

# Asset Management Career Primer

2017–2018



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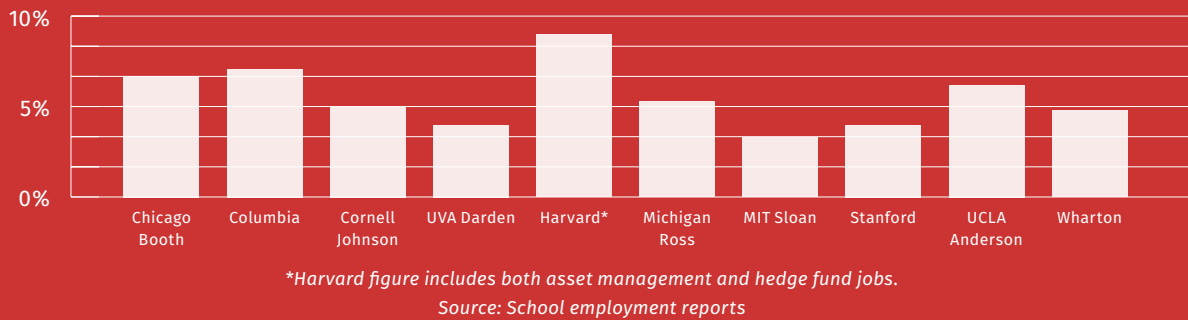
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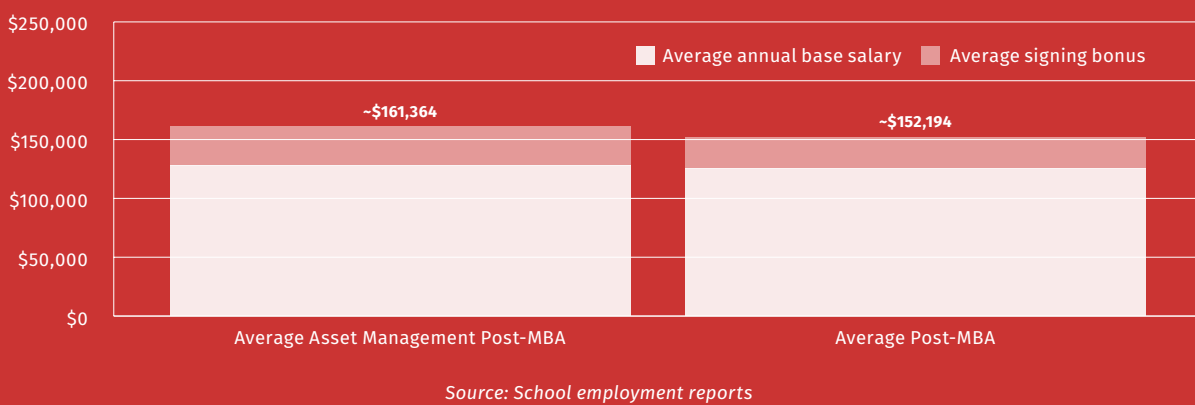
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# What do the data say about asset management recruiting?

Percentage of the MBA Class of 2016 Taking Asset Management Jobs



Compensation for Asset Management Positions



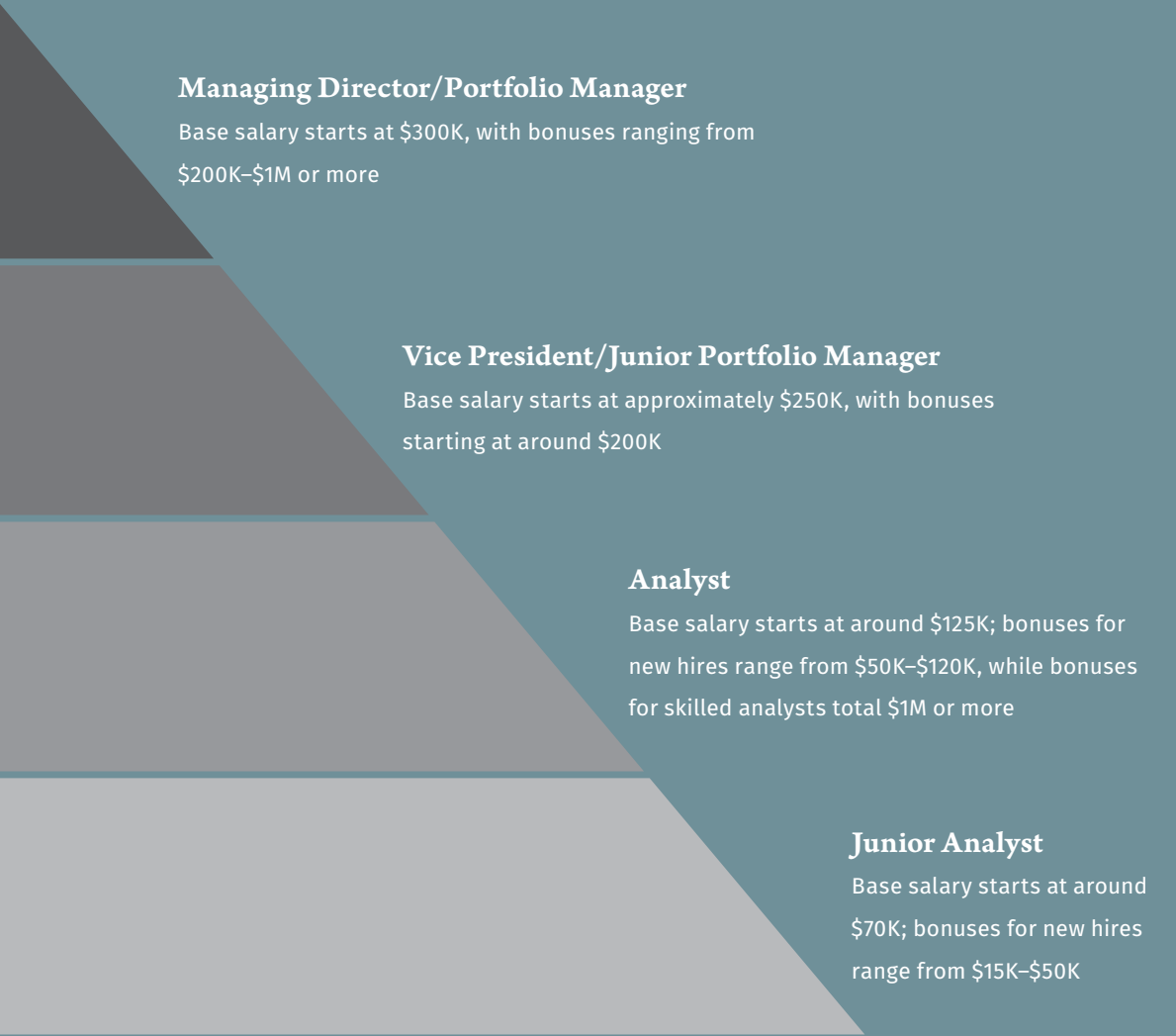
Asset management, which is also often called investment management, is a popular niche for MBAs seeking careers in finance. The industry encompasses several different types of organizations, including mutual funds, hedge funds, pension plans and endowments, and private wealth management firms. Investment professionals at asset management firms research potential investments and manage existing investments on behalf of clients, who are usually large institutional investors such as pension plans, endowments, and corporate retirement plans.

This primer focuses mostly on the career path at traditional investment management firms. (Hedge fund and alternative investment fund careers are covered in our [Hedge Fund Career Primer](#).)

The above recruitment data pertain to only traditional investment management firms and exclude hedge funds and equity research roles at investment banks.

# The Org Chart

The asset management industry does not always conform to a typical pyramid structure. Rather than pursuing a career that consists of climbing a multitude of positions in an established corporate ladder, some investment professionals are highly skilled analysts who have excelled in their position and are superstars in the industry. For example, an asset management professional can be an analyst with 20 years of experience who is very highly compensated. Others in the asset management industry choose to work their way up from a specific investment class or focus into a broader, “generalist” portfolio management position.



Source: Multiple interviews with those in the field

Junior Analyst:

A junior analyst is a recent graduate or pre-MBA professional who assists the analysts and portfolio managers by conducting research, gathering data, and performing financial analysis. Unlike analysts, who are responsible for selecting investments for the fund, junior analysts generally serve in a support role and do not have direct responsibility for the selection or performance of underlying investments. Base salaries for junior analysts start at around \$70K, with bonuses for new hires ranging from \$15K–\$50K.

Analyst:

“Analyst” is the term for someone who is focused on researching and selecting investments to be made in a specific asset class and/or industry. For example, an analyst at a mutual fund might be focused on small technology firms. The title “analyst” is not necessarily a junior position, as it is in other career tracks. Analysts either enter the industry right out of business school or are hired from investment banks. Sometimes analysts are promoted from within after working as a junior analyst or in another entry-level role at an asset management firm. New hires are usually assigned to a particular investment industry (e.g., health care, industrials, technology), investment type (e.g., fixed income, equities), or geography (e.g., United States, Asia, Latin America) depending on the individual’s background or interests—though some companies start new employees out as generalists.

Analysts spend a lot of time reading financial statements and developing financial models to build a case for a particular investment thesis and potentially persuade those more senior to them to add (or sell!) a particular investment in a firm’s portfolio. They then present their findings to a portfolio manager or an investment committee, which decides if the investment is added to the fund. Base salaries for analysts start at about \$125K, and bonuses range from \$50K–\$120K for new hires, with bonuses for particularly skilled analysts totaling \$1M or more.

Vice President/  
Junior Portfolio Manager:

At the next level, as vice president/junior portfolio manager, investment professionals oversee several analysts and direct and manage their research, helping to evaluate which ideas should be added to or removed from the portfolio. They may also interact directly with investment banks to manage capital market relationships. This can include working with

bankers to secure financing for certain positions, adding leverage to the portfolio, or researching the liquidity of a certain security. Depending on the size of the firm and funds managed, salaries at this level generally start at \$250K, and bonuses vary but start at around \$200K.

Managing Director/  
Portfolio Manager:

A portfolio manager or managing director is responsible for the overall management of a fund or coverage of a particular industry or geographic sector. This means vetting all of the investment recommendations made by employees under his/her supervision and assessing the risk of the overall portfolio. Managing directors also spend time interacting with the management staff of the companies that are part of a firm's investments, especially if the fund holds a particularly large investment in those companies. Sometimes portfolio managers of large mutual funds even sit on the boards of public companies if the fund has a big enough stake in those companies. Salaries at this level start at \$300K, and bonuses vary from \$200K-\$1M or more. The size of one's bonus depends on the relative performance of the fund versus its benchmark.



# What is **the** job?

Asset management is a highly focused and analytical industry. Investment professionals perform a highly detailed level of analysis and research on their given sectors, and investment ideas are heavily vetted. Investments must also be continually managed and the overall portfolio evaluated for risk levels, concentration (i.e., the size/value of certain investments relative to the size of the overall portfolio), and correlations (which is a measure of how an investment performs in relation to other investments in the portfolio). Aside from performing analysis on new and existing investments, professionals at asset management firms also travel to industry conferences, participate in sell-side equity research calls and events, and sometimes work directly with the management of the companies in which the firm has made investments to generate new ideas, understand the industry landscape, and make the best investment recommendations.



Because traditional asset management firms are focused on relative returns, or their returns compared to a benchmark, a portfolio is often gauged against the composition and relative weights of certain companies, industries, or asset classes in the designated benchmark index. So, for example, a fund may use the S&P 500 or NASDAQ index as a benchmark, which it seeks to outperform. In such a case, if the S&P 500 were to rise by 5% in a year, the fund would need to perform even better than this 5% (excluding fees, for now) while investing only in stocks selected from the S&P 500 to have been deemed successful that year. Funds rarely have a consistent record of beating their benchmarks, which is why those that do attract investments and managers—thus, analysts at such funds are very well compensated. In addition to analyzing investment ideas and managing portfolios to outperform benchmarks, firms also focus on client service and developing custom client-retention plans. For example, as the industry continues to grow and more corporations move from defined benefit plans to defined contribution plans—think 401(k) plans instead of an old-age pension—asset management firms are changing their offerings to help educate and appeal to retail clients, in addition to continuing to customize plans with large corporate and public entities.

# No, really, what is the job?

Asset management positions are generally very research driven and require a specialization or in-depth knowledge of specific markets or industries. New entrants to the industry should be passionate about investing, enjoy performing analysis-oriented research, and understand how different industries and asset classes are interconnected.

*Since my background was in technology-focused consulting prior to business school, I got placed in the technology fund group. I focused on the software sector in particular. I listen to analyst calls from all of the sell-side banks, meet with management teams from major software companies and related vendors, and attend industry conferences in order to understand the sector landscape.*

**Technology Analyst at a Large Investment Management Organization**

*I get to direct the strategy and marketing plan. This means understanding what large corporate clients are seeking for their employee 401(k) plans, and then adjusting the fund's strategy to match. Sometimes this may mean changing the investment strategy of the fund, and other times it means working on competitive fee programs and making custom changes for certain clients.*

**Product Manager for a Fund Within a Large Asset Management Organization**

*My day involves getting to the office early before the markets open and reading several fixed-income research reports. I then spend the day analyzing potential new bond investments and running risk analysis to see how each investment might affect the overall portfolio. Sometimes this can be very interesting when there are major world events happening or when emerging companies have large issuance... but if you don't like looking at bond math on spreadsheets all day, then a fixed-income portfolio manager job may not be the right one for you.*

**Portfolio Manager at a Fixed-Income Asset Management Organization**

*My day is mostly spent meeting with and evaluating potential new investment managers. We outsource a lot of our investments, and it's my job to determine whom the best equity and fixed income managers are in the universe. Our group will determine the types of exposures we want given our views on the macroeconomic landscape, and will then work directly with portfolio managers and product managers to find the right vehicles.*

**Portfolio Manager at a Large Private Endowment**



## What is good about the job?

Asset management is a great career path for those who are intellectually curious, self-motivated, and adept at performing research.

Asset management professionals can expect the following benefits from this career field:

- Access to high-level corporate executives and sell-side analysts
- Diversified fund offerings in large asset management firms, which can offer some career security in economic downturns
- Good exit opportunities to hedge funds or senior roles at corporations
- A meritocracy in which hard work and good ideas generally get rewarded
- Challenging work and opportunities to learn more and become an expert in certain topics or industries
- Sometimes a better lifestyle and more reasonable hours than other jobs within the finance industry



## But surely the job has pain points, right?

The large, traditional asset management firms can be somewhat bureaucratic, with many processes in place to dictate promotion paths. Roles are sometimes very specific and do not leave much room for deviation. In addition, the job tasks can be very detail oriented and technical, and the industry overall can be a little rigid as a result of its focus on “relative returns,” which may not be attractive to people who like to think outside of the box.

Working in the asset management industry has the following drawbacks:

- Can involve a high degree of travel depending on role/coverage
- Very detail oriented in nature
- Bureaucratic cultures at larger firms
- A potentially competitive work environment

# What is the secret to **success**?

Above all, interested newcomers to the industry should have a genuine passion for investing that is demonstrated through building a personal investment portfolio, performing research, preparing investment pitch ideas, and staying up to date on current global economic events. Being a self-driven contributor and possessing the ability to come up with unique investment ideas and ways to think about a particular market are very valuable skills for aspiring asset management professionals.

The following attributes are keys to success in asset management:

- A sense of intellectual curiosity to delve deep into potential investment ideas
- A passion for and interest in the sector, industry, or region covered
- Strong quantitative and technical skills (e.g., modeling capabilities, familiarity with financial databases such as S&P Capital IQ and Bloomberg)
- The ability to communicate with a variety of constituents (e.g., investors, sell-side analysts, product management teams)



# Who are the big fish?

The industry is dominated by a number of large firms, in addition to large asset management groups within some of the investment banks. All of the firms listed below follow a generally traditional model of having skilled industry- or geography-specific analysts and offer investors a wide array of investment product types.

## BLACKROCK®

With close to \$6T under management, BlackRock is the largest asset management company in the industry. The New York City-based fund manager oversees passively managed index funds, which are invested in such a way as to mimic the returns of major market indices, and also runs actively managed strategies that target various asset classes and investment types.



## BNY MELLON ASSET MANAGEMENT

Headquartered in New York City, BNY Mellon advertises itself as “the world’s largest multi boutique asset manager.” The firm employs a diverse range of strategies and serves a wide client base. Because of its advanced technological platform and the wide array of services it offers through different arms of the business, the firm has other asset management firms as its clients and provides infrastructure for creating custom solutions for individual clients.



Fidelity Investments is a largely family-owned asset management firm known for teaching its investment professionals a very thorough research-oriented investment selection process. The firm also has a reputation within the industry for employing a highly skilled investment analyst team.

## PIMCO

Based in Newport Beach, California, PIMCO is primarily known as a fixed income fund manager, though the firm manages assets across a variety of asset classes. PIMCO is a subsidiary of Allianz, a German insurance company, and reportedly provides a competitive and intellectually rigorous work environment. The firm seems to have weathered the tumultuous departure of its founder, Bill Gross (who is now at Janus Capital Group), in 2014.



## Vanguard®

Based outside of Philadelphia in Valley Forge, Pennsylvania, The Vanguard Group is one of the largest managers of 401(k) assets. The company is particularly known for its low expense ratio and is a pioneer in the world of passively managed index funds. The firm’s founder, John “Jack” Bogle, is no longer actively leading Vanguard, but he takes a position as an elder statesman and critic within the financial industry.

# Who are other notable players in this space?



Franklin Templeton is based in San Mateo, California, and manages roughly \$1T in assets, including mutual funds and private investment vehicles for institutional investors.



Invesco is a diversified asset management firm headquartered in Atlanta, Georgia. The fund manages a variety of mutual funds, exchange-traded funds, and private investment vehicles.



Based in Baltimore, Maryland, T. Rowe Price has a reputation for employing a skilled team of investment analysts. The firm recruits from top business schools, and its associates usually focus on a particular sector. The company is known for cultivating great stock analysts.

## Insurance-Based Asset Management

Insurance firms conduct their money management similarly to traditional mutual fund managers; however, they focus on matching the duration of their investments with the duration of their insurance liabilities. In other words, they have a greater relative focus on liquidity so that they can meet any future pending payment claims.



Based in Whippany, New Jersey, the investment department of the MetLife corporation oversees a large asset management platform for its insurance assets. Asset management roles within insurance companies can be a great place for newcomers to the industry to learn the ropes.



Based in Newark, New Jersey, Prudential Financial oversees trillions of dollars in insurance assets.

# How do I get **the** job?

Earning an MBA degree is a common path to entering the asset management industry. Post-MBA candidates should be able to clearly articulate their interest in and reasons for wanting to enter the field. Many asset management firms hire directly from business schools and are open to hiring candidates with no previous investing or finance experience; however, less experienced candidates should be able to cite what actions they have taken to learn more about the industry (e.g., case competitions, school money management programs, personal investing, knowledge of industry publications, networking).

Candidates should be self-starters, have an analytical nature, and enjoy staying current on global market events and news. In addition, candidates could consider pursuing the Chartered Financial Analyst designation, which is highly regarded within the industry. (This rigorous three-part exam is taken over a multi-year period and prepares test takers for a career in asset management and equity research; the designation can function as a “stamp of approval” for recruiters vetting industry newcomers.)

Although prior experience is not critical to entering the industry after business school, applicants should enjoy performing research and be able to demonstrate strong financial analysis skills. Candidates also should closely follow the financial markets while in school and develop thoughtful and well-rehearsed opinions on various aspects of the market, as well as research investment pitches to deliver in interview settings.

Candidates should have experience using such tools as the Bloomberg and S&P Capital IQ databases, as well as other industry databases. (Most business schools provide access to these resources.) Finally, applicants are encouraged to familiarize themselves with a broad range of firms and how the investment process and available roles can differ among organizations. Asset management firms will expect candidates to have identified their preferred role and area of interest.

If asset management is your chosen field for a summer internship or post-MBA position, get started now building your network, conducting informational interviews with classmates and friends at target firms, creating an asset management-targeted resume, and preparing for case interviews. To learn more about how an MBA Career Coach can assist you in securing your desired position through elite training, targeted skill development, and expert guidance as you navigate the recruitment process, schedule a free consultation with us at [www.mbamission.com](http://www.mbamission.com).



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