Women in Alternative Assets **2022**

preqin

Contents

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Foreword

Gender balance in the alternatives industry is still a long way off, and marginal increases are not cutting it anymore. Our annual *Women in Alternative Assets Report* breaks down the workforce in different asset classes, looks at success stories, and zooms in on the private equity and venture capital industries. Much can be learned from institutional investors, which have a higher-than-average gender balance in their alternatives workforce, and the use of diversity & inclusion (D&I) policies to boost gender equality.

We hear from Global Head of Research & Data Operations, Shifra Ansonoff, and Head of ESG, Jaclyn Bouchard on their experience of being women in the male-dominated alternatives industry.

Shifra Ansonoff

EVP, Global Head of Research and Data Operations

Preqin

A cartoon about a Fred Astaire film festival originated this line: "Sure he was great, but don't forget that Ginger Rogers did everything he did…backwards and in high heels." While women have the aptitude to be successful, *Women in Alternative Assets* exposes the gender imbalance that remains within our industry.

In the last few years, we've observed the emphasis on work-life balance, especially for mothers. Businesses that recognize the benefits of gender-balanced workforces are supporting their employees, empowering men, women, and non-binary people by offering parental leave. When our partners take time off to support us, it enables our own career development.

One of the things I noticed in my career is that I've succeeded the most when I was willing to take calculated risks, something I realize that not many women are empowered to do. For example, I completed my MBA pregnant with twin boys. Within six months of their birth, I had taken a new role at a new company and was in the process of moving my family. I lived out of a suitcase for four months until we sold our house but, in the end, the calculated risk was worth it. It advanced my career and was a catalyst for my future successes. Having a support system where I was not stigmatized by traditional gender norms for taking these risks was pivotal for my career development.

Jaclyn Bouchard

Head of ESG

Preqin

When I studied biology at university, the lack of women in STEM was palpable. Starting my career in finance, women were still underrepresented, but I found one of the most powerful tools to grow my career to be the female mentors I found along the way, who inspired me and helped me navigate the corporate world. 'Lean in' and all that jazz might seem like a gimmick but there are real moments where you find yourself as the only one in the room and need that reminder to literally lean in and speak up.

As a woman in an executive position at Preqin, I also know the importance of mentoring others and the inspiration that can come from just being where I am – with a seat at the table, leading one of the six business units of the company. Even more powerful is the role my business unit, ESG Solutions, can play in shining a light on diversity in alternatives more broadly – outside the walls of Preqin – raising awareness and delivering data-driven advocacy.

With our ESG products we deliver data that empowers investors to integrate environmental and social – including diversity – considerations into their investment decisions. On women specifically, we can tag female-owned funds, fund managers with D&I policies in place, and the number of female board members, among many others. Through measuring these things, this report helps address the lack of diversity in alternatives and drive change.

Executive summary

20.9%

Just over a fifth of people working in alternative assets are women

24.2%

Almost a quarter of employees working for institutional investors are women

12.9%

Less than a quarter of senior positions in the industry are held by women

The gender balance in alternative assets continues to make incremental gains across all asset classes, but with an increase of just 0.3% over the industry in 2021, progress is hard to cheer about. The drop-off in female concentration occurs at senior level, as 32.1% of junior roles in alternatives are filled by women but this translates to just 12.9% higher up. Preqin data shows which regions, asset classes, and institutions are pulling ahead – and which have leakier pipelines.

Gender diversity at fund managers

At fund manager level, the proportion of women in the workforce by asset class ranges from 18.9% at real estate firms to 21.1% at private debt and venture capital firms. However, in contrast to many other industries, the alternatives industry has not seen a major drop in the proportion of female employees during the COVID-19 pandemic. This reflects the ease with which it was able to pivot to remote working as the workplace shifted to a hybrid model.

Leaky pipeline and lack of women in senior management continues

Although relatively positive, it means the industry hasn't undergone any significant transformation and the same pre-pandemic challenges remain. According to Deloitte, one woman in the C-suite leads to three promotions of women into senior management roles.[1] In alternative assets, where the low proportion of women entering the industry at junior levels compounds the issue of low representation at senior levels, having one woman on the board could make a huge difference.

Institutional investors more diverse than fund managers

Investors have better female representation throughout the workforce, with 34.4% of junior positions, 26.1% of mid-level positions and 16.7% of senior roles filled by women. For fund managers, however, even in venture capital – the asset class with the highest female representation – women only make up 13.0% of senior roles. In an industry where competition is high, mirroring the gender equality achieved at your clients sounds like good business sense.

Progress will continue to be slow until women are better represented at the most senior level in alternative asset managers, but actions such as casting a broader net when recruiting junior positions to avoid gender bias is not skewed at entry level, developing metrics to track progress, and adding gender diversity metrics to due diligence proceedings can help to achieve real change.

[1] *https://www2.deloitte.com/us/en/insights/industry/financial-services/women-in-the-finance-industry.html*

Diversity & inclusion: challenges and opportunities

We spoke to global financial services provider Apex Group on how it's improving diversity and inclusion within the business and the alternatives industry's power to promote D&I externally

Valérie Mantot-Groene

Regional Managing Director, Asia Pacific

Ashmita Chhabra

Managing Director, Business Development, Southeast Asia

Debbie Lee

Managing Director, China

Amber Lo

Head of Business Development, North Asia

What unique challenges is Asia-Pacific facing when it comes to D&I issues?

Debbie Lee: Asia-Pacific has 60% of the world's population and is home to a diverse range of people, ethnicities, and cultures. But the region's progress has been slow when it comes to D&I initiatives.

Many corporates in the region consider D&I to be only about gender diversity or foreign talent. Where diversity initiatives are being adopted, the majority focus on gender and many only on recruitment and reputation management. Even companies that are adopting D&I measures can have issues with unconscious bias, when unfair assumptions about people are made based on factors such as their gender, ethnicity, or socioeconomic background, for example.

While corporate leaders in Asia-Pacific increasingly see the value of D&I, they may not be aware of the most effective programs or are unsure of their return on investments.

Leaders need to understand how D&I goals align with and support the business strategy. They need to form a specific and documented D&I strategy, with a plan and timetable for implementation, and a solid measurement process, including surveys and pre-set KPIs to measure impact, monitor key metrics, and support better performance.

In what ways do alternatives differ from other areas of finance in the approach to D&I?

Ashmita Chhabra: Women are generally outnumbered in finance, but even more so in asset management. Within private capital markets and in certain geographies in Asia, it is commonly observed that businesses are still overwhelmingly dominated by men, which makes it harder for female GPs to build the same networks or source deals as their male counterparts.

These inequalities are visible in buy- and sell-side businesses. Hence, efforts across investment management, including the alternatives industry, often focus on addressing gender bias to attract and retain more women in the industry, as well as closing the gender pay gap. To do so, the industry has adopted efforts such as hiring a more diverse pool of graduates to improve diversity at entry level, providing mentorship and career development programs for women, and improving policies regarding maternity leave.

A positive aspect of D&I in alternatives is that asset owners and managers can make efforts to promote D&I externally. For example, where asset owners incorporate diversity inquiries in their RFPs, or asset managers expect reporting on D&I metrics from their portfolio companies, they encourage the organizations to adopt measures to assimilate and improve their D&I approach.

How can other stakeholders, such as governments, industry organizations, and men, bring about change?

Amber Lo: Governments and public sectors have long been leaders in D&I. It's not surprising – they are more 'visible' and get criticized if they fail to demonstrate good practice. It's great that governments lead by example but setting out industry standards or guidelines would definitely help to bring the market to a certain level on the D&I spectrum.

For organizations, driving change is not easy and conscious efforts need to be made to convey and demonstrate the importance of D&I in the workplace. The C-suite and management team have to set the right tone and communicate top down. Then the organization needs to create specific programs and set up measurable KPIs, such as diversity retention rate, to keep track of progress and performance and to see exactly how male and female employees are treated within the organization. Ensuring gender balance in the board of directors will also help to promote the D&I culture of an organization.

In alternatives, like other industries, the general perception that certain careers are made for men is not uncommon. Men have an important role to play in changing this perception and need to step forward, acknowledge and support women, especially in terms of promotion and career advancement.

How is Apex Group incorporating D&I initiatives and what results are being observed in the company?

Valérie Mantot-Groene: Apex Group has established a D&I Council with members from all our offices and with various roles and levels of responsibility. The Council sets D&I targets and monitors progress. It also coordinates strategic initiatives implemented in our 50+ offices globally. The Council reports progress at local, regional, and global levels on a regular basis.

Apex Group ensures that group policies, systems, and practices support a diverse and inclusive culture. For example, our talent acquisition policy structures recruitment and selection practices so that a diverse range of candidates are considered. Training programs help develop leadership capability to embed an inclusive culture and make diversity effective. Also, D&I is one of the competency criteria in the promotion assessments of senior management. Gender equality initiatives include a Women Accelerator Program and a Women Mentorship Program, as well as a remuneration framework designed to provide equal access rights to all employees, regardless of gender.

Apex Group frequently engages with employees to understand their views on promoting and managing D&I. Apex Group uses anonymous, whole-of-company surveys to measure, track, and report on D&I's engagement as well as issues such as organizational culture, flexibility, inclusion, and leaders' behavior.

Valérie Mantot-Groene, Regional Managing Director, Asia-Pacific
Valérie leads the firm's growth and performance across the Asia-Pacific region, bringing over 20 years experience in the alternative asset management industry. She has advised and assisted financial institutions, family offices, SWFs, and asset managers in the structure and operation of their cross border investments in real estate, private equity, infrastructure, venture capital, and private debt across Europe, the Middle East, and Asia.

Ashmita Chhabra, Managing Director of Business Development, Southeast Asia
Ashmita oversees the business development strategy for Southeast Asia, with over 17 years experience working with asset allocators and fund managers in alternatives, and having built the global alternatives research business at Eurekahedge. She is Chair of the Singapore Fund Administrators Association (SFAA) and on the Executive Committee of the Singapore Funds Industry Group (SFIG).

Debbie Lee, Managing Director, China
Debbie joined Apex Group in 2020 and brought over 20 years of experience in the financial industry. Throughout her career, she held various senior positions in professional service firms including KPMG and TMF in Hong Kong, Shanghai and Beijing. She relocated to Shanghai from Hong Kong in 2007 and spent over a decade in various consultancy roles in China. As Apex Group's Country Head of China, Debbie led the service team to serve international corporations with a focus on hedge funds, private equity, real estate and venture capital.

Amber Lo, Head of Business Development, North Asia
Amber is responsible for sales and business development in North Asia. She joined Apex Group from Mainstream Group and has over 10 years of experience working in fund administration and International CSD for funds. Amber previously worked for Euroclear Bank, Hang Seng Bank, and Alliance Bernstein in client management, business strategy, and operational roles.

Slow progress for gender diversity in private equity

By Valerie Kor

Despite evidence of gender diversity leading to higher performance, female representation has remained low in private equity

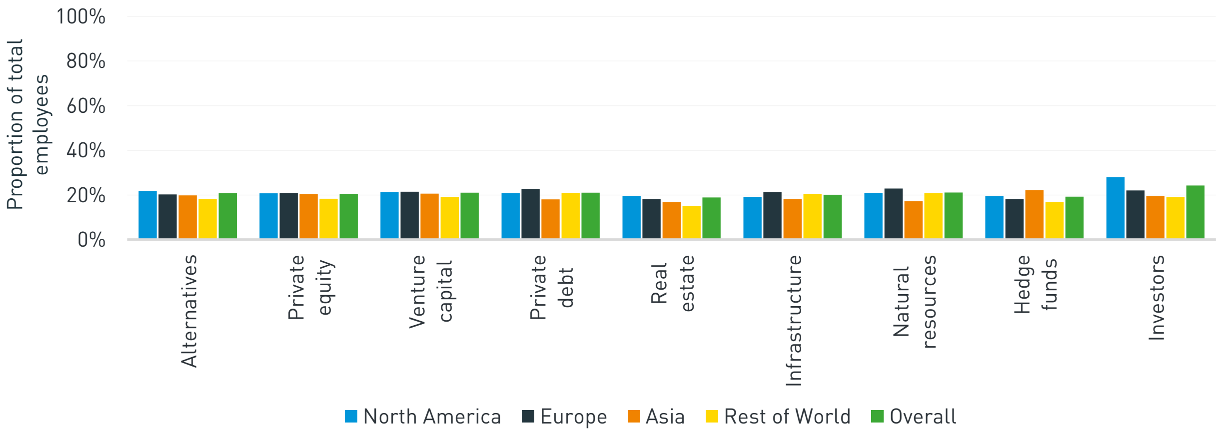
As of February 2022, just one-fifth (20.5%) of total private equity employees at fund managers were women (Fig. 1.1). While that proportion has increased for the past three years in North America, Europe, and Asia – although by less than one percentage point annually – Rest of World recorded a decline from 18.9% in 2020 to 18.3% in 2021. (Fig. 1.2). At senior levels, there are even fewer women; only 9.0% of CEOs and 8.2% of board members are female (Fig. 1.3).

Improvements to this picture remain slow, despite a wealth of evidence that links higher returns with gender diversity. Committees with at least one female member outperform all-male committees by an average of 12% IRR and 52 cents per dollar invested, according to a 2019 study by French business school HEC Paris.[1] The same study found that having women on the team also lowered the average capital loss ratio of a fund by 8% to 12%.

Further, McKinsey's 2019 *Diversity Wins* report found that large corporations in the top quartile for gender diversity on executive teams are 25% more likely to have above-average profitability than companies in the bottom quartile. The study also found that companies with more than 30% female executives mostly outperform companies with 10%-30% women executives, and that the latter outperform those with fewer than 10%.[2] This results in a substantial likelihood of an outperformance differential of 48% between the most and least gender-diverse companies.

[1] *https://www.ft.com/content/136e07f4-103b-11ea-a225-db2f231cfeae*
[2] *https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters*

Fig. 1.1: Female employees in alternatives as a proportion of total employees by location and asset class

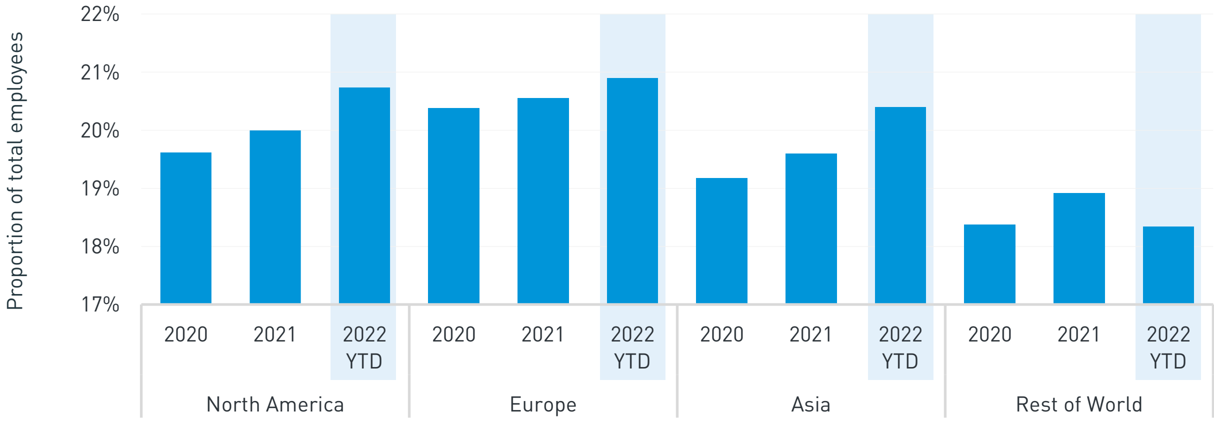


Source: Preqin Pro

Despite these reports showing women as a positive influence on performance, Preqin data shows that women are still relatively underrepresented in the world of private equity compared to the overall average of 20.5%, making up just 19.9% of the workforce at the top 10 consistently performing private equity fund managers. Preqin assigns quartile rankings to private equity funds for which it has performance data, based on both the multiple and IRR, and considering the fund vintage, strategy, and geographic focus. An average quartile ranking is then calculated for each fund manager.

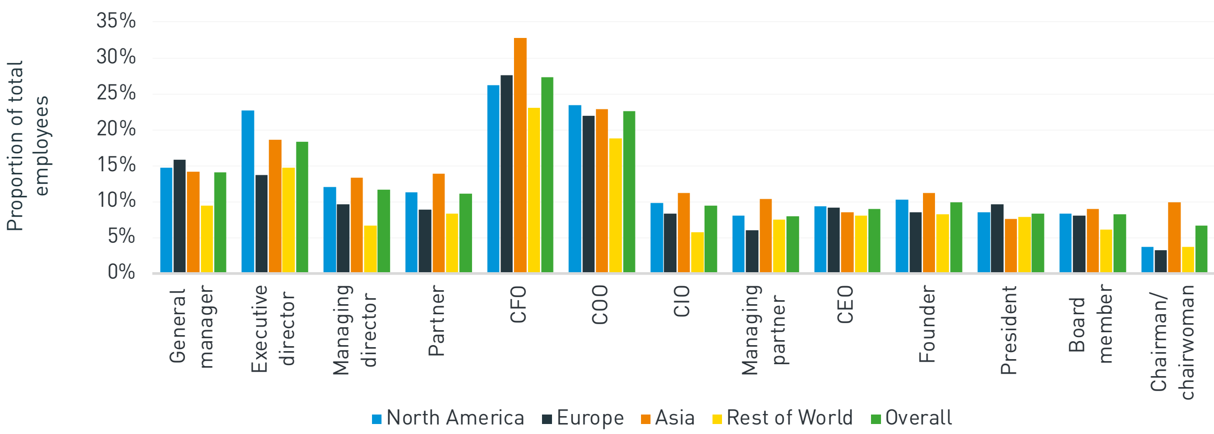
Given the performance-driven nature of the industry, these figures alone make the barriers to change – which may be deeply systemic and cultural – significant. One reason could be that the talent pool of female business graduates is smaller. Another reason could be women changing industries and leaving finance altogether before reaching senior positions. Anecdotal evidence, such as from the World Economic Forum's 2015 *Women in Private Equity* report, also suggests there is a glass ceiling. Women can be viewed negatively when they express differing opinions, negotiate for themselves, or network resourcefully. Additionally, when women take maternity breaks, the firm's management may feel that they are no longer as ambitious, or career driven. These situations may result in women being overlooked for promotions, eventually leading to their disillusionment and early exit from the industry.

Fig. 1.2: Female employees in private equity firms as a proportion of total employees by location, 2020 - 2022 YTD



Source: Preqin Pro. Data as of February 2022

Fig. 1.3: Female senior employees at private equity firms as a proportion of total senior employees by position and region



Source: Preqin Pro

Bright spots

Thankfully, it's not all doom and gloom. Female representation is higher at the middle level and back-office roles within private equity. For instance, investor relations and marketing departments come close to parity, employing 46.9% women (Fig. 1.4). Next most balanced is the finance and accountancy department, at 36.0%. Among top senior roles at alternatives fund managers, women are most likely to be Chief Financial Officers, making up 27.3% of CFOs across all asset classes. Interestingly, in Asia, nearly a third (32.8%) of CFOs in private equity are female, trumping North America (26.2%), Europe (27.6%), and Rest of World (23.1%) (Fig. 1.3).

Maggie Xu, Principal of Greater China Financial Services Practice at management consulting firm Oliver Wyman, says this could be because women are more risk-averse and thus suited for Asian firms that adopt conservative accounting policies.[3] China and Hong Kong are among the top 10 places with the highest proportion of female senior employees at private equity fund managers, at 16.3% and 15.4% respectively, trailing only Sweden (17.9%) (Fig. 1.5).

Higher risk aversion is not women's only competitive advantage, however. Women tend to bring different viewpoints to the table, preventing groupthink and ultimately promoting more considered decision making.

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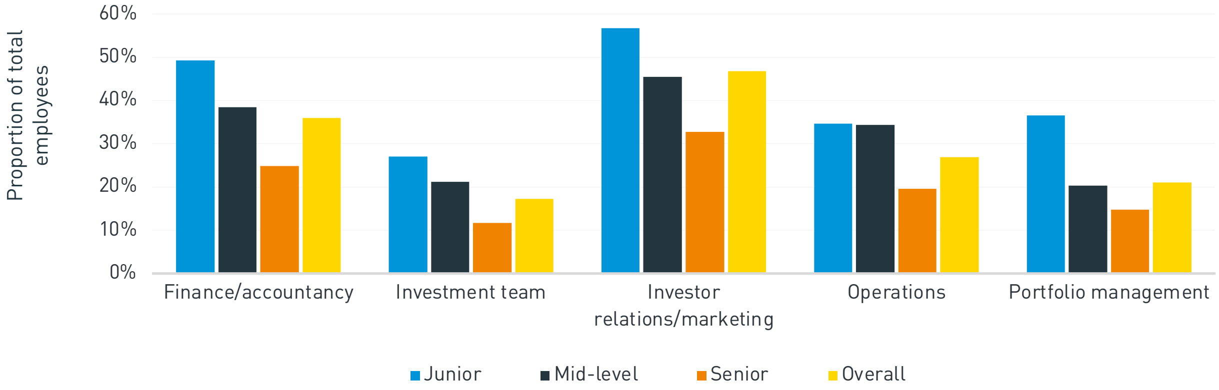
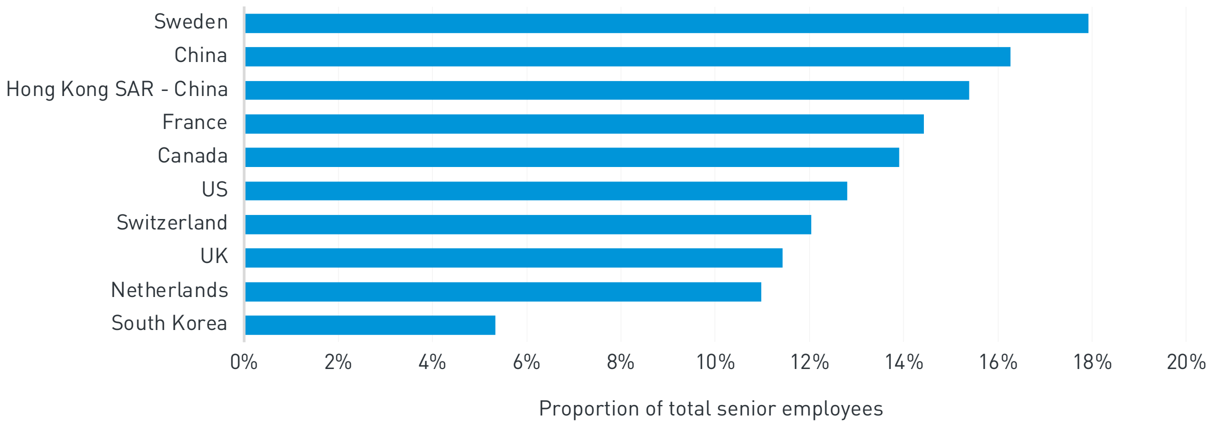
[3] *https://www.oliverwyman.com/media-center/2021/jun/business-chief-asia--why-we-need-more-female-cfos.html*

Fig. 1.4: Female employees in private equity as a proportion of total employees by role function and seniority



Source: Preqin Pro

Fig. 1.5: Female senior employees at private equity fund managers in the top 10 locations* as a proportion of total senior employees



Source: Preqin Pro

**By aggregate capital raised in the past 10 years*

To achieve better female representation, firms need to be intentional. Committed steps can be taken by setting diversity and inclusion goals related to recruiting and mentoring more women, increasing the ratio of women to men in senior roles, and increasing the proportion of women with voting power on investment committees. Firms also need to guard against creating a culture that pressurizes women to choose between their family and their career.

Ignoring the need for gender diversity also brings about significant reputational risks. Increasingly, more LPs are investigating the gender ratios of investment teams when doing due diligence. Investors surveyed by the World Economic Forum, for instance, said that a lack of diversity at fund manager level can be problematic for their stakeholders and board members, particularly when a large portion of their beneficiaries are women, such as in teachers' or public service pension funds.[4]

Championing women is a clear win-win for private equity, and it's clear that more should be done. If private equity firms can take further steps to increase the proportion of women, they not only become more attractive to LPs, but may also unlock the potential for outperformance seen in the broader corporate world.

[4] *https://www3.weforum.org/docs/WEF_Private%20Equity_Women.pdf*

Women at institutional investors

By Harsha Narayan

The disparity in female representation across different types of investors is stark, but laggards can learn from the 'diversity leaders'

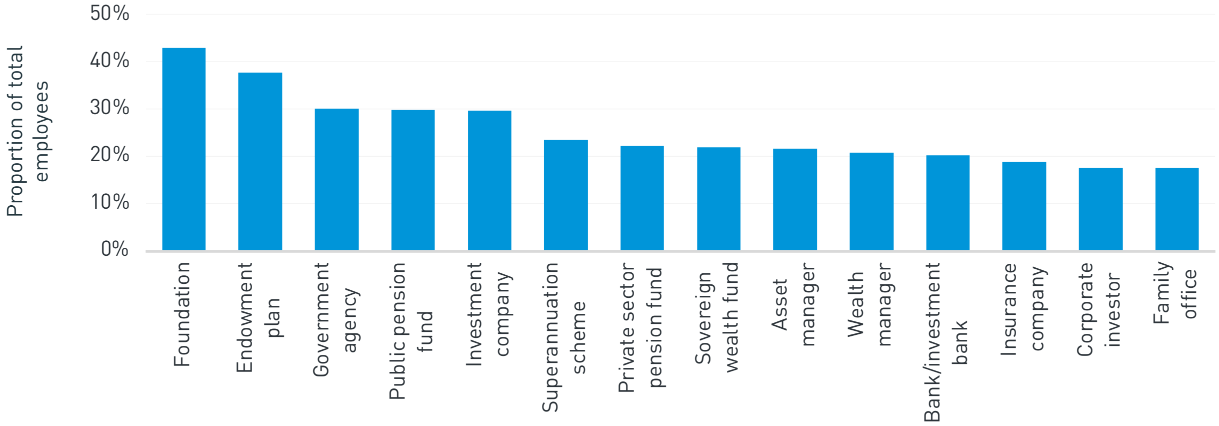
Over the past few years, institutional investors in alternative assets have continued to take meaningful steps toward promoting gender diversity, both within their organizations and in the choice of companies they invest in. Our data shows that women make up just 24.2% of the total employees at institutional investors globally, and that the disparity in female representation between investors is marked; at one end of the spectrum, only 17.6% of the people employed by family offices are women, while foundations' workforces, at the other extreme, are 43.0% female (Fig. 2.1).

Learn from the best
This polarization presents some worrying implications, but also shines a light on the clear 'diversity winners'. Lessons can certainly be learned from how foundations and endowments conduct themselves, as they continue to make impressive gains in diversity – from which family offices, corporate investors, and insurance companies can learn.

North America leads other regions in female representation among institutional investors [Fig. 2.2] at 29.1%, compared with 21.3% in Europe, and 19.2% in Asia. This is because many investors there have formally placed diversity on both their internal and manager selection agendas.

California Public Employees Retirement System (CalPERS), for example, has a five-point framework to address its commitment to inclusivity, while the Diversity in Action initiative by the Institutional

Fig. 2.1: Number of women-owned first-time venture capital fund in the last ten years



Source: Preqin Pro

CalPERS 5-point framework[2]:	ILPA diversity in action required activities[3]:
Culture: Integrating diversity, equity, and inclusion best practices into CalPERS' culture to increase awareness, build mutually rewarding relationships, and foster teamwork.	Has in place a Diversity, Equity and Inclusion (DEI) statement or strategy, communicated publicly, and/or a DEI policy communicated to employees and investment partners, that addresses recruitment and retention.
Talent management: Support and retain a high-performing, equitable and diverse workforce by ensuring human resource processes strengthen diversity in recruitment, retention, and succession.	Tracks internal hiring and promotion statistics by gender and race/ethnicity.
Health equity: Fostering equitable health outcomes for members and their families by ensuring all health members can attain the highest possible level of wellbeing.	Has in place organizational goals that result in demonstrable practices to make recruitment and retention more inclusive.
Supplier diversity: Building relationships with a diverse group of businesses, recognizing the unique value of partners with a shared commitment to equity and inclusion.	Requests (LPs) or provides (GPs) DEI demographic data, e.g., ILPA Diversity Metrics Template, for any new commitments (LPs) or new fundraisings (GPs).
Investments: Achieving stronger investment returns, with the belief that diverse boards and companies that value diversity perform better.	

Limited Partners Association (ILPA)[1], which insists on concrete steps towards advancing diversity within the firm, boasts signatories such as the Teacher Retirement System of Texas. These diversity leaders are adopting a systematic approach and taking the necessary bold steps, and it is yielding impressive results.

For investors with a lower diversity quotient, making an effort to address issues such as these has the potential to bring about significant change in the industry over time. Structured goals around diversity and inclusion can help provide a long-term solution and facilitate systemic changes from the top down. Having objectives to work towards, and metrics to help track progress, can help bring about meaningful change.

Retention and advancement

Women's retention and advancement within the firm is another factor to look at. Our data reveals that the proportion of women in senior roles is significantly lower than in junior roles – across all types of investors (Fig. 2.3). To encourage women to take these roles, firms first need to retain their female staff, then provide a clear career path for them. Fostering an inclusive culture, such as providing support during important life transitions like parenthood, forms a key part of this.

Over the past couple of years in particular, according to McKinsey, the pandemic has taken a toll on female representation in senior leadership in the overall workforce. Women are rising as strong leaders and supporting their teams better than ever, but a lot of this work is going "unrecognized and unrewarded by most companies". This, compounded with the stresses of shouldering the majority of the family caregiving responsibilities and a shortage of childcare infrastructure for both men and women, can contribute to a lack of inclusivity at the top and exacerbate the challenges women already face at

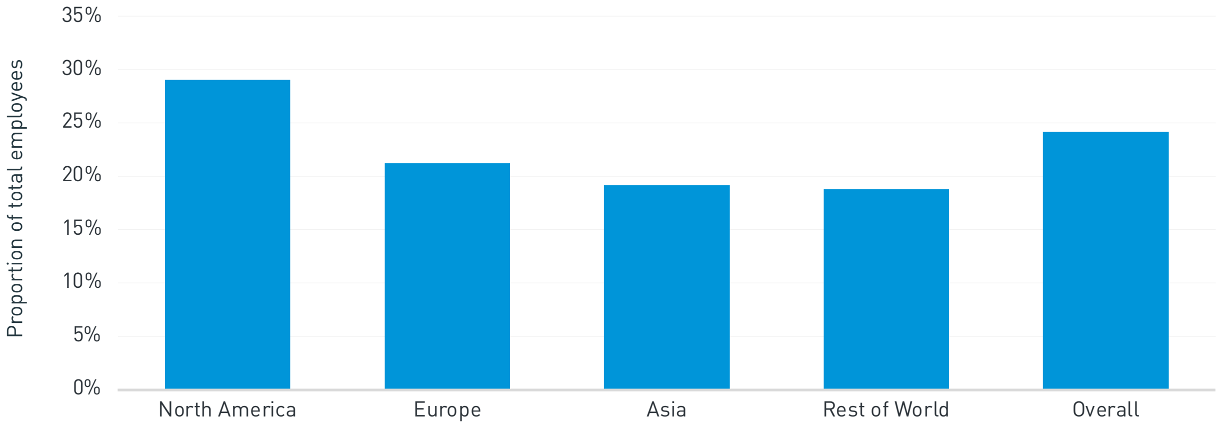
[1] *https://ilpa.org/ilpa_diversityinaction/*
[2] *https://www.calpers.ca.gov/page/newsroom/for-the-record/2021/diversity-equity-inclusion-drive-calpers-commitment-to-members*
[3] *https://ilpa.org/diaframework/*

work. To ensure female staff feel valued, firms need to be consistently and audibly supportive on this subject.

While progress has been made in the alternative assets industry over the past few years, with institutional investors leading the charge, much more could be done to promote diversity and inclusion.

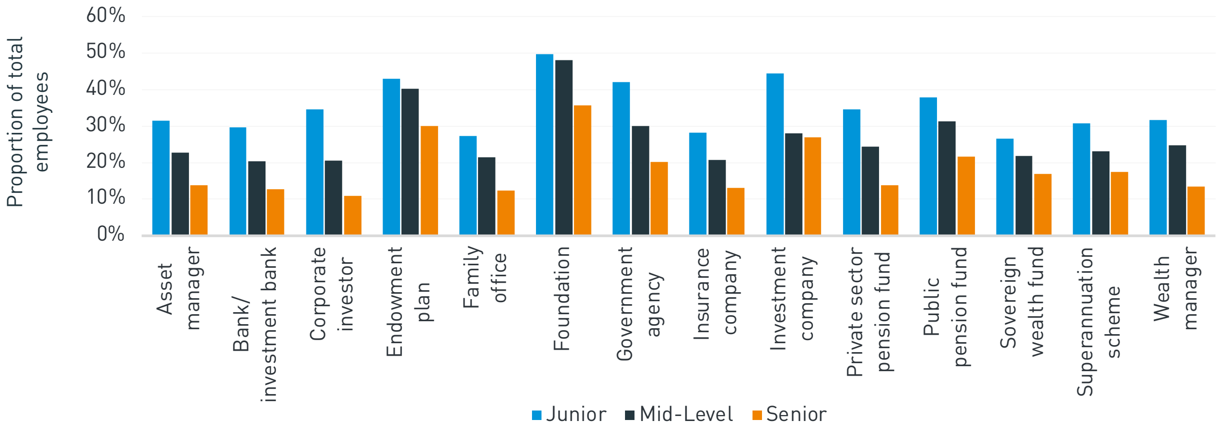
Investors can learn from one another and establish frameworks to help hit their diversity goals. They can then use their positions to push for change at the firms and fund managers they work with. Ultimately, the entire alternative investments industry – plus the companies they invest in – stand to benefit from these efforts.

Fig. 2.2: Female employees at institutional investors as a proportion of total employees by investor location



Source: Preqin Pro

Fig. 2.3: Female employees at institutional investors as a proportion of total employees by seniority and investor type



Source: Preqin Pro

Women in venture capital: growing pains

By Megan Harris & Grant Murgatroyd

Despite major growth for female-owned VC funds over the past decade, men still dominate the industry

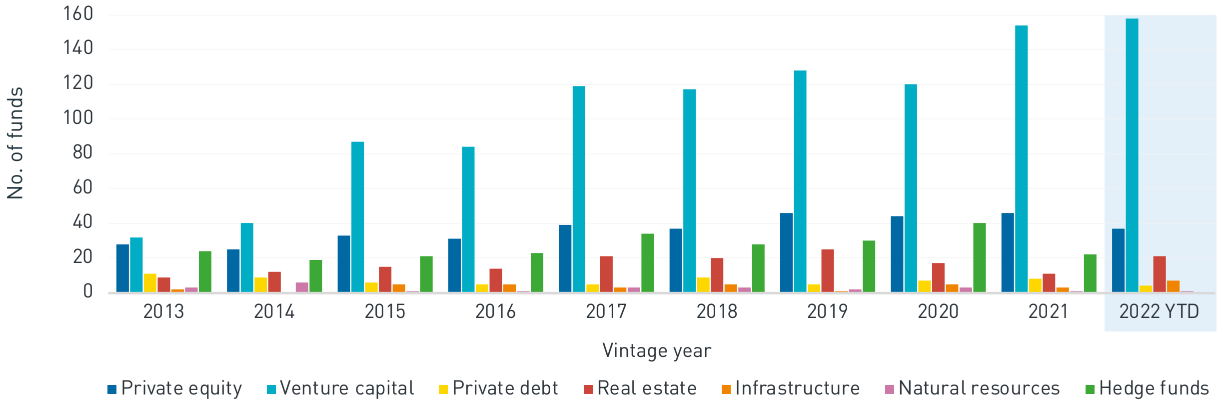
Women have been more successful at launching and managing venture capital funds than in any other alternative asset class. The number of female-owned funds holding their first close jumped from 32 in 2013 to 158 in 2022, an increase of almost 400% in a decade, which is considerably faster than in private equity where the increase was 32.1%, and real estate (133.3%), the only other asset classes where the number of first closes for 2022 is in double digits (Fig. 3.1). There have been more than 100 first closes of women-owned venture capital funds every year since 2017.

Despite this growth, the scale of female-owned funds is dwarfed by funds controlled by men. Female-owned venture capital funds controlled $67bn in assets under management (AUM) as of June 2021, compared to $1.76tn at firms majority-owned by men (Fig. 3.3).

There are, however, good reasons from both a structural and market perspective to expect that the gender balance of ownership and control of venture capital assets will become more even over the medium-to-long term. The first is that the emergence of female-owned venture funds is comparatively new, and it takes time for a traditional venture capital fund to build AUM. Silicon Valley tech heavyweight Sequoia Capital raised its first $100m fund in 1992, 20 years and six funds after it was founded, and did not breach the $1bn milestone until its 13th fund in 2010. Over the past 10 years Sequoia has raised $32bn.[1]

[1] *https://pro.preqin.com/fundmanager/664/overview*

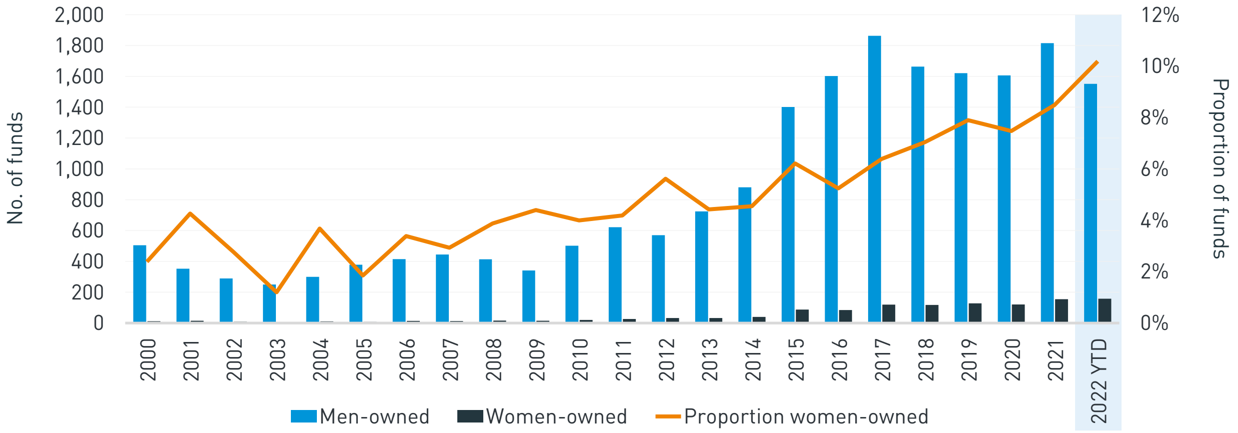
Fig. 3.1: Funds managed by women-owned firms* by vintage year and asset class



Source: Preqin pro. Data as of February 2022

** A firm is considered men-owned if at least 50% is owned, operated, and controlled by male management.*

Fig. 3.2: No. of venture capital funds owned by men and women by vintage year



Source: Preqin Pro. Data as of February 2022

Assuming that female-owned venture funds deliver for their investors – and Preqin data shows they do (see page 18) – then the proportion of AUM held by female-owned funds will inevitably increase substantially from the current 3.8% to reflect the increasing proportion of funds being launched by women-owned managers. Preqin performance data for 2009-2019 female-owned vintage funds paints a positive picture. They delivered a slightly higher median net IRR of 23.5%, compared to non-women owned funds with a median net IRR of 23.2%, and had a significantly lower standard deviation of returns of 20.4%, 11.1 percentage points lower than non-women owned funds at 31.5%.

A study by Boston Consulting Group and MassChallenge, a US-based network of business accelerators, looked at 350 companies and found that start-ups with at least one female founder raised less money than those with male founders, but generated more revenue over a five-year period.[2] Female-founded start-ups raised an average $935,000 (men: $2.1mn) and generated $730,000 in revenue (men: $660,000). Expressed in revenue per dollar invested, female-founded start-ups outperformed their male-founded counterparts by a considerable margin, returning 78c per dollar against 31c for companies with male founders.

However, the overwhelming majority of venture capital investment goes to companies with male founders, with the proportion of venture capital dollars going to female-led start-ups a paltry 2.3% in 2020, according to data from Crunchbase.[3]

Research from the Global Entrepreneurship Monitor (GEM), established two decades ago by London Business School and Babson College, suggests investors are missing a massive opportunity.[4] Globally, the average total early-stage entrepreneurial activity (TEA) rate for women is 11%, compared to 14% for men, with women having higher TEA rates in low-income countries (17.4%) than high income countries (8.9%).[5] GEM estimates that in 2020/2021 there were over 252 million women starting businesses and a further 153 million running established businesses, representing one-third of business owners.

GEM also studies the motivations of entrepreneurs for starting businesses and, while there are gender differences, the findings dispel many of the myths around female entrepreneurs. For example, while women are more likely than men to start a business because of fewer opportunities elsewhere, the differences are marginal (75% vs. 70%). The proportions wanting "to make a difference in the

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[2] *https://www.bcg.com/en-us/publications/2018/why-women-owned-startups-are-better-bet*

[3] *https://news.crunchbase.com/news/global-vc-funding-to-female-founders/*

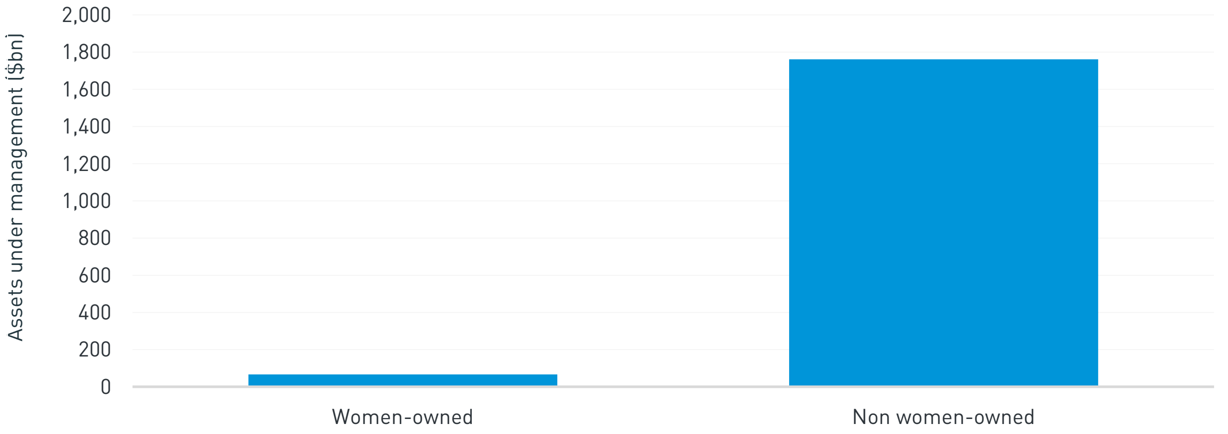
[4] *GEM calculates TEA based on the proportion of the population in the process of starting a new business or running an early-stage business (3-42 months old)*

[5] *https://www.gemconsortium.org/reports/womens-entrepreneurship*

world" are almost identical (47% female vs. 48%) and only slightly more men than women (62% vs. 57%) want "to build great wealth or a very high income."

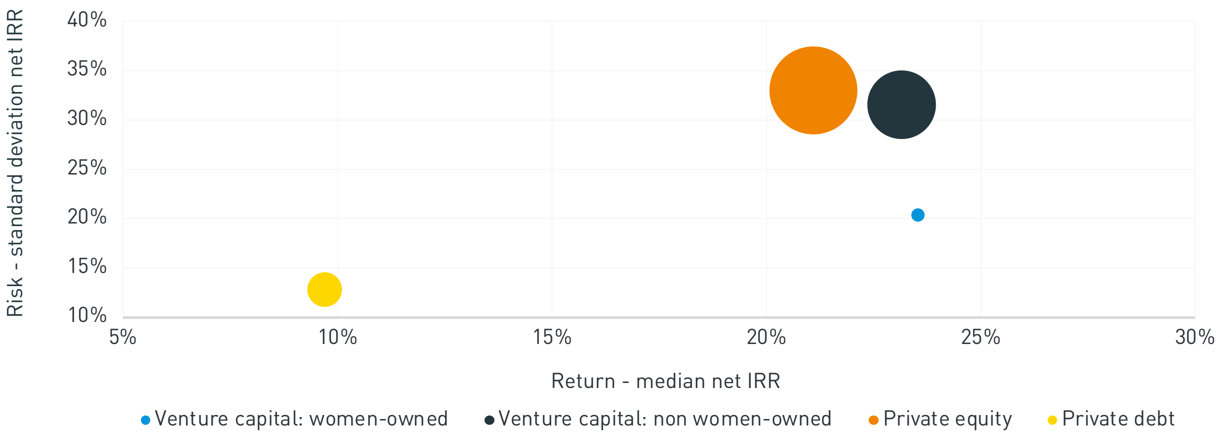
The journey towards more balance in the venture capital start-up ecosystem – whether by gender, ethnicity, social status, education or myriad other factors – will be a long one. But the direction of travel is clear and, for managers and investors looking to get on the front foot, a more balanced and inclusive approach should be viewed not as a tick in the ESG box, but as a source of opportunity and competitive advantage.

Fig. 3.3: Venture capital assets under management: women-owned vs. non-women-owned firms



Source: Preqin Pro

Fig. 3.4: Venture capital: risk-return by women-owned fund managers (vintages 2010 - 2019)



Source: Preqin Pro. Most up-to-date data

Balance outstanding: gender balance in senior positions and diversity & inclusion policies

By Laura Messchendorp

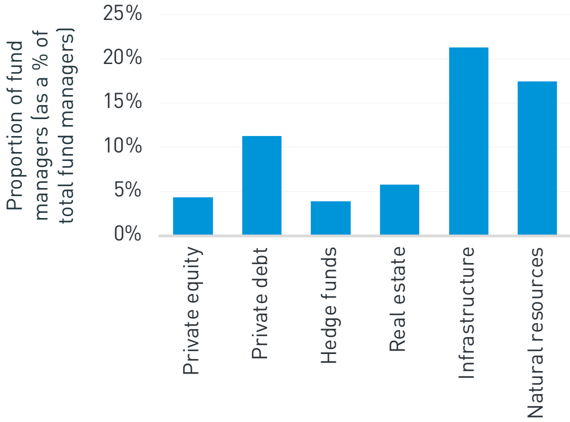
Diversity initiatives are rare at fund manager level, despite evidence showing that more diverse teams deliver higher returns

Diversity & inclusion initiatives
Nothing says "we're working on it" like putting a diversity & inclusion (D&I) policy in place – the idea, of course, being that extra focus on having a diverse workforce will help to create one. Companies have responded to the challenge with a variety of measures, including establishing mentorship programs for under-represented groups of employees, using more inclusive language, and setting up employee resource groups to highlight different perspectives. But is this enough?

When it comes to fund managers, Preqin's ESG Solutions data paints a bleak picture. Infrastructure fund managers lead the way, but with just 21% (219) of fund managers having public D&I initiatives in place (Fig. 4.1), its performance is nothing to crow about. At the other end of the spectrum, meanwhile, fewer than 5% of private equity and hedge fund managers have formally introduced a D&I initiative.

Infrastructure's comparatively good performance could be put down to their larger size – they average $923mn in assets under management (AUM) versus private equity's $318mn, given that managers in the top quartile by AUM have greater disclosures and higher ESG transparency metrics, which include D&I policies, as managers in the bottom half by AUM.[1]

Fig. 4.1: Proportion of fund managers with a formal diversity policy or initiative in place by asset class



Source: Preqin Pro

Although only marginally ahead of the other asset classes, infrastructure also has the highest concentration of women in senior roles (16.2%) across the asset classes. However, this covers all actors within the infrastructure industry. When looking only at infrastructure fund managers however, just 10.2% of senior roles are carried out by women, and only 4.5% of board positions at infrastructure firms are. Despite the relatively high number of D&I policies, this suggests there is still a gap between fund managers' intentions and reality.

[1] *https://www.preqin.com/insights/research/blogs/why-esg-transparency-is-easier-for-larger-managers*

D&I initiatives can, and preferably do, go further than simply attracting and retaining women. Although the concentration of women in finance is low, in North America and Europe the concentration of women from minority ethnic backgrounds is even lower. Finding data at the intersection of gender and ethnicity is tricky, but the UK's 2020 *Parker Review* revealed that 37% of FTSE 100 boards featured no ethnic minorities.[2] McKinsey estimates that in the US "from entry level to the C-suite, the representation of women of color falls by 80%".[3]

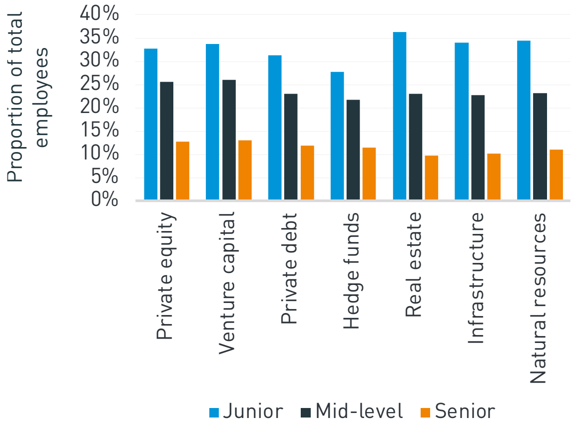
Of course, starting with few women at junior level in alternatives is never going to lead to higher representation in senior positions. Less than a third (32.1%) of junior employees in alternatives are women, and that falls to 12.9% in senior positions.

Among GPs specifically, the proportion of women in senior positions ranges from 13.0%, in venture capital, to just 9.8% in real estate. Interestingly, real estate boasts the highest proportion of female employees at junior level (36.3%), making the gap between junior and senior level even more pronounced.

Gender diversity in the wider corporate sector
A 2016 report from the International Monetary Fund on gender diversity in senior positions, which examined 2 million companies in Europe, found that "nearly a quarter" (21.5%) of senior management and board positions in the broader corporate sector were held by women in 2013. This means the alternatives industry in the region, with its female concentration of 20.3% (vs. 20.9% in alternatives globally), performs less well than the general corporate environment.

And yet the same report found that replacing a man with a woman in a senior or board position is associated with an 8-13 bps rise in return on assets (ROA).[4] Interestingly, this positive association was found to be stronger in industries already employing more women as a whole – suggesting that to benefit fully from having women on the board, firms should employ women across all levels of the organization.

Fig. 4.2: Female employees in alternatives fund managers as a proportion of total employees by seniority and asset class



Source: Preqin Pro

The report also found that "knowledge-intensive and high-technology sectors", deemed to require more creativity and critical thinking, benefit significantly more from gender diversity at board level and in senior management. Each additional woman on the board at a high-tech manufacturing or a knowledge-intensive services company is associated with an ROA rise of 34-40 bps.[5]

According to a 2020 Goldman Sachs analysis of almost 500 large-cap US equities funds, all-women and mixed-gender equity portfolio management teams outperformed all-male teams.[6] Strong diversity and inclusion policies within financial services have been observed to correlate with improved risk management, good conduct, healthy working cultures, and innovation, which contributes to the stability, fairness, and effectiveness of companies.[7]

The key to D&I policies, as with many things, is having the data to measure the result, enabling firms to see which policies make the biggest difference and to learn from each other.

[2] *https://www.ey.com/en_uk/news/2020/02/new-parker-review-report-reveals-slow-progress-on-ethnic-diversity-of-ftse-boards*
[3] *https://www.mckinsey.com/industries/financial-services/our-insights/closing-the-gender-and-race-gaps-in-north-american-financial-services*
[4] *https://www.imf.org/external/pubs/ft/wp/2016/wp1650.pdf p.6*
[5] *Ibid. p.16*
[6] *https://www.ft.com/content/021a1b60-a5fa-42ad-83b4-482268cac7ac*
[7] *Diversity and Inclusion in the Financial Sector – working together to drive change, July 2021, Bank of England, Prudential Regulation Authority and Financial Conduct authority*

Trailblazers and allies: celebrating women in hedge funds

One step to achieving gender balance is to shout about success – AIMA shares its stories

Aniqah Rao
Associate,
Markets, Governance,
and Innovation

AIMA

The alternative investment industry is home to many trailblazing women. At the Alternative Investment Management Association (AIMA), we wish to see more women and those from under-represented and under-served communities succeed in the industry.

There is growing recognition that improving diversity, equity, and inclusion (DE&I) is the right thing to do. As well as an increasing regulatory focus on firms establishing healthy cultures and greater individual accountability, some investors are increasingly allocating to investment managers with teams led by women, and to funds focusing on improving gender diversity. Thus, change is underway. However, firms are conscious that further structural change is needed to attract, retain, and progress women to leadership positions at hedge funds.

AIMA is keen to support women and build a fair industry. From launching *The Alternatives*[1], a paper containing practical steps that investment managers of all sizes can take to improve their DE&I, to creating a global careers network[2] for individuals across the industry to develop valuable skills and knowledge, we are driving a focus on DE&I in the industry.

We believe that firms can take a range of initiatives to improve gender DE&I, each suited to a firm's unique structure, location, and workforce size, for example. Some may opt to look beyond well-worn avenues for hiring talent. Others may prefer to create programs to reintegrate those who have taken career breaks, or formalize the criteria for promotions. Certain firms may have the resources to implement multiple initiatives successfully.

The success of a firm's goals does not rest entirely on whether DE&I targets are met or the sophistication of its policy. While these can add a layer of accountability, at the center of success is action.

Beyond firm-level initiatives, we believe that the people who come to work every day can make a difference. In our guide, *How to be an Ally: Stories from the Hedge Fund Industry*[3], we break allyship down into four pillars: listening, supporting, educating, and persisting. Whether it be inviting

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[1] *https://www.aima.org/sound-practices/guides-to-sound-practices/the-alternatives.html*
[2] *https://www.aima.org/educate/d-i/careers-network.html*
[3] *https://www.aima.org/educate/d-i/aima-d-i-publications/how-to-be-an-ally.html*

junior staff to meetings they would not ordinarily be privy to; promoting an individual's work internally to give them visibility to senior leaders; calling out microaggressions; or understanding what a person needs to participate fully and perform at their best – at the heart of DE&I is allyship.

Fostering greater gender DE&I in the hedge fund industry will require commitment. It will pitch the industry against traditions and social structures that have remained unchanged for decades. Ultimately, however, the industry is nothing if not an example of the benefits that can be reaped in breaking tradition.

Aniqah Rao is an Associate in the Markets, Governance, and Innovation team at AIMA, focusing on capital markets, data protection, and digital assets regulation. She also coordinates industry DE&I initiatives, including the founding of AIMA's Careers Network.

AIMA is the global representative of the alternative investment industry, with more than 2,100 corporate members in over 60 countries. AIMA's fund manager members collectively manage over $2.5tn in hedge fund and private credit assets. AIMA draws upon its membership to provide leadership in industry initiatives such as advocacy, policy, and regulatory engagement and sound practice guides.

www.aima.org

State of the industry

By Laura Messchendorp

The alternative assets industry continues to lag behind financial services as a whole when it comes to gender diversity

Women continue to be underrepresented in leadership roles in financial services, with Deloitte estimating that 24% of senior roles were held by women. In alternative assets, the figures are even lower still.

Gender balance has improved, albeit slowly, across the alternative assets industry as a whole. Preqin data shows that in January 2022, 20.9% of the alternative assets workforce is female – and when looking at investors alone this rises to 24.2% (up from 20.3% and 24.0% respectively a year earlier).

At fund manager level, the proportion of women in the workforce ranges from 18.9% at real estate firms to 21.1% at venture capital and private debt firms. Regionally, European private debt fund managers employ the most women – up from 21.6% in 2021 to 22.8% this year (Fig. 5.1). Rest of World real estate fund managers have the lowest proportion of women on staff – down from 17.3% in 2021 to 15.1% in 2022.

Research conducted in Australia by global asset management firm Mercer found that women studying finance were almost 50% more likely than men to say they don't know enough about investment management to consider it a career option.[1]

Many of the industries most affected by the COVID-19 pandemic, such as tourism, retail, and hospitality, had relatively high proportions of women working in them.[2] However, the proportion of women in the workforce across the seven asset classes tracked by Preqin has not changed significantly over the past year.

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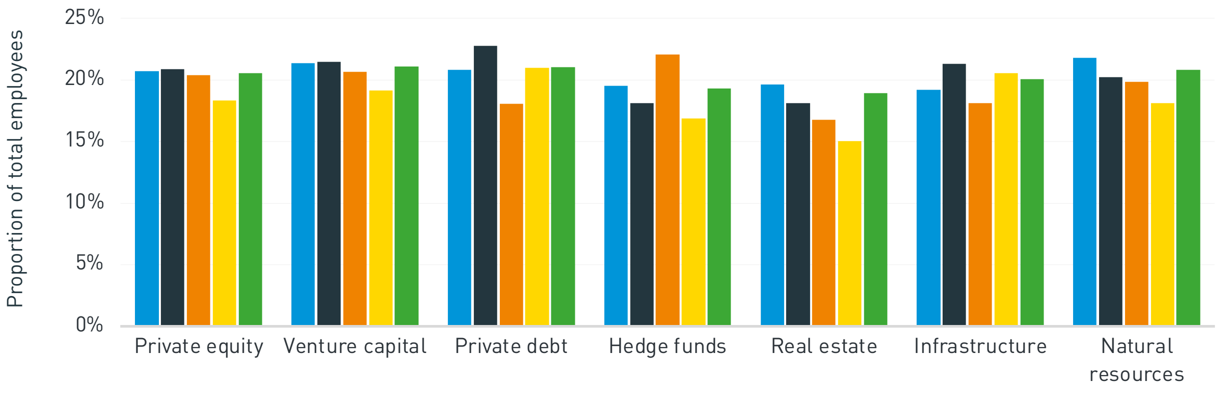
[1] *https://www.moneymanagement.com.au/features/where-are-all-women*
[2] *https://unctad.org/news/gender-and-unemployment-lessons-covid-19-pandemic*

Fig. 5.1: Female employees in alternatives fund managers as a proportion of total employees by location and asset class



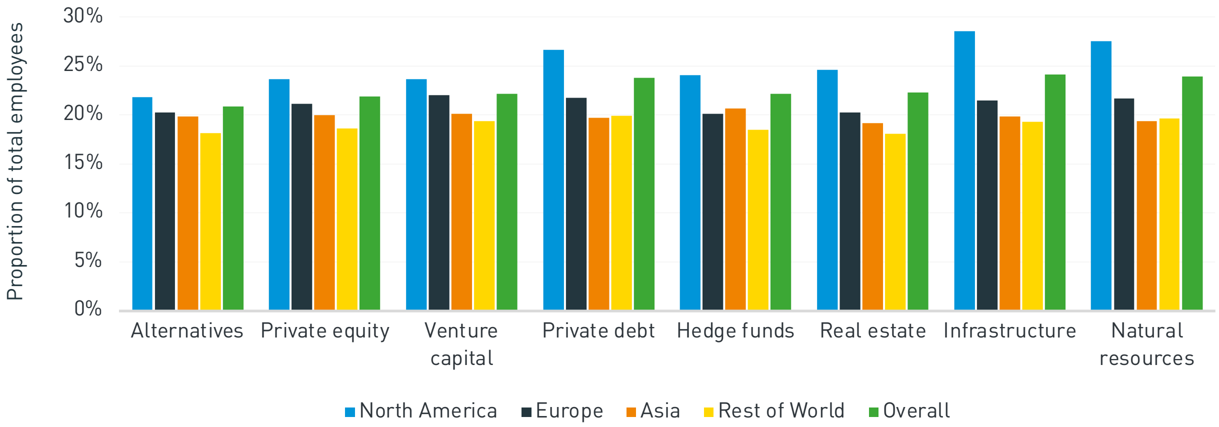
Source: Preqin Pro

The alternatives industry has not seen a major drop in the levels of female employees during the COVID-19 pandemic, which reflects the ease with which it was able to pivot to remote working, in a way that industries such as retail or tourism were not. The United Nations Conference on Trade and Development (UNCTAD) finds a strong correlation between prevalence of COVID-19 and a decline in women's workforce participation, part of which it attributes to women's high share of jobs in tourism, an industry which has taken a huge hit since the start of the pandemic. But while alternatives didn't step back during the pandemic, neither did it make a great leap forward.

North America employs more women than other regions across alternatives (Fig. 5.2). In terms of asset class, infrastructure leads the way with 28.6% female workforce in the US, compared with 24.1% globally. Private equity trails the pack, employing 23.6% women in North America and 21.9% globally. North America also heads the field at investor level, boasting a 29.1% female workforce in alternative assets, with Europe (21.3%), Asia (19.2%), and the Rest of World (18.8%) some way behind (Fig. 2.2).

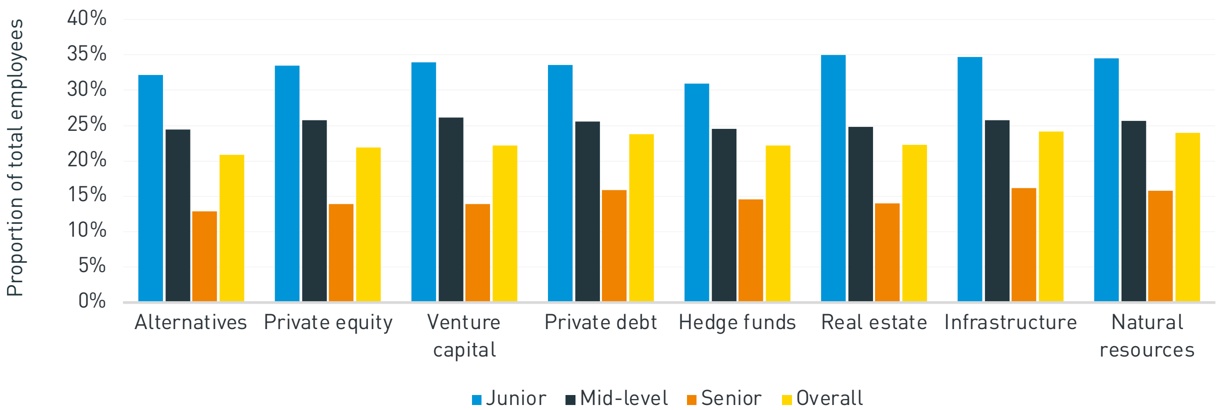
A 2021 McKinsey study showed that female employment in the North American financial services industry had improved compared with 2018, with over a quarter (27%) of C-suite positions held by women

Fig. 5.2: Female employees in alternatives as a proportion of total employees by location and asset class



Source: Preqin Pro

Fig. 5.3: Female employees in alternatives as a proportion of total employees by seniority and asset class



Source: Preqin Pro

in 2021, vs. less than a fifth (18%) in 2018. However, given that 52% of entry level employees are women, this still represents a major drop by the time senior and C-suite positions are reached, particularly among women of color – from 21% at entry level to 4% in the C-suite.[3]

The pattern repeats itself in the alternatives segment, where female concentration in the workforce drops from 32.1% at junior level to 12.9% at senior level (Fig. 5.3). The figures for fund managers are even lower, as the average is raised by investors, where women hold 16.7% of senior roles. Among private equity fund managers, for example, 32.8% of junior roles are filled by women, which drops to 12.7% of senior roles. Real estate fund managers, which have the highest intake of women in junior roles as a proportion of total employees at 36.3%, see this drop off to the lowest proportion of women in senior roles across the seven asset classes, as just 9.8% of senior positions are filled by women.

The McKinsey study also found that the asset management industry lagged behind financial services in general, and that the share of women of minority ethnic descent in North America taking entry level positions at asset managers was actually decreasing. Research from the Chartered Financial Analyst Institute and Morningstar found that, globally, just 14% of fund managers are women, and that a larger proportion of female asset managers worked in fixed income than in equities or alternatives.[4]

As the workplace shifts to a hybrid working model, the same issues as in pre-pandemic times remain. The compelling case for having more women both in the alternatives industry in general, and in senior roles in particular, remains. According to Deloitte, one woman in the C-suite leads to three promotions of women into senior management roles, meaning the increase in women in senior roles could be accelerated if boards were more diverse.[5] In alternative assets, where the low proportion of women entering the industry at junior levels compounds the issue of low representation at senior levels, having one woman on the board could make a huge difference.

Until women are better represented at the most senior level in alternative asset managers, progress will be slow, but – coupled with actions such as casting a broader net when recruiting women in junior positions, developing metrics to track progress, and adding gender diversity metrics to due diligence proceedings – real change can be achieved.

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[3] *https://www.mckinsey.com/industries/financial-services/our-insights/closing-the-gender-and-race-gaps-in-north-american-financial-services*
[4] *https://www.morningstar.co.uk/uk/news/210150/diversity-best-practices-in-the-asset-management-industry.aspx*
[5] *https://www2.deloitte.com/us/en/insights/industry/financial-services/women-in-the-finance-industry.html*

Private equity

20.5%

Women account for one-fifth of total private equity fund manager employees

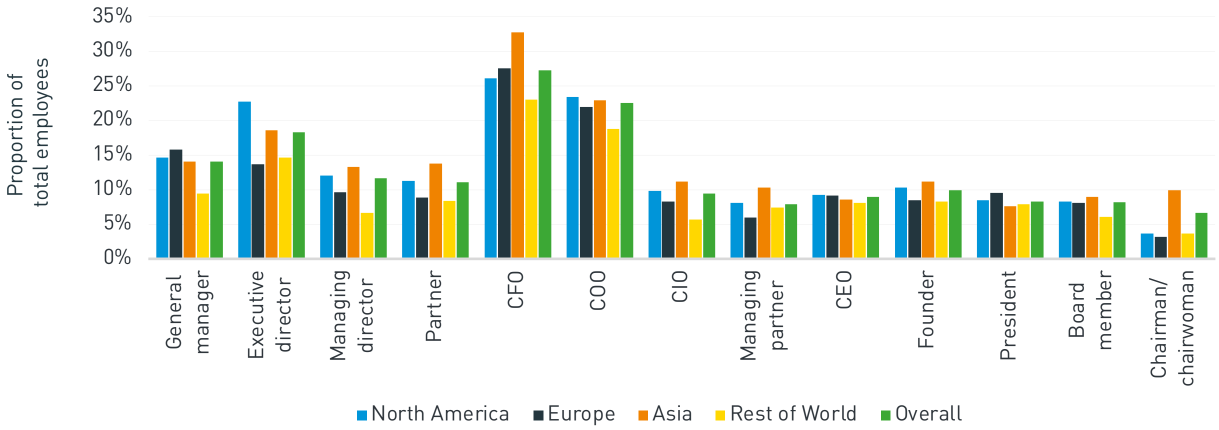
23.6%

North America has the highest proportion of female employees in private equity

33.4%

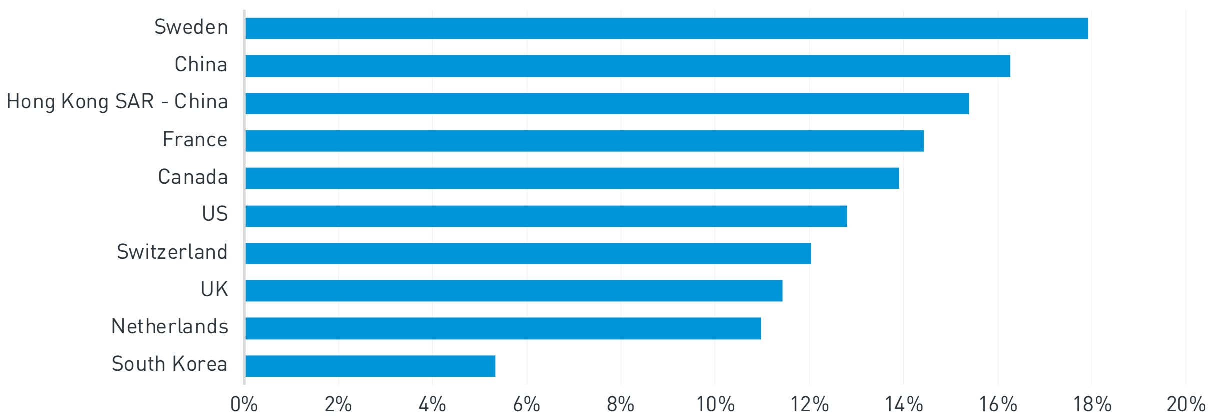
A third of junior employees in private equity are women, over double the 13.9% proportion of senior employees

Fig. 6.1: Female senior employees at private equity firms as a proportion of total senior employees by position and region



Source: Preqin Pro

Fig. 6.2: Female senior employees at private equity fund managers in the top 10 locations* as a proportion of total senior employees



Source: Preqin Pro

**By aggregate capital raised in the past 10 years*

Venture capital

17.4%

China has the highest proportion of female senior employees at venture capital firms

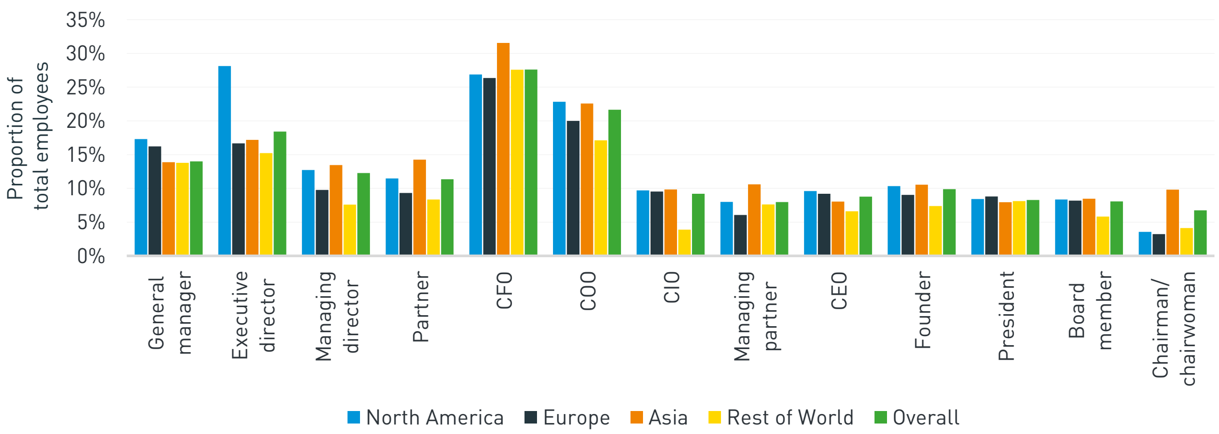
21.1%

Venture capital fund managers have one of the highest percentages of female employees among alternative asset classes

8.1%

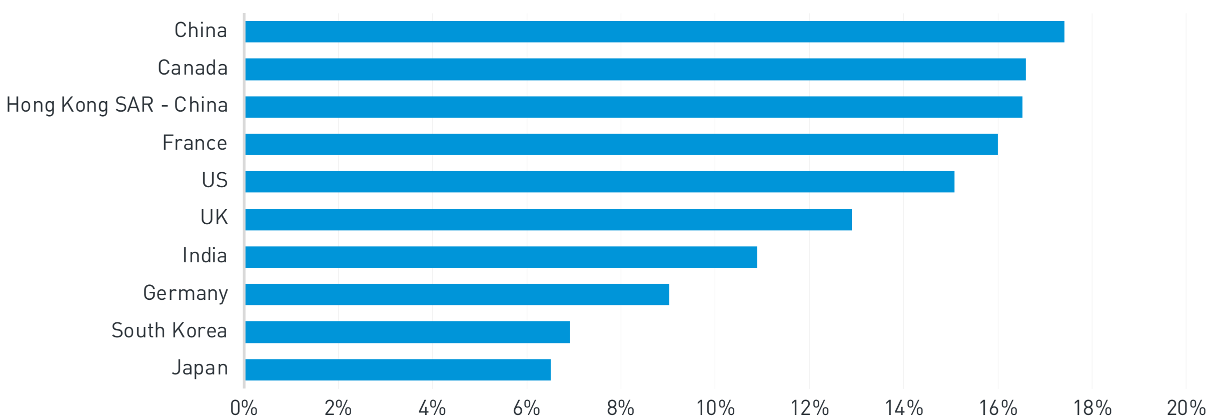
The proportion of board members at venture capital fund managers who are women

Fig. 7.1: Female senior employees at venture capital firms as a proportion of total senior employees by position and region



Source: Preqin Pro

Fig. 7.2: Female senior employees at venture capital firms in the top 10 locations* as a proportion of total senior employees



Source: Preqin Pro

**By aggregate capital raised in the past 10 years*

Private debt

22.0%

The proportion of female senior employees at private debt firms in China – by far the highest of any location

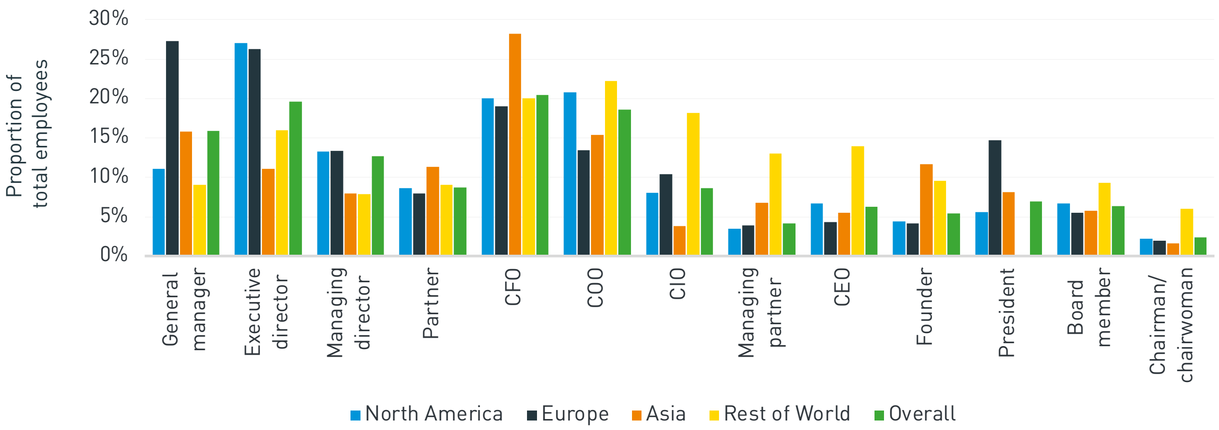
6.4%

The proportion of female board members in private debt firms

28.2%

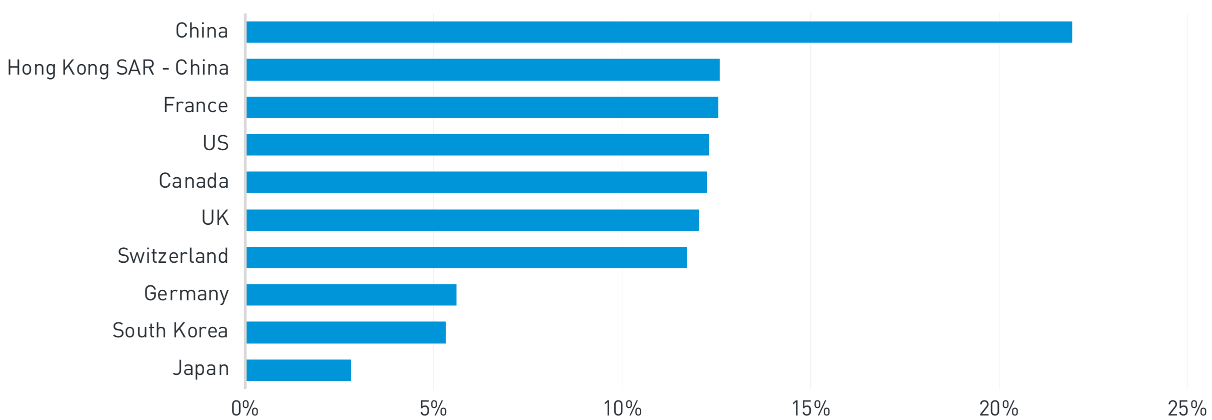
More than a quarter of CFOs at private debt firms in Asia are women, compared to a global average of 20.4%

Fig. 8.1: Female senior employees at private debt firms as a proportion of total of senior employees by position and region



Source: Preqin Pro

Fig. 8.2: Female senior employees at private debt firms in the top 10 locations* as a proportion of total senior employees



Source: Preqin Pro

**By aggregate capital raised in the past 10 years*

Hedge funds

10.0%

of portfolio management staff at hedge fund GPs are female

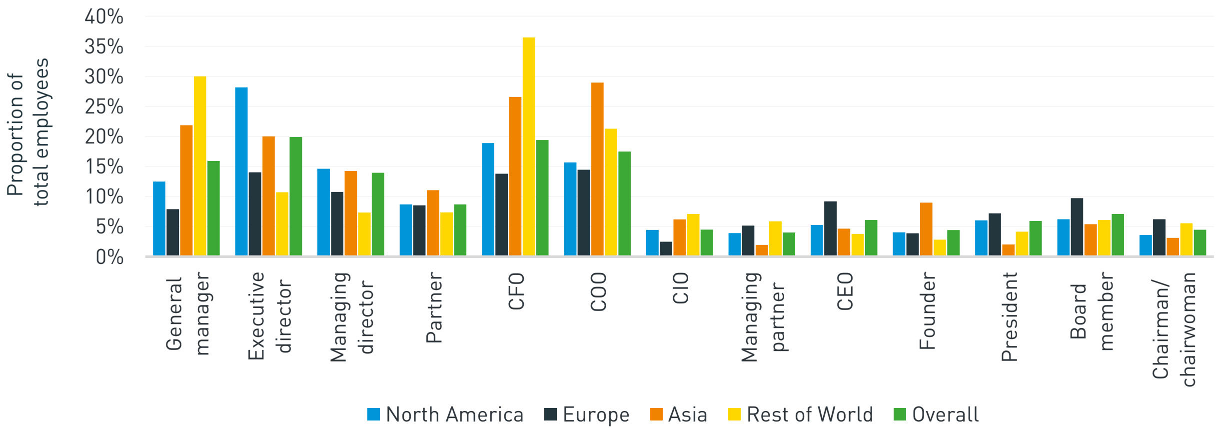
18.6%

Chinese hedge fund firms have the highest proportion of female employees in senior positions

7.1%

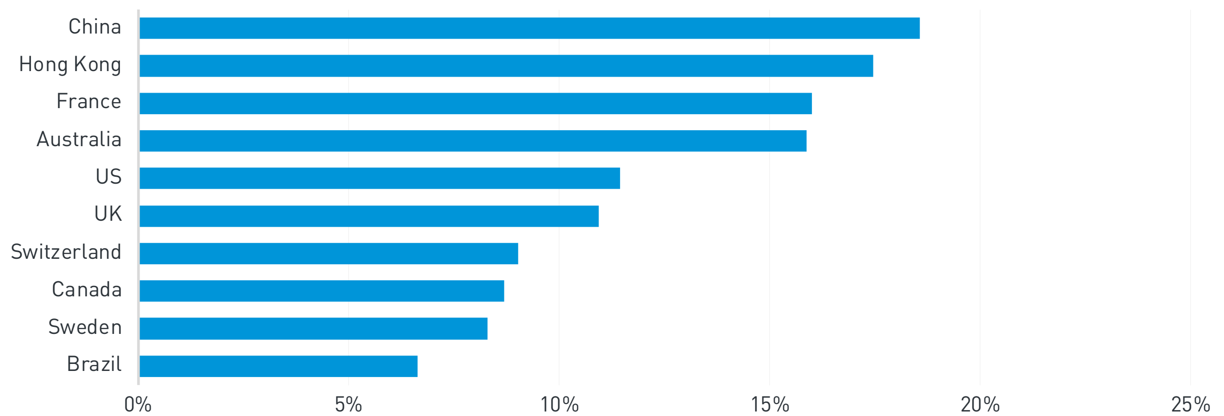
of hedge fund firm board members are women

Fig. 9.1: Female senior employees at hedge fund firms as a proportion of total senior employees by position and region



Source: Preqin Pro

Fig. 9.2: Female senior employees at hedge fund firms in the top 10 locations* as a proportion of total senior employees



Source: Preqin Pro

**By assets under management*

Real estate

17.4%

France has the highest proportion of women in senior positions at real estate firms

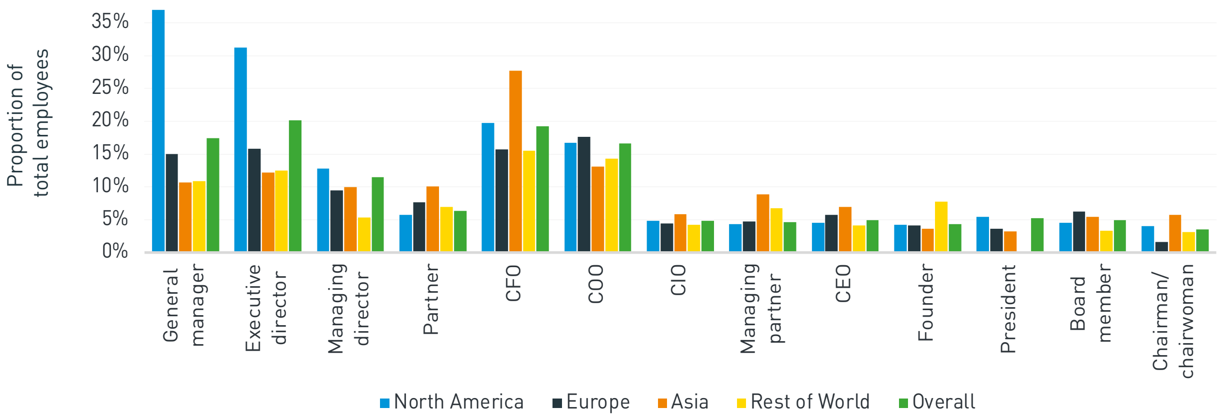
18.9%

Real estate has the lowest proportion of female fund managers across alternatives

4.9%

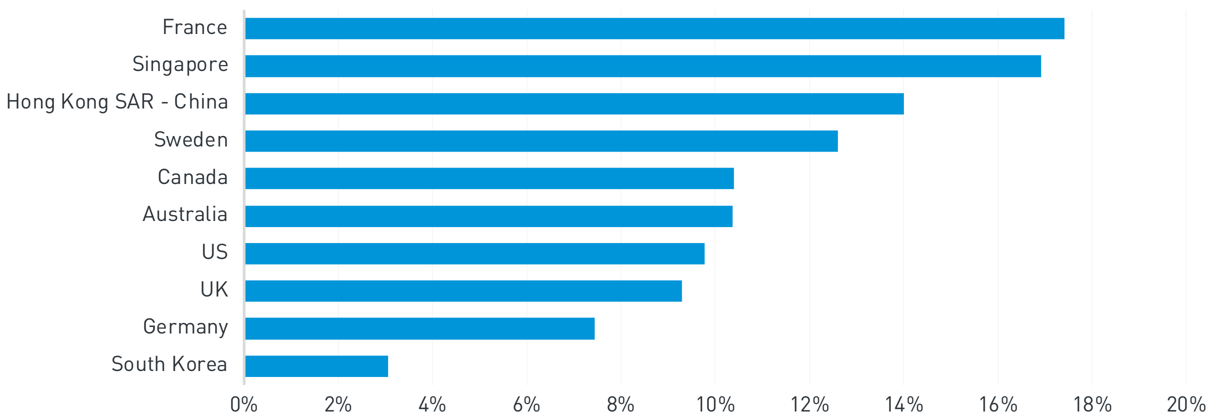
of board members at real estate GPs are women

Fig. 10.1: Female senior employees at real estate firms as a proportion of total senior employees by position and region



Source: Preqin Pro

Fig. 10.2: Female senior employees at real estate firms in the top 10 locations as a proportion of total senior employees



Source: Preqin Pro

**By aggregate capital raised in the past 10 years*

Infrastructure

4.5%

Proportion of board members at infrastructure GPs that are women

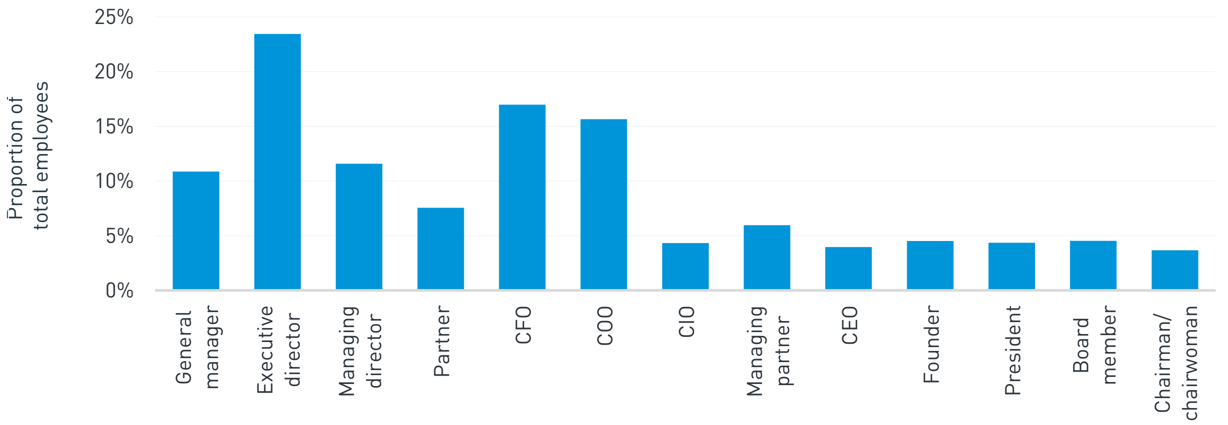
19.1%

France has the highest proportion of female senior employees in infrastructure

23.4%

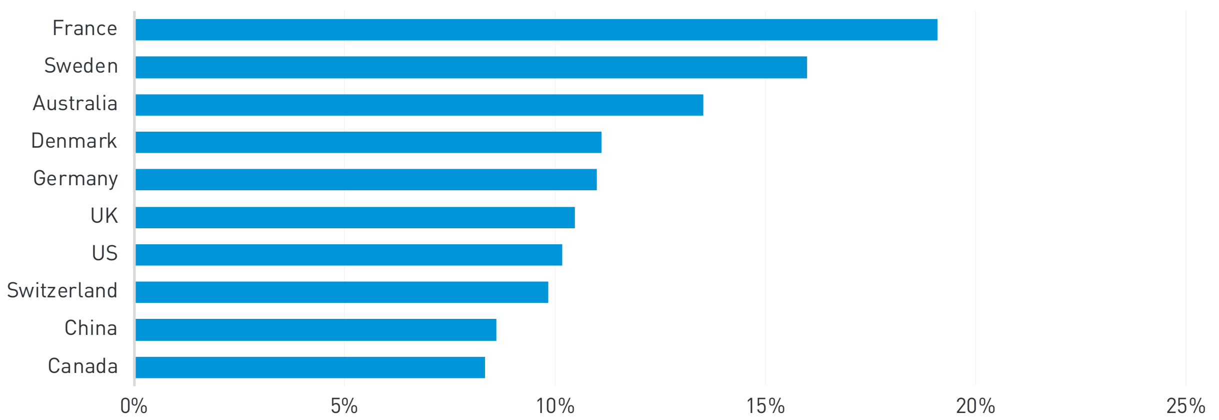
Almost a quarter of executive directors at infrastructure firms are women

Fig. 11.1: Female senior employees at infrastructure firms as a proportion of total senior employees by position



Source: Preqin Pro

Fig. 11.2: Female senior employees at infrastructure firms in the top 10 countries* as a proportion of total senior employees



Source: Preqin Pro

**By aggregate capital raised in the past 10 years*

Natural resources

18.1%

France has the highest proportion of women among its total employees at natural resources firms

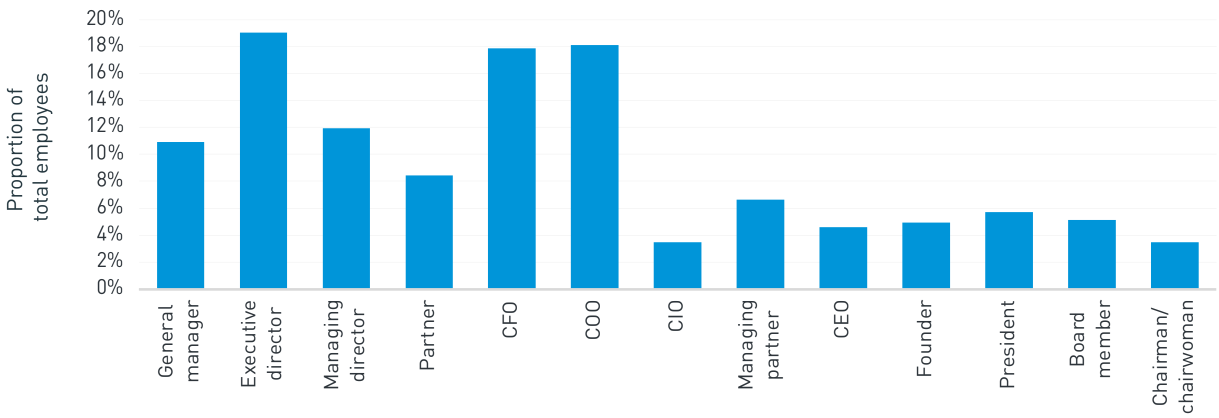
36.0%

North America is the region with the highest proportion of female junior employees in natural resources

19.3%

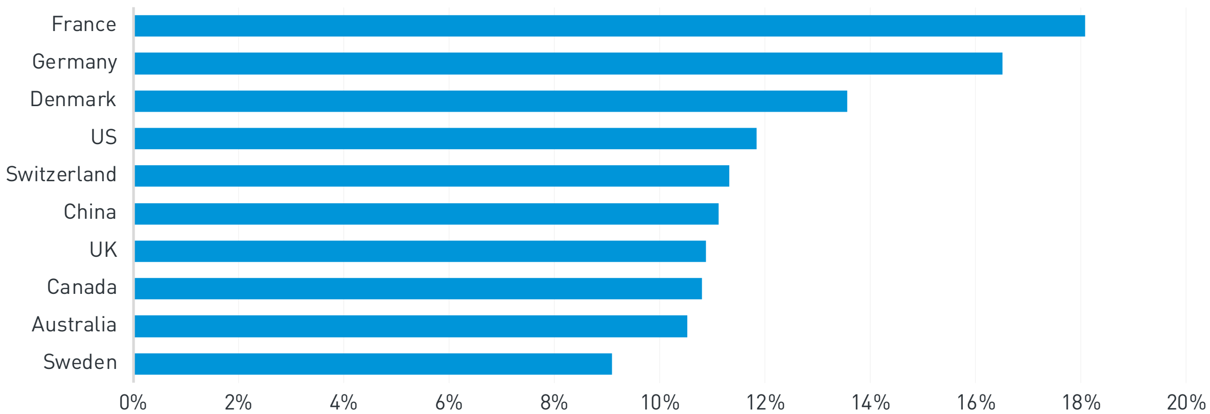
North America also has by far the highest proportion of women in senior positions in natural resources

Fig. 12.1: Female senior employees at natural resources firms as a proportion of total senior employees by position



Source: Preqin Pro

Fig. 12.2: Female senior employees at natural resources firms in the top 10 countries as a proportion of total senior employees



Source: Preqin Pro

**By aggregate capital raised in the past 10 years*

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