

1. Executive Summary

The **2005 Risk Talent Associates Professional Compensation Survey – Asset Management** reveals that total compensation for risk professionals in asset management grew an average of 15% in 2005 over 2004. Salaries increased an average of 5%, cash bonuses increased an average of 24% and non-cash bonuses (stock, options and other non-cash compensation) increased an average of 16% in 2005. Survey respondents represented three types of asset management, including: alternative investments (hedge funds, fund of funds), traditional asset management, and insurance (including reinsurance). Participants included more than 100 professionals, with the majority representing Risk Talent’s core constituency of mid- to senior-level risk executives.

This survey confirms that risk positions in alternative investments offer increasingly attractive compensation packages as compared to those in traditional asset management and insurance. One-third of the survey respondents reported changing jobs within the last two years – almost 70% of them entered new jobs in alternative investments or at companies providing both traditional asset management and alternative investments.

Other survey highlights include:

- **Tenure:** Substantially larger bonuses account for increases in total compensation for those with more senior titles or greater than 7 years of experience.
- **Size of Company:** Compensation at companies with less than 5 individuals focused on risk exceeds that at companies with 50 or more risk professionals, largely driven by smaller risk organizations at high-paying alternative investment firms.
- **Geography:** Major financial centers such as New York and London offer the highest total compensation packages, while salaries remain even across geographies.
- **Risk Type:** The majority (86%) of survey respondents reported a focus on market risk.

Risk Talent Associates, an executive search firm focused on risk management, is conducting a series of risk compensation surveys in 2005 across four market segments: capital markets, asset management, compliance and other fields (software, consulting, energy and corporate). The capital markets survey was completed in January 2005, and the asset management survey was completed in April 2005.

2. Alternative Investment Firms Provide Highest Overall Compensation

The survey demonstrates that while salaries are relatively even across all types of asset management, total compensation is significantly higher at alternative investment firms and is driven by larger bonuses.

In Figure 1, senior-level positions (such as Managing Director, Chief Risk Officer and Head of Risk) receive the highest total compensation at alternative investment firms, with the average exceeding \$1 million for 2005. Junior-level positions (such as Associate, Senior Associate and Risk Analyst) receive higher salaries and total compensation at alternative investment companies than traditional asset management or insurance companies. Mid-level positions (such as Risk Manager, Vice President, Senior Vice President and Director) receive relatively consistent salaries across the three segments of asset management analyzed, however total compensation is again highest at alternative investment firms.

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

		Total Comp		Salary		Bonus: Cash		Bonus: Non-cash	
		2004	2005	2004	2005	2004	2005	2004	2005
Alternative Investments									
Associate / Analyst	6%	162,000	170,000	105,000	110,000	57,000	60,000	**	**
MGR/VP/SVP/Director	11%	248,000	303,000	153,000	164,000	70,000	109,000	25,000	30,000
MD / CRO / Head	13%	886,000	1,071,000	274,000	284,000	522,000	674,000	90,000	113,000
Traditional Asset Management									
Associate / Analyst	16%	125,000	145,000	87,000	94,000	38,000	51,000	**	**
MGR/VP/SVP/Director	18%	232,000	268,000	147,000	163,000	56,000	70,000	29,000	35,000
MD / CRO / Head	19%	663,000	821,000	270,000	286,000	278,000	377,000	115,000	158,000
Insurance									
Associate / Analyst	6%	99,000	110,000	85,000	95,000	14,000	15,000	**	**
MGR/VP/SVP/Director	10%	243,000	259,000	156,000	163,000	71,000	78,000	16,000	18,000
MD / CRO / Head	1%	**	**	**	**	**	**	**	**

Source: Risk Talent Associates Salary Survey 2005. All figures in US Dollars and rounded to nearest thousand.

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

Abbreviations of titles are as follows: Manager (MGR), Vice President (VP), Senior Vice President (SVP), Managing Director (MD), Chief Risk Officer (CRO) and Head of Risk (Head).

This data reflects a trend that an increasing number of hedge funds are hiring senior risk professionals such as chief risk officers to satisfy institutional investors. Risk managers have gained more prominence as strategies become more complex, and the development of safeguards and risk analysis increase in importance. Risk functions are being increasingly rewarded with significant financial incentives, including cash bonuses at alternative investment firms that are 70% higher than traditional asset management firms. Often, senior risk professionals in hedge funds are paid bonuses in points that vest over multiple years so institutional investors can guarantee a strong commitment to fund performance.

One possible explanation for this difference in compensation appears to be the job movement of risk professionals into the alternative investment field. One-third of the survey respondents reported changing jobs in the last two years – 70% of them entered jobs in alternative investments or companies providing both traditional asset management and alternative investments. Of those who took jobs in alternative investments, 43% came from commercial or investment banking, 29% from other alternative investment companies and 29% from other types of jobs (government, consulting or traditional asset management). Of those who accepted new jobs in traditional asset management, 44% came from traditional asset managers, 33% from unspecified job types and 22% from banking.

3. Tenure Drives Corresponding Increases in Compensation

As reported in Risk Talent’s capital markets survey, tenure (recognized by years of experience and title) accounted for corresponding increases in total compensation and salaries.

There was insufficient data returned for non-cash bonuses awarded to those with less than 6 years of experience, suggesting that this may not be a common practice at this level. Professionals with 7-15 years of experience, and those with over 16 years, earn substantially larger cash and non-cash bonuses, making up 54% and 65% of total compensation respectively.

Figure 2: Total Compensation, Salary and Bonus by Years of Experience (US Dollars)

		Total Comp		Salary		Bonus: Cash		Bonus: Non-Cash	
		2004	2005	2004	2005	2004	2005	2004	2005
0-6 years	26%	131,000	149,000	91,000	94,000	40,000	55,000	**	**
7-15 years	43%	369,000	432,000	183,000	194,000	128,000	178,000	58,000	60,000
16+ years	26%	625,000	737,000	249,000	263,000	293,000	360,000	83,000	114,000

Source: Risk Talent Associates Salary Survey 2005. All figures in US Dollars and rounded to nearest thousand.

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

At over \$1 million USD in 2005, the average total compensation package for chief risk officers is almost double that of a Managing Director, and is driven by dramatically higher cash and non-cash bonuses. The average total compensation for CROs in asset management of \$868,036 in 2004 is relatively consistent with compensation levels at capital markets firms with an average of \$802,538 in 2003 and \$886,413 in 2004.

Figure 3: Total Compensation, Salary and Bonus by Title (US Dollars)

		Total Comp		Salary		Bonus: Cash		Bonus: Non-Cash	
		2004	2005	2004	2005	2004	2005	2004	2005
Associate / SA	10%	107,000	126,000	81,000	94,000	26,000	32,000	**	**
Risk Analyst	16%	142,000	153,000	94,000	100,000	47,000	53,000	**	**
Risk Manager	11%	189,000	254,000	139,000	167,000	50,000	87,000	**	**
Vice President	13%	229,000	260,000	143,000	152,000	58,000	75,000	28,000	33,000
SVP / Director	14%	273,000	293,000	167,000	171,000	77,000	89,000	29,000	33,000
MD	8%	480,000	537,000	239,000	246,000	164,000	207,000	77,000	84,000
CRO / Head	25%	868,000	1,084,000	289,000	299,000	448,000	594,000	131,000	191,000

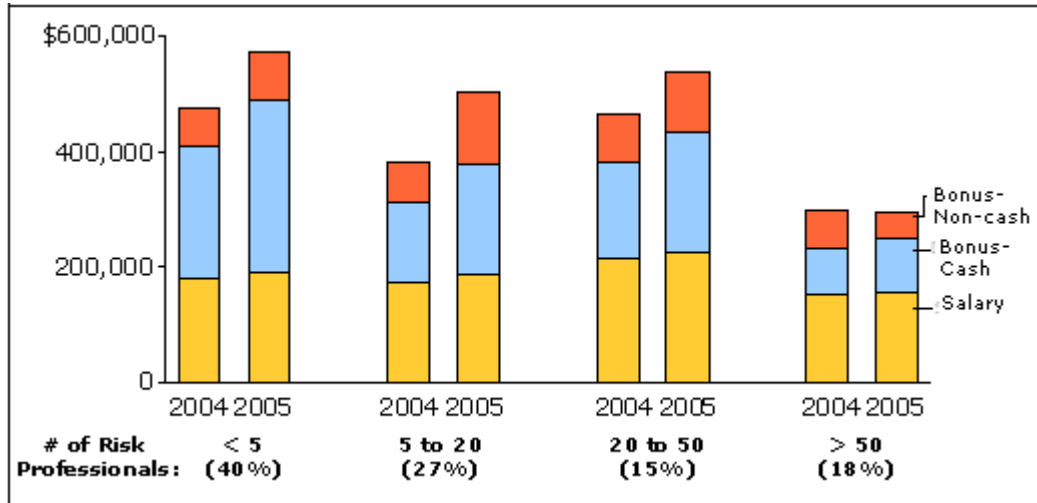
Source: Risk Talent Associates Salary Survey 2005. All figures in US Dollars and rounded to nearest thousand.

Notes: Percentage of overall respondents indicated by “%”. Insufficient data reported as “**”. Four percent of respondents indicated “Other” title. Abbreviations by title are as follows: Senior Associate (SA), Managing Director (MD), Chief Risk Officer (CRO) and Head of Risk (Head).

4. Small Risk Organizations Offer Largest Compensation Packages

In the asset management industry, total compensation at companies with fewer than 5 individuals focused on risk vastly exceeds that offered at companies with 50 or more risk professionals. More than half of alternative investment companies surveyed employ fewer than 5 risk professionals. On the other hand, only traditional asset management and insurance companies reported having risk organizations of 50 or more professionals.

Figure 4: Total Compensation, Salary and Bonus by Size of Company (US Dollars)

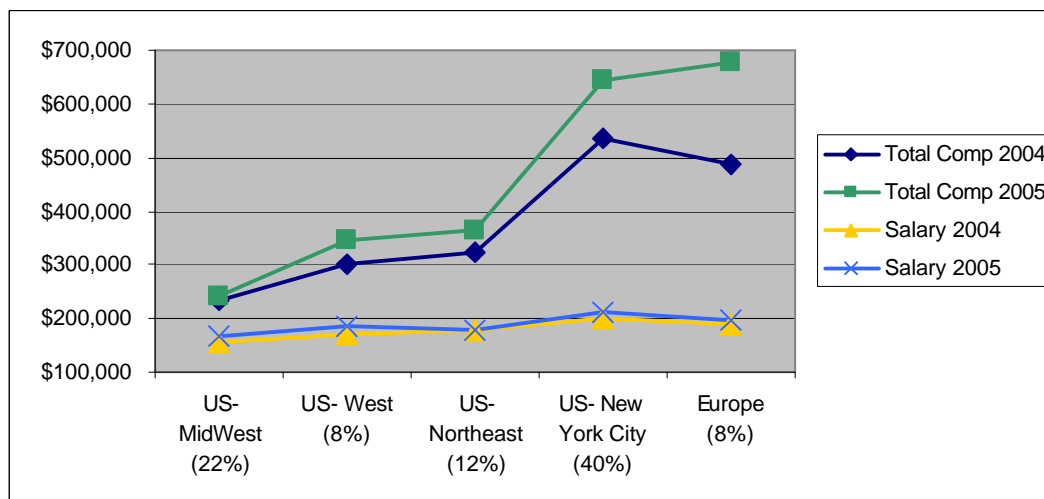


Source: Risk Talent Associates Salary Survey 2005. All figures in US Dollars.
 Note: Percentage of overall respondents reported in brackets “(%)”

5. Major Financial Centers Report Highest Total Compensation

Major financial centers such as New York and London offer the highest total compensation packages. Salaries and cash bonuses in New York and European markets are similar, however non-cash bonuses are slightly higher in Europe. This could be attributed to the present weak US dollar and currency conversion. Regional differences are driven largely by variations in bonuses, since salaries remained roughly on par regardless of geography.

Figure 5: Total Compensation, Salary and Bonus by Geography (US Dollars)



Source: Risk Talent Associates Salary Survey 2005. All figures in US Dollars.
 Notes: Percentage of overall respondents indicated by “%”. 10% of respondents come from regions with insufficient data, including the US South/Southeast, US Mid-Atlantic, Asia and Canada.

6. The Majority of Professionals Focus on Market Risk

The overwhelming majority (86%) of survey respondents reported a focus on market risk, including 32% on market risk only and 54% on market and other types of risk. The remaining 14% of survey respondents reported a focus on other types of risk, including credit risk (5%), operational risk (6%) or technology risk (1%). Those respondents focused on market risk reported total compensation on average 50% higher than those focused on other types of risk.

7. Survey Methodology

The **2005 Risk Talent Associates Professional Compensation Survey – Asset Management** was conducted between March 9 and April 12, 2005 using Survey Monkey Internet survey software. E-mail invitations to participate in the survey were sent to risk professionals in asset management from the Risk Talent Associates corporate database. Responses were received from just over 100 professionals. Analysis of the survey data was completed in April 2005.

The survey collected information on 2005 and 2004 salary, cash and non-cash compensation (such as stock, options, and other non-cash compensation) levels. Survey respondents were asked to identify their years of experience, title, type of risk focus (market, credit, operational, risk technology and financial compliance), geographic location, size of company (based on the number of risk professionals in their organization) and type of company (alternative investment, traditional asset management and insurance/reinsurance).

About Risk Talent Associates

Risk Talent Associates (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 and London.

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