

**1. Executive Summary**

***Alternative Investment Firms Continue to Lead Asset Management Compensation***

The **2007 Risk Talent Associates Professional Compensation Survey – Asset Management** reports that compensation for risk professionals in asset management grew an average of 17% in 2006 over 2005, continuing the trend of 18% growth in 2005 over 2004. Salaries increased an average of 6%, while cash-bonuses and non-cash bonuses (the value of stock, options and other non-cash compensation) increased 27% and 13% respectively.

The survey includes 148 risk professionals from three asset management segments: alternative investments (hedge funds, fund of funds), traditional asset management, and insurance. Among other findings, the survey illustrates steeper growth rates at alternative investment firms as they continue to recruit top risk managerial talent from traditional sell-side investment banks. Alternative investment firms can promise attractive cash bonuses to offset the career risk of moving from traditional financial services to a less established firm. While the differences in total compensation between segments are relatively minor among junior and mid-level positions, they are more pronounced in the senior ranks when positions in alternative investments become much more lucrative than in traditional asset management or insurance.

**Figure 1: Total Compensation, Salary and Bonus by Type of Asset Management (US Dollars)**

		Total Comp		Salary		Bonus-Cash		Bonus- Non-Cash	
		2005	2006	2005	2006	2005	2006	2005	2006
<b>Alternative Investments</b>									
Assoc./Analyst/Manager	1%	**	**	\$ 140,000	\$ 152,000	**	**	**	**
VP/SVP/Director	11%	\$ 335,000	\$ 448,000	\$ 172,000	\$ 206,000	\$ 146,000	\$ 213,000	\$ 17,000	\$ 29,000
MD/Chief Risk Officer	12%	\$ 907,000	\$ 1,254,000	\$ 237,000	\$ 252,000	\$ 500,000	\$ 797,000	\$ 170,000	\$ 205,000
<b>Traditional Asset Management</b>									
Assoc./Analyst/Manager	7%	\$ 117,000	\$ 143,000	\$ 90,000	\$ 110,000	\$ 27,000	\$ 33,000	**	**
VP/SVP/Director	26%	\$ 308,000	\$ 332,000	\$ 160,000	\$ 165,000	\$ 80,000	\$ 86,000	\$ 68,000	\$ 81,000
MD/Chief Risk Officer	12%	\$ 736,000	\$ 837,000	\$ 265,000	\$ 272,000	\$ 306,000	\$ 380,000	\$ 165,000	\$ 185,000
<b>Insurance</b>									
Assoc./Analyst/Manager	5%	\$ 142,000	\$ 163,000	\$ 98,000	\$ 105,000	\$ 30,000	\$ 40,000	\$ 14,000	\$ 18,000
VP/SVP/Director	21%	\$ 229,000	\$ 255,000	\$ 135,000	\$ 145,000	\$ 62,000	\$ 70,000	\$ 32,000	\$ 40,000
MD/Chief Risk Officer	4%	\$ 797,000	\$ 840,000	\$ 280,000	\$ 288,000	\$ 287,000	\$ 302,000	\$ 230,000	\$ 250,000

Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand.

Notes: Percentage of overall respondents indicated by "%". Insufficient data reported as "\*\*".

Abbreviations of titles: Manager (Mgr), Vice President (VP), Senior Vice President (SVP), Managing Director (MD).

The **2007 Risk Talent Associates Professional Compensation Survey- Asset Management** is part of an annual series of compensation surveys published by Risk Talent Associates, an executive search firm focused on risk management. The survey reports compensation trends by title, years of experience, risk type, geography and company size. This year's survey also includes past and anticipated turnover in jobs, size of risk groups and use of external sources to fill risk managerial positions. In addition to the asset management and capital markets surveys published, Risk Talent will add surveys for compliance and other risk fields (software, consulting, energy and corporate) in 2007.

**2. Changing jobs is attractive in an industry continuing to grow**

In asset management overall, 22% of survey respondents report they have changed jobs in the last two years, and 21% predict they will change jobs in the next two years. These figures are much more closely aligned than in capital markets where 17% report they have changed jobs in the last two years, but 27% predict that they will change jobs in the next two years. There are no major differences between alternative investments, traditional asset management and insurance; movement within these segments is as common as movement from one segment to another.

With regards to hiring trends, 44% expect that their risk group will grow in size during the next year, and 55% expect their risk group to stay approximately the same size in size. Overall, less than 1% report that the size of their risk group will be reduced. Of note is that not a single respondent from hedge funds, fund of funds and insurance companies, reported that their group will reduce in size.

Over 60% of respondents use more than one source to find people when filling additional risk management positions. Trends vary by type of firm, with traditional asset managers and insurance executives more likely to leverage internal recruiting, and alternative investment managers more likely to use contingency recruiting firms.

- 67% of respondents leverage internal recruiting/ corporate staffing or human resources. This number tops 70% for traditional asset managers and 74% for insurance companies, but is closer to 50% for alternative investment managers.
- 38% of insurance and alternative investment managers use retained search firms to fill risk management roles, as compared to just 26% of traditional asset managers.
- Approximately 50% of alternative investment managers use contingency search firms to fill risk management roles, as compared to 15% of traditional asset managers and 19% of insurance executives.
- 28% of respondents leverage job boards, with slightly higher usage among alternative investment managers and insurance executives, and lower usage at 22% for traditional asset managers.

Other sources mentioned include personal networking, campus recruiting and referrals. All of these methods can yield positive results for sourcing and hiring top risk talent.

**3. Tenure, by Years of Experience and Title, Drives Compensation**

This year’s survey continues to illustrate that total compensation and salary ranges peak for those with 7-15 years of experience. Growth rates are highest for those beginning their risk management careers as they rapidly achieve the skills required to succeed at the senior level.

**Figure 2: Total Compensation, Salary and Bonus by Years of Experience (USD)**

	% of Total	Total Comp		Salary		Bonus-Cash		Bonus- Non-Cash	
		2005	2006	2005	2006	2005	2006	2005	2006
0-6 years	21%	\$ 246,000	\$ 305,000	\$ 110,000	\$ 123,000	\$ 80,000	\$ 110,000	\$ 56,000	\$ 72,000
7-15 years	54%	\$ 466,000	\$ 581,000	\$ 190,000	\$ 205,000	\$ 195,000	\$ 280,000	\$ 81,000	\$ 96,000
16+ years	25%	\$ 480,000	\$ 532,000	\$ 195,000	\$ 200,000	\$ 188,000	\$ 225,000	\$ 97,000	\$ 107,000

Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand.

Notes: Percentage of overall respondents indicated by “%”. Insufficient data reported as “\*\*\*”.

Salary, cash and non-cash bonus levels by title increase commensurate with promotions. Junior level positions reflect the highest growth rate in total compensation in addition to Chief Risk Officers. Managing Directors, a common title in well-established firms that pay in equity, earn the highest non-cash bonus, while Chief Risk Officers earn the highest cash bonus and highest total compensation. Asset management firms continue to recognize the value provided by a Chief Risk Officer including strong guidance in compliance and regulatory issues, as well as processes and practices to mitigate risk.

**Figure 3: Total Compensation, Salary and Bonus by Title (USD)**

	% of Total	Total Comp		Salary		Bonus-Cash		Bonus- Non-Cash	
		2005	2006	2005	2006	2005	2006	2005	2006
Analyst/Associate	6%	\$ 118,000	\$ 148,000	\$ 84,000	\$ 104,000	\$ 20,000	\$ 28,000	\$ 14,000	\$ 16,000
Sr Assoc/Manager	12%	\$ 210,000	\$ 269,000	\$ 126,000	\$ 132,000	\$ 42,000	\$ 62,000	\$ 42,000	\$ 75,000
Vice President	20%	\$ 256,000	\$ 298,000	\$ 164,000	\$ 174,000	\$ 72,000	\$ 90,000	\$ 20,000	\$ 34,000
Director	25%	\$ 274,000	\$ 306,000	\$ 142,000	\$ 152,000	\$ 90,000	\$ 107,000	\$ 42,000	\$ 47,000
Senior Vice President	8%	\$ 383,000	\$ 425,000	\$ 168,000	\$ 203,000	\$ 134,000	\$ 136,000	\$ 81,000	\$ 86,000
Managing Director	8%	\$ 750,000	\$ 837,000	\$ 230,000	\$ 245,000	\$ 332,000	\$ 392,000	\$ 188,000	\$ 200,000
Chief Risk Officer	21%	\$ 844,000	\$ 1,108,000	\$ 264,000	\$ 272,000	\$ 434,000	\$ 664,000	\$ 146,000	\$ 172,000

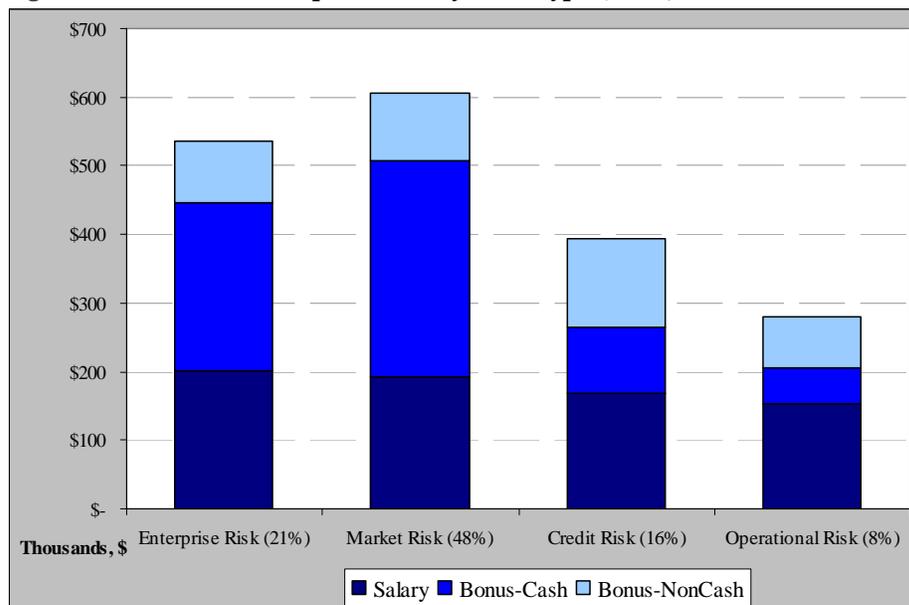
Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand.

Notes: Percentage of overall respondents indicated by "%". Insufficient data reported as "\*\*\*\*".

### **3. Market Risk Professionals Receive Highest Total Compensation**

Market risk professionals made up almost half of the survey respondents, and receive higher total compensation than their colleagues from other risk disciplines.

**Figure 4: 2006 Total Compensation by Risk Type (USD)**



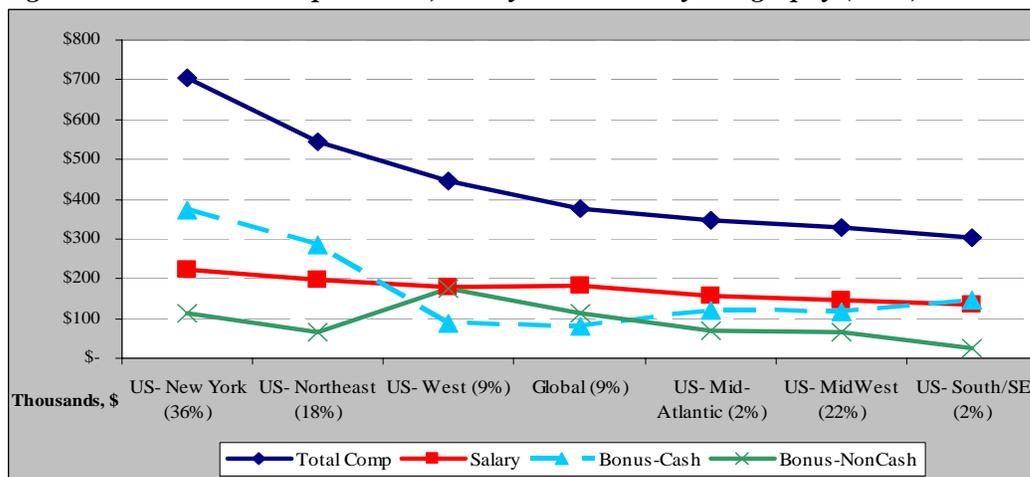
Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand.

Notes: Percentage of overall respondents reported in brackets "(%)".

**4. Professionals Based in New York Continue to Earn Top Compensation**

New York remains the place to earn top compensation among risk professionals, followed closely by the northeast and western parts of the United States. The global category includes Asia, Europe, Africa and the Middle East. Risk professionals in New York and the northeastern US earn compensation packages that are approximately one-third salary and two-thirds cash and non-cash bonuses. Conversely, professionals in global locations, the US west, mid-atlantic, mid-west and south/southeast find that their salary comprises 40-50% of their total compensation.

**Figure 5: 2006 Total Compensation, Salary and Bonus by Geography (USD)**

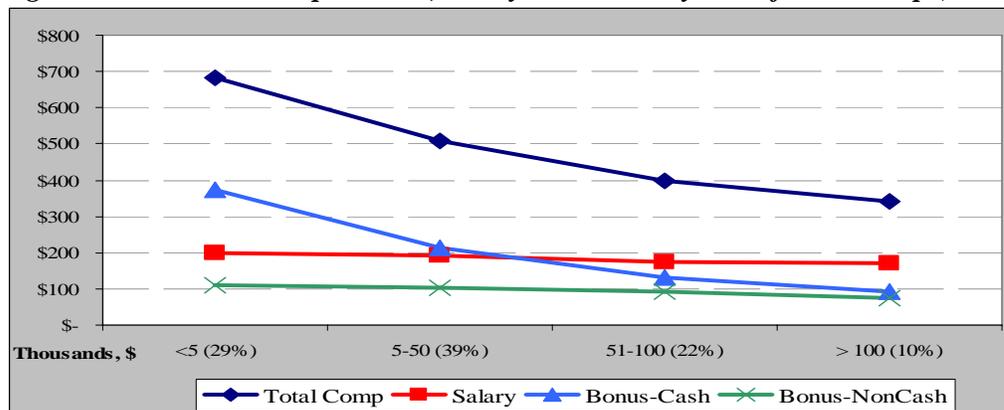


Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand. Notes: Percentage of overall respondents reported in brackets “(%)”.

**5. Smallest Firms Top Compensation Packages**

Total compensation is highest at asset management companies with the smallest risk organizations, driven by much more lucrative cash bonus pay.

**Figure 6: 2006 Total Compensation, Salary and Bonus by Size of Risk Group (USD)**



Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand. Notes: Percentage of overall respondents reported in brackets “(%)”.

## **6. Survey Methodology**

The **2007 Risk Talent Associates Professional Compensation Survey – Asset Management** was conducted in April and May 2007 using Survey Monkey software. Responses were received from 148 professionals in the Risk Talent Associates corporate database.

The survey collected information on 2005 and 2006 salary, cash and non-cash compensation (such as stock, options, and other non-cash compensation). Survey respondents identified their type of asset management, years of experience, title, type of risk focus, geographic location, and size of company (based on the number of risk professionals in their organization).

Risk Talent Associates, an executive search firm focused on risk management, is conducting a series of risk compensation surveys in 2007 across four market segments: capital markets, asset management, compliance and other fields (software, consulting, energy and corporate).

### **About Risk Talent Associates**

Risk Talent Associates ([www.risktalent.com](http://www.risktalent.com)) is the leading international executive search firm focused exclusively on positions in the fields of market, credit and operational risk, as well as financial compliance and risk technology. Risk Talent's expertise, industry knowledge, proprietary network and dedicated focus shorten the recruiting process to deliver senior and mid-level risk managers in the capital markets, asset management, energy, consulting and software industries. Risk Talent has offices in New York, Chicago, Hong Kong and London.

For more information, contact:

Michael Woodrow  
President  
Risk Talent Associates  
212-253-2353  
[mwoodrow@risktalent.com](mailto:mwoodrow@risktalent.com)

For media inquires, contact:

Daniel Keppie  
Public Relations  
Risk Talent Associates  
613-323-3655  
[dkeppie@risktalent.com](mailto:dkeppie@risktalent.com)

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