Behavioural and Fit Questions (Hedge Funds)

Interview preparation summary · HF track

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INT.HB.1.a · Motivation and Style

Explain why you want a hedge fund and why this investing style, backed by evidence of what you have done.

Hedge fund interviewers ask why you want the job to test two things: whether you understand what the work actually is, and whether your interest shows up in what you do. A strong answer has three parts. First, what draws you to the work, such as forming a view on a company, writing down why, and being measured against what happens. Second, why this style: say whether you mean fundamental long-short, event-driven, macro or another approach, and link it to how you really think. Third, evidence, such as stocks you follow, a dated journal or a pitch you wrote. Be honest about the trade-offs, including blunt feedback, uneven results and a less fixed career path. Money, prestige and a general love of markets are weak answers on their own, and claiming a style you cannot discuss is risky. Reasons differ between candidates, so use your own. Interview point: name the style, give one piece of evidence that you act on the interest, and show you know the day-to-day work.

WORKED EXAMPLE: WHY A HEDGE FUND, FROM WEAK TO STRONG

An interviewer at a fundamental long-short fund asks: why do you want to work at a hedge fund rather than at a large asset manager or in private equity? You follow a small retailer, Brindle Stores, and for two years you have kept a notebook of 15 stock ideas, each with a dated reason and a later review. Build your answer in stages.

Answer: I want a fundamental long-short fund because I like forming a view on one business, writing down why and finding out if I was right, and my notebook of 15 reviewed ideas over two years shows I do this unprompted, including where I was wrong.

> **Interview tip:** Say it in under a minute: the draw, the style, then the notebook as proof. An interviewer listens for one concrete thing you did that you were not asked to do.

INT.HB.2.a · Views and Mistakes

Hold and defend a view with conviction, and change it when the facts you named as decisive change.

A hedge fund interviewer wants to see that you can hold a view and also change it for good reasons. State the view in one testable sentence with a direction, give the two or three drivers behind it, and say in advance which facts would prove you wrong. When a portfolio manager challenges you, engage with the new fact: ask what it is, work out how much it matters, and say whether it breaks the thesis or only changes the size of the opportunity. Conviction means holding a view for stated reasons, not holding it because you said it first. Stubbornness is ignoring facts you listed as decisive. Changing your mind quickly when those facts arrive is a strength, while changing it because someone pushed is not. Interview point: tie every view to the evidence that would change it, and when pressed, say what you would update and why, rather than defending or collapsing.

WORKED EXAMPLE: DEFENDING A VIEW ON MARLOW FOODS

A portfolio manager says: give me a view on Marlow Foods. It trades at 14 times this year's earnings estimate. You think it has lost shelf space at its largest customer and that estimates are 8 percent too high. Convention: the share price stays unchanged and only earnings change. Give a view you can defend, and then respond when the manager challenges it.

Answer: I expect Marlow to miss estimates by about 8 percent, which lifts its multiple from 14 to about 15.2 times at an unchanged price, and I would change my view if its largest customer's volumes hold over the next two periods.

> **Interview tip:** Give the view, the number, then what would change your mind, in that order. An interviewer listens for whether your view has an exit condition written into it.

INT.HB.2.b · Views and Mistakes

Describe a losing investment honestly, with the stop you used, the post-mortem and what changed.

Every investor loses money, so interviewers ask about a mistake to see how you handle it. Pick a real position, ideally one where you had a written thesis, and tell it in the first person: what you believed, what you did, what went wrong and what it cost. A stop is a level or condition set in advance at which you must review or exit, so the decision is not made while hoping. A good post-mortem separates the quality of the decision from the outcome, because a good decision can lose and a poor one can win. Find the specific step that failed, such as a missed risk, an oversized position or ignored evidence, and state one change to your process. Do not blame the market or pick a fake weakness. Interview point: own the mistake plainly, show the stop or review rule, and end with a concrete change you have since made.

WORKED EXAMPLE: TELLING A LOSING TRADE HONESTLY

You are asked: tell me about an investment that lost money. In your student fund you bought Harrow Tools at 40, sized at 5 percent of the portfolio, with a review rule at a 15 percent loss. It fell to 32 before you acted, because you waited for results. Ignore costs and other positions. Build the answer.

Answer: I lost 20 percent on Harrow Tools, 1.0 percent of the portfolio, and about a quarter of that was avoidable because I did not review at my 15 percent level, so I now write the review price into every pitch.

> **Interview tip:** Say the loss, your own error and the change in one flowing answer with no excuses. An interviewer listens for ownership in the first person and a change you can show.

INT.HB.3.a · Working in a Small Team

Show you can work with a portfolio manager in a small, intense team: ownership, clear updates and calm disagreement.

A small fund has few people, so an interviewer is judging whether they would trust you in the room. Working with a portfolio manager means bringing ideas with a clear view and a recommendation, giving updates that start with the conclusion and the few numbers that matter, and owning your names so problems are flagged early and follow-up happens without being chased. Under pressure, say what you know, what you do not and when you will report back, rather than bluffing. If you find an error in your own work, report it promptly with the correction. When you disagree, raise it early and privately, tie it to the facts rather than the person, offer an alternative, and accept that the decision belongs to the portfolio manager. Styles of working differ between funds. Interview point: describe specific moments where you took ownership, kept an update short or disagreed well, not general claims about being a team player.

WORKED EXAMPLE: OWNING AN ERROR IN YOUR MODEL

You are asked: describe a time you took ownership in a small team. In your student fund team of three, you cover transport. The night before the committee, you find your model counted a one-off gain of 6 million, with 30 million shares and a 15 times multiple, in earnings per share of 2.00. Build the answer.

Answer: I found my model had counted a 6 million one-off, so earnings per share were 1.80 not 2.00 and my target fell from 30 to 27, and I told the fund lead that evening with the corrected numbers and a check I now use.

> **Interview tip:** Lead with the moment, give the corrected numbers, and say when you told someone. An interviewer listens for how quickly you reported it and whether you fixed the cause.

Summary of the Charta interview-preparation topic. Companies and figures in the examples are invented. Draft content, not yet expert reviewed.