

Gender Lens Investing: A Strategy Whose Time Has Come

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by Casey C. Clark, CFA - Director of Sustainable and Impact Investing

Increasingly, investors are making women's empowerment a crucial part of their portfolios. Called gender lens investing, this strategy involves incorporating benefits to women and girls into overall analysis and decision-making. The goal is not only to advance gender issues and equality, but to do so profitably, without sacrificing financial returns. More than 100 private and public funds have embraced gender lens investing, responding to demand from individuals and institutions alike.¹

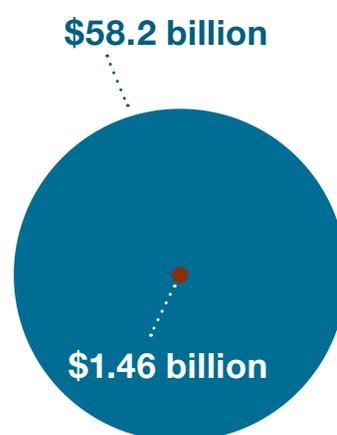
Research shows that advancing women's equality could add \$12 trillion to \$28 trillion in annual GDP worldwide by 2025.

Certainly there's plenty of research suggesting a connection between robust economic performance and women's empowerment. For example, a recent report by McKinsey & Company found that companies in the top quartile of gender diversity are 15 percent more likely to produce financial returns "above their national industry median."² What's more, other research shows that advancing women's equality could add \$12 trillion to \$28 trillion in annual GDP worldwide by 2025.³

INVESTORS GENERALLY TAKE ONE OF THREE APPROACHES

Providing access to capital and resources: That means giving women entrepreneurs access to equity, loans and financial training. Fact is, female-

founded companies still receive considerably less funding than those run by male counterparts. For example, while venture capitalists invested \$58.2 billion in companies with all-male founders in 2016, they divvied up just \$1.46 billion in VC money to firms with all-female founders, according to PitchBook, an M&A, venture capital and private equity database.⁴



Firms with all-male founders received nearly 40 times the amount of venture capital funding in 2016 than those founded by all females.

But there are many female-owned businesses globally, from micro enterprises to high-growth juggernauts that offer the potential for both advancing the position of women in society and offering promising returns. In fact, a study conducted by the Small Business Administration in 2013 determined that venture firms investing in women-led businesses had more positive performances than other companies.⁵

1 Knowledge@Wharton. 2017. "Gender Lens Investing: Why the Opportunities Are Growing."

2 Hunt, Vivian, Layton, Dennis, Prince. 2015. "Diversity Matters." McKinsey & Company.

3 Woestzel, Jonathan, Madgavkar, Anu, Ellungrud, Kweilin, Labaye, Eric, Devillard, Sandrine, Kutcher, Eric, Manyika, James, Dobbs, Richard, and Krishnan, Mekala. 2015. "How Advancing Women's Equality Can Add \$12 Trillion to Global Growth." McKinsey Global Institute.

4 Zarya, Valentina. 2017. "Venture Capital's Funding Gap is Actually Getting Worse." Fortune.

5 U.S. Small Business Administration. 2013. "Venture Capital, Social Capital and the Funding of Women-led Businesses."

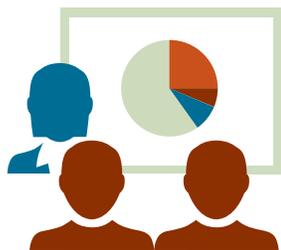
And such enterprises also tend to do more with less: the average VC-backed company run by a woman had revenues that were 12 percent higher than those led by men, while using one third less committed capital, according to gender lens investing expert Jackie VanderBrug, managing director at U.S. Trust.⁶

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Addressing gender equality in the workplace:

This approach uses investment capital to promote everything from women on boards to pay equity. It also relies on a steady stream of research showing a correlation between gender equality on boards and in the workplace with strong financial performance. Consider the matter of women’s representation on corporate boards. Research has shown that companies with one or more women on their boards deliver higher average returns on equity, better average growth and less volatility.⁷



As for what happens to performance when companies have more females in executive positions, organizations that are the most inclusive of women in top management have a 35 percent higher return on equity and 34 percent better total return to shareholders compared to those with the lowest female representation, according to Catalyst.⁸

What’s more, a recent analysis by Glenmede showed positive results when both female board representation and women in senior management are taken into account. We analyzed the performance of companies in the Russell 1000 that had at least one of the following characteristics: (1) greater than 20% female board representation, (2) greater than 25% women in senior management or (3) female CEO or board chair. Results from July 2009 through September 2017 showed that companies with at least one of these traits outperformed the rest of the pack by 0.9 percent a year, and with less risk.⁹

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Backing products and services for women:

Another approach is to focus on businesses that help women and girls and improve gender equity—targeting companies not merely designing products for the female consumer, but also addressing vital issues that largely affect women. Examples range from devices aimed at maternal mortality to safer clean-burning cook stoves for women in developing countries.

From a negligible number of opportunities perhaps 20 years ago, there now are options across all asset classes, according to Suzanne Biegel, a gender lens investing pioneer, who is the Senior Gender Lens Investing Advisor for the Wharton Social Impact Initiative. She breaks them down into several categories. That includes funds with an explicit and quantified objective—say, investing in companies

6 VanderBrug, Jackie. 2012. “Mainstreaming Gender Lens Investing.” Criterion Institute.

7 Nadarajah, Sivathaasan and Liu, Benjamin and Huang, Allen and Ali, Searat. 2017. “Gender Diversity and Default Risk: A Global Perspective .” SSRN

8 Catalyst. 2004. “The Bottom Line: Connecting Corporate Performance and Gender Diversity.”

9 Glenmede. 2016. “Adding Value with a Gender Investment Lens.”

with a female CEO, where there is a preponderance of women in management, or where at least 20 percent of board members are women—as well as those with a gender lens, but no specific quantifiable goal, and yet others that use gender as one factor in their larger analysis. There also are new indexes focused with a gender lens. Take the SSSGA Gender Diversity Index. It's designed to track the performance of U.S. large-capitalization companies with high levels of women on their boards of directors and in senior leadership positions.

Other investing strategies include engaging shareholders in pushing for gender-related issues. Examples: filing shareholder resolutions

to reveal demographic data about employees, or voting on proxies in a way that encourages more female representation on boards in publicly traded companies.

The bottom line: Gender lens investing is a strategy whose time has come. For those who want to improve the lives of women and girls through their investments and make a healthy financial return at the same time, there are plenty of options available.

For more information:

Casey C. Clark, CFA

Director of Sustainable & Impact Investing

215-419-6116

Casey.Clark@glenmede.com

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