

Investment Rethink: Diverse/Women owned Private Equity Funds

Resilient Realism, **LINKCO Author:** Teri Cohan Link

This article reviews a Knight Foundation recently published study on ownership diversity and performance in the asset management industry.

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The John S. and James L. Knight Foundation recently published an insightful update to their "Knight Diversity of Asset Managers Research Series: Industry, A study of ownership diversity and performance in the asset management industry".¹ The study updates earlier work over the past four years and is focused on Mutual Funds, Hedge Funds, Private Equity Funds and Real Estate Funds. The following are some of the key conclusions:

1. Diverse owned firms remain dismally represented in the financial sector, "...By diversifying who manages our nation's wealth, we can build a more equitable and prosperous future." Alberto Ibarguen, President, Knight Foundation.²
2. Women make up more than 50% of the population and non-white identifying people are more than 42%. Both groups are growing in percentage of the total population every year, however, it's stunning to note that of the \$82.24 trillion in assets under management (AUM) studied in this report, only **1.4%** of AUM are managed by firms owned by women and/or people of color. And here's a stunning comparison offered in the study: the disparity is almost equivalent to the GDP of Mexico (\$1.19 trillion) compared to the aggregate GDP of ALL countries on earth (\$84 trillion.)
3. Yet there is some good news. Women and minority owned firms are growing faster than non-diverse firms. While women owned firms take the lead in Hedge Fund, Mutual Fund and Real Estate Fund growth, Minority owned firms take the lead in Private Equity growth.
4. This study affirms what the two previous studies concluded. There are no significant differences in performance between diverse/women owned asset management firms and white male owned or led firms. Using both statistical and economic modeling, the study found no significant performance differences across asset classes.

This begs the question for public and private investors, Asset Managers, Fund Directors, Partners, and Stockholders: are you missing financial opportunities and risk mitigation factors? Juan Martinez, Knight Foundation CFO sums this up by pointing out that, "Diversity in who manages your assets is just as important as the diversity of what you invest in. Managers with different backgrounds, viewpoints, and experiences can often better identify investment opportunities that other managers might overlook..."³

LINKCO looks forward to helping women and minority owned asset management businesses thrive in 2022.

Bravo to Prof Josh Lerner, Harvard Business School and to Rahat Dewan, Jake Ledbetter, CFA, Alex Billias, CFA from Bella Private Markets, authors of the Knight Study.

The Knight Foundation Study.

1. https://knightfoundation.org/wp-content/uploads/2021/12/KDAM_Industry_2021.pdf
2. Asset Management Industry Severely Lacking Diversity, New Knight Foundation Study Finds; Signals Untapped Opportunity For Investors, December 7, 2021, Knight Foundation. <https://knightfoundation.org/press/releases/asset-management-industry-severely-lacking-diversity-new-knight-foundation-study-finds-signals-untapped-opportunity-for-investors/>
3. Asset Management Industry Severely Lacking Diversity, New Knight Foundation Study Finds; Signals Untapped Opportunity For Investors, December 7, 2021, Knight Foundation. <https://knightfoundation.org/press/releases/asset-management-industry-severely-lacking-diversity-new-knight-foundation-study-finds-signals-untapped-opportunity-for-investors/>

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