For Immediate Release
Citigroup Inc. (NYSE: C)
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Citi Identifies "People Alpha" as Key Practice for Maturing Hedge Fund Industry

Survey Shows Hedge Funds That Invest in Superior People Management Outperform Their Peers

NEW YORK – Hedge funds that invest in people management register higher average investment returns than their peers, according to a new survey from Citi (NYSE:C) Prime Finance. This concept of "people alpha" is the latest potential differentiator for managers in an industry that is becoming increasingly competitive and institutionalized.

The survey corroborates numerous other academic studies that have shown the connection between superior performance and an investment in an organization's people.

"Just as hedge funds once claimed 'operational alpha' as a differentiator, we believe that 'people alpha' will separate some firms from the pack and will soon become an industry norm," said Sandy Kaul, Global Head of Business Advisory Services at Citi Prime Finance.

To conduct the study Citi interviewed a diverse group of 24 hedge funds, each with at least $500 million in assets under management, and evaluated each firm's practices by focusing on four key pillars – Talent Acquisition, Talent Retention, Learning & Development and Performance Management. For each of these categories, Citi developed a list of standard and market leading criteria and ranked firms using a 10 point scale, cumulating in a single 'people score.'

According to the survey, the number of people working at the firm is the determining factor in their focus on people-related matters. Larger firms (+150 people) consistently outscored and outperformed medium and smaller sized firms. When there were similar sized firms such as those between 50 and 150 employees, those that fell in the bottom half of the study's people score underperformed similarly sized firms in the top half by nearly 600 basis points between 2009 and 2012.

Other key findings:

- The greatest difference between top and bottom performing firms was in their approach to talent retention. This included developing an interactive culture and offering an extended benefits package, flexible workplace arrangements and workplace perks.

- Firms that scored well in talent retention also tended to have stronger approaches towards talent acquisition. These firms used techniques such as implementing internship programs and actively recruiting a diverse workforce.

- Firms that displayed strong growth also emphasized learning and development. This included leadership training, formal mentorship programs and ongoing coaching for the management and investment teams.

- Another indicator of current and future success is the presence of a robust review process that includes peer reviews, separate performance and compensation discussions and the inclusion of qualitative as well as quantitative factors.

"As the industry continues to mature, sophisticated investors will assess hedge funds' adherence to people management as a standard part of industry due diligence," added Kaul.

The full report, along with other industry analysis and reporting can be viewed at: [pending URL]

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