear that being effect in the role today requires something different than it did in the past. In sum, it takes far more than a great rolodex and a winning smile to succeed in marketing these days (though these aren't bad things in themselves!) In a useful concluding remark, a marketing head and Managing Director of a value-based hedge fund told us: *"I think that people should and will continue to focus on multi-tool athletes as opposed to simply salespeople. Selling a product has changed and clients demand more."*

Odyssey has experience placing professionals on fund marketing teams – please contact us to discuss further: info@ospsearch.com or 212.750.5677

Private Credit Moves

Name	Joining	Leaving
Brian Gerson	FS Investment Corporation	LStar
Inoki Suarez	Carlyle GMS Finance	Varagon Capital Partners
Kurt Peterson	Cerberus Capital Management	White Oak Global Advisors
Kyde Sharp	OFS Capital	Fifth Street Finance
Sam Tillinghast	Sun Life Investment Management	THL Credit
Scott Johnston	Cerberus Capital Management	White Oak Global Advisors
Sobia Khaliq	HIG Whitehorse	Antares Capital
Steve Carboni	Medley Management	Antares Capital

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The Brave New World of Private Equity

Whoever said, “you can’t have too much of a good thing” never considered Private Equity’s success in LBO deals. The asset class has been flooded with capital from new funds popping up right and left, leading to an excess of demand outstripping supply. Any Econ 101 student will tell you that type of scenario leads to a hyper-competitive market with too much capital chasing too few deals, with deal prices artificially inflated and strong IRR growing harder and harder to come by.

Consequently, private equity firms have been diversifying beyond traditional large cap LBOs into areas such as private credit, mid-market, and infrastructure investing. Instead of trying to survive by chasing unattractive deals, private equity firms are instead looking at other private investment strategies, and then raising funds around those ‘esoteric’ strategies. Take, for example, the Carlyle Group’s 2016 launch of a $2.4B fund for middle-market buyouts in North America. Carlyle Equity Opportunity Fund II (CEOF II) targets investments in mid-market companies requiring equity capital of $20M to $200M per transaction. The fundraise more than doubles Carlyle’s previous mid-market vehicle raise of $1.1B which took place in 2012, thus illustrating both the parent company’s eagerness, and investor willingness to diversify away from traditional LBOs.

Here we aim to shed some light on five of the latest strategies that we see being implemented by private equity firms (in no particular order):

1) **Private Credit** – One of the most common diversification strategies private equity firms are employing is private credit investment. Lending provides exposure to either corporate or physical/financial assets as collateral, and can help achieve both capital preservation through traditional mezzanine or senior debt facilities, and return maximization via riskier plays such as distressed corporate credit funds.

   Although the Private Credit industry encompasses a host of niche products – each with their own specialized components and risk factors – this was one of the first sectors of the market that private equity funds turned to in their quest for portfolio diversification. Apollo, BC Partners, and CVC Capital are all prominent industry names who have branched out into the Private Credit markets with positive results.

   It should be noted that the term ‘Private Credit’ is a fairly wide umbrella which also encompasses some of the following categories.

2) **Infrastructure** – From ports to airports to toll roads to energy assets, Infrastructure and Asset Leasing is becoming an increasingly hot commodity amongst private equity firms looking to diversify into steady, low-risk and often regulated income streams. Large pools of capital have been been allocated by pension, insurance and sovereign wealth funds, and as a consequence, many of the top US Private Equity shops are now staking their claim. The most prominent example is Blackstone’s recent launch of a $40B US Infrastructure fund anchored by a $20B capital infusion from Saudi Arabia.

   Additionally, the definition of the term ‘Infrastructure’ has begun to expand. Once limited to social infrastructure projects such as hospitals, water/waste and education facilities, funds are now developing Asset Leasing businesses including aircraft, vehicle and equipment leasing. As one Managing Director of an Infrastructure fund told us: “*Given the ultra-competitive environment, the fund has begun to look at other cash flow businesses in the Energy/Power eco-system. We’re currently eyeing Heating Leasing businesses. They produce steady subscriptions from lease revenue for installing and maintaining heating equipment in industrial, commercial, office and multi-family residences.*”

3) **Litigation Finance** – At its most basic, the practice involves third party funders bankrolling commercial or class action / mass tort lawsuits in exchange for profit-participation on the backend. The investments are not considered loans, because they are non-recourse; meaning that if the case is lost, the funder receives nothing. Only settlements or outright wins offer a return on invested capital.

   According to the Litigation Finance Journal (www.litigationfinancejournal.com), an industry-specific news site, 2017 saw records smashed for fundraises in the industry. The only two publicly traded litigation finance funds, UK-based Burford Capital and Australian-based IMF Bentham, raised investment vehicles of $500MM and $350MM respectively (Bentham's fundraising total is aggregated over three separate raises throughout the year). Those vehicles were funded by institutional asset managers like Fortress and Partners Capital. And that's not to say the U.S. isn't getting in on the act – in September 2017, Chicago-based Longford Capital raised a $500MM litigation finance-focused private equity fund of its own, claiming it turned down the opportunity to double its target and raise a full $1B.

   There have been more entrants into the burgeoning sector every month and even mid-market private equity shops such as Bryant Park Capital and Old Hill Partners have begun investing in the space. They've opened up global offices to support these strategies ((including in Hong Kong, Singapore, Toronto and Sao Paolo). As a result, litigation finance could soon be on every alternative asset manager's radar – if it isn't already.

4) **Healthcare Royalties** – A highly-diversified asset class in its own right, healthcare royalties can encompass investments ranging from equity stakes in pre-trial drugs and medical devices to a structured credit framework where loans are made against an underlying patent. The steady cash flow that emanates from HC royalties are leading many private equity funds to view this asset class as an alternative to bonds (albeit a much riskier one at that).

   Some funds even opt to purchase the annuity from an existing prescription drug or medical device already on the market. Royalty Pharma, for example, is a $15B private equity fund that buys the rights to royalties on future drug sales. The fund owns rights to 7 of the top-30 selling drugs in America, including Humira, the arthritis medication that is the top-selling drug in the country. Royalty's LPs – University Endowments and Family Offices – have been enjoying an average annualized revenue boost of 30% per year from 2005-2016. Events in the healthcare space surrounding Turing, Valeant, and the now infamous Martin Shkreli (with the accusation of artificially inflating prices of lifesaving drugs) demonstrate what can go wrong in the world of healthcare royalty investment. Hence, it's crucial for private equity funds looking to delve into the space to ensure that their employees maintain deep industry expertise as well as acting in a way that is consistent with their firms' values. With big-name firms like KKR and H.I.G. Capital forming their own healthcare royalty funds, it's clear that the potential for generating returns in uncorrelated niche strategies is currently outweighing any concern over potential challenges..

5) **Growth Equity** – In contrast to traditional LBO deals, Growth Equity investing typically starts from the assumption that the underlying company is performing well, and simply needs a capital infusion to expand more rapidly. In such instances, the underlying company is not looking for an outside entity to come in, assume control of their managerial and operational structure, and 'turn things around.' That means that private equity funds looking to spread their wings into the Growth Equity game must be willing to assume a somewhat 'hands-off' approach (relative to their LBO relationships). This hasn't stopped some of the biggest names in private equity from attempting to make a go of it in Growth Equity. In late 2016, KKR closed their Next Generation Technology Fund ("NGT"); a $711M growth equity investment vehicle aimed at sourcing and financing investment opportunities in the TMT space. Very tellingly, the fund received strong backing from a diverse group of global investors, including public and private pensions, family offices, and high-net worth individuals. Much like Carlyle's above-mentioned expansion into mid-markets, this particular move illustrates just how eager top-tier private equity firms are to diversify out of traditional LBOs, and into a broader spectrum of investment strategies.

The Impact of this Expansion on Hiring

As a result of private equity's push into more diverse and esoteric investments, we've been noticing strong demand for industry professionals with the requisite expertise and rolodex. Firms are in the process of building out their strategies, and as a result, are hiring at all levels. In particular demand are junior and senior execution people and deal sourcing talent.

All in all, the world of private equity investment is clearly changing. What was once considered niche is now mainstream, and what was practically non-existent is now niche. It can only make you wonder what types of alternative investments are yet to come.

Private Equity Moves

Name	Joining	Leaving
Anisha Atluri	Turner Impact Capital	Clayton Dublier & Rice Inc.
Asher Hecht	General Atlantic Partners	Spectrum Equity Investors
Bren Hall	Brown Brothers Harriman	WCAS (Welsh, Carson, Anderson & Stowe)
Daniel Ayeroff	CIP Capital	ICG (Intermediate Capital Group)
Daniel Gaspar	TZP Group	High Road Capital Partners
John Wang	GI Partners	Symphony Technology Group
Lew Klessel	New Mountain Capital	Bain Capital
Ravi Purohit	Blackstone Group	Alinda Capital Partners

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Thinking Through Seeding Arrangements

When senior investment professionals decide it's time to go the entrepreneurial route, they face an inevitable fork in the road: do I start my own fund or do I get seeded by an established firm? Forfeiting autonomy in exchange for seed money is a welcome proposition for some, while others prefer to accept the added risk inherent in going it alone.

Of course, with seed money comes added benefits, such as back office support, help with fundraising, firm synergies and the ability to scale quickly by paying out full salaries and working capital. But getting seeded isn't as simple as approaching the nearest cash cow and sticking your hand out. There are three types of seed arrangements that prospective fund managers should be aware of: equity ownership, revenue sharing and platform provider.

In the chart below, we look at the pros and cons of each arrangement, from the perspective of both the fund manager and the seeder.

Seed Model	Pros and Cons for Manager	Pros and Cons for Seeder
Equity Ownership	**Pros:** Maintain independence and build franchise value. Obtain assistance in building the business. Benefit from association with a reputable brand.	**Pros:** Ability to exert control over manager's business. Can participate in success while allowing manager some measure of independence.
	Cons: Often more intrusive than pure revenue sharing since decisions have to be made in conjunction with the new partner (that may impose restrictions on certain investments because of risk tolerance or PR concerns)	**Cons:** Forced to cover management company expenses. Potential liability and regulatory reporting issues. Potential tax consequences of active participation.
Revenue Sharing	**Pros:** Manager maintains independence and builds franchise value. Future funds and strategies may not be affected. Benefit from association with a reputable brand.	**Pros:** Gain exposure to the return potential of a particular investment strategy. Seeder maintains independence from management company.
	Cons: Often provide minimal support, aside from payment of expenses prior to calculation of revenue share.	**Cons:** Limited or no control over manager's business decisions.
Platform Provider	**Pros:** Immediate access to significant capital, as well as operational and marketing infrastructure. Lower overall business risk.	**Pros:** Direct control and oversight of manager's investment process and internal business operations. Also offers best liquidity profile.
	Cons: No independent business, therefore may not have complete investment autonomy and you're typically an employee at will. Platform may impose investing constraints. Potential difficulties in extricating from the platform provider.	**Cons:** Highly resource intensive, and no separation of liability.

As we can see, there are immediate benefits and drawbacks to each approach, with preferences depending on one's risk appetite and ideal timeline. And often times people don't know what they really want until they try it. One equity manager who has struggled with scaling his fund confided, "*I got seeded, but if I could go back I wouldn't have taken it. I spent more time trying to run the business than investing, and felt a constant pressure to perform in the short-term – for my investors and for my team. Going to a place where I could run money without any other distractions sounds pretty good to me right now*."

Within private markets it should be noted that traditional asset managers such as pension funds and private equity firms with a large enough AUM usually take 50% of the incentive fee (while smaller funds can take as low as 30%). For that fee, they will pay the entire team's salary along with all operations, compliance, legal and accounting and help with fundraising. A seeder can also drastically alter both the initial AUM and time-to-market, as one entrepreneur recently discovered the hard way: Formerly a Fund Manager at a multi-billion dollar PE shop, the individual broke off to found his own hedge fund, with $1B in seed money from his previous employer. That transaction took a total of three months start-to-finish. When it came time to raise money for his second fund, however, the Fund Manager raised less than $400M after 12 months. Apparently, autonomy doesn't come cheap.

Additionally, getting seeded can prove beneficial for firms looking to enter a new asset class with similar fund cycles, given that HR, operations and other back-office infrastructure is already provided. For example, a private equity firm looking to start a fund-of-funds business or a traditional LP moving into private credit, may find that the instant AUM diversification outweighs any negative backend risks. One Partner at a $3B private credit fund we spoke with explained his rationale for taking seed money this way: "*We understood that to get the scale we needed, we'd have to be a small part of a much larger institution. That framework assisted us in being viewed as relevant in the market*." In his case, the Partner was able to utilize the existing credit infrastructure to leverage origination, loan administration, fund administration, sales and research capabilities.

Many managers want to "hang their own shingle" and maintain 100% control by going it alone. But those who are more comfortable with an "it takes a village" philosophy are finding greater numbers of flexible seeding arrangements available for the taking.

The New Face of Hiring: How Sourcing & Interviewing Candidates Isn't What It Used to Be

Sourcing and interviewing candidates are at the front lines of the hiring process. The mechanisms of assessing prospective candidates' skills, aptitude, and personality/fit have evolved due to technological advances as well as increased competition for the very 'best and brightest.' Hedge funds and private equity firms can now identify and evaluate prospective candidates with greater speed and efficiency, which only heightens the competitive nature of the fight for talent.

We at Odyssey decided to examine some key transformations that have occurred over the past several years, and the impact that those transformations are having on how firms conduct their hiring processes. In addition to utilizing our own expertise and resources, we spoke with several top fund managers and key HR personnel, and identified four major shifts in awareness and approach:

1) **More Structure** – Although the interview process is constantly adapting to various changing inputs, it's typically becoming less haphazard and more structured. Through speaking with HR personnel and candidates, we've discovered that interviewers are starting to ask the same questions, and apply the same set of criteria for each round. Firms are also filtering candidates through a set amount of rounds with definitive goals at each step. This stands in contrast to the more free-form interview approach practiced in bygone years when interviewers typically relied more heavily on their own individual instincts. It's important to note that the types of interviews given are generally industry-dependent, with hedge funds tending to focus on stock pitches, technical questions, brainteasers and mental math, and private equity firms opting for complex LBO modelling and a wider discussion of business strategies. Most investment management firms utilize case studies, with more firms recently shifting to an in-office format as a means of speeding up the process (2-4hrs in-office vs. 1 week for a take-home case), and to ensure that all candidates have access to the exact same resources (i.e. no help from friends). Psychometric tests are often given to obtain additional perspective.

   Additionally, the process usually contains a social element that wasn't as prevalent ten years ago. Firms often take candidates out for dinner and/or drinks during final round interviews. The reason being that firms are trying to draw the candidate out of 'interview mode,' and create a relaxed, social environment to better gauge the candidate's personality and 'fit.' After all, employers understand that new hires are people whom they're going to be spending plenty of time around. This is not necessarily a closing dinner or a celebratory reception of an offer, but rather a late-round step in the interview process.

2) **Social Media** – LinkedIn in particular has clearly shifted the landscape. The networking platform provides a window into a prospective candidate's professional life – their academic history, career trajectory, professional network and interests. While that makes it easier for individual firms to 'peek behind the curtain' as it were, it also creates pressure on firms to recruit quickly and efficiently, given that the entire hiring market now possesses the same level of access. The ability to attract a top-tier candidate is no longer reserved for the intrepid few who can manage to find avenues for reaching those tough-to-find candidate pools; everybody is in the game, further fueling the intensity of competition for talent.

   It's important to remember that this technology cuts both ways: candidates are also utilizing LinkedIn to research prospective firms and elicit 'reviews' from current and former employees. We often hear from candidates who have received an offer that they intend to connect with former employees on LinkedIn in order to diligence the firm. While firms can't control what people say, they can control what people see, which is why firms are starting to take steps to ensure a strong online presence, such as updating their LinkedIn page to try to highlight the firms' people, culture and overall strategy.

3) **Cutting Across Geographies** – "Back in the day" firms were more localized in their recruitment efforts. NY/CT funds interviewed NY/CT candidates, Chicago-based funds looked for Chicago-based employees, and so on. That pattern has shifted. The competitiveness of the hiring process has spurred firms to look further and wider to increase the number of candidates they are sourcing from. Now, thanks to the ubiquity of platforms such as videoconferencing, Skype and FaceTime, Fund

Managers and HR personnel are less concerned with the conveniences of interviewing and are able to focus their efforts on sourcing and screening the best available candidates wherever they might currently be. While technology permits evaluations across geographies, the challenges of physical relocations are still in play. In fact, for international relocations, we may be entering a period of increased challenges given the changing landscape of granting visas. Also, while the aforementioned platforms provide excellent screening tools, firms typically opt for face-to-face interviews during the later stages of the process. We haven't moved to a fully virtual model – at least not yet.

4) "**Always Hiring"** – Plenty of time is being spent by HR to figure out ways to identify the best candidates before the competition can. Events like coffee chats, super days, informal 'get to know you' meetings and setting up competitions are becoming more common. Firms are competing to build their brands and capture candidates' "share of mind." Firms are also trying to build a hiring pipeline by mining their employees' networks and via ongoing partnerships with search firms specializing in their strategy, in order to best prepare them for the inevitable next hire. This involves getting to know interesting candidates even when they aren't in hiring mode, and remaining close to the candidates they like in order to move quickly when the time is right.

Finance is an industry predicated on talent. Hedge funds and private equity firms don't sell nifty products or disruptive technologies – they sell their ability to generate returns. In a business where talent is the prime differentiator between success and failure, paying close attention to one's talent pool and the sourcing methods utilized is of paramount importance. That fact is not lost on one of the most successful firms in the space. Take, for instance, a July, 2016 Financial Times article which highlighted Point 72's deep-dive recruitment efforts aimed at identifying top talent before the competition. Steve Cohen defended his firm's aggressive hiring tactics by describing the competitive market as a 'War on Talent.' Indeed, sourcing and hiring talented investment professionals is as difficult as it has ever been. It's also as important as it's ever been. Those who win the Talent War may also be the ones most likely to come out ahead in the subsequent battle for returns.

Check out our revised website: odysseysearchpartners.com

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