

WOMEN IN PORTFOLIO MANAGEMENT

THE MISSING DIVERSITY MULTIPLIER

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Despite boasting some high-profile female leaders, asset management does no better than the rest of the financial services industry when it comes to female representation at the top. And portfolio management, the so-called “engine room” of the asset management industry, does even worse.

This is not because women are worse at portfolio management than men. Studies show all possible results in terms of portfolio performance, with neither women nor men being systematically better. So the available evidence provides no justification for the low representation of women in portfolio management.

And there is positive reason to regret it, when one considers the role that portfolio managers could play as representatives of major shareholders in companies from all sectors of the economy. There is evidence that female investors are stronger advocates for gender diversity in their portfolio companies. More women in portfolio management could mean more women in leadership positions across the economy – a diversity multiplier effect.¹

“I am concerned about a male-dominated fund management community. I wonder what this means in terms of investor pressure to improve diversity across industries”

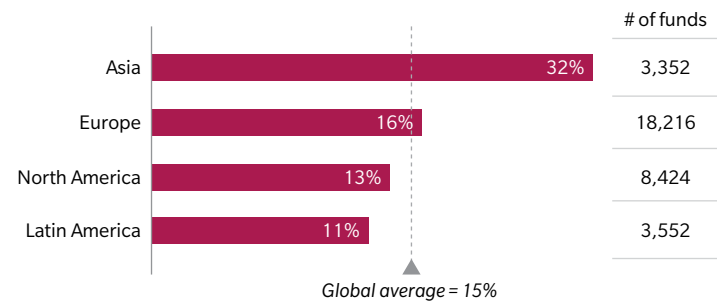
Chairman of a FTSE 100 company

“In the US, we are seeing increased institutional investor pressure for more diversity... Investors play an important role here and are starting to be more vocal about things like diverse Boards that correlate with better long-term sustainable performance”

Alison Davis, Non-executive Director, RBS

What hinders women from working in portfolio management? And how can the obstacles be removed? Before answering these questions, it is important to look at the numbers.

EXHIBIT 1: FEMALE REPRESENTATION IN PORTFOLIO MANAGEMENT BY REGION²



Source: Morningstar data, Oliver Wyman analysis

Only 15 percent of portfolio managers globally were women as of December 2015 (compared to 18 percent on asset management ExCos: see Exhibit 4 in the main article). This finding is based on an analysis of gender among portfolio managers globally for all open-end retail funds listed in the Morningstar database.³ The analysis covers 33,544 funds worldwide with 17,473 individuals named as portfolio manager.

Among our four broad regions, Asia has by far the highest female representation. This could be explained by the higher percentage of Asian women who study quantitative subjects at university,⁴ which increases the pool of female talent available to the industry.⁵ Female representation in the US and the UK – the oldest and largest asset management markets – is similar, with 13 percent and 14 percent female portfolio managers respectively, both slightly below the global average.

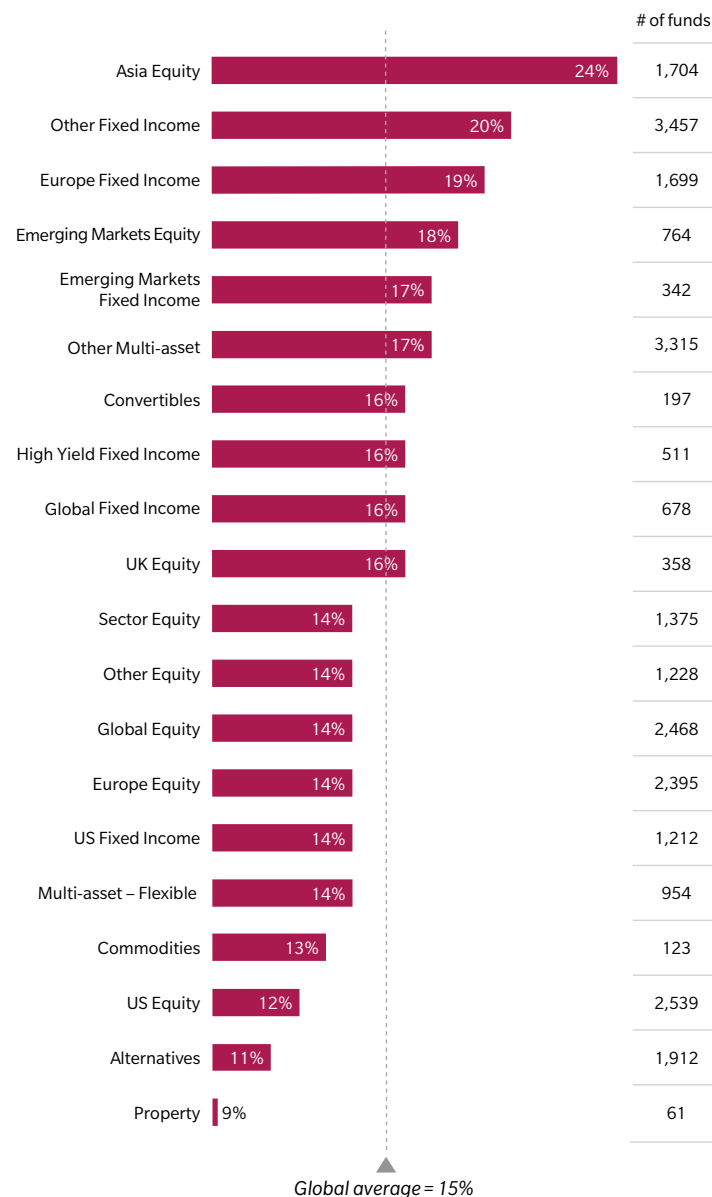
1 A report by Babson College finds that venture capital firms with female partners are twice as likely to invest in companies with a woman on the management team, and three times more likely to invest in companies with a female CEO. Candida Brush et al., Diana Report – *Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital*, Babson College, September 2014

2 A fund's region is determined by where it is (primarily) sold as the best available proxy for where the portfolio manager sits

3 Funds were excluded from the analysis when they failed to meet criteria for inclusion, such as disclosing the managers' names.

4 According to Yfactor.org, more than 60 percent of students in mathematics and statistics disciplines in Asia were women, compared to 45 percent in North America and Western Europe. While portfolio managers are not only recruited from mathematics and statistics, but also from business or finance backgrounds, these numbers give an indication that the candidate pool in Asia may be larger than elsewhere.

5 An Oliver Wyman analysis of job descriptions for portfolio management entry positions showed approximately 7 out of 10 vacancies require a candidate to have a quantitative or related education background.

EXHIBIT 2: FEMALE REPRESENTATION BY ASSET CLASS⁷

Source: Morningstar data, Oliver Wyman analysis

Representation varies by asset class. Fixed income tends to have higher female representation than equities (the exception of Asian equity and emerging markets equity is a side-effect of the higher representation of women in Asia). Women are least represented in managing alternatives and real estate funds, a finding that is consistent with previous studies of women in these subsectors.⁶

“In real estate and private equity, there are closed networks, and who you know is very important. That might be an obstacle for women”

Euan Munro, CEO, Aviva Investors

“There are still too few women Chief Investment Officers in asset management, although that is beginning to change as companies realize that diverse viewpoints are critical to understanding and managing both risk and credit in investment portfolios”

Deborah Zurkow, Head of Alternatives, Allianz Global Investors

Why are there so few women in the “engine room” of asset management? Interviews, research, and an online survey that we conducted suggest three reasons.

1. CULTURE AND IMAGE

Most of our interviewees identified the culture and image of asset management as a problem for attracting and retaining female staff. There seem to be pockets in the industry where aggressive cultures prevail and where time spent in the office is seen as an indicator of an employee’s productivity or commitment. The industry’s image is largely unattractive to women.

“Portfolio management can be very competitive and have a harsh culture. This is not necessarily a barrier for women – they can deal with pressure, but may have a preference not to. Overall, the more negative perception of the sector since the financial crisis appears to have impacted its attraction as a destination for female graduates to a disproportionate extent”

Lucy Macdonald, CIO Global Equities, Allianz Global Investors

⁶ According to “Cloistered in the Pink Ghetto”, a working paper by Harvard Business School lecturer and real estate investor Nori Gerardo Lietz, just five percent of private equity senior investment professionals are women. In real estate, it is four percent.

⁷ Total number of funds in the table is 30,189, which is below than overall number 33,544, due to the exclusion of 3,355 funds for which the asset class was “Miscellaneous” or not available. “Other Fixed Income” includes Money Market funds. “Other Multi-asset” funds invest in stocks, bonds and cash, and constitute the majority of multi-asset funds. “Multi-asset – Flexible” funds invest in a broader range of asset classes, including derivatives.

“I think the problem of attracting women is mainly around culture and perception of the industry, not the nature of the portfolio management roles”

Mark Zinkula, CEO, LGIM

“Portfolio management can appear quite boys-clubby. The majority of portfolio managers are male, and often come from the same schools – if you don’t fit that mold, it is easy to feel like you are not part of the club”

Director, Global Asset Manager

A Financial Times study found that women in asset management wrestle with an old-boys clique.⁸ It surveyed 730 global fund management staff, finding that 65 percent of female respondents claimed to experience sexist behavior in the office regularly.

Oliver Wyman surveyed 100 asset management professionals, 50 of whom were women. Sixteen percent of these women disagree or strongly disagree with the statement: “I like the culture in my organization” – the highest proportion among all financial services subsectors in the online survey. It is a small sample, and not therefore statistically significant, but the finding accords with the impressions gained from our interviews. Another worrying finding from the survey was that men in asset management appear to see less value in gender diversity initiatives than men working in other subsectors of financial services. On average, 21 percent⁹ of male respondents from the asset management industry indicated diversity initiatives are not important for them – again a small sample but also the highest among among the financial services subsectors in our survey.

2. GRADUATE RECRUITMENT

Although attrition of female portfolio managers is a problem, the majority of our interviewees agreed that the biggest problem is attracting women in the first place. The image of asset management firms may deter qualified women from applying, as may a lack of knowledge about the industry among graduates who have no specific reason to be interested in the topic. More on-campus education and PR work on asset management may be required. Many asset managers focus their recruitment on candidates with quantitative, business, or finance backgrounds. Given that these subjects are male student dominated, so is the pool of candidates for entry-level positions.

“I am not sure measures higher up are the answer, until we have resolved the problem lower down. What’s happening at the incoming level with women is important and concerning ”

Sarah Bates, Chairman, St James’s Place

“It’s an attraction issue that we face. Few graduates understand what the asset management industry does; they are much better informed about investment banking, for example. Those who are interested typically self-select into the industry at an early stage of their university education – and unfortunately we don’t see many female graduates applying for buy-side roles. This is also related to their degree subjects – we would like to recruit more liberal arts students, not just those in science or finance-related degrees, but few apply from broader disciplines”

Sally Nelson, Chief Administrative Officer, Fidelity International

⁸ Chris Newlands and Madison Marriage, *Women in asset management: Battling a culture of ‘subtle sexism’*, The Financial Times, 30 November 2014

⁹ Share of male respondents who indicated a diversity measure as not important for them, averaged across all diversity measures from our framework “Career Support House”

3. (PERCEIVED) BARRIERS TO FLEXIBLE WORKING

Barriers to flexible working have been identified as a driver of low female representation in senior financial services jobs generally. In portfolio management, however, there are some structural particularities that should be highlighted.

Our interviewees expressed differing views on the use of flexible working options. Some believe that portfolio management cannot be done part-time. Clients want a full-time, dedicated portfolio manager at their desk when the market is open. Other interviewees, however, think portfolio management can successfully be done part-time: most obviously, when a portfolio is managed by a team rather than a solo manager.

The increasing use of technology in money management is likely to challenge traditional approaches to portfolio management.¹⁰ The emerging models are likely to call for less face time. And even on the current business model, technological progress ought to create much greater flexibility in where and how portfolio managers work. In the age of mobile access, there is no reason for portfolio managers to be chained to their desks.

It may be more difficult – or perceived as more difficult – for a portfolio manager to take a break of several months or years for caregiving. On leaving, the portfolio needs to be passed to a colleague; getting it back upon returning can be difficult. And, even after returning, gaps in track record can be perceived as detrimental to the career. Several of our interviewees, however, argued strongly that this is needlessly inflexible thinking.

“There is a myth propagated by many in investment management that you can only do it if you are chained to your desk full-time, and that somehow, if you have a break for six months, you lose all your market knowledge. Obviously that’s nonsense, but even the possibility you might contemplate motherhood can become a hurdle for women in the industry. Gender generalizations are also damaging. There is no one-size-fits-all when it comes to women and men – there are more differences between women and between men than between the average woman and the average man”
Anne Richards, CEO, M&G

“We recently had one male portfolio manager take shared parental leave. That had a major positive impact on the overall team”
D&I Director, Asset Manager

Many leaders within asset management are keen to see more women working as portfolio managers and are taking measures aimed at bringing this about. The challenges are, for the most part, the same as those in other sectors of financial services. And so are the appropriate responses: getting the basics right (such as offering sufficient flexible working options), active sponsorship of promising women, mandatory unconscious bias training, and the other initiatives described in the main article.

Portfolio management is distinguished by the worse-than-average perception of its culture. Cultural change is a long-term endeavour. To begin it, senior managers in asset management firms should consider leading by example (for example, by using flexible work options themselves), adopting a zero-tolerance policy on any non-inclusive behaviour, sharing the stories of successful female portfolio managers, and linking bonuses to being supportive of diversity and inclusion.

¹⁰ *Better, Cheaper, Bionic – The impact of digital on portfolio management*, Oliver Wyman, 2015. This report outlines how the use of computing power could materially change how portfolio management is done.

Portfolio management ought to be an attractive career for women. It is a job in which performance can be objectively measured, which should make bonuses and promotions less vulnerable to prejudice and relationships formed in bars and golf clubs. And, provided secure technology is available, it can be done anywhere that has Internet access, which is almost everywhere, including the portfolio manager's home.

The fact that, despite these features, portfolio management attracts an unusually small number of women suggests a failure to make the most of these advantages and to market them effectively. Asset managers need to spread the word about the female friendliness of the profession. Among other things, this means on-campus campaigns promoting the job to female students, and commitments to include female candidates on the lists for vacant positions. More generally, it means public relations campaigns (perhaps organized at an industry level), drawing attention to the virtues of portfolio management as a career for women. The names and faces of successful female portfolio managers should become familiar to readers of the business pages.

Portfolio management is not what comes to mind when most people think of financial services: less high-profile and glamorous than investment banking, and less familiar to consumers than retail banking and insurance. Portfolio management may not have been a priority among campaigners for greater gender diversity in financial services. But given the influence of portfolio managers in the wider economy through share ownership, and the potential for a diversity multiplier effect, it should be.