

W O M E N W E A L T H

HOW ASSET MANAGERS CAN CREATE A SUSTAINABLE ADVANTAGE

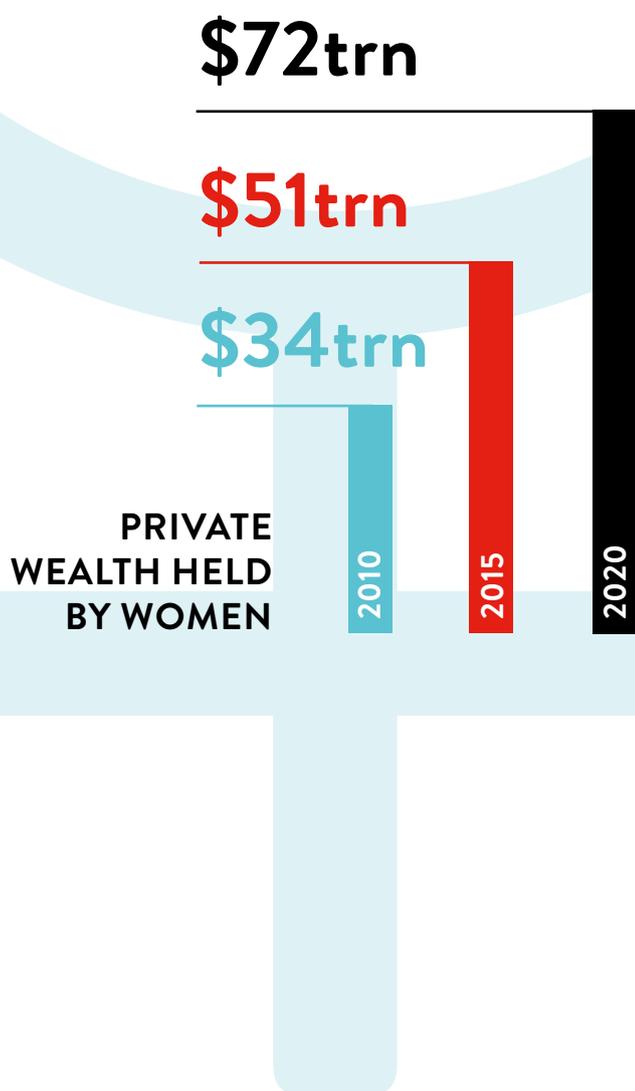
MAKING A POSITIVE IMPACT

Investors increasingly want to put their money to use in ways that reflect their personal values. Alongside the traditional security, liquidity and yield criteria, another factor is gaining ground: social purpose.

It's a softer value for a new generation that wants to invest in more sustainable outcomes. But some asset managers don't do 'soft'. Many believe their brand is so synonymous with their heritage that they must continue to embody the values of yesteryear – because that is what clients expect.

But no firm progresses by standing still. And by ignoring investor demands, asset managers are reducing their ability to attract new clients, retain existing ones, and foster meaningful innovation.

HALF THE POPULATION ARE FEMALE AND WOMEN'S SHARE OF WEALTH IS GROWING RAPIDLY¹.



FEMALE FINANCIAL POWER

One of the most obvious areas in which the industry is falling behind is gender diversity. The mere mention of this topic might cause some to roll their eyes, but that is precisely the problem.

Half the population are female and women's share of wealth is growing rapidly. Research by the Boston Consulting Group found that private wealth held by women grew from \$34trn in 2010 to \$51trn in 2015. Women are also expected to hold \$72trn, 32% of total private wealth, by 2020.

Why then are asset managers still underserving female clients and underrepresenting women in their workforces?

¹ <https://www.economist.com/news/finance-and-economics/21738388-much-wealth-transferred-coming-decades-will-end-up-female>

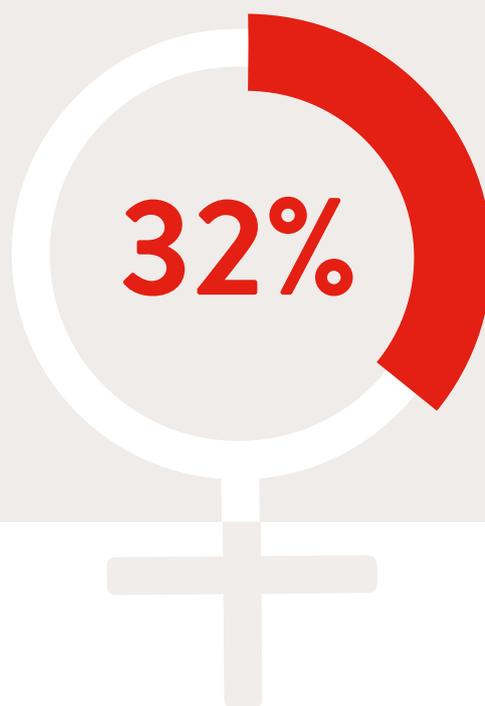
BRIDGING THE GAP

Many investment firms do not account for the fact that men and women have naturally different approaches to risk, with women tending to be more risk-conscious. Their marketing is typically centred around a 50-year old 'pale male' – with stock photography to match. This is because women are not traditional asset managers' target audience. As a result, women are being alienated from investing.

Firms must do more to understand how gender diversity can be built into the investment process and marketing materials. Research from HSBC, for example, found that more than a third of women are put off by financial jargon, when only a quarter of men are – despite them having more or less equal investment knowledge². Small tweaks to brochures and vocabularies could result in investment firms being able to unlock much larger potential among female investors.

Meanwhile, only one in 10 fund managers in the UK are female. In the US, just 184 of 7,000 mutual funds are run by women³. In alternative asset classes, this situation is equally dire, with women representing just 6%⁴ of the workforce. When compared to other previously male-dominated professions such as medicine and accountancy – whose workforces (in the UK at least) are now over 40% female⁵ – it's clear that the asset management sector has a lot of progress to make.

**WOMEN ARE
EXPECTED TO HOLD
32% OF PRIVATE
WEALTH BY 2020**



²<https://www.moneymarketing.co.uk/financial-jargon-putting-women-off-investing/>
³<https://www.ft.com/content/be8f27f2-609a-11e6-ae3f-77baadeb1c93>

SMALL TWEAKS TO BROCHURES AND VOCABULARIES COULD RESULT IN INVESTMENT FIRMS BEING ABLE TO UNLOCK MUCH LARGER POTENTIAL AMONG FEMALE INVESTORS.

Recent data around gender pay gaps in the UK has only added fuel to the fire. Estimates by Emolument suggest that there is a 27% gender pay gap across the UK's asset management industry, compared to 18% nationally⁶. At a time when 'gender-lens' investing is gaining ground – whereby investors either use their capital to alleviate the economic plight of women and girls, and/or reward companies that empower women⁷ – this is a serious oversight by the industry.

Of course, "Investing in women and girls is not about negatively affecting men and boys or leaving them out," as [womeneffect.com](http://www.womeneffect.com) so neatly puts it. "However, gender inequality has been ignored for so long that there is value in overemphasising this now." Those in the investment industry would do well to listen – and react.

LESS TALK, MORE ACTION

As well as putting plans in place to address their workforce imbalances, firms must also start to rethink their product offerings and how they market them. After all, women have different investment preferences and priorities. For example, 84% of women are interested in sustainable investing, compared to 67% of men, according to figures from Morgan Stanley research⁸.

⁴<http://www.girlswhoinvest.org/why-we-need-girls-who-invest/>

⁵<https://www.ipe.com/analysis/analysis/women-in-asset-management-redressing-the-balance/10016328.article>

♀ ONE IN 10 ♂



FUND MANAGERS IN THE UK ARE FEMALE

In fact, adjusting the firm's positioning around sustainability, whilst simultaneously addressing female investors more explicitly, could be a clever way to move traditional firms into the 21st century. This is especially true given the European Commission's (EC's) intention to put forward a legislative proposal (by the end of June 2018) outlining that asset managers and institutional investors have a duty to consider sustainability when making investments⁶.

This idea is part of a broader move by the EC to bolster green investments and combat potential investment risks arising from climate change. The hope is that this new legislation would also standardise market practice around sustainability, which is currently fragmented and arguably more grey than green.

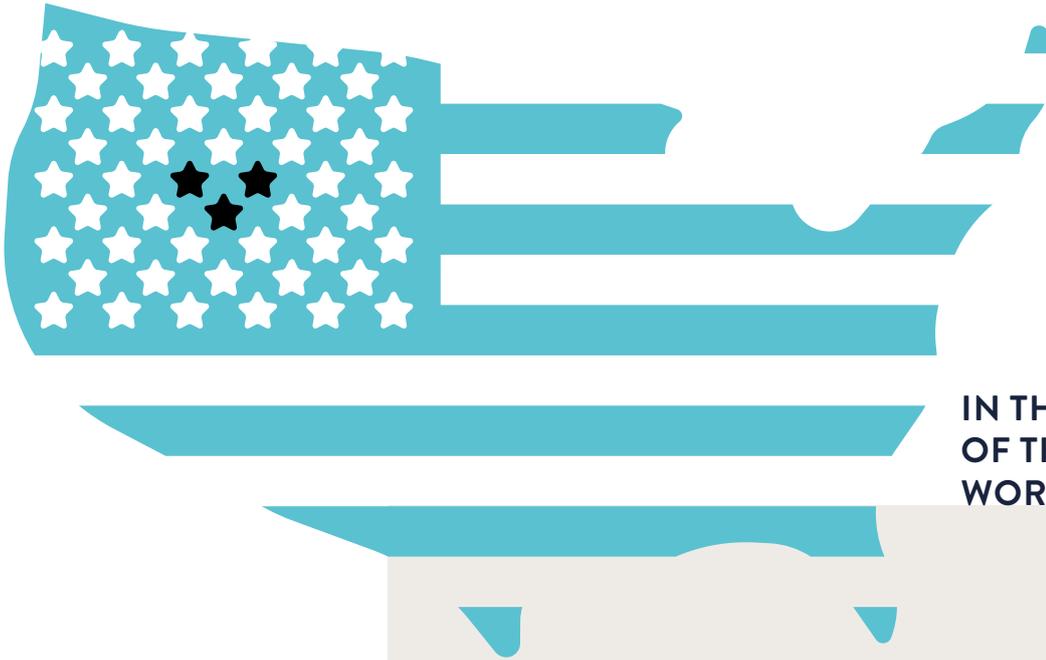


IN THE US **JUST 184** OF 7,000 MUTUAL FUNDS ARE RUN BY WOMEN.

⁶ <https://ig.ft.com/asset-managers-gender-pay-gap/>

⁷ <http://knowledge.wharton.upenn.edu/article/why-gender-lens-investing-is-gaining-ground/>

⁸ <https://www.barrons.com/articles/what-wealthy-women-want-1520531819>

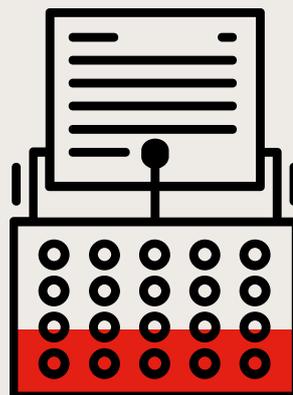
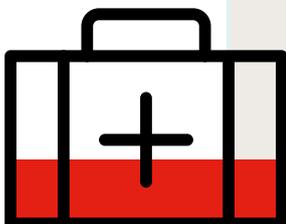


IN THE US ONLY **6%**
OF THE ASSET CLASSES
WORKFORCE IS FEMALE

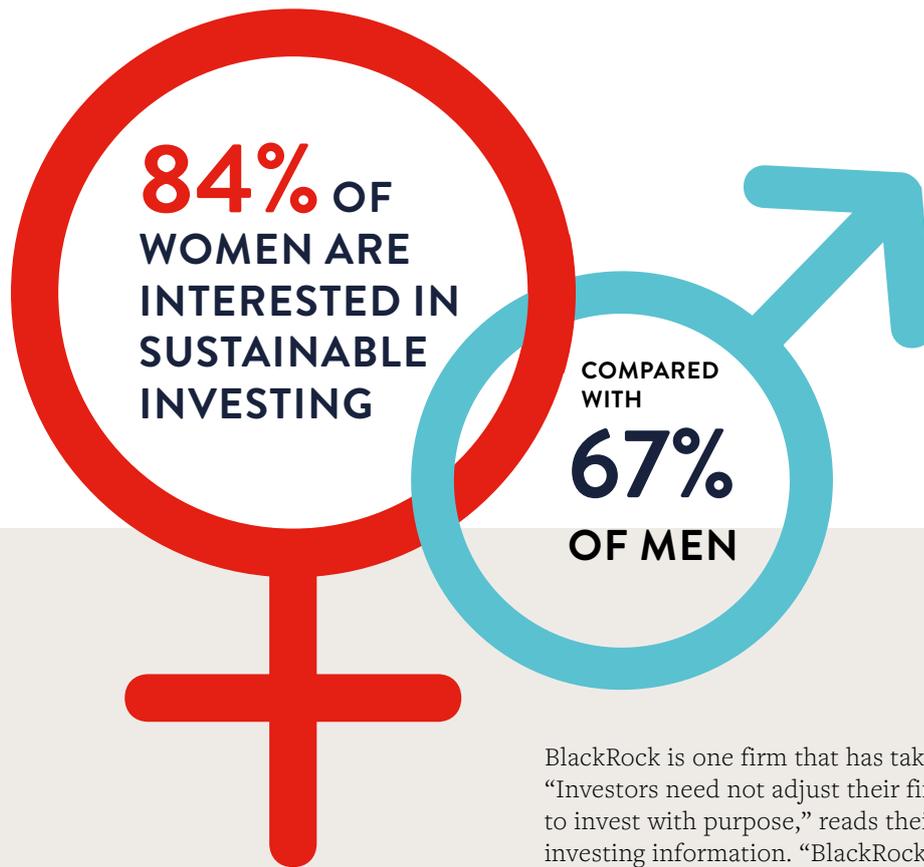
The worry, though, is that turning sustainability into a 'duty' would result in many firms treating it as a box-ticking exercise. And this would be a huge step backwards for true proponents of sustainability. Asset managers looking to leverage sustainability as a competitive differentiator must therefore be very explicit in their messaging to investors as to how seriously they take it. It must be embedded in their culture, not just peppered across their branded literature.

MEANINGFUL CHANGE

Firms must also enshrine sustainability within their investment process, rather than alienating it. Just as vegetarians were once consigned to picking their meals from a 'special' section on a restaurant menu, forward-thinking eateries now have meat-free options as part of their stock-in-trade. No-one is made to feel like an outsider for wanting something different. Inclusivity is the order of the day.



IN THE MEDICAL
AND ACCOUNTANCY
PROFESSIONS OVER
40%
OF EMPLOYEES
ARE FEMALE



BlackRock is one firm that has taken this to heart. “Investors need not adjust their financial goals to invest with purpose,” reads their sustainable investing information. “BlackRock’s sustainable funds are designed to meet the performance characteristics of traditional investments while targeting specific social impact objectives, such as reducing the carbon footprint of an investment portfolio.”⁹

The firm has also been quick to pick up on investor sentiment around sustainability and ethical investing considerations – the two of which often go hand-in-hand. A moving example of this is the firm’s reaction to the recent high school shootings in the US. In early April 2018, BlackRock announced that it will exclude civilian gunmakers and the majority of gun retailers from the firm’s existing socially responsible mutual funds and exchange traded funds (ETFs)¹⁰. In addition, the firm plans to launch two new ETFs and a selection of pensions plans that prohibit the inclusion of producers of civilian firearms and large retailers of guns¹¹.

This is precisely the type of action that will catch the eye, not only of the global press, but also of investors looking to drive social change. So, if investment firms are serious about future growth and success, they must start taking diversity and sustainability seriously. With the right products and some smart marketing, these two ‘soft’ topics could potentially deliver some very concrete returns for firms and investors alike.

⁹ <https://www.ft.com/content/5af43a96-22e7-11e8-ae48-60d3531b7d11>

¹⁰ <https://www.blackrock.com/investing/investment-ideas/sustainable-investing>

¹¹ <https://www.ft.com/content/77e45bc8-3bdc-11e8-b9f9-de94fa33a81e>

¹² <http://uk.businessinsider.com/why-blackrock-is-offering-gun-free-investment-plans-2018-4?r=US&IR=T>

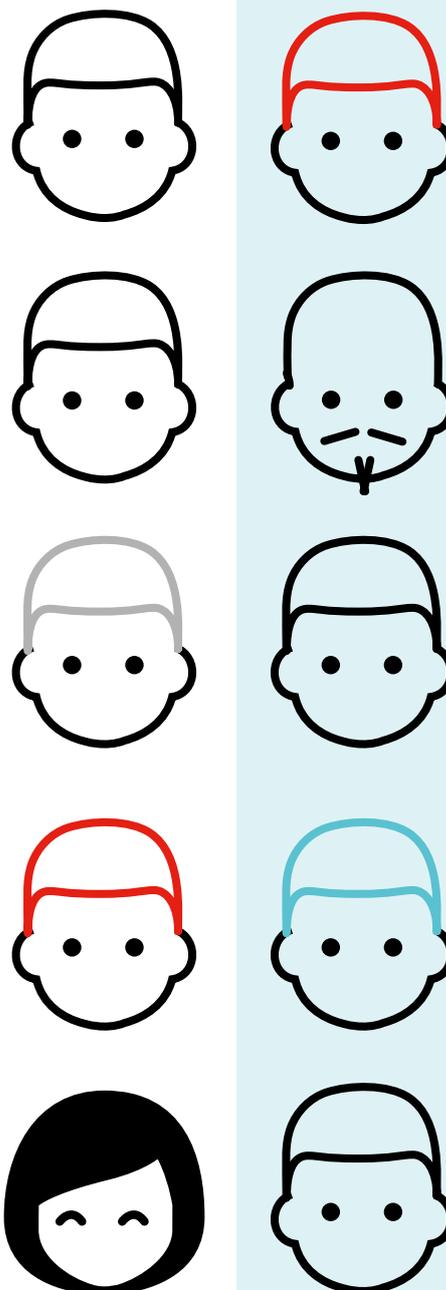
READY TO ENGAGE?

WHO WE ARE

Editions Financial is the UK's only content marketing agency dedicated to finance. In the past four years alone, we've successfully delivered over 3,000 content projects for leading global financial brands. We offer insight-rich, purpose-led content solutions that help brands create more valuable relationships with their audiences.

HOW WE CAN HELP

Brands who pay the closest attention to the details of how women think and feel about their finances will be best placed to benefit from their growing investor value. For 20 years, we've produced content for the world's leading financial services organisations, helping marketers provide the right messages to the right audiences at the right time. If you're looking for insight-rich, purpose-led, high impact content that gets results, just say hello.



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