

What You Need To Know About Gender Lens Investing



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Want To Discuss Gender Lens Investing? #MeToo

Increasingly discussed in asset management firms and the financial press alike, gender lens investing is one of the most rapidly growing segments of sustainable investing. Specifically, gender lens investing is an investment thesis that seeks to turn the abstract idea of an investment's benefit to women into a functional investment strategy. It integrates gender-based factors into investment decisions with goals ranging from enhancing risk-adjusted returns to driving gender equality.

The basis of the investment thesis is manifold. Studies show that greater gender diversity on boards is a predictor of **long-term value creation and lower stock price volatility** and that European firms with a larger share of women in senior positions have **significantly higher returns**. The limited access of women-run businesses to capital is also well documented—just 3% of **venture capital funding** was raised by female CEOs. In addition, the International Finance Corporation (IFC) estimates a \$320 billion financing gap for female entrepreneurs in formal sector small and medium enterprises in developing countries alone; naturally, the global total across firm sizes and including the informal sector is larger. According to the law of diminishing returns, where capital is scarce, returns to that the capital should generally be greater than where capital is plentiful. Lastly, according to Harvard Business Review, women make the majority of consumer decisions: 94% of furniture, 92% of vacations, 91% of homes, 60% of cars and 51% of consumer electronics. According to Patamar Capital Managing Partner Beau Seil, companies often fail to consider or analyze the specific needs of women (without relying on pervasive stereotypes) in the products and services they create. The power of women as consumers should grow if their labor force participation rate rises.

The Wide Spectrum Of Gender Lens Investors: From Purely Commercial To More Mission-Driven

Accordingly, purely commercial gender lens investing may consider the share of the board, founders, or senior management team that is female or whether products disproportionately benefit women when evaluating investment ideas. The investment thesis for purely commercial gender lens investing is that changing government policies and social movements—such as Japan’s Womenomics initiative, #MeToo, the Women’s March—are likely to drive greater long-term value creation to firms that fare better in gender lens analysis. As Rachna Saxena, who leads gender lens investing work at Dalberg Advisors, explains, as more investors adopt gender lens investing strategies, there is likely to be greater insight into which metrics make the most sense to track and greater definition around what constitutes investor best practices. Meanwhile, more mission-driven gender lens investing aims to increase the number of women-led companies and to deploy capital to businesses that **promote gender equity or benefit women through products and services**. According to IFC’s South Asia Gender Lead Shalaka Joshi, gender lens investing may also include integrating gender into the financial analysis of investments from a risk perspective.

Today In: Money

Gender lens investors range from the fifth largest asset management firm worldwide BNY Mellon Investment Management to the G7 development finance institutions, which committed to collectively mobilize \$3 billion to improve female access to quality employment, leadership opportunities and products and services that enhance economic participation and access through the 2X Challenge.

To expound on these two examples, BNY Mellon Investment Management’s Dreyfus Japan Womenomics Fund allocates capital to Japanese listed companies that could benefit from Womenomics. By way of background, Womenomics is a Japanese Government initiative that aims to drive economic growth through increasing gender equality. In addition to increasing female labor force participation, the Japanese government wants 30% of leadership positions to

be filled by women by 2020. Specifically, the [Dreyfus Japan Womenomics Fund](#)'s target investments (i) attract the growing power of women consumers as female labor force participation rises, (ii) benefit from more women in the workforce, or (iii) employ and promote more women and are therefore viewed as likely to outperform. On the other end of the purely commercial vs. mission-driven spectrum, as part of the 2X Challenge, the US government's development finance institution Overseas Private Investment Corporation committed a \$100 million loan to IndusInd Bank Ltd to [on-lend to women throughout India](#).

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UNICEF USA Salutes The Passage Of The Keeping Girls In School Act

There are numerous other examples of gender lens investment product introductions and initiative launches in the last two years. Recent European product launches include UBS's Global Gender Equality UCITS ETF. UCITS are investment funds that are regulated by the EU. Across the Atlantic, according to Barron's, Canadian product launches include RBC's, Evolve Funds Group's and Mackenzie Investments' exchange-traded funds RLDR, HERS and MWMN. US products include State Street Global Advisors Gender Diversity Index SHE ETF, which allocates capital to listed large cap US companies with high levels of gender diversity among senior executives and on their boards; the Barclays Women in Leadership Total Return Index WIL ETF, which invests in US publicly traded companies with at least a female CEO or at least 25% female members of the board; and Impact Shares and [YWCA USA's WOMN ETF](#), which invests in firms with business practices that align with gender-equality standards. Also noteworthy is the decision of the second largest bank in the US, Bank of America, to hire a recognized leader in and author of a book on gender lens investing Jackie VanderBrug to run its impact investing strategies.

A Long Road Ahead

As long as governments and societies retain focus on increasing gender equality, gender lens investment products and initiatives should continue to proliferate. According to the World Economic Forum's most recent Global Gender Gap Report, this trend could continue for years: at current rates of progress toward gender parity, the gender gap will close in 61 years in Western Europe, 70 years in South Asia, 171 years in East Asia and the Pacific and 165 years in North America. Naturally, policy-makers and other stakeholders can expedite this process if they choose bold action. Until then, gender lens investing remains an investment thesis to watch.