



# Women, Wealth and Impact

## Investing With a Gender Lens

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Values. Wealth. Sustainability.

## An Investing Revolution: Seeking Returns With Impact



*There's an investing revolution underway, and it's transforming every aspect of the investing field.* From portfolio construction to security analysis to the very definition of "return," investors are increasingly scrutinizing opportunities for both financial and impact gains. Growing numbers of investors are selecting investments based on material non-financial criteria, and scouring companies' records on environmental and social impact and the quality of their corporate governance. In the United States alone, about \$3.7 trillion (11%) of the \$33.3 trillion in total US assets under management now employ sustainable, responsible, and impact (SRI) strategies. This represents a 22% jump from 2010 to 2012.<sup>1</sup>

As investors embrace the idea that investment capital should help build a sustainable and equitable economy, they are scanning the investing landscape through 'lenses' focused on specific thematic and geographic goals. These targeted investments might address poverty alleviation, climate change, sustainable agriculture, or education and the arts, to name but a few; they could be focused on an investor's local community or on the United States, or they could have a specific international focus.

### A Gender Lens Spots Opportunities Hiding in Plain Sight

In this emerging landscape of multi-dimensional returns, investors are now using a "gender lens" to answer the following questions: Will my investment increase the flow of capital to men, women, or to both? And if the flow of capital and opportunity is disproportionately favoring one over the other, why is there a disparity? What are the consequences of that disparity? What will the impact be, both financially and socially, if I intentionally address the disparity in the way I invest?

A focus on gender does not automatically mean a focus on women, but in many countries, communities, and companies, women traditionally have significantly less access to capital, education and workplace opportunity. Recognizing that charitable giving and government outlays are not enough to close educational and workplace gaps, initiatives are increasing to mobilize *investment* dollars towards improving the condition of women and girls worldwide.

With a gender lens, investors evaluate their portfolios for the many ways that their investment choices are helping -- or not -- to right historical inequities and fuel positive change. But what kind of change is possible? What and where are the gains? This paper explores the business case for gender inclusiveness and how investors can work with a gender lens to achieve their investment goals. We believe a gender lens approach will give investors exposure to:

- The financial gains that *companies* enjoy when they actively promote women workers, managers and board members, and/or
- The broader societal returns and positive impact flowing to *communities* when women's access to education, jobs and capital improves.

Using a gender lens is transformational - perhaps as much so for the investors themselves as for the recipients of their capital. Sculpting portfolios with intentionality infuses investment decisions with new energy as we embrace the way in which our investment dollars affect the environment and society. Armed with new knowledge, investors peering through a gender lens can weigh investment opportunities for their impact -- whether positive, negative or non-existent -- on women and girls. Put simply, this is a strategy for *all* investors -- institutions, families, men and women -- who can benefit from this effective and smarter way of investing.



## The Business Case for Gender Inclusiveness

Most can embrace the moral case for providing equal educational and work opportunities to all, and now it is easier to embrace the business case as well; ample evidence demonstrates an observable, positive social and economic “women effect”<sup>2</sup> when resources and opportunities flow to women and girls. Whether advancing diversity on corporate boards and executive suites or channeling capital to underfunded entrepreneurs worldwide, the business case for gender equality is compelling.

A wealth of current research is tracking the contributions of women and girls in disparate roles and places around the world -- from women in emerging markets (who repay loans at extraordinarily high rates) to Silicon Valley entrepreneurs putting venture capital to work (and outperforming their male counterparts). Notable findings include:

- Companies with three or more corporate directors who are women (in at least four out of five years) outperformed those with no women on the board by 84% on return on sales (ROS), 60% on return on invested capital (ROIC) and 46% on return on equity (ROE).<sup>3</sup> Despite these statistics, women hold only 17% of board seats in the United States.<sup>4</sup>
- The quality of companies’ reported earnings is positively correlated with greater gender diversity in senior management.<sup>5</sup>
- Micro finance institutions (MFIs) that have more women clients have lower write-offs and lower credit-loss provisions, confirming the common belief that women in general are a better credit risk for MFIs.<sup>6</sup>
- In Silicon Valley, a 2009 study found that venture-backed companies run by a woman had annual revenues that were 12% higher, used an average of one-third less committed capital, and had lower failure rates than those led by men.<sup>7</sup>
- While women are the backbone of the rural economy in developing countries -- accounting, on average, for 43% of the agricultural labor force and about two-thirds of the world’s 600 million poor livestock keepers -- they receive only a fraction of the credit, land, information, training and inputs (seeds and fertilizer, for example) that men get. The Food and Agriculture Organization of the United Nations estimates that if women received resources on par with men, the additional yield could reduce the number of undernourished people by 100 - 150 million (12-17%).<sup>8</sup>

The research keeps corroborating the fact that, if we wish to create better companies and communities, it is a *requirement* that the flow of wealth shift toward lifting women and girls from poverty while also reducing gaps in women’s leadership and financial status. The financial and impact returns from investing in women are so compelling that using a gender lens should not be considered a “niche” approach, appealing only to women. In fact, the portfolios of *all* investors -- including institutions, families, men and women -- would benefit from this method of investing.





## From Lenses to Portfolios: The How-To

In recent decades, the evolution of impact investing has yielded research, products and policy gains that are now being applied to gender lens investing. At the same time, a rapidly growing universe of social entrepreneurs and conscious investors who are committed to gender equality has emerged. While still embracing long-standing shareholder advocacy goals to increase board diversity, they are eager to explore new tactics and approaches. However, given that there are still few investment vehicles that are specifically constructed with a gender lens, and that there are limited tools for analyzing gender equality in portfolios, it is necessary to cast a wide and creative net to identify opportunities that advance the following goals:

- Increased access to capital and resources for women
- Gender equity in the workplace and on corporate boards
- Increasing products and services that benefit women and girls
- Supporting firms that are led and/or majority-owned by women
- Supporting women portfolio managers and advisors

Our research has identified opportunities ranging from promissory notes and private investments to public securities and mutual funds that, in various ways, help achieve one or more of the goals stated above. A particular mutual fund, for example, may have strong governance screens that prioritize board diversity. A different option might have a female portfolio manager while another might channel microfinance dollars to women. Many of these opportunities target competitive market returns, while other may return slightly below-market rates on a risk-adjusted basis.

In designing investment strategies that address both financial *and* impact goals, the leap from concept to implementation can seem daunting, especially since traditional investment advice addresses only financial objectives. So in this section we provide guidelines for incorporating material non-financial (or 'impact') goals into the process of constructing a portfolio that aligns profit and purpose.

**Step 1: Intentionality:** While identifying a portfolio's financial objectives, an investor should also identify the social, environmental and impact concerns that matter to them the most. Based on these objectives they can then proactively seek specific kinds of companies and opportunities while excluding others. Investors today have many different issues clamoring for their attention. Fortunately, prioritizing a gender focus does not preclude having additional impact goals. In fact, addressing gender issues typically has collateral benefits. For example, Root Capital has a *Women in Agriculture Initiative*<sup>9</sup> which channels capital toward supporting women while also aiming to alleviate poverty and environmental degradation in Latin America and Africa.

The menu of impact options is broad and among many others can include: (a) social issues, such as microenterprise, community wealth building, indigenous populations, human rights, LGBTQ equality, education and the arts, faith and spirituality; (b) corporate behavior and governance, addressing workplace opportunity, and board diversity and independence; (c) environmental concerns, including clean energy, energy efficiency, sustainable agriculture and forestry, climate change, limiting fossil fuels, and water scarcity, and (d) animal welfare.



**Step 2: Formalize an investment strategy:** After distilling both financial and impact goals, develop an *Investment Mission Statement* or *Investment Policy Statement* and share it with your advisors and investment managers.

**Step 3: Select a knowledgeable advisor:** Engage with your advisor about how your portfolio can reflect your values and impact priorities. What investment options or other guidance can she or he provide? Consider interviewing advisors whose expertise is aligned with your priorities and values. What insights do they have about your current holdings, and what's the range and quality of the opportunities they can offer? If you stay with your current adviser, remain actively engaged with what your portfolio holds and why. Remember that gender lens investing will be a completely new investment approach to the majority of advisors; be prepared to provide resources for your advisor.

**Step 4: Assess "where you are now":** Do you know what you own and what impact your portfolio is currently having? Review your holdings and group them by:

- Traditional asset classes such as stocks, bonds, and alternatives, both domestic and international
- Capitalization, sector and industry
- Whether investments incorporate environmental, social and governance (ESG) and impact criteria

**Step 5: Apply a gender lens:** Methodically assess the multiple facets of an investment opportunity: consider ownership and management structure, look at how well gender issues are integrated into security selection, and think about the services and products flowing to end users. In no particular order, the list below suggests how to maximize your impact:

***Seek out women owned and managed investment firms, and ask the question: What percentage of senior management and management are women?***

- Inquire about the ownership and management structure of your current advisor and/or investment managers. In selecting an advisor, investment manager or mutual fund, ask about company ownership and management
- When seeking new advisors and investment managers, include women in your search

When the answer does not represent a trend toward greater gender equality ask the follow up question: what are you actively doing to include more women?



In assessing mutual funds and portfolio managers, look for screening practices (positive or negative) that systematically address gender equity and inclusiveness. As a reference, see the UN Women's Empowerment Principles<sup>14</sup> and Calvert Women's Principles®<sup>10</sup> for frameworks for evaluating a corporation's impact on women. Issue areas include (a) employment and compensation, (b) work-life balance and career development, (c) health, safety and freedom from violence, (d) management and governance, (e) civic and community engagement, and (f) transparency and accountability.

### **Evaluate investment vehicles that specifically target women:**

- Publicly available options include:
  - Calvert Foundation's *Women Investing In Women (WIN-WIN)* promissory notes<sup>11</sup>
  - Pax World's Global Women's Equality mutual fund
- CDs, promissory notes and loan funds of community development financial institutions (CDFIs) and microfinance organizations that often channel a large percentage of their loans to women in order to increase access to capital for the underserved
- For qualified and accredited investors, consider:
  - Private debt investing in microfinance institutions serving women
  - Angel & Venture Capital in women-led enterprises
  - Impact investments such as Root Capital's *Women In Agriculture Initiative*, targeting farmers in Africa and Latin America
  - Loan guarantees, such as those used by MicroCredit Enterprises to fund microfinance institutions that empower rural women in developing countries<sup>12</sup>
- For foundations and endowments: consider lines of credit, loan guarantees and Program Related Investments (PRIs)

### **Support shareholder initiatives and advocacy**

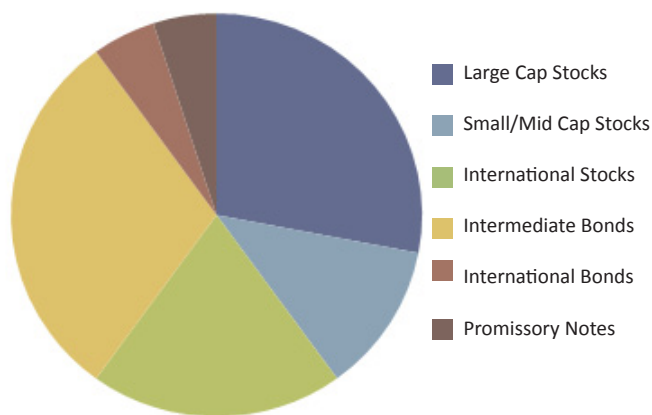
- Evaluate managers and mutual funds on the quality of their shareholder advocacy
- Participate in Pax World's *Just Say No To All Male Boards* campaign<sup>13</sup>



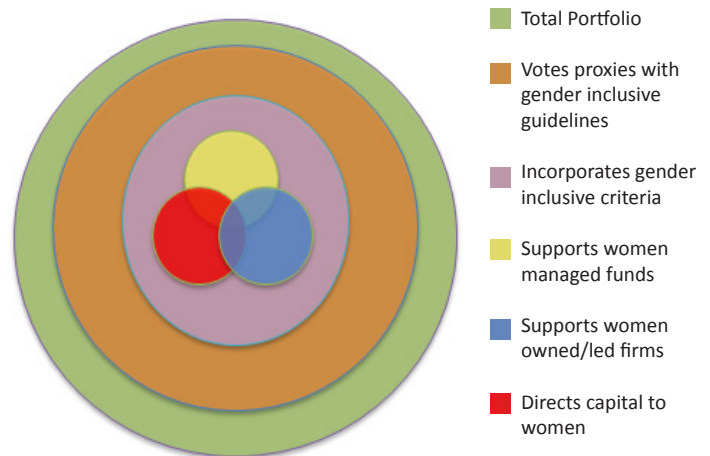
## Applying the Gender Lens: Impact Comes Into Focus

Typically, graphs of portfolios show pie charts with “slices” labeled by subsets of traditional asset classes: stocks, bonds, cash equivalents and alternatives. When viewed through a gender lens, a portfolio reveals how it is (or could be) generating social impact. That impact might be direct (e.g., as targeted investments in women or in strategies led by women) or indirect (e.g. shareholder advocacy, governance screens). Using multiple lenses raises the question: are we demanding all that we can from our wealth? When a portfolio can generate financial *and* impact returns, this is the smarter way of investing.

*Viewed through an Asset Class Lens*



*Viewed through a Gender Lens*



## Supporting the Movement

Investing so as to increase the capital flowing to women is one way to catalyze change. Others involve raising investors' and the business community's awareness of opportunities waiting to be discovered. These options include:

### *Joining networks active in empowering women*

- **Criterion Institute's Women Effect Investments** - an initiative to build the field of gender lens investing.
- **85 Broads** - a global network of 30,000 trailblazing women who are inspired, empowered and connected worldwide.
- Organizations working to increase the number of women on boards
  - **20/20 Women on Boards** - A national campaign to increase the percentage of women on U.S. company boards to 20% or more by the year 2020.
  - **Catalyst** - the leading nonprofit organization dedicated to creating more inclusive workplaces where employees representing every dimension of diversity can thrive.
  - **30% Coalition** - Business leaders, institutional investors, and women's organizations whose shared goal is that, by 2015, women will hold 30% of board seats on public companies



- Non-profits increasing women entrepreneurs' access to venture capital
  - [Pipeline Fund](#) - Providing training to help more women become angel investors and social entrepreneurs.
  - [Astia](#) - A community of men and women supporting high-growth ventures led by women.
- Philanthropy to support field building
  - [Women Moving Millions](#) - A community of individuals who have made gifts and pledges of \$1 million or more to organizations and initiatives promoting the advancement and empowerment of women and girls.
  - [Women Donors Network](#) - Through member-led Donor Circles, regional events and trainings, and network-wide strategic initiatives, members connect with key leaders in the social change movement and participate in strategic grant making opportunities.
- Angel Investing Networks
  - [Golden Seeds Network](#) - An investment firm that pursues above-market returns by empowering women entrepreneurs and the people who invest in them.
  - [37 Angels](#) - A community of female investors committed to funding early stage startups.

## Foundations, Endowments and Institutions

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For any organization that may be interested in gender lens investing, a good first step would be a meeting of the board or the investment committee to consider the idea of incorporating impact and gender-inclusive goals into their institution's investment plan. Possible strategies for starting the process include:

***Inviting a consultant with gender lens investing expertise to present to the board and/or investment committee to inform and spark dialogue.***

***Working with a consultant to:***

- Evaluate the existing portfolio - how is it currently supporting the organization's mission?
- Review the Investment Policy Statement and work with the board and/or investment committee to incorporate gender and other impact lenses into the organization's investment strategy.
- Analyze the "landscape" of investment options that could align the foundation or endowment's financial goals *and* mission. What fixed income and/or equity investments, whether private or public, are consistent with the organization's intentions? How is a gender lens congruent with other mission focuses, such as sustainable agriculture, clean energy, education, poverty alleviation, etc?
- Include investments that are managed by women in all advisor and manager searches and requests for proposals.

***Allocating a portion of the portfolio for targeted investment if the organization is not ready for full mission alignment.***





## Concluding Thoughts

Investors are embracing the principle that investments should have environmental and social outcomes that are positive and definable. The data consistently shows that we create better companies and communities by shifting the flow of wealth and power to women, whether we aim to lift women and girls out of poverty or bolster women's leadership and entrepreneurial pursuits. In building portfolios with a gender lens, investors are finding many ways to support and empower women and girls: across borders, industries, asset classes, and socioeconomic strata.

No matter what their financial strategy, *all* investors can take steps -- large or small -- to better align their wealth with their values. The process begins by setting the intention; it advances with questions and actions. Veris is pleased to help connect investors to opportunities that, in empowering women and girls, are transforming business as usual and infusing the act of investing with new energy and purpose.



## About the Authors

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## About Veris Wealth Partners

**Veris Wealth Partners, LLC** is an independent, partner-owned wealth management firm that aligns investors' wealth with their financial and social objective. Veris believes that superior investment performance and positive impact are complementary parts of a holistic investment strategy. Veris is based in San Francisco with offices in New York City and New Hampshire.



## References and Resources

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<sup>7</sup>Cindy Padnos, "High Performance Entrepreneurs: Women in High-Tech," 2010, [www.illuminate.com/whitepaper](http://www.illuminate.com/whitepaper)

<sup>8</sup>Food and Agriculture of the United Nations, <http://www.fao.org/gender/infographic/en>

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