Hedge fund managers pulling down nearly twice as much in pay this year

Hedgies back to out-earning mutual fund counterparts by a ton

By Jeff Benjamin December 3, 2012 InvestmentNews

Life remains good for hedge fund managers.

They will continue earning about 1.8 times as much as traditional equity mutual fund managers, according to a new study. Hedge fund managers are expected to average $1.3 million this year. In comparison, their mutual fund counterparts should pull down an average of about $700,000.

“It's a no-brainer that the hedge funds are out there trying to attract talent,” said Kevin Kozlowski, a securities and trading analyst at research firm Greenwich Associates. “By contrast, on the traditional side, there are a lot more rules and regulations that can restrict compensation.”

While it might seem obvious that high-flying hedge funders would make a lot more than managers of registered mutual funds, it is not always the case, according to the study, released Monday, by Greenwich and executive search firm Johnson Associates Inc.

In 2009 and 2010, average compensation for hedge fund managers lagged that of traditional managers.

In 2010, the former earned $700,000 in 2010, while the latter averaged $730,000. In 2009, hedge fund managers averaged $770,000, and mutual fund managers averaged $840,000. In 2008, hedge fund managers averaged $950,000 and mutual fund managers $840,000.

On the fixed-income side, however, the separation pattern has been more constant. Hedge fund managers have made less money than their equity counterparts but consistently out-earn their mutual fund counterparts.

This year, for example, fixed-income hedge fund managers are expected to average $940,000 in compensation, compared with $530,000 for traditional bond-fund managers.

Though fixed-income managers might continue to lag their equity counterparts, Mr. Kozlowski said he expects more use of incentive-based compensation in the fixed-income space.

“The markets are about to enter a very uncertain time here in the U.S. with new rules and regulations that will have an impact on everybody,” he said. “But the equity space will not see as much change as the fixed-income space, where there are a lot of things swirling around, including a lot of products moving from (over-the-counter) to exchanges.”