



# Investing for the Next Decade: A Gender Lens Approach

By Kathleen McQuiggan

Ten years ago, I formally began my journey as an advocate for women, with an “invest in women” mantra. While I had always been involved in a variety of efforts working on gender diversity, I had not been investing in diversity. So, as I wrapped up a successful 20-year-career working in mainstream finance, considered my next career move, and combed through the research, I realized investors and advisors were missing a major opportunity: women.

Evident in the research was the positive impact gender diversity had on companies, on their bottom line, and on other intangible aspects of a company’s value. Companies that realized this or unknowingly had diversified their leadership pool were tapping into an arbitrage opportunity that was benefiting the company and their investors, yielding greater results through diversity of thought and perspective.

Today, I believe more than ever that gender lens investing is the way of the future. Not only do balanced leadership teams and employee pools result in greater diversity of thought and better results, but they also provide a seat at the table for women and minorities, who add to the bottom line.

This article lays out how you can start thinking about gender lens investing with the goal of incorporating an “invest in women” approach into your investment portfolio.

## How to Start Thinking About Gender Lens Investing

### Step 1: Understand Gender Lens Investing

The [Global Impact Investing Network \(GIIN\)](#) defines Gender Lens Investing as investing with the intent to address gender issues or promote gender equity, by:

- Investing in women-owned or -led enterprises
- Investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along their supply chains); or
- Investing in enterprises that offer products or services that substantially improve the lives of women and girls

### Step 2: State Your Case for Gender Lens Investing

- **Above Average Profitability** - Organizations that embrace diversity and inclusion will be more competitive in the coming decades and outperform the companies that fail to evolve. McKinsey’s recent [Delivering Through Diversity study](#) found that companies in the top quartile for gender diversity on their executive teams were [21 percent](#) more likely to experience above-average profitability. Additionally, the study found a positive correlation between gender diversity on executive teams and two key measures of financial performance: earnings before interest and taxes (EBIT) margin and longer-term value



creation, as measured using an economic-profit (EP) margin. This is likely why measuring diversity is now becoming a key financial metric that investors and analysts assess when making investment decisions.<sup>1</sup>

- **The Cost of Ignoring Diversity in the Workplace** - Ten years ago, when the drumbeat wasn't so loud, I would often have people give me that look when I talked about investing in women...it's a nice thing to do, but gender doesn't really impact a company's value. Well, in the era of "Me Too," the tides have turned. Companies that fail to acknowledge women's impact and value are finding themselves in the middle of PR nightmares that have short and long-term consequences for their brand. A few recent examples include:
  - ◆ [Nike lawsuit by former employees](#), claiming a culture of sexual harassment and gender bias at Nike that left women demeaned and underpaid.
  - ◆ [Google employees worldwide in 2018 walked off the job](#) to protest the company's treatment of women and its handling of sexual assault cases.<sup>2</sup>
  - ◆ Late last year, [Uber agreed to establish a \\$4.4 million fund to settle a federal investigation](#) into charges it fostered a work culture where sexual harassment and retaliation went unchecked. "Uber's work culture came under sharp scrutiny in 2017 when a former female engineer Susan Fowler published a public essay leveling charges of pervasive sexism."<sup>3</sup>

### Step 3: Use the Data and Tools at Your Disposal

Here are some tools you can use to gather data on potential investments.

1. [The Bloomberg Gender Equality Index](#) –Bloomberg's gender reporting framework is an international standardized reporting and disclosure method for workplace gender data. It arms companies with a blueprint for measuring how they promote gender

equality across five dimensions: female leadership & talent pipeline, equal pay and gender pay parity, inclusive culture, sexual harassment policies, and pro-women brand.

2. [Gender Equality Funds](#) provides a tool that allows you to search mutual funds and ETF's that are scored based on the gender balance and the policies promoting gender equality of the companies the fund invests in, and compare financial performance to your choice of benchmark.
3. [Equileap Ranking Data](#) – Equileap aims to make a difference, as well as a return, by accelerating gender equality in the workplace. Equileap gathers data on over 3,000 companies in 23 developed countries. Companies are then ranked on gender equality based on 19 criteria, from 2011 to the present day. Data can be licensed by investment professionals to screen existing portfolios or create new products.<sup>4</sup>

### Step 4: Define an #investinwomen Strategy

If you're looking to add a gender lens to your own portfolio, I'll offer up examples of three approaches you could consider:

1. **"The Basic" Strategy** – Know what you own. In your investment accounts, if you have individual stocks, do you know the percentage of women in senior leadership or on the board of directors? If you own a mutual fund, is that fund managed by a male or female portfolio manager? And do you know how the mutual fund companies vote proxies around insufficient gender diversity on board slates?
2. **"The Thematic" Strategy** – Consider adding a gender lens product to your existing 401k or brokerage account. The US SIF Foundation found that at the start of 2018, institutional investors considered "gender lens" as a criterion in \$868 billion of investment assets. This is more than double what was identified in 2016.<sup>5</sup> There are now multiple gender lens investing strategies being offered whether in separately managed accounts, mutual funds or ETF's.

3. **“The All In” Strategy** – A terrific example of this would be what Ruth Shaber is doing at the [Tara Health Foundation](#). Their mission: to improve the health and well-being of women and girls through the creative use of philanthropic capital.

### Step 5: Envision Success

For companies, the data is clear: an equal world is a better world for all of us. When equality grows, communities are healthier, businesses are stronger, economies rise, and the world is a better place for everyone. But today’s approaches to gender equality are still largely ineffective. The latest World Economic Forum Gender Gap Report now estimates a staggering 257 years to close the gap on economic participation for women – compared to 202 years in last year’s report.

Building gender-balanced businesses at all levels is hard work. “Getting to 50/50 requires intentional, long-term talent planning at every level, including targets or quotas. But here, too, the typical approach of setting targets only for women is too narrow. We must tackle the numerator and the denominator by declaring hiring targets and representation quotas for women and men. Our talent plans must encompass our total talent pool – not just a piece of it.”<sup>6</sup>

There are many ways to invest in women. Beyond looking at your investments, you also might consider any philanthropic efforts you currently undertake. Today, only 1.6% of Americans’ charitable giving goes toward nonprofits helping women and girls. “There is a lack of investment in women and girls in this country,” says [Teresa Younger](#), president and CEO of the [Ms. Foundation for Women](#). “The Women’s March and some of these other movements are heightening a conversation,

but I’m not sure how that’s trickling down to the small grassroots orgs that are doing the work within their communities.”<sup>7</sup> Philanthropy is one lever. But an even bigger lever is your investment dollars.

### In Summary

The future of investing will be about more than simple return; it will also be about impact. Thoughtful investors, who consider the broader implications of their asset allocation, will have a significant impact on the global economy and help to empower women and minorities in a way the world has never seen. For 20 years, I was a traditional investor chasing returns through equities, fixed income, and some alternative investments. But, I never stopped to think about the impact that my investments were having or could have. As investors, we have the power to use our capital as a tool for investment returns and good — to improve the socioeconomic status of women and girls, enhance output through diversity, and lift up the entire global economy.

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