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Driving change

**How alternative investments
organizations help women
rise and ROI soar**



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Gender diversity in alternatives

A strategic business issue

Gender diversity is a hot topic across the business world, especially in the traditionally male-dominated alternative investments industry. And, the discussion is not about being fair or nice. It's about ROI.

Numerous research studies have shown that gender equity in the workplace, particularly at the top levels, improves productivity, innovation, decision-making, and employee satisfaction, among other benefits. And most importantly to stakeholders, it pays off in dollars and cents. One study found that companies with greater gender balance delivered better returns with lower volatility compared to peers.^{1,2}

While there's an increasingly compelling case for balancing the numbers of men and women in alternative investments, achieving it isn't easy. Certainly, great strides have been made. But despite the progress, women still hold just a small portion of leadership positions in the industry.

So if increasing women's representation yields such positive results, what are alternative investments firms doing about it today? As it turns out, quite a bit.

KPMG recently surveyed 886 investors, fund managers, and other industry professionals (female, male, nonbinary) about their views on the latest trends, initiatives, and opportunities for women in alternative investments. We found an industry that's committed to change: 83 percent of respondents say gender diversity is

an important business imperative. We also found organizational leaders taking the wheel to close the gender gap. More than half of respondents say their leadership team sees gender diversity as an important part of their organization's business strategy. And 56 percent of fund respondents commit to advocating for a woman's promotion and ensuring equal pay for women in the next 12 months.

"Consistent with the new data, AIF's most-recent Women Investors' Forum proved to be a timely platform for industry leaders to discuss and exchange ideas around the emerging trends and new strategies to drive organizational change. We are witnessing the shift from the realization of the value in increased gender diversity to how organizations can overcome barriers and achieve and sustain the successes that lead to a competitive advantage."

—Melissa Waller, President, AIF Institute

Investors are driving change, too. Forty-five percent of investor respondents say they currently question potential investment teams about their diversity efforts, and 42 percent promise to require the firms in which they invest to improve diversity efforts if needed.³

For the complete findings, read KPMG's sixth annual [Women in Alternative Investments Report](#).

¹ A Framework for Gender Diversity in the Workplace (Morgan Stanley Research, March 31, 2016)

² Putting Gender Diversity to Work: Better Fundamentals, Less Volatility (Morgan Stanley Research, May 2, 2016)

³ Women in Alternative Investments Survey (KPMG LLP, 2018)

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Camille is an Audit partner in KPMG’s New York Financial Services practice, with a focus on private equity and hedge fund companies in the Asset Management practice. A skilled professional with more than 28 years of experience in auditing, accounting, regulatory, and strategic planning in the alternative investments industry, Camille is a Certified Alternative Investments Analyst.

Camille is passionately involved with KPMG’s gender and diversity initiative, which helps position women for career success and board seats. She is a frequent speaker at industry conferences on topics such as the challenges and opportunities facing investors and diversity practices that yield the greatest rewards in the industry. Camille is the cochair of the WomenCorporateDirectors’ New York Chapter and is on the steering committee for the AIF Women Investors’ Forum. She is a founding contributor of the Women in Alternative Investments Report.



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Melissa serves as president of the AIF Institute and is the former deputy treasurer and chief of staff for the North Carolina Department of State Treasury, where she successfully oversaw department strategic planning, operations, and public-policy implementation, along with a staff of more than 400 employees. The North Carolina Retirement Systems, the pension fund for the state, is the tenth largest public pension fund in the United States, with assets in excess of \$90 billion.

Melissa’s background includes more than 20 years of private and public sector financial industry experience, including 15 years in the banking sector with Wachovia/ Wells Fargo. She has served as chair of the North Carolina Department of State Treasurer’s Corporate Governance Committee, as well as on the Council of Institutional Investors Board of Directors and the Governor’s Board of Innovation for the North Carolina University System. She currently serves as executive program director for the National Institute of Public Finance, as well as director of public and private partnerships for the Kenan Institute.

Industry voices

The insights and experiences of the following change makers helped inform the perspectives presented in this paper.

- Camille Asaro, Audit Partner, Asset Management, KPMG
- Nancy Calderon, Tax Partner, KPMG
- Nancy Cantor, Chancellor, Rutgers University–Newark
- Janet Cowell, CEO, Girls Who Invest
- Sue Crotty, Partner, Segal Marco Advisors
- Wanda Felton, Former Vice Chair, Export-Import Bank of the United States
- Karen Finerman, CEO, Metropolitan Capital Advisors
- Sharmila Kassam, Deputy CIO, Employees Retirement System of Texas
- Bryan Lewis, CIO, Pennsylvania State Employees’ Retirement System
- Nicki Livanos, Director of Real Estate Investments, AXA Equitable Life Insurance Company
- Sheryl Mejia, Director of Emerging Managers, New York State Common Retirement Fund
- Julia Mord, Managing Director, Investments, Tulane University Investment Management Office
- Sylvia Owens, Senior Portfolio Advisor, Aksia
- Kristin Reynolds, Partner, NEPC
- Karen Rode, Partner, The Townsend Group
- Catherine Ulozas, CIO, Drexel University
- Melissa Waller, President, AIF Institute
- Kelly Williams, CEO and Chair, Private Equity Women Investor Network (PEWIN)



Balancing the gender scales: What makes a difference?

Our survey gives us many reasons for hope. But we wanted to dig deeper: to know what is driving change today on the front lines. So we went right to the source, surveying 886 alternative investments fund professionals, including more than 100 men.

At the AIF Women Investors’ Forum on October 15, 2018 and the 2019 AIF Annual Investors’ Meeting, we gathered firsthand insights on best practices, key initiatives, and creative new approaches in advancing women in the industry.

Covering key areas like recruiting, retention, culture, and policy, we draw on these insights to explore what it will take to open doors and shatter ceilings for women in alternative investments, while producing both the monetary and intangible results that benefit the organization as a whole.

Let the data lead the way.

There’s one language everyone understands: data.
Data is a key educational tool in the push toward gender equity in alternatives.

For one, hard facts tend to resonate with decision makers better than anecdotal evidence. In this way, data—especially data that makes the business case for gender diversity—helps build the necessary support for change, get all stakeholders on the same page, and drive momentum for new gender diversity initiatives, programs, and policies.

Data also helps the organization course correct when things aren’t working as planned. In many cases, leadership may have the best intentions, but they simply lack awareness about the ultimate impact of their decisions. Data may be the catalyst the organization needs to commit to change and find a more effective approach to attracting, hiring, and advancing women.

“When in doubt, go back to the data. Business leaders may believe they are doing enough to drive gender diversity forward in the industry, but when they look at what’s really happening they might be surprised.”

—Camille Asaro, Audit Partner, Asset Management, KPMG LLP

Change the conversation.

Reframe diversity as a workplace issue.

Today, “cognitive diversity”—the idea that organizations drive value by including people who bring different thoughts and experiences to an environment—has become a trendy business buzzword.

Obtain even greater buy-in and support for diversity initiatives by reframing the issue as not just a gender issue, but a workplace issue. Promoting cognitive diversity moves the conversation away from just gender to cover additional differences between employees: where they’re from, where they live, their income level, what school they went to, what they studied, what they believe in, and much more.

Have the conversation that everyone can get behind.

Commit to it.

Set the tone at the top.

Setting the message and tone at the top is one of the most critical factors in advancing women at work. Leadership must understand the value of increasing diversity at all levels of the organization and be vocal about advancing the cause.

If organizational leaders don’t believe in gender diversity as a core part of the strategy—and not all will at first—it will be difficult to drive change. That doesn’t mean they’re bad leaders. It just means championing gender diversity may not be on their current list of leadership objectives or in their personal goals as leaders—possibly because they have not yet been exposed to the trending data on the ultimate value gained by increased diversity.

There are many ways organizations can address these challenges of top-level commitment to obtain the critical support from C-suite executives. One approach is to make the business case. Provide the evidence to leaders that diversity is an investment opportunity and it will pay off in the long run. A few organizations are also making driving gender balance a job requirement for leadership positions and hold supervisors accountable for promoting a positive workplace for women.

Brand it.

Know what resonates best.

Why diversity makes sense isn’t the same for every organization or every person. Knowing what resonates—and branding diversity in the right way—will be critical to success.

In building a successful brand for the initiative, begin by identifying the most effective strategies to bring out a mind-set of change inside each individual organization’s four walls. For some organizations, business leaders will want a solid business case: How will advancing more women improve the firm’s bottom line? For others, it may work best to lean on an existing mission or vision that

emphasizes soft skills like equality, inclusion, or community involvement. In some cases, it may require more direct accountabilities woven into organizational policies: mandates, rules, and policies that require employees to work within them, such as holding at least one internship spot each year for a woman or requiring all managers with promotion power to undergo structured gender sensitivity training.

In the alternative investments industry specifically, one powerful branding approach is to link the issue of gender diversity to the general concept of diversification, which helps investors survive down-market cycles and seize emerging opportunities. How can organizations think about building their teams in the same way?

Show commitment.

Appeal to women candidates directly.

It’s not enough to bring in women for interviews or even offer them a position. They have to accept the job. Inevitably, some won’t, but some rejections are avoidable.

To attract women candidates, the organization should consider offering a quality of life they may not have offered before. That will make the organization and overall industry more powerful, not just for women, but for anyone who is considering first jobs.

Consider, at a glance, if an organization appears to be an attractive place to work for women. If not, changing the perception can be as simple as highlighting female professionals on the external website, a policy that North Carolina Treasury’s Investment Management Division implemented during the tenure of former Chief of Staff Melissa Waller, in collaboration with then CIO Bryan Lewis. The Tennessee Department of Treasury website serves a current leading example, featuring relevant highlights in both the Investment Management and the main Communications sections.

Communicating diversity in this manner is an unobtrusive approach that conveys to potential female applicants that they won’t be alone. More importantly, this simple yet powerful method makes an important statement about the value of gender diversity within the organization.

Some organizations also provide principals and other managers with internal HR training to improve gender sensitivity and communication skills. The aim is for female candidates to leave each interview with a positive view of the organizational culture, making them more likely to accept a job offer.

And remember: Don’t assume everyone would want to work in an alternative investments firm or similar organization, regardless of the organization’s level of support of women. Organizations are competing against many variables in addition to their sensitivity to gender issues. As studies show, talent now is

more entrepreneurial and more focused on work-life balance. A big salary isn’t always the top selling point. Candidates are going to weigh multiple factors that employers need to consider.

Make it policy.

Formalize diversity initiatives.

Don’t just give lip service to gender diversity. Show energy—and make a real impact—by giving teams the resources and tools to act on stated goals.

Organizations can start by taking steps to put structure and governance around their gender diversity initiatives. One of the most obvious is creating documented and robust family leave policies, which many people, regardless of gender, now expect as the norm. Some organizations now offer parental leave to mothers and fathers, as well as medical and other types of leave. This helps set expectations across the organization and makes leave less of a “women’s issue.”

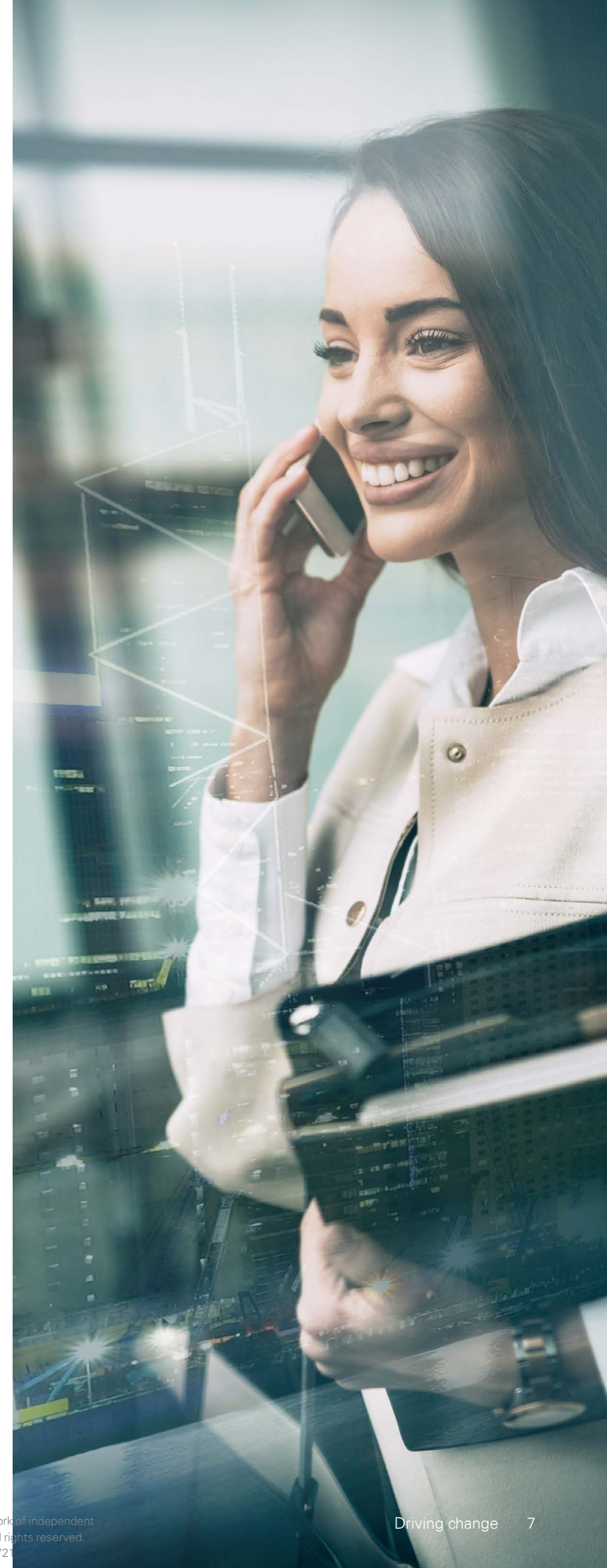
Flexible work arrangements are also increasingly important to employees, both male and female. While every business runs differently, all employees need to know that it is acceptable and encouraged to achieve a work-life balance—for the health of both the individual and the organization—and not be viewed negatively.

Many organizations are also putting policies in place around the promotion process. Developing a holistic process for assessing the value of employees and documenting measureable and objective criteria for promotions makes the process significantly fairer to women.

As a result, women will be able to align more directly with the goals and accountabilities of desired positions, know up front how success is evaluated, and adjust focus and professional development strategy as necessary to achieve personal goals for advancement. For example, demonstrating a certain level of technical expertise and sheer hard work may be less important than leadership skills and the ability to work well with the senior team.

In addition, established policies help ensure promotions aren’t based on qualitative characteristics such as “good fit” or “likeability,” which may benefit men over women in male-dominated workplaces. A documented, holistic process helps hold decision makers accountable for ensuring fairness goals for the organization are achieved, and that the results are sustained.

Many organizations have a disproportionate number of men making promotion decisions, and thus these decision makers may not have enough exposure to female candidates to adequately assess them. As a best practice, organizations can also benefit from including peers and direct reports in the feedback loop through tools like 360 reviews, as well as including sponsors in the promotion process to give women candidates a voice in promotion decisions.



Build the pipeline.

Cast a broad recruiting net.

Getting more women into the alternative investments industry is the starting point of change, but also one of the trickiest challenges facing the industry.

“The asset management industry can bring many more women in the door simply by changing the way firms recruit talent. Rather than recruiting candidates from the same set of schools and banks they’ve targeted for decades, leading firms are beginning to broaden the pipeline by tapping into more diverse candidate pools.”

—Janet Cowell, CEO, Girls Who Invest

Many organizations actively seek out female talent but fail to find it.

Part of the problem is where they look. If hiring managers only recruit from a small list of traditional feeder universities or from their own competitors, both of which probably have few women in their ranks, they’re unlikely to come across an adequate number of potential applicants.

The better strategy is to cast a broad recruiting net. For mid- and upper-level positions, some organizations are finding success exploring nontraditional candidate pools, such as the legal sector or corporate business functions. At the entry level, much progress is being made by industry organizations committed to advancing women in the industry, such as Girls Who Invest, which offers internships and other opportunities to college-age women from a wide range of schools who may be considering careers in investing. Individual organizations, like the New York State Common Retirement Fund, are also using internship programs to bring young women into the fold, some of whom are now raising multibillion-dollar funds.

Organizations can also help advocate for a change of mind-set about making money. It is considered admirable—even expected—for men to want to be financially independent. However, women on the whole don’t tend to prioritize making money, or at least they don’t say they want to make money. Often, the fear is that this will not be viewed as a good thing, compared to, for example, doing something with the primary goal of benefiting society or for other nonmonetary reasons.

Promote support networks.

Drive mentorship and sponsorship for women.

Getting to the next level at work usually requires the belief and support of more people than just immediate internal coworkers. As such, driving mentorship and sponsorship for women can make a huge difference in improving the retention and advancement of women in alternatives.

Some organizations have programs in place that pair new female talent with current female leaders who use their own personal experience to help them navigate the unique challenges they’ll face in the workplace.



“To earn a seat at the table, visibility matters nearly as much as credentials. It often comes down to who you know. But in a male-dominated industry, making the right connections can be more difficult for women. To build their network, women might participate in organizations where business executives tend to mingle, such as trade organizations, leadership groups, nonprofits, community organizations, and public service efforts.”

—Kelly Williams, CEO and Chair,
Private Equity Women Investor Network (PEWIN)

Many organizations establish internal women’s affinity networks—or encourage participation in outside networks—so women can get advice, encouragement, and support from female role models who’ve already been through the same challenges. Some affinity groups are small and informal. Others grow into official workplace initiatives with a formal organizational structure and sometimes even corporate funding.

Measure it.

Develop metrics to track progress.

Consciousness of—and even attention to—diversity issues isn’t enough to close the gender gap. As organizations formalize gender-related policies, the next step is to develop metrics to understand what progress is being made as well as pinpoint areas of weakness.

For example, some organizations put metrics around their promotion criteria. Performance metrics allow these organizations to track gaps in how male and female employees advance. Metrics can be used in a similar way to improve recruiting efforts, understand retention trends, and fight the gender pay gap that exists within many organizations.

In addition to measuring success around recruiting, retention, and promotion, be sure to focus on these initiatives as part of broader organizational goals. How are these programs making a direct impact on the success of the organization as a whole? As with any initiative, metrics—if used properly—lead to continuous improvement and maximizing top-level results.

Partner on it.

Collaborate with nonprofits and universities.

Going solo is great, but there’s power in numbers. Partnerships built between alternative investments organizations and nonprofits and universities focused on women’s career advancement are helping to champion change and build a pipeline of female talent.

“Gender inequity is an incredibly complex issue with roots that stem from many parts of society. The problem doesn’t start—and it won’t end—with alternative investments firms alone. The public and private sectors need to work together to find a diversity solution for investing and also business in general.”

—Bryan Lewis, CIO,
Pennsylvania State Employees’ Retirement System

In addition, smaller organizations sometimes partner with outside groups to fill internal voids, such as in the human resources department, which may prevent them from recruiting women or institutionalizing gender policies.

Make it part of due diligence.

Evaluate potential partners on diversity.

Investors can drive change at the fund manager level by including gender diversity (as well as other philanthropic and community work) in the due diligence process.

In due diligence questionnaires and at on-site meetings, more investors now address gender balance, gender policies, and general thinking about gender diversity at the board and employee level.

As asset owners seek to invest their capital with funds that align with their values, gender diversity is also becoming a key part of how investors evaluate deal makers.

Retain current and future leaders.

Reduce barriers to women’s advancement.

When it comes to reaching gender diversity goals, retention is a big problem—especially at the middle management level. Despite organizations putting in much effort to bring female candidates on board, many women opt out when it comes time to pivot into more senior roles.

“Mentoring and sponsorship programs are powerful tools for guiding high-potential women through the ranks and into leadership positions. They are some of the best ways to improve retention of senior-level women and even the playing field for women in alternatives.”

—Kelly Williams, CEO and Chair,
Private Equity Women Investor Network (PEWIN)

It’s not that women lack the requisite skills and experience for management positions. Rather, many women find they hit a ceiling and can’t reach the next level.



The reasons vary. Some women may lack the network and visibility to get promoted. Others may be in a transition period personally—perhaps they have young children—and don’t find their employers supportive enough of the flexibility they now need to accept higher-stakes positions that may require longer, more hectic hours.

Still more may lack confidence, which can prevent them from moving up the ladder. This can cause women not to raise their hands for the kind of high-visibility stretch projects that would put them into consideration for a promotion. It can also cause them not to even consider a next-level position unless they can check every box on the list of requirements—which they (and their male counterparts) probably cannot.

Management roles require different skill sets than analysts, money managers, and other technical roles—skills usually learned on the job. However, women who haven’t been formally trained in these soft skills—strategic thinking, project management, people management, negotiation, etc.—may think they are underqualified, and thus fail to even put forward their names.

“Many women are burdened with what appears to be a lack of confidence. When presenting investment ideas, men often pound the table with the amount of money the investment can make. Portfolio managers are drawn to the upside every time. Women, as a risk reduction exercise, tend to first state all the things that can go wrong with an investment. But, that’s actually riskier for them. If women don’t get a chance to implement that investment, they’re not putting themselves in a position to show their value.”

—Karen Finerman,
CEO, Metropolitan Capital Advisors

Women also tend to be more risk-averse than men. However, because investing is a field that requires some degree of risk taking, too much focus on risk reduction can negatively impact a woman’s career.

With few women above them to guide the way, women may also be unable to envision what an upward career path would even look like.

“Women often start by building a lot of technical skills. But, **like all professionals**, they need **to build** other skills to **lead** clients and employees. It’s easy for women to get buried in the day-to-day and get locked into technical roles if they don’t have the confidence that they’ll be able to learn and evolve for the next level.”

—Sheryl Mejía, Director of Emerging Managers,
New York State Common Retirement Fund

Organizations are focusing on improving retention by reducing barriers that prevent women from getting ahead. Some are rethinking how they handle parental leave, flex time, daycare, remote work, and other key benefits statistically shown to be more attractive to women. Others are providing personal coaching, training, development, and guidance on personal development and advancement, especially for middle managers poised to transition into leadership roles. Some proactively appoint women to high-profile committees, projects, and positions to give them more leadership exposure. And some even hold senior managers accountable for retaining women as they move up the career ladder.

Combat early retirement.

Push to get more women as partners.

The same barriers that prevent junior and mid-level women from achieving their goals—unfair organizational policies, stereotypes, personal fear, lack of a support network, and more—also impact the few women who do manage to reach the senior ranks. In alternative investments, women in upper management tend to stall there, failing to become partners and owners.

As such, there’s a negative trend occurring in alternatives at the tail end of women’s careers. When women reach higher levels of their firms, many transition out completely. Rather than assuming power by leading the organization or starting their own firm, they opt out. Often, this stage of a woman’s career happens a decade or more before a male executive would typically retire.

There should be a real push to get more women as partners. Boards shouldn’t be viewed as a natural career progression when a woman investor is in her 50s.

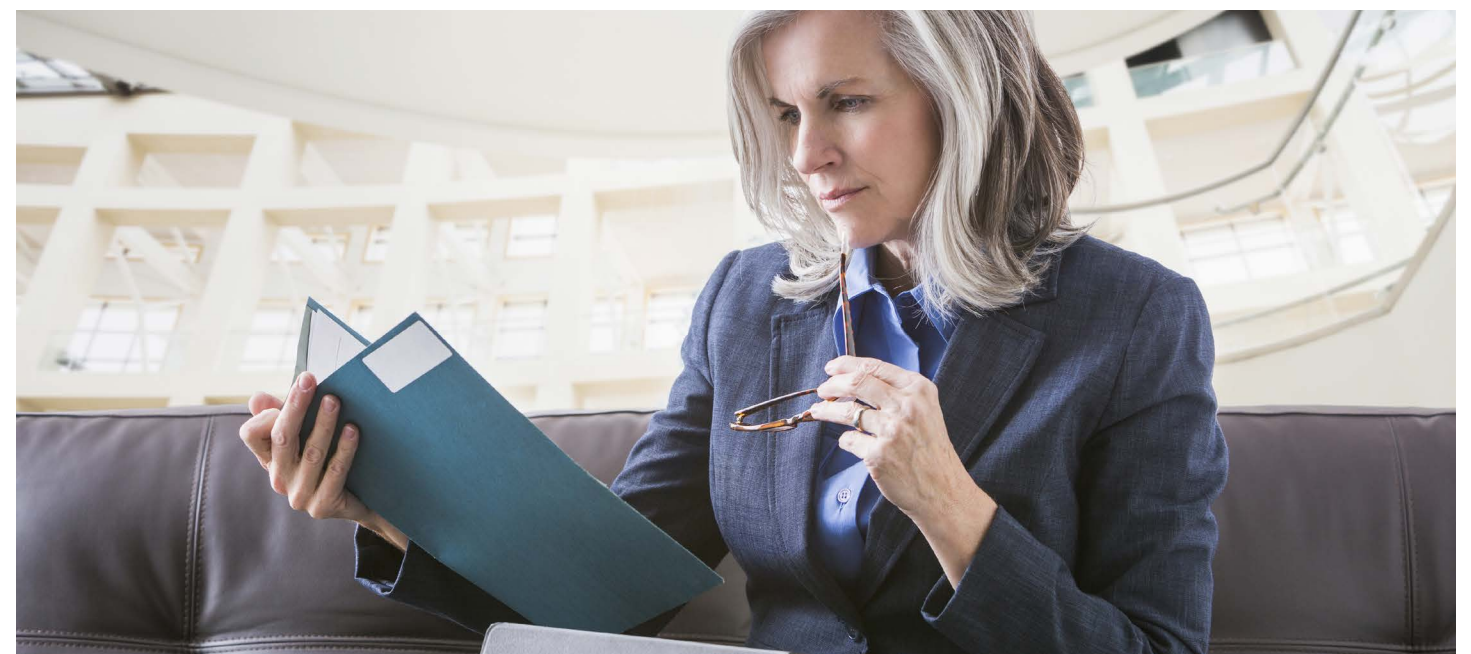
Look long term.

Plant the seeds of change today.

Achieving true gender equity in alternatives is generational work. It’s not something that happens instantly. It’s important to recognize that it’s still in its early stages, and not to focus on short-term setbacks. For example, one organization made a job offer to a very successful female investment manager, and she turned the firm down because she got three other offers. That’s not a loss; it’s a win for the industry.

Organizational leaders should realize that every incremental change adds value. As the data continues to indicate, immediate changes to increase gender diversity can produce immediate, substantial results.

In addition, the effort that organizational leaders put in today—the new policies, programs, and initiatives at all levels of the organization—will plant the seeds of change for longer-term, lasting success. Remember, it’s the women investors who are just starting out today who will one day have the pulpit to make a macro change.



About KPMG's Alternative Investments practice

The alternative investments space continues to grow bigger and more complex. The pressure to deliver in this challenging environment requires fund managers to understand the dynamic nature of the marketplace like never before. That is where KPMG's Alternative Investments practice comes in. KPMG is a market-leading professional services provider to funds of every size and at every stage of the growth lifecycle. With the experienced professionals, industry insight, and global footprint to anticipate new challenges and with the innovative technology and resources to enable fund managers to thrive, we provide fund managers with the clarity, confidence, and insight to succeed. Whether you are starting, building, or expanding your fund or firm, we can help with formation and capital accumulation, acquisitions of investments, reporting on performance and plan delivery, restructuring, refinancing and divesting, and realization and exit.

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AIF is an independent economic think tank focusing on institutional investment policy. AIF's mission is to promote the exchange of best ideas, practices, and information among institutional investors globally to help them achieve their investment objectives. AIF brings leading investment managers, consultants, and academics together with local institutional investors to dialogue about practical, actionable investment topics and investment policy in a small, controlled roundtable format. Through the AIF Institute, AIF provides customized education to institutional investors on a stand-alone basis or in combination with its roundtable discussion forums.

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