

## Industry Snapshot: Investment Management

### OVERVIEW:

#### *Background*

Investment Management generally entails investing in public companies and can include 3 roles:

- (1) **Research Analyst** — covers a particular industry or serves as a “generalist” performing fundamental research and valuation, making investment recommendations to the portfolio manager;
- (2) **Portfolio Manager** — makes portfolio allocation decisions of the firm’s capital based on the research analyst’s recommendations;
- (3) **Client Account Manager** — involved with capital raising and interfaces with investors, but is not involved in the actual investment process

#### *Buy-side vs. Sell-side*

Investment Management is often considered the “buy side” because this is the area where investments are actually made. An equity analyst at a hedge fund or mutual fund (buy side) may perform similar analysis to an equity analyst at an investment bank (sell side), but ultimately it is the research team at the hedge fund or mutual fund that will decide what investments to make. The buy side will sometimes leverage the work of the sell side, or will conduct their own primary fundamental research through industry/company assessments.

#### *Lifestyle*

The lifestyle on the buy side can vary depending on the fund’s investment mandate (short-term trading, long only) and type of firm (hedge fund, mutual fund, insurance company). But generally speaking, the lifestyle is better than other industries (consulting and investment banking) in terms of hours but accountability and responsibility can be higher at a more junior level. The research analyst and portfolio manager hold market-driven hours and work weeks generally range from 55-70 hours per week with some travel depending on the research process of the firm.

#### *Work Environment*

Most MBAs start out as research analysts covering a specific industry. They are usually the only person focusing on that industry, and the work is very independent from the other analysts. The work generally requires someone with a disciplined work ethic who does not need much supervision and is very much a self-starter, who is able to stay motivated and be productive. As opposed to other professions, people do not generally work in teams and need to be generally self-sufficient. Furthermore, one controls his or her own work product and constructs “a typical day” around what is required to successfully analyze the investment opportunity. Moreover, firms often do not have formal training, and structures are very flat. Analysts are also often required to integrate themselves and function as a contributing member of the firm from the beginning.

### SKILLS & REQUIREMENTS:

Buy side firms are leanly staffed and generally hire analysts with relevant finance experience. Some firms also require a CFA.

- Superior analytical skills
- Finance and accounting background
- Ability to work independently
- Communication skills
- Intellectual curiosity and honesty

### COMPENSATION & CAREER PATH:

Compensation is driven by your investment performance, but here are some general guidelines:

<b>Job Title</b>	<b>Typical Salaries</b>	<b>Degree/Yrs. Experience Required</b>
Research Analyst (Sell Side & Buy Side)	\$100-200K	MBA
Research Analyst	\$150-250K	1.5 – 3 years
Research Analyst	\$200K-300K	4 – 6 years
Portfolio Manager	>\$300K +	5 + years, but can vary

*Note that salaries will vary widely by individual and by firm. These figures are meant to provide a general guideline.*

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### 2006 Columbia Business School Students Compensation Packages:

<u>Graduates:</u>	<u>Range of Initial Compensation*</u>	<u>Median</u>
Investment Management (Buy Side)	\$ 82,500 - \$300,000	\$135,000
Research (Sell Side)	\$100,000 - \$156,000	\$125,000

<u>Summer Interns:</u>	<u>Monthly Compensation Range*</u>	<u>Median</u>
Investment Management (Buy Side)	\$2,000 - \$ 9,000	\$7,500
Research (Sell Side)	\$1,800 - \$12,000	\$7,900

\* Includes base salary and sign-on bonuses, but excludes performance & year-end bonuses.

Source: CBS Employment Report 2006

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### RECRUITING PRACTICES & STRATEGY:

- Presentations for summer internships begin in October, but since asset management firms have lean investment teams and generally only hire 1-2 summer interns nationwide, most do not recruit on campus.
- If you are serious about finding an internship in investment management, you will have to be entrepreneurial about contacting funds. Interested students can write letters of interest with a resume and an investment write-up to funds of interest. Furthermore, a student can contact a fund of interest during the semester and offer to work on a part-time project; this can lead to an offer or recommendations. The CRC, BANC and COIN job postings are great sources for leads – but it is good to start early.
- A good resume is essential to landing an interview. Of the firms that recruit on campus, **most do not have open lists**, so it is crucial to have a resume that stands out. Take full advantage of resume workshops, second-year resume reviewers, and alumni reviewers. Your resume should be set up so that it clearly highlights your achievements/abilities in the context of the *Skills & Requirements* section above.
- Once you have landed an interview, a good stock pitch is critical. Resources to help you get there include CIMA-sponsored practice sessions and the staff in Watson Library will help you conduct your due diligence.
- If you do not have direct experience analyzing securities, you may consider working part-time at a hedge fund to acquire the experience.
- It is important to not get discouraged—the job search process for Investment Management generally gets into high gear after on-campus recruiting. Last year, most first-years got their offers in March and April.

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### INTERVIEWING TIPS:

- The most important aspect of your interview will be your stock pitch. You should have 2-3 investment ideas prepared and consider the interview a simulation of the kind of conversation a research analyst would have with his portfolio manager. You should have some figures handy and be prepared to discuss how you arrived at your valuation for the company.
- Know the fund's investment philosophy and be prepared with questions related to the firm's investors, which can be found in 13-F filings or in Capital IQ.
- Know your resume. Be prepared to discuss any item on the resume (no matter how innocuous you think it may be).
- Prior to the interview, make sure you have nailed down answers to the obvious questions: why buy side / sell side; where do you see yourself in X years; what are two of your strengths and weaknesses? etc.
- Relax. Be calm. You will often get case-like questions regarding a particular company or industry that you will not have any experience analyzing, as a test of your analytical skills. Do

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not get flustered during these questions. It is important to show your thought process and integrate your financial knowledge with your view on the company. Take time to frame your answer and structure your response.

- Pay attention in Accounting and Corporate Finance (or at least review your notes before the interview season). These courses provide the most basic and oft-used frameworks for cases.
- When you are given time to ask questions about the firm, use it well. Intelligent and relevant questions demonstrate your interest in the firm.

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### SELECTED INDUSTRY PLAYERS:

Investment Management positions can be found across industries. Most investment banks have a buy side asset management division, as do most insurance companies. There are also standalone asset management firms and over 7,000 hedge funds. Here's a sample list of firms where Columbia students have received summer internships or full-time offers in recent years:

American Century Investments	Loomis Sayles & Company, L.P.
Atlantic Investment Management	Luxor Capital Group, LP.
BlackRock	MacKay Shields, LLC
Blue Ridge Capital	MetLife Investments
Crescendo Partners	Morgan Stanley Asset Management
Davis Funds	Neuberger Berman
Deutsche Bank Asset Management	Nikko Asset Management
Donald Smith & Co.	Omega Advisors
Eagle Capital Partners	Oppenheimer Capital
Fidelity Management & Research	Priderock Funds
First Eagle Funds	Russo Gardner & Russo
First Manhattan Co.	Sirios Capital
Gabelli Asset Management	Tricadia Capital Management
Goldman Sachs Asset Management	T. Rowe Price
JCK Partners, LLC	W.R. Huff Asset Management
JPMorgan Asset Management	Wellington Management Company
Lehman Brothers	York Capital Management

### MORE RESOURCES:

If you are interested in a career in Investment Management and are unsure of what area would interest you, the best way is to start networking with the students in the Columbia Investment Management Association (CIMA) and talk to the second-years about their experiences. You can join CIMA on MyGSB. Membership is \$65 for 1-year or \$90 for a 2-year membership.