

Executive Summary

Alternative Investment Firms Continue to Lead Asset Management Compensation in 2007, While the Future is Less Certain

While the financial services industry goes through major transformation, the **2008 Risk Talent Associates Professional Compensation Survey – Asset Management** reports that 2006-2007 trends in compensation remain consistent year-over-year since our first analysis in 2004. Total compensation for risk professionals in asset management grew an average of 17% in 2007 over 2006, continuing the trend of 17-18% annual growth since 2004. The growth rate was 25% for alternative investment firms, 14% for traditional asset management and 10% for insurance firms.

Driving these higher growth rates for alternative investment firms are substantially higher non-cash bonus payments (the value of stock, options and other non-cash compensation). Cash-bonuses and non-cash bonuses grew at 20% and 25% across asset management. However, non-cash bonuses grew by 37% for alternative investment firms compared to 15% and 13% respectively for traditional asset management and insurance. Cash bonus payments were more consistent across the three sub-segments with traditional asset management leading the pack at 22% growth, and the other two segments in the teens. There was no major variation in the survey results between hedge funds and fund of funds in terms of the size of cash and non-cash bonus. Salary growth shows little variability between all of the sub-segments and mirrors trends in prior years growing at an average of 6% in 2007 over 2006.

Over 200 risk professionals participated in the survey representing all major geographies, risk specialties, titles and seniority. Risk Talent Associates adds that while 2007 results reflect trends we have seen for several years, 2008 is likely to bring dramatic changes. We expect exceptional risk managers to continue earning top dollars, but discrepancies between firms will amplify as the hedge fund and asset management industries shakeout after recent turmoil in the US financial system. Job changes over the last two years are already more prevalent for alternative investment professionals at 30%, compared to 21% and 23% respectively for traditional asset managers and insurance executives. As some hedge funds win and some lose, the movement of top talent will be accelerated.

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

Segment/ Seniority	% of Total	Total Comp		Salary		Bonus-Cash		Bonus- Non-Cash	
		2006	2007	2006	2007	2006	2007	2006	2007
Alternative Investments									
Assoc./Analyst/Mgr	3%	\$ 137,000	\$ 145,000	\$ 137,000	\$ 145,000	**	**	**	**
VP/SVP/Director	8%	\$ 405,000	\$ 513,000	\$ 172,000	\$ 186,000	\$ 178,000	\$ 247,000	\$ 55,000	\$ 80,000
MD/Chief Risk Officer	11%	\$ 1,243,000	\$ 1,645,000	\$ 233,000	\$ 243,000	\$ 543,000	\$ 656,000	\$ 467,000	\$ 746,000
Traditional Asset Management									
Assoc./Analyst/Mgr	14%	\$ 198,000	\$ 244,000	\$ 114,000	\$ 130,000	\$ 54,000	\$ 69,000	\$ 30,000	\$ 45,000
VP/SVP/Director	29%	\$ 378,000	\$ 413,000	\$ 192,000	\$ 200,000	\$ 126,000	\$ 133,000	\$ 60,000	\$ 80,000
MD/Chief Risk Officer	10%	\$ 813,000	\$ 1,033,000	\$ 248,000	\$ 250,000	\$ 385,000	\$ 583,000	\$ 180,000	\$ 200,000
Insurance									
Assoc./Analyst/Mgr	5%	\$ 148,000	\$ 180,000	\$ 110,000	\$ 118,000	\$ 18,000	\$ 32,000	\$ 20,000	\$ 30,000
VP/SVP/Director	11%	\$ 251,000	\$ 287,000	\$ 155,000	\$ 165,000	\$ 66,000	\$ 82,000	\$ 30,000	\$ 40,000
MD/Chief Risk Officer	2%	\$ 700,000	\$ 743,000	\$ 296,000	\$ 316,000	\$ 254,000	\$ 267,000	\$ 150,000	\$ 160,000

Source: Risk Talent Associates Salary Survey 2008. All figures in US Dollars and rounded to nearest thousand.

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

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

Survey Analysis

Almost One-Quarter of Respondents Change Jobs, Majority of Firms Use Internal Recruiting

Across asset management segments, 24% of survey respondents reported changing jobs in the last two years, while an equal 24% predicted that they will change jobs in the next two years. As indicated in the introduction, job changes are more prevalent for alternative investment professionals at 30%, compared to 21% and 23% respectively for traditional asset managers and insurance executives. The higher rate was driven by professionals moving from one hedge fund firm to another rather than throughout the industry. This will likely accelerate in 2008.

With regards to hiring trends, 44% expect that their risk group will grow in size during the next year, the same rate reported in 2007. However, 5% report that their risk group size will be reduced compared to less than 1% in last year's survey. This rate is actually higher for alternative investment firms and insurance firms at 6% and 7% respectively, compared to 4% for traditional asset managers. The remaining 51% report that their group will stay the same size.

When finding people to fill risk management positions, internal recruiting remains the most common process at 78%. This figure is higher for insurance companies at close to 90%, but far lower at 64% for alternative investment firms that are less likely to invest in corporate overhead.

Job boards like www.globalriskjobs.com are the next most popular means of filling risk positions at almost 60% usage across asset management, and a slightly lower 48% for alternative investment firms. The number of job board users significantly increased over the 28% reported in last year's survey.

Fifty percent of respondents use retained search firms to fill risk positions, while 42% use contingency search firms. Insurance companies leverage retained search more than other asset managers. Alternative investment firms leverage contingency search more than their counterparts at insurance companies and traditional asset managers. Other sources mentioned include personal networking, campus recruiting, referrals and professional organizations. All of these methods can yield positive results for sourcing and hiring top risk talent.

Years of Experience Appropriately Drives Compensation

This year's survey confirms that total compensation and salary ranges peak for those with more than 16 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	
		2006	2007	2006	2007	2006	2007	2006	2007
0-6 years	24%	\$ 203,000	\$ 245,000	\$ 126,000	\$ 145,000	\$ 57,000	\$ 67,000	\$ 20,000	\$ 32,000
7-15 years	47%	\$ 451,000	\$ 529,000	\$ 187,000	\$ 190,000	\$ 178,000	\$ 214,000	\$ 86,000	\$ 125,000
16+ years	29%	\$ 656,000	\$ 805,000	\$ 211,000	\$ 228,000	\$ 277,000	\$ 364,000	\$ 168,000	\$ 213,000

Source: Risk Talent Associates Salary Survey 2008. All figures in US Dollars and rounded to nearest thousand.

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

Entry Level and Senior Level Titles Show Highest Growth

Salary, cash and non-cash bonus levels by title increase commensurate with promotions. Both ends of the spectrum (Analyst/Associate and Chief Risk Officer) yield higher growth rates than the mid-level positions. Managing Directors and Chief Risk Officers continue to be well compensated with a bonus worth 71% and 81% of salary respectively.

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

	% of Total	Total Comp		Salary		Bonus-Cash		Bonus- Non-Cash	
		2006	2007	2006	2007	2006	2007	2006	2007
Analyst/Associate	14%	\$ 207,000	\$ 250,000	\$113,000	\$123,000	\$ 56,000	\$ 73,000	\$ 38,000	\$ 54,000
Sr Assoc/Manager	8%	\$ 171,000	\$ 203,000	\$122,000	\$142,000	\$ 32,000	\$ 40,000	\$ 17,000	\$ 21,000
Vice President	22%	\$ 305,000	\$ 342,000	\$170,000	\$182,000	\$ 94,000	\$106,000	\$ 41,000	\$ 54,000
Director	17%	\$ 293,000	\$ 343,000	\$157,000	\$162,000	\$106,000	\$ 130,000	\$ 30,000	\$ 51,000
Senior VP	9%	\$ 536,000	\$ 567,000	\$246,000	\$237,000	\$200,000	\$220,000	\$ 90,000	\$110,000
Managing Director	5%	\$ 833,000	\$ 890,000	\$253,000	\$262,000	\$375,000	\$382,000	\$205,000	\$246,000
Chief Risk Officer	18%	\$ 989,000	\$1,300,000	\$244,000	\$250,000	\$467,000	\$ 652,000	\$278,000	\$398,000

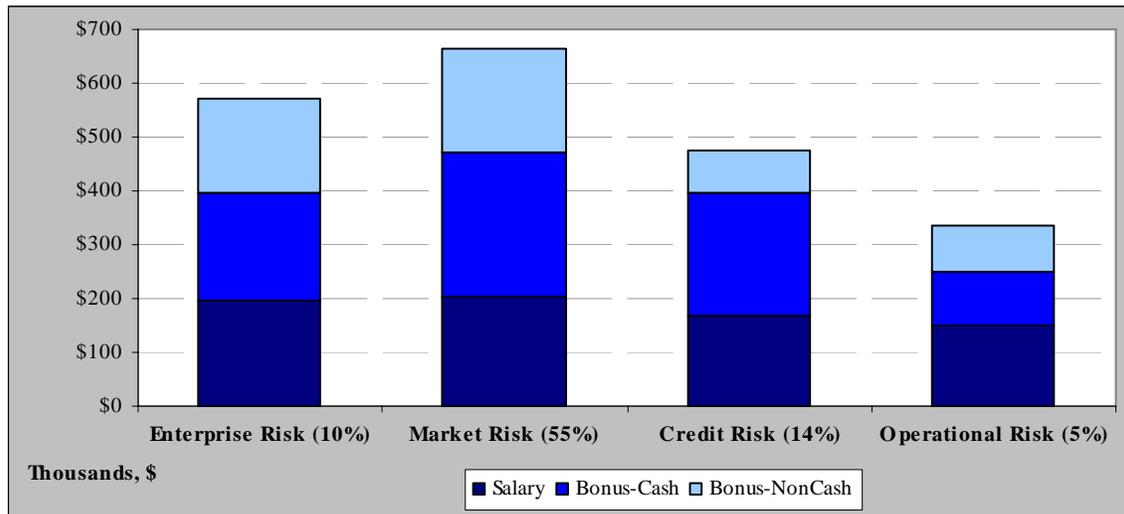
Source: Risk Talent Associates Salary Survey 2008. All figures in US Dollars and rounded to nearest thousand.

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

Market Risk Professionals Receive Highest Total Compensation

Market risk professionals make up more than half of survey respondents, and receive higher total compensation than their colleagues from other risk disciplines. Salaries for professionals focused on enterprise risk and market risk are equal, but greater cash bonuses tip the scale for professionals exclusively focused on market risk.

Figure 4: 2007 Total Compensation by Risk Type (USD)



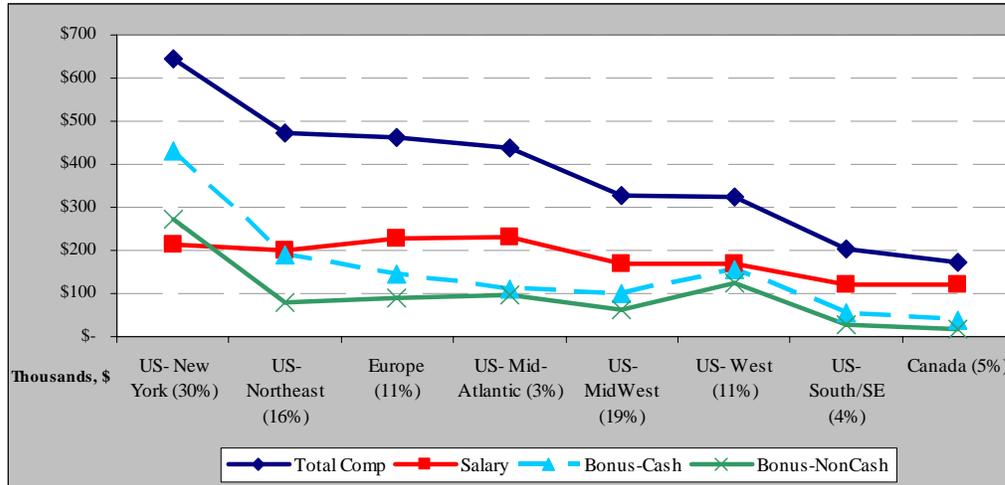
Source: Risk Talent Associates Salary Survey 2008. All figures in US Dollars and rounded to nearest thousand.

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

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 United States and Europe. As in years past, cash and non-cash bonuses drive differentiation between regions while salaries remain relatively consistent across geographies.

Figure 5: 2007 Total Compensation, Salary and Bonus by Geography (USD)

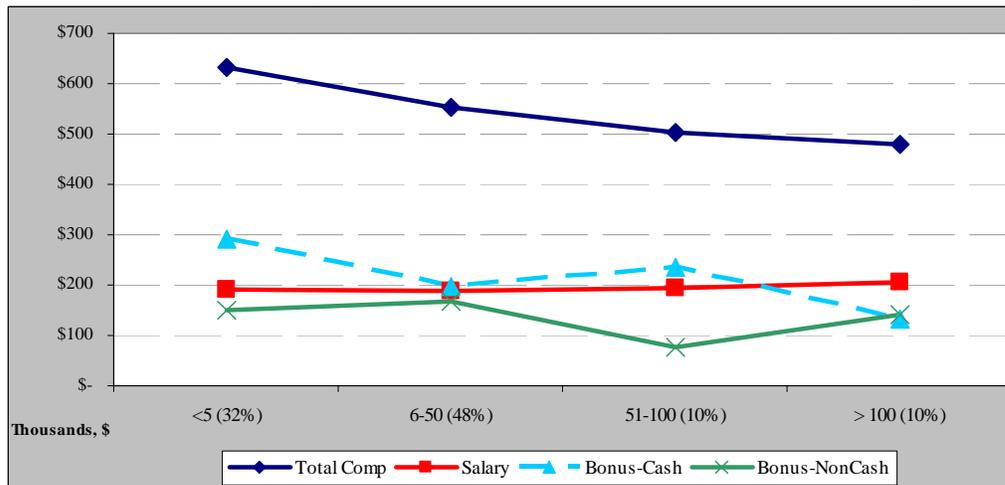


Source: Risk Talent Associates Salary Survey 2008. All figures in US Dollars and rounded to nearest thousand.
 Notes: Percentage of overall respondents reported in brackets (“%”).

Smallest Firms Top Compensation Packages

Total compensation is highest within smaller risk organizations, but the differences are not substantial between the smallest organizations (less than 5 risk professionals) and the largest organizations (greater than 100 risk professionals).

Figure 6: 2007 Total Compensation, Salary and Bonus by Size of Risk Group (USD)



Source: Risk Talent Associates Salary Survey 2008. All figures in US Dollars and rounded to nearest thousand.
 Notes: Percentage of overall respondents reported in brackets (“%”).

Survey Methodology

The **2008 Risk Talent Associates Professional Compensation Survey – Asset Management** was conducted in the spring and summer of 2008 using Survey Monkey software. Responses were received from 222 professionals in the Risk Talent Associates corporate database.

The survey collected information on 2006 and 2007 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 its fourth annual series of risk compensation surveys in 2008 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) 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.

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