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YOUR MONEY: What it means to invest with a gender lens

By Beth Pinsker



NEW YORK (Reuters) - When clients tell financial adviser Catherine Valega that they want to invest their money in women, they are not always clear what they mean.

FILE PHOTO: A woman talks on phone inside the Bank of China head office building in Beijing, China March 30,

REUTERS/Damir Sagolj -/File Photo



To be honest, there is no real answer yet.

If you have less than \$1 million, investing with a gender lens typically means buying shares in mutual funds or exchange-traded funds that pick stocks with the goal of advancing the interests of women. For direct investments in women-led firms or businesses focused on women's issues, you have to meet the high minimum investments of impact venture capital funds.

There are now some 35 options of gender lens funds. Total assets invested in gender account for \$2.4 billion, according to a 2018 report on gender lens investing from Veris Wealth Partners. That is up from eight options and just \$100 million four years ago. In contrast, there are some 10,000-plus other funds in the general market.

Most investors do not put their whole portfolio through a gender lens. For one thing, the options are extremely limited for retirement plans, because they do not have long enough track records or enough assets to be considered.

So those who participate are mostly allocating a portion of their Roth IRAs or taxable brokerage accounts to gender funds, said financial adviser Liz Windisch of Denver. Only one of Windisch's clients so far has wanted to go all in.

"She was sitting on a lot of cash for a long time, because she didn't want to support companies that sold guns or tobacco," Windisch said. "We worked up to: 'Wouldn't you rather have your money work for you, but also put that money where your values are?'"

For now, most of the clients that work with advisers like Valega, who is based near Boston, and Windisch are stepping in cautiously and not fixated on garnering outsized returns. This is a long game for them.

"I am a big believer in investing in companies that are doing the right thing, I do see them outperforming over the long term," Valega said.



Windisch has yet to hear from a dissatisfied client who is worried over lagging returns. If they lost half, maybe she would get calls, she said, but, “If it’s 7% instead of 9%, it’s not of concern.”

HOW IT WORKS

Two of the largest gender lens offerings are the Pax Ellevest Global Women’s Leadership Fund [PXWEX.O](#), which launched in 2014 after a reorganization, and the State Street Gender Diversity Index ETF [SHE.P](#), which launched in 2016.

In the case of Pax Ellevest, the fund starts with more than 1,600 companies in the MSCI World index, eliminating businesses involved in tobacco, weapons and fossil fuels, said Julie Gorte, senior vice president for sustainable investing at the fund.

The remaining companies are ranked on gender issues - how many women are on the board, women in top leadership positions, adoption and implementation of the Women’s Empowerment Principles of the United Nations, how friendly are their HR policies toward women and pay equity. The top three holdings are Microsoft [MSFT.O](#), Best Buy [BBY.N](#) and Estee Lauder [EL.N](#).

The minimum to purchase shares in the global fund is \$1,000. The fund currently has more than \$500 million in assets. The company has a range of other funds, including bond funds, multi-asset funds and separately managed accounts.

The global fund, for one, has been closely aligned with its index, and beat its three-year benchmark, with an expense ratio of .81%, up nearly 44% versus 41% for the index. The fund is up more than 3% for 2020 versus 2.7% for the index.

Other options include Domini Impact Investments, which aims to do more than just buy stock in the companies that meet their criteria, but also to advocate through shareholder proxies for more change. The firm offers a domestic equity fund [DSEFX.O](#), an international equity fund [DGIAX.O](#) and a bond fund [DSBYX.O](#). The minimum investment is \$1,500. The top holdings include Microsoft, Apple [AAPL.O](#) and Alphabet Inc [GOOGL.O](#).

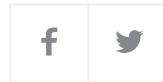
“As an investor you have a voice, you can engage in dialogue with companies or you can vote your proxies in a way that sends strong signal to management,” said Carole Laible, CEO of Domini Impact.

What women really want to know is what difference their dollars are making, Laible said, adding her answer: “We have reports that show here’s the difference you made this year. That’s the next frontier.”

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