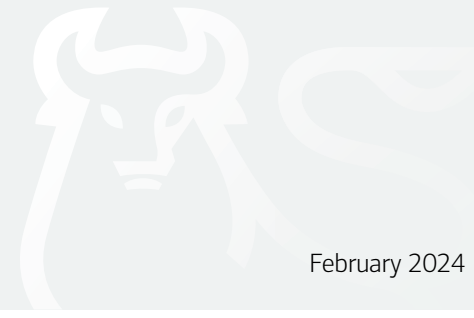


CHIEF INVESTMENT OFFICE

Impactonomics®



The Glass Half Full: The Progress and Power of Women

February 2024

If there were any doubt that women represent one of the most powerful economic forces in the U.S., it was all but demolished last year. While the Federal Reserve was trying to orchestrate an economic slowdown via higher interest rates, the epic megatours of famous women entertainers and a blockbuster movie, were having the opposite effect—driving soaring demand across the country for airline tickets, hotel rooms, food and beverages, and related activities.

The steady advancement of women, and the propitious effects on economic growth and corporate earnings, represents one of the most powerful forces shaping the global economy. Stronger gender inclusivity in leadership and management yields more competitive company performance, while inclusive investment teams are additive to fund performance. We make a case for women as powerful pillars of asset management and business leadership, and as drivers of wealth and economic expansion in the U.S.

WOMEN AS AN ECONOMIC SUPERPOWER

The progress of women has become more evident over the past few years. Indeed, after decades of little to no advancement, the gender pay gap in America is now the smallest on record. Women now make 84 cents on the dollar for every \$1 men earn.¹ While not parity, for sure, women earned just 62 cents on the dollar in 1979, when the government first started tracking gender pay.¹ Moreover, as of January, the number of women aged 25-54 in the labor force is at record highs.¹ After falling precipitously during the pandemic, labor force participation of women aged 25-54 hit a record high of 77.8% in August 2023 and remains at still lofty levels, clocking in at 77.4% in January 2024.¹

Helping to boost pay and labor force engagement is the fact that women continue to graduate with postsecondary degrees at higher rates than men. Roughly 58% of bachelors' degrees earned each year go to women, while the percentage for masters' degrees is even higher—62% of the total.² Women are also earning more degrees in science and engineering, boosting women's share of the STEM (science, technology, engineering, and mathematics) workforce.

Better pay and education have enabled women to thrive as leaders and business owners. In politics, women now make up 28% of the U.S. Congress, up 59% from a decade ago.³ Among S&P 500 companies, women now make up nearly one-third of board members, nearly double the level from just 10 years ago.⁴ The number of women-owned businesses increased at almost double the rate of businesses owned by men between 2019 and 2023.⁵ Presently, some 14 million businesses are owned by females, or nearly

¹ Bureau of Labor Statistics. Data as of February 2, 2024.
² National Center of Education Statistics. Data refers to 2021 and is latest available.
³ Pew Research Center, "118th Congress has record number of women," January 2023.
⁴ Bloomberg. Data through 2023.
⁵ Wells Fargo, Impact of Women-Owned Business Report, January 2024.

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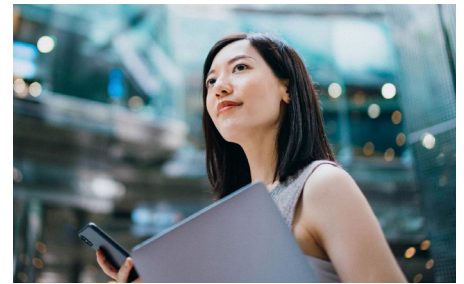
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AUTHORED BY:

**Chief Investment Office
Sustainable & Impact Investing Team**

WEALTH OF WOMEN IS ABOUT TO EXPLODE



Looking ahead, the wealth of women is about to explode: Already, women control about one-third of total household financial assets today (or more than **\$10 trillion**).

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With the coming great wealth transfer ahead, women in the U.S. are projected to control "much of the **\$30 trillion** in financial assets that baby boomers will possess" by 2030, according to McKinsey 2020 report—"Women as the next wave of growth in U.S. wealth management," estimates.

\$

40% of the U.S. total. That is up from 26% in 2019.⁶ Impressive still: between 2019 and 2023, the revenue growth of women-owned businesses outpaced that of male-owned businesses by a whopping 82.4%.⁵

While much more work needs to be done in narrowing existing gender gaps, the progress of women has been substantial over the past few years and decades, and that's bullish for long-term economic growth.

WOMEN AS BUSINESS LEADERS

An analysis by BofA Global Research observed that U.S. companies with more gender-balanced boards enjoyed higher return on equity (ROE) the following year.⁷ Research led by Impax found that gender-inclusive leadership is a source of alpha,⁸ (Exhibit 1) while a BlackRock study shows that having gender balance greater than the median yielded higher ROE and lower earnings risk.⁹

Furthermore, having balanced leadership may have ripple effects throughout company culture and talent acquisition: Certain workplace equity factors correlate with company outperformance over a three-year period, and companies with three or more of these factors outperformed the most (Exhibit 2).¹⁰

Exhibit 1: Female Leadership Has Driven Investment Returns.

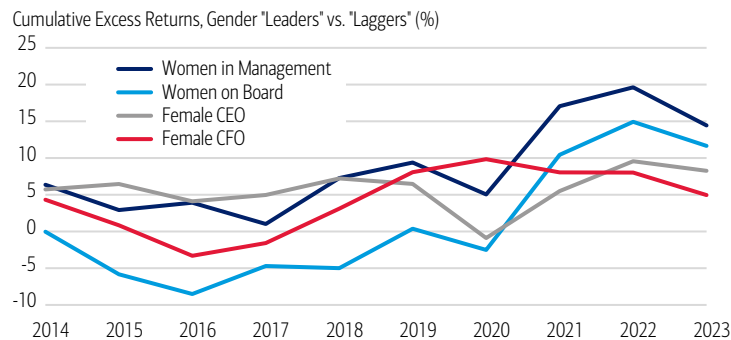
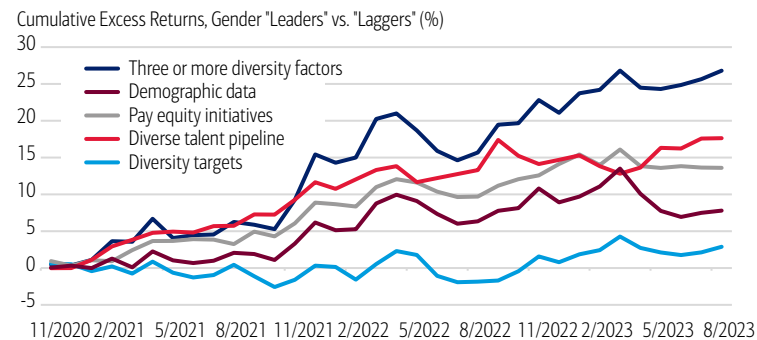


Exhibit 2: Balanced Leadership Pays Off: Workplace Equity Factor Performance.



Sources: Impax Research, Factset. Data as of August 31, 2023. The chart shows the equal weighted, cumulative monthly excess return of the top quartile of MSCI World Index companies versus the bottom quartile for the period of 12/31/2014 – 8/31/2023. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

WOMEN AS PROFESSIONAL INVESTORS

Often overlooked, it's inclusive investment teams that pack quite the punch— benefiting from more collaborative leadership, increased risk awareness, and longer-term thinking. Studies have shown that mixed-gender funds outperformed, according to Vanguard in a study of over 2,600 actively managed U.S. funds, “mixed-gender funds where the fraction of females is greater than 50% but less than 100% exhibited the strongest performance, outperforming the benchmark by 47 basis points (bps) per year.”¹¹ The study also indicated that male-only run funds displayed the worst performance, underperforming the benchmark by 12 bps on average.¹² Investing in funds that have both men and women at the helm may also reduce risk, as women are more likely to prioritize long-term goals and avoid taking risks for short term gains, yet 80% to 90% of capital is managed by males.¹³

⁶ Bloomberg, “Women in business: History, trends, challenges & opportunities”, January 10, 2024.

⁷ BofA Global Research, “Fighting for DEI while battling inflation,” March 3, 2023.

⁸ Alpha is a measure of the active return on an investment, the performance of that investment compared with a suitable market index. Impax research and FactSet data as of 8/31/23.

⁹ BlackRock, “Lifting financial performance by investing in women,” November 2023.

¹⁰ Impax research and FactSet data as of 8/31/23. Three-year period: 11/30/20-8/31/23.

¹¹ Time period of 2008-2021. The Vanguard Group, “Diversity Matters: The Role of Gender Diversity on U.S. Active Equity Fund Performance”, March 2022.

¹² Ibid.

¹³ Barron's, “Gender Diversity Offers Investment Strategy for Impact and Gains”, November 2022.

GENDER BALANCE



Having inclusive gender representation at all levels of a company, but particularly in leadership and management, is table stakes for business success:



Fortune 500 companies led by women CEOs surpassed the double digits at **10.4%**



Percentage of women in C-suite positions rose to **28%** in 2023 from 17% in 2015.⁶

INVESTMENT IMPLEMENTATION

Consider directing capital into investments managed by gender-inclusive teams, or investing in funds that are incorporating gender as one of the many factors in their employment practices, sourcing and portfolio construction, or investment strategies with an overarching hypothesis around gender equality—in areas such as capital access, leadership, policies, or workforce composition—as a driver of long-term performance.

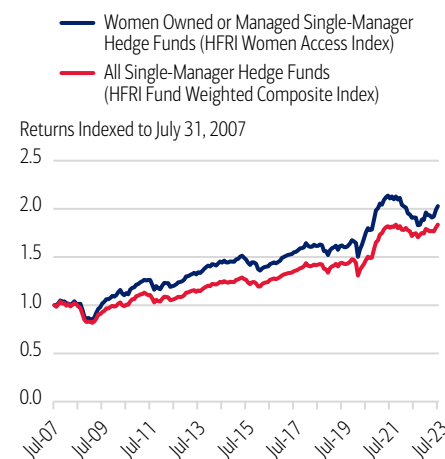
While most of the time, lack of gender inclusivity in either direction (too many men or too many women) tends to be a performance drag, recent data in the single-manager (those typically run by one portfolio manager) hedge fund space suggests that women lead the charge. Women-owned or -managed single-manager hedge funds performed better than the average single-manager hedge fund by 10.5% over the last 16 years (Exhibit 3).¹¹

Despite evidence of outperformance within gender-balanced teams, progress toward gender parity at the asset manager level has stalled: As of 2023, 12.1% of portfolio managers globally were women—up just 0.1% from a year prior and up only 2% since 2016. Only 15.7% of new funds launched were managed by teams including women,¹⁴ illustrating the imbalance in gender parity within the fund landscape and the opportunity set ahead—investors may be leaving alpha on the table.

As we have long argued, the progress and power of women cannot be underestimated. Economic growth, corporate earnings and the investment industry all stand to benefit from the upward trajectory of women as a crucial driver of the economy, both in the U.S. and abroad.

¹⁴ Citywire, “Alpha Female Report 2023: Gender parity progress at a standstill”, September 11, 2023.

Exhibit 3: Hedge Funds Managed by Women Historically Outperformed.



Source: Bloomberg. Data as of January 31, 2024. **Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.**

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Index measures the performance of 500 large companies listed on stock exchanges in the United States.

MSCI World Index is a stock index designed to track broad global equity-market performance.

HFRI Women Access Index is a global, equal-weighted index of single-manager funds that report to the HFR Database where a woman involved with the fund has significant risk-taking responsibility.

HFRI Fund Weighted Composite Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD \$500MM which report to the HFR Database and are open to new investments.

Important Disclosures

Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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The CIO has developed Impactonomics®, a sustainability-related analytic lens that includes societal and environmental factors while also examining a range of relationships between economic growth and investing for impact and profit, as well as the measurable social and environmental change sustainable investing can enable.

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