

January 2020

Asset Management Needs to Get Serious About Attracting and Retaining More Women



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When I started out in asset management in the 1980s, it was not unusual for me to be the only woman in the room, whether it was internal meetings, client visits, or industry functions. Recently, while sitting in a different conference room and in a different seat at the table—I'm often now running the meetings—I was struck by a familiar image: chairs filled by men.

In 30-plus years, the needle has barely moved.

I'm disheartened by the lack of women in asset management. I can't help but think what they're missing out on, and what the industry is missing out on as well.

Starting as a junior analyst for the Retirement Systems of Alabama, which manages the pension plan for state employees, I was initially attracted to the buy side because I was interested in markets and the analytical puzzles of security selection and asset allocation. But my passion for the job flowered when my mother became a lawyer for the state: I realized I had a hand in managing a portfolio intended to service her pension when she retired.

When your client is your mother, fiduciary responsibility takes on a whole new dimension. It turns the asset manager's duty—helping clients meet their long-term investment goals—into nothing less than a sacred trust.

This is not just some lofty notion. It is a responsibility that I take very personally. Asset management clients are not faceless numbers on a screen—they are moms and dads, policyholders of insurance companies, retirees served by pension funds, students and teachers funded by school endowments, and stakeholders of corporations. I know that the portfolio positioning I take will have an impact on the lives of real people for years to come. Our success depends not just on the bonds we acquire, but on the bonds we form with our clients. These connections are based on an understanding of our clients' needs and those of the constituencies they represent, as well as their long-term investment objectives, however idiosyncratic or complex.

It requires a certain skill, but the lack of women on the buy side isn't because we can't do the job as well as men. In fact, Morningstar found that between 2003 and 2017, fixed-income funds run by women outperformed their respective category average returns by 35 basis points annually, while men beat the benchmark by 8 basis points.

Over time, an annual 27 basis-point difference between women and men adds up. Other studies have found no significant difference in performance between men and women fund managers, but even if the results are, at worse, the same, that should negate any justification for the overrepresentation of men.

Despite the good intentions of many people at many firms—diversity and inclusion programs, gender outreach, mentorship programs—women are still woefully underrepresented in portfolio management. Women account for less than 10 percent of U.S. open-end fund managers and manage only 2 percent in assets of that \$12.6 trillion universe, according to Morningstar. The story is the same in the hedge fund industry, where Prequin reports that only 10 percent of portfolio management teams are women. This comes at a time when women are making progress elsewhere—comprising 40 percent of our nation’s surgeons, 45 percent of our physical scientists, and 37 percent of our lawyers and judges.

So what accounts for the lingering low numbers of women portfolio managers? I think it starts with an image problem. I suspect that if you visit college campuses today, students who want to go into financial services probably are thinking about investment banking, sales and trading, private equity, or hedge funds—businesses that traditionally attract a more aggressive, transactional candidate. That description can apply to women, of course, but it does not represent the qualities required in portfolio management.

In addition, like a number of industries, asset management struggles to retain and promote women, particularly into senior-level and C-suite positions. According to McKinsey, women and men actually enter the field in about equal numbers, but women account for only 19 percent of C-suite positions. They cite several reasons for this, including an “ambition gap” between men and women, lack of sponsorship, and difficulty with self-advocacy.

To bring more women in to asset management and to have them in the senior ranks, I believe three things need to happen. First, the asset management industry has to work on its image and messaging. It starts by moving beyond the Hollywood stereotypes and promoting a career in which people with strong analytical skills can improve people’s lives.

Second, it is important to start cultivating and mentoring young women who want to learn about careers in asset management. At Guggenheim, we support Girls Who Invest (GWI), an organization that provides educational programs, paid internships, and an ongoing support community to young women interested in the industry. Of the approximately 500 women who have participated since its inception in 2015, 26 percent were socioeconomically disadvantaged, and 20 percent were historically underrepresented minorities.

Third, asset management firms have to do a better job at creating work environments more conducive to retaining and promoting women. This means creating a culture of purpose with an inclusive management atmosphere, not one of “command and control.” And since women generally avoid asking for promotions or raises, it requires implementing processes that do a better job of recognizing and rewarding achievement.

I believe that the differences between men and women make for a diversity of thought and behavior that merits a seat at the table for both genders. In fact, according to a study published by Management Science, business teams with lower percentages of women have lower sales and lower profits than teams with a balanced gender mix. Profits increase as firms approach gender parity.

Attaining greater representation of women isn't just the right thing to do for the asset management industry, it is the smart thing to do for clients. In 2020, let's resolve to change the dynamic and get more women in portfolio management seats. It will make a difference in the financial futures of clients and the industry.

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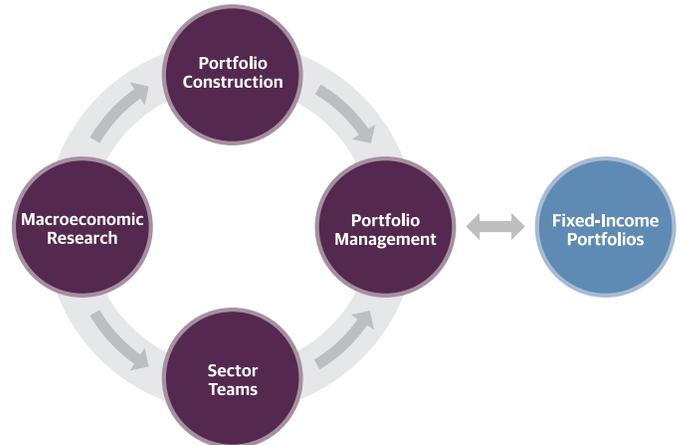
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