

PERSPECTIVES

Women Leading the Way in Alternatives



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Women are shaking things up across the alternative investments industry. In the past 12 to 18 months, we have seen an increased focus on the number of women in senior roles. In addition, several female managers with successful track records and the ability to raise significant assets have led high-profile hedge fund launches.

Diversity in investing—including women fund managers—is a top priority across the BNY Mellon enterprise. At Pershing, our minority business council helps provide diverse clients, of all walks of life, with an opportunity to get exposure and resources that they might not get in other situations.

In that spirit, our Institutional Solutions group has stepped up our efforts to find female-led investment teams and connect them with the growing number of professional investors and asset owners who are looking for their services.

It also was a key theme for us at our annual client INSITE conference. Our Prime Services team hosted several panel discussions addressing the increased focus on the number of women in the alternative investments industry.

Plus, as a woman in this traditionally male-led industry, I especially take this topic to heart and take my role seriously as an advocate for the younger generation of women as they grow into more prominent roles.

Women have been a vital part of the industry for years, but renewed energy and interest in female leadership are creating opportunities for managers and investors alike. What's behind the rekindled focus and how can women hedge fund managers bring benefits to investors?



Investor demand is helping fuel the growth in the number of women-led hedge funds

At Pershing, we've seen firsthand that investors, allocators and consultants are increasingly building diversity, equity and inclusion (DE&I) into their due diligence processes. They're asking managers questions like "How much diversity do you have on your team?" "How many women hold senior roles?" "What are you doing to foster diverse talent?" This demand from investors is a crucial catalyst in helping to increase the amount of diversity in the industry, and managers eager to raise new capital are placing a greater emphasis on DE&I in their organizations to meet these mandates.

Allocators like UBS's Hedge Fund Solutions business are taking the DE&I questions one step further. It's no longer enough for managers to highlight how they're promoting DE&I within their firms, according to Tetiana Kyslytsyna, CAIA, Investment Specialist within UBS's Hedge Fund Solutions business. Managers now should be prepared to talk to allocators about how they're investing their assets and if those investments align with their own DE&I values.

In addition to looking at firm owners, Tetiana and her team also focus on funds with women in senior positions (e.g., portfolio managers or CIOs) or funds with primarily female teams as potential investments. By casting a wider net, UBS has built a database of more than 350 women-led managers for their hedge fund investment strategy.



Diversity begets diversity

One additional benefit that Tetiana and her colleagues have seen from women managers is that they tend to have more diverse teams than their male counterparts. And at Pershing, we agree. We believe diverse teams lead to better outcomes. More perspectives and differentiated backgrounds can drive higher-quality decision making.

In fact, recent studies have shown that asset management firms owned by women or people of color are at least three times more likely to have diverse investment staffs compared with firms that have non-diverse ownership.¹



The talent pipeline is growing, but it takes time

During the COVID pandemic, more women than men considered leaving the workplace due to a variety of family and workplace factors—and many did. We can assume this trend has also had a downstream impact on the number of women in senior roles—not only in the financial services industry, but across all sectors. Companies that have provided resources and implemented more flexible policies will hopefully help attract women back into the workforce and allow them to progress their careers to more senior roles.

Many firms are taking steps to foster female talent within the industry, according to Tetiana. For one, we've seen a renewed emphasis on hiring and developing junior female investment talent, which is important as we look to increase the number of women in prominent senior roles.²

Developing senior investment talent can be a long process, as it requires one to learn the appropriate skills and gain the requisite experience. What makes it even tougher is that the number of women in the industry drops off by the time you get to senior level positions. According to Preqin's "Women in Alternative Assets 2022" report, women fill 32.1% of junior roles in the alternative asset industry, but women hold only 12.9% of senior positions. That's a notable statistic, so it is important that firms provide growth opportunities to help retain female talent and allow them to advance in their careers.

As previously mentioned, UBS also looks at female "risk takers"—which includes women in investment decision-making roles—when evaluating managers. This leads to a wider group and UBS thinks that focusing on teams that are predominantly women will help continue to foster and grow female talent. "Today's portfolio managers may very well be tomorrow's business owners if allocators support them and provide them the capital to run their own strategies," Tetiana said.

To me it starts even younger. If you're a university student, and you're a woman, you might not think that you can even be a portfolio manager at a hedge fund. My advice would be if you're a young woman at all interested in the field, ask questions and explore. The financial services industry has so many varied roles. If you like sales, there are opportunities. If you like investing, there are opportunities for you. It's a robust industry that provides a lot of opportunities to meet interesting people, to learn and to be challenged.



Outlook for the Future

The bottom line for many managers remains the same: to find the best investment talent and get the best results for allocators. However, it's imperative that women and diverse managers are given a chance to play the game. If allocators are presented with two very similar funds with similar track records, strategies and focus, they may consider the more diverse team.

Is the increased prevalence of female hedge fund managers just the hot trend of the moment or is it a permanent change in the industry? In our view, it's only becoming more important as investor and allocator demand for diversity continues to grow. As an industry, we must continue to recognize the value of fostering young, diverse talent and help attract women into the field and nurture their growth into these roles. We believe the rise of women managers in the hedge fund space will continue over the next few years and the pace may even accelerate. Together we can make it happen.

¹ Knight Diversity of Asset Managers (KDAM) Research Series: Ownership and Teams Diversity Metrics. April 5, 2022.

² Women in the Workplace 2021, McKinsey & Company

Putting Insights *Into Action*

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