

Bridgewater, Baupost, Man Bump Up Gender Diversity Efforts

By Lydia Tomkiw May 15, 2019

The market's largest hedge funds have kept gender diversity in the spotlight as investors increasingly ask more questions about personnel statistics and efforts to recruit and retain talent. For the second year in a row, *FundFire* surveyed the largest hedge funds by assets under management as tallied by Preqin, with managers such as **Bridgewater Associates**, Baupost Group and Man Group outlining their diversity initiatives.

In addition to the 10 funds surveyed last year, *FundFire* also asked D.E. Shaw Group and Adage Capital, whose assets under management are among the industry's largest, to participate this year. *FundFire* excluded hedge funds housed within larger financial institutions. Firms were asked how many senior positions are held by women, how many senior investment roles are held by women, how many hires in the past year have been women, what initiatives and efforts are in place to increase and retain the number of women, as well as what, if any, changes to those programs occurred in the past year.

Women represented 19.3% of hedge fund employees globally in 2018, which is up slightly from 18.6% in 2017, according to Preqin. When it comes to senior staff, women make up 11.2%, according to figures published in February. Women continue to have a greater presence in certain parts of the industry – investor relations teams have the highest proportion of women at 48% – while being underrepresented in others, with women making up only 10% of portfolio management teams.

AQR Capital Management, Bridgewater, Baupost, D.E.Shaw, Man Group, and Marshall Wace responded at least in part to FundFire's questions.

Two Sigma Investments, Millennium Management, Renaissance Technologies, and Adage Capital declined to comment. Spokespersons for Och-Ziff Capital Management and Elliott Management did not respond to requests for comment.

In the last year, efforts to recruit diverse candidates have “taken a stronghold” across the asset management industry, says Melissa Norris, founding partner at Jamesbeck Global Partners. Sixty

percent of Jamesbeck's placements have been candidates of diverse backgrounds and/or women in the last 12 months.

"This is the trend. It's starting to permeate all of the industry. Before it was the public, very large firms... Now it's permeating the alternative side and trickling down to the small- and mid-size firms," she says. Firms are increasingly putting in place policies and procedures that include women as part of the interview process when hiring.

Bridgewater, the world's largest hedge fund, reported that its workforce overall is approximately 36% women, with 24% of the firm's senior positions held by a woman and 21% of senior investment roles held by women. The firm reported that from Jan. 1, 2018 through the first quarter of this year 39% of its overall hires were women while 30% of investment team hires were women.

As co-CEOs, Eileen Murray and David McCormick chose to focus on diversity and inclusion among approximately a dozen areas of priority. The firm established a Diversity Council with 13 senior leaders and a full-time diversity team that reports back to the CEOs, and which is leading the firm's efforts, including "efforts to source, hire, retain and promote diverse talent."

As part of initiatives focused on diversity and inclusion, Bridgewater has implemented "16 weeks of fully paid maternity leave, backup child care/dependent care, and work from home flexibility." It also participates in recruiting programs specifically focused on women, has held company-wide diversity training such as unconscious bias education, sponsors the Grace Hopper Conference, and runs an undergraduate immersion for prospective candidates from a range of diverse backgrounds. In addition to other affinity groups, it has a Women's Influence Network, which runs events and mentorship and counts men among its over 300 members.

"Making true progress on diversity and inclusion is difficult – in our view, no one (including us) has truly cracked this yet. While increasing representation is critical, it's not sufficient to say we want to have a certain percentage of women or any other group," Murray said in a statement. "This issue is multifaceted – when thinking about how to grow diversity in our workforce – we need to consider the structural/societal issues at play, and how to make sure our firm is a place people can build their life and career over the long-term."

Baupost reported that 25% of its senior positions are held by women and 3% of senior investment roles are held by women. Women made up 52% of new hires in the past year, including 20% of new hires on the investment team. The firm has seen the percent of women on its investment team grow from 9% last year to 12% this year, and of four current accepted offers for employees starting in the next year, half are women.

Among the firm's new initiatives, there has been a dedicated effort among partners and senior leaders to expand networking opportunities and identify diverse candidates, which has already resulted in two new women hires on the investment team, according to a spokesperson. In the past year, Baupost also established an official relationship with a recruiter focused on diverse hiring and

has expanded the list of colleges and universities it recruits from, while relying less on the investment bank recruitment cycle. As part of the interview process, the firm is experimenting with blind initial screening. And diverse candidates are offered sponsorships and mentorships when they start at Baupost.

The firm has continued its relationship with Girls Who Invest and sponsors and participates in conferences, as reported last year. Baupost has also built on to its inclusion and anti-harassment training with a speaker series. Parental leave was expanded at the firm last year as well.

The world's largest publicly listed hedge fund, Man Group, released its annual diversity and inclusion report in March. "While we know it may take time for our initiatives to effect change, we could not be more committed to this effort and we refuse to use 'lack of pipeline' as an excuse without doing anything about it," said the firm's CEO Luke Ellis in the report. Man Group reported that in 2018, 22% of its senior management were women, up from 16% in 2016.

Among recent initiatives, Man Group became a signatory last year to the Women in Finance Charter, promising to promote gender diversity, set public goals – such as a target of 25% female representation in senior management by 2020 – and report on its progress publicly. Last year Man Group introduced enhanced parental leave for all employees globally. The firm also pointed to increased resources toward its Paving the Way campaign, which focuses on increasing diversity and inclusion, as well as greater engagement of recruiters focused on inclusion, among other efforts focused on the pipeline issue. The firm has a policy in place to "ensure that we have diverse interview panels and candidate lists across all roles."

D.E. Shaw described its initiatives that include tripling the size of its internship program over the last five years, with the firm's 2019 trader intern class having approximately 50% women, according to a spokesperson. The firm has run a number of fellowships since 2016, two of which are targeted at women and educate participants on career opportunities in finance. The firm supports internal groups, including DESCO Women, which offers networking and mentorships.

D.E. Shaw also is a founding partner of Girls Who Invest, sponsors 100 Women in Finance and the Grace Hopper Celebration of Women in Computing. The firm provides up to 17 weeks in childcare leave for primary caregivers and four weeks for secondary caregivers.

AQR continued initiatives it reported on last year and introduced a Return to Work program. "We're excited to have recently introduced a Return to Work program, a paid 10-week rotational program for professionals returning to the workforce following a career break," said Jen Frost, principal and chief human resources officer in a statement. "The program is designed to be a launchpad for careers, with training and development, mentorship, and networking opportunities."

Marshall Wace declined to provide figures. A spokesperson for the firm provided a statement similar to the one given to *FundFire* last year, stating that the firm "employs a number of women in senior roles" and is "continually seeking to attract more women into financial services, particularly

in the investment, quantitative and technology fields, which make up a significant proportion of our headcount.” The firm states that it is continuing to work with “industry bodies and other groups to establish initiatives to address this issue.”

Diversity has become an issue of focus for investors and has also gained more attention with the rise of environmental, social and governance (ESG) investing, says Meredith Jones, a partner and head of emerging manager research and responsible investing at Aon. Investors doing their “fact finding,” are becoming more “granular,” and some are exploring implementing their own ‘Rooney Rule,’ she adds, referring to a National Football League policy that requires teams to interview minority candidates for coaching and operations jobs.

“Most hedge funds are really small and as a result the staffing tends to be pretty founder-centric and lean... [Y]ou can have a five-person shop manning \$500 million to \$1 billion,” she says. “It doesn’t mean it’s impossible to have diverse investment talent, but it does tend to make it a little less probable.”

That is why some investors have instead chosen to go the route of having a specific allocation targeting a woman- or minority-owned fund, she adds.

Either way, the issue of diversity is here to stay in the industry, especially as responsible investing gains more ground.

“If you’re an asset manager that purports to integrate ESG into investment decision but then don’t support the same things in your firm... that’s a disconnect a lot of investors are going to notice,” she says.