The Hedge Fund Career Path: The Complete Guide

The **hedge fund career path** is one place where our usual analogy – a fraternity house – does *not* quite hold up.

Compared with investment banking or private equity, there's less structure and hierarchy to hedge fund careers.

The day-to-day work and responsibilities change as you advance, but not quite as much as they do in other fields.

We'll examine these points, explain the hierarchy, give compensation estimates, and give you an honest run-down of the pros and cons of hedge fund careers in this article:

What Do Hedge Funds Do?

Hedge funds are investment funds that raise capital from institutional investors and accredited investors and then invest it in financial assets – usually liquid, publicly traded assets.

Unlike mutual funds, they target absolute returns rather than relative returns, and unlike private equity firms, they do **not** buy and sell entire companies.

Hedge funds might use a wide variety of strategies, most of which are unavailable to mutual funds: short-selling securities, using derivatives, or going activist on a company to force change, for example.

They earn money from a **management fee**, based on a small percentage of assets under management (AUM), and a **performance fee**, based on a percentage of annual returns.

Traditionally, hedge funds charged “2 and 20,” meaning 2% of AUM for the management fee and 20% of the returns for the performance fee.

However, funds have been forced to cut fees ever since the 2008-2009 financial crisis and their poor performance afterward, and the average fees are now closer to 1.5% and 15.0%.

This fee structure gives you the potential to earn *a lot* of money if your fund performs well – far beyond what bankers or any other sell-side role could earn.

For more, see our overview of the hedge fund industry and our hedge fund vs private equity discussion.

Why Work at a Hedge Fund?

Many people are drawn to the hedge fund career path because of **the money**: even junior-level employees can earn $500K up to $1 million, and senior-level Portfolio Managers can go well beyond that.

You work with smart, ambitious people, you can study a new global issue or market each day, and you can be more creative and independent than in sell-side roles.

You must be **passionate** about the public markets to do well (read: you trade stocks and research companies and financial assets for fun in your spare time).

On the negative side, the hours are still long and stressful (though better than investment banking hours), job security can be low, and your exit opportunities will be limited.

Also, many people argue that the long-term outlook isn't great and that it would have been better to enter in the 1980s or 1990s when the industry was still growing quickly.

Hedge Fund Career Requirements

We covered these points in the article on how to get a job at a hedge fund, but to summarize:

- You should ideally be an investment banking analyst at a top bank, an equity research associate at a top bank, a research or investment analyst at an asset management firm or mutual fund, or a sales & trading professional on a highly relevant desk.
- Students sometimes get in straight out of university, but this is less common (though more funds, especially the bigger ones, are starting to recruit on campus).
- Your academic credentials, such as school reputation, GPA, and test scores, still matter.
- And you still need to know accounting, finance, valuation, and all the other technical skills required in investment banking, equity research, and asset management.

- It's *a bit* more plausible to break in as a non-traditional candidate since hedge funds value **results** above all else.
- You need a passion for the markets, strong critical thinking, team player-ness, and emotional stability to get in and perform well.

An MBA won't help much, the CFA is marginally useful, and it is tough to win offers coming from smaller banks.

If you have these experiences, qualities, and skills, see our hedge fund recruiting guide for the step-by-step process to winning offers.

The Structure of Hedge Funds

Most non-quant hedge funds are split into three main areas:

1. **Investment Team** – The Research/Investment Analysts and Portfolio Managers who generate and evaluate ideas and make investment decisions.
2. **Trading Team** – The Execution Traders who implement the Investment Team's strategies and aim for the best price on each trade.
3. **Middle and Back Office** – The back office at a hedge fund consists of supporting areas such as compliance, accounting, operations, and IT.

There are other areas as well, such as Risk Management and Investor Relations, which may be separate or part of the ones above.

We're going to focus on the **Investment Team** in this article because most of the content on this site relates to careers that lead there.

The Hedge Fund Career Path

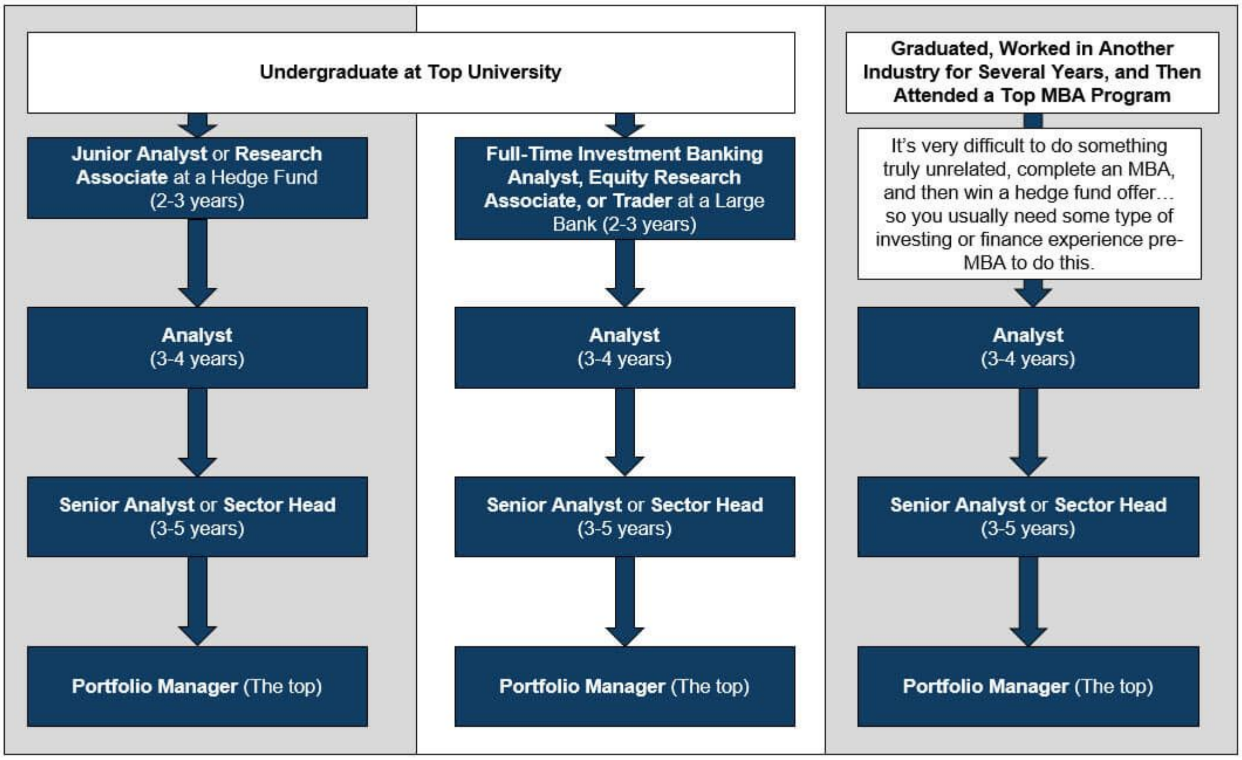
The hedge fund career path and hierarchy vary from firm to firm, but here's a representative example:

- **Junior Analyst or Research Associate** – Random Task Monkey.
- **Hedge Fund Analyst** – Number Cruncher and Researcher.
- **Senior Analyst or Sector Head** – Builder and Pitcher of Investment Ideas.
- **Hedge Fund Portfolio Manager** – Decision-Maker and Firm Representative.

On the Execution Trading side, the path might look like this:

- **Junior Trader or Execution Trader** – Trader in Training.
- **Senior Trader or Head Trader** – Trader with (more) P&L Responsibilities.

And here's a flow-chart summary:



There's not much to the Execution Trading path, and I ran out of space, so I left it off.

It is not common to break in as an undergrad, but some of the bigger funds, such as Citadel, Bridgewater, Man Group, and Brevan Howard, are increasingly recruiting undergraduates.

They do this more often for quant roles that require math/statistics/programming.

We’re **not** going to address exit opportunities at each level because they don’t change much: move to another hedge fund, start a hedge fund, do an MBA to rebrand yourself, or do something outside of finance.

Hedge fund work is more specialized than private equity or investment banking, so you have less mobility.

The **hours** don’t necessarily change much at each level, and in some ways, PMs have the most stressful jobs of anyone.

Technically, you work “market hours plus a bit more,” but that still adds up to 60-70 hours per week – and even more than that at the biggest funds.

The key differences in each level lie in the work tasks, promotion time, and compensation:

Junior Analyst or “Research Associate” Job Description

If you win an offer right out of undergrad, this is your level. Some funds might not have a separate title for this level, so you could just be an “Analyst.”

You perform some of the same tasks as full Analysts: financial modeling, data gathering, due diligence, idea generation, and monitoring existing investments.

But the difference is that you have less independence, and most of your tasks are assigned to you by the Analysts.

This means that you'll often work on whatever needs to get done "right now" instead of focusing on a longer-term idea or project.

Also, you'll have less direct interaction with the Senior Analysts and Portfolio Managers, as they tend to filter their requests through the Analysts.

Age Range: 22 – 25

Junior Analyst Salary + Bonus: At this level, total compensation is likely in the **$100K to $150K USD** range, with an even split between base salary and bonus.

Yes, that is a discount to investment banking analyst pay. That's just how it works – positions at this level in private equity also earn less than in IB.

Promotion Time: 2-3 years

Hedge Fund Analyst Job Description

This one is often the first step in the hedge fund career path after you work in investment banking, equity research, or certain sales & trading desks for a few years, and sometimes it's labeled "Investment Analyst" or "Research Analyst" instead.

If you recruit for hedge funds out of an MBA program, you'll also join at this level (see our full article on the hedge fund analyst role).

You complete many of the same tasks as Junior Analysts, but you have more independence and spend more time working on specific investment theses.

Daily tasks might include:

- Monitoring industry and company trends.

- Speaking with management, customers, and suppliers at potential or current portfolio companies.
- Responding to questions from Senior Analysts and Portfolio Managers and explaining/defending your ideas.
- Generating investment ideas.
- Building financial models and valuations to support your ideas.
- Conducting due diligence, often with on-site visits and “channel checks.”

An average day might look like this:

- **Morning:** Wake up, check the news, and see if anything affects current or potential positions. Pick 3-4 companies you want to work on for the day.
- **Late Morning / Early Afternoon:** Read material about those companies, speak with managers and suppliers, and run a quick/simple model to see if a new strategy or acquisition makes sense.
- **Late Afternoon:** Speak with the Senior Analyst about a new idea you’re working on and answer questions from the Portfolio Manager, who’s skeptical of a previous idea that you and the Senior Analyst presented.
- **Early Evening:** Leave around 7-8 PM, for a 12-hour day that ends a few hours after market close.

Age Range: 24 – 30

Hedge Fund Analyst Salary + Bonus: The most likely range here is **$200K to $600K total**.

Yes, this is a very wide range because of the following:

1. Base salary starts around $100K – $150K and increases each year, and your bonus might be 0%, 100%, or even 200% of that.
2. Pay is heavily dependent on **fund size and performance**. Compensation reports such as the ones produced by SumZero often report low median figures, but they're skewed by data from 2- and 3-person startup funds.

If you join an established, mid-sized-to-large fund that performs decently, your first-year total compensation might be in the **$250K to $300K** range.

Promotion Time: 3-4 years

Hedge Fund Senior Analyst Job Description

If you perform well in the first few years of the hedge fund career path, the Portfolio Manager likes you, and there's an opening, you'll be promoted to **Senior Analyst**.

Some funds might label this level something slightly different, such as "Sector Head" or "Director of Research."

You perform some of the same tasks as Analysts, but there are a few differences at this level:

1. As the alternate names imply, you often **specialize** in one sector, industry, or strategy.
2. You spend more time **pitching** the Portfolio Managers on your ideas, coming up with ideas, and having Analysts flesh out and support those ideas.
3. You spend more time on **management** – developing Analysts below you to help with work, getting the PMs to trust you, and building a reputation with equity research analysts and management teams.

At this level, you are a "Portfolio Manager in training."

Assuming that a promotional path is open, they're evaluating you to see if you can perform well enough to make it to the next level.

Age Range: 28 – 33

Hedge Fund Senior Analyst Salary + Bonus: The likely range here is **$500K to $1 million** total, with the majority from your bonus.

To set expectations, it’s **not** very likely that you’ll earn $1 million or more until you become a PM and perform well in the role.

Promotion Time: 3-5 years

Hedge Fund Portfolio Manager Job Description

If this is a single-manager hedge fund, then the Portfolio Manager raised the capital and has responsibility for all of it; if it’s a multi-manager fund, he/she was assigned a certain amount of assets under management (AUM) to invest.

Regardless of the fund type, the PM makes **final trading decisions**, monitors risk and the entire portfolio, and oversees back/middle office operations such as compliance, IT, and accounting.

PMs are General Partners who hold significant equity interests in the fund, so the pay ceiling is much higher as well.

There is some overlap between the PMs’ responsibilities and those of Analysts and Senior Analysts: they still generate and evaluate investment ideas, monitor the markets and current positions, and conduct due diligence.

However, there are some significant differences at this level of the hedge fund career path:

1. **Investment Logistics** – The PM has to think more about hedging and sizing issues. For example, what percentage of AUM should be allocated to Idea X vs. Idea Y? What's the best way to hedge, and how much should be allocated to that? How well can the traders execute the orders required to build the position?
2. **Risk Management** – PMs focus more on risks related to both the individual positions and macro risks that might affect the entire portfolio – and how to prevent disaster if there's a market meltdown.
3. **Entire Portfolio** – PMs spend more time thinking about portfolio-wide diversification and points like the **net exposure** (% long positions – % short positions). Even if Company X has 50-70% upside, it might not make sense to invest if it doesn't fit with the rest of the portfolio, or if it would skew risk too much in one direction.
4. **Non-Investment Responsibilities** – PMs must spend time marketing the fund, raising capital from LPs, and answering their questions and concerns. They also oversee all the infrastructure required to support the fund, which means they may not be quite as involved in the nitty-gritty details of investing.

Age Range: 32+

Hedge Fund Portfolio Manager Salary + Bonus: Compensation at this level varies so much that I hesitate to quote specific numbers.

Pay at this level depends almost 100% on performance, which means that PMs could make a few hundred thousand USD… up to $1 million or even $10 million+.

On average, though, a PM at a mid-sized fund that performs decently might earn **between $500K and $3 million**.

If you look at compensation reports, median pay tends to be just above or below $1 million, depending on the year.

Promotion Time: N/A – This is usually the top position unless you're at a much bigger fund or multi-manager fund that has a management layer above this.

Hedge Fund Execution Trader Job Description

I'm not going to cover each level separately here because it's a relatively flat part of the hedge fund career path.

As an Execution Trader, your job is to take the PM's decisions and place orders that result in the best pricing without disrupting the security's market price too much.

The challenge is similar to what traders at investment banks deal with: they must split up larger orders and find buyers and sellers in such a way that minimizes price disturbances.

These roles are open primarily to sales & trading professionals from large banks because it's a completely different skill set than investment banking or equity research.

As you move up, you will be granted more P&L responsibility, and your title may change slightly, but the job will be similar.

Execution Trading seems to have a terrible reputation if you look at online commentary, with people saying that it's "boring" or that "the pay cap is too low" or "there is no path to PM."

There is *some* truth to those comments: it can be quite difficult to move from Execution Trading to the Investing side, especially if your fund uses a strategy like long/short equity or merger arbitrage.

As for the transition to Portfolio Manager, some funds like to limit the movement between ET and PM roles because they want traders to view the job as a long-term career – but some funds are more flexible, so this is not a universal rule.

Hedge Fund Execution Trader Salary + Bonus: Compensation is a discount to the levels in Investing roles.

Entry-level traders might start at around **$150K – $200K**, and more senior traders who perform well might earn closer to **$500K** in total compensation.

You're unlikely to earn into the 7-figure range as a trader because many funds view it as a "supporting role."

Before the angry commenters come out: yes, some traders might still earn $1 million+, but you're far more likely to reach that compensation level in a PM role.

Hedge Fund Career Pros and Cons

Summing up everything above, here's how you can think about the pros and cons of a hedge fund career:

Benefits / Advantages:

- High **salaries and bonuses** at all levels – especially if you're at a mid-sized or larger fund that performs well.
- **Interesting work** that allows you to think critically about almost any global issue and turn it into an investment.
- Somewhat better **hours** than investment banking, at least at non-mega-funds, and a more predictable schedule since you do not work on transactions.
- You work with **smart, ambitious people**, and they may come from more diverse backgrounds than the typical teams in IB/PE.
- There's a wide variety of **strategies** and **firm cultures** – the office environment varies far more than in IB/PE, so you can probably find something that fits you.
- Firms are small and results-driven, so compensation and advancement are strongly linked to your

Drawbacks / Disadvantages:

- The hours are "better," but they are still fairly long and intense – it's just that the **stress** comes from different sources (beating the market, not last-minute client requests).
- You will get **pigeonholed** once you've been working for a few years, and it will become difficult to switch strategies (e.g., long/short equity to global macro) or pursue non-hedge-fund opportunities (corporate development, VC, etc. are unlikely).
- There may not be a clear path to **advancement** at your firm, especially if you're at a single-manager fund where the Founder does everything – to advance, you might need to switch firms or start your own fund.
- **Compensation** is volatile and heavily linked to fund performance, which is why the pay ranges are much wider than the ones for IB and PE.
- You do **nothing** for the world and make no positive social impact – even less so than in IB/PE, where you could at least argue that you help normal companies grow.
- The **future** of the industry is questionable, outside of quant funds (maybe) – fee compression, automation, and passive indexing have all made an impact and will continue to do so in the future.
- It's still **very difficult to break into the industry**, though it's a *bit* more flexible than IB/PE since you don't need to follow a specific "path" in the same way.

So, is the hedge fund career path right for you?

My advice is to put aside thoughts of earning $1 million+ and ask yourself if you're truly passionate about **figuring out** companies and other assets and then putting your money where your mouth is.

That includes losing money when you're wrong and being emotionally stable enough to keep going without losing your cool.

If that's you, you'll do well even if the industry declines or stagnates.

If that's not you, then you should pick a field like investment banking or private equity that's more of a "fraternity house" – but a fraternity house with clearly marked and accessible exits.