



The time is now

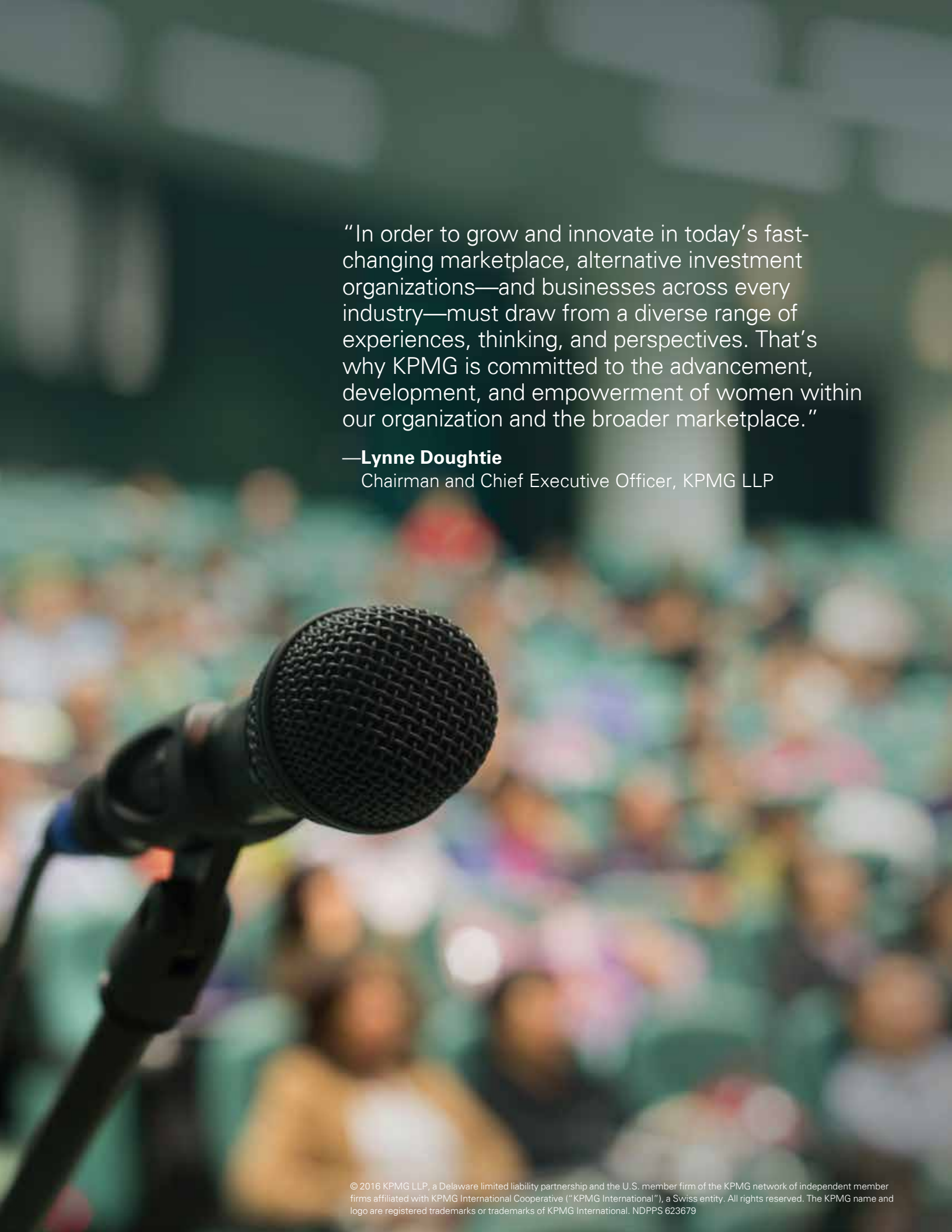
**Real change, real impact,
seize the moment**

Women in Alternative Investments

December 2016

kpmg.com



A black microphone with a mesh grille is positioned in the lower-left foreground, angled towards the right. The background is a large, out-of-focus crowd of people, suggesting a public event or conference. The lighting is soft, and the colors in the crowd are muted and blended together.

“In order to grow and innovate in today’s fast-changing marketplace, alternative investment organizations—and businesses across every industry—must draw from a diverse range of experiences, thinking, and perspectives. That’s why KPMG is committed to the advancement, development, and empowerment of women within our organization and the broader marketplace.”

—**Lynne Doughtie**

Chairman and Chief Executive Officer, KPMG LLP

Introduction

KPMG LLP (KPMG) is pleased to release the fifth “Women in Alternative Investments Report” (WAI Report). This year, as in years past, the WAI Report showcases the investment insights of women in alternatives while fostering a conversation about the unique issues facing women in the industry.

Although much has changed within alternatives since the WAI Report was first launched in 2011, women remain underrepresented in the industry. Looking at the statistics, including those in this year’s Report, one might think there hasn’t been much progress for women.

And yet, as this year’s WAI Report shows, there is reason for hope. There are new trends, new initiatives and new opportunities for women in alternatives. Firms, investors, and organizations are taking bold new steps to help truly move the needle.

Given these efforts, it is fitting that this year’s survey reached a global audience. A record number—nearly 800—of alternative investment professionals from nearly every major geographic region and sector within alternatives— hedge funds, private equity, venture capital, and real estate—responded. They shared their aspirations for women’s advancement, their views on mandates, and their beliefs regarding which regions offer the greatest opportunities for women in the industry.

We hope this year’s WAI Report spurs continued dialogue about the evolving role of women in alternatives and the path to future successes for women in the industry. And, perhaps even more importantly, we hope the practices spotlighted here inspire others. We hope that allocators continue to increase their focus on diversity when making investments, and we hope that firms continue to push the boundaries and embark upon initiatives that have the potential to transform their firms and, potentially, the industry.

Lastly, we hope the impact of this year’s WAI Report extends beyond geographies and beyond alternatives. At KPMG we believe that diversity and gender-based issues are critical across all industries. We view this Report as part of our broader commitment to advancing women, not just within our own firm but outside of it as well, and in a variety of ways such as through our Women’s PGA sponsorship, our seminal 2015 Women’s Leadership Study, the annual KPMG Women’s Leadership Summit, and our partnership with Women Corporate Directors.

Like the firms and organizations profiled in this Report, at KPMG we are seeking transformation. We hope you will join us in that endeavor.

Sincerely,

Jim Suglia

National Practice Leader, Alternative Investments, KPMG LLP

Reflections: How far we've come

"Investment management is about maximizing returns and not getting blindsided in uncertain markets. Having diversity on your team facilitates an active dialogue around investment decision-making, and that results in both a better business and improved investment performance."

—**Jane Buchan**

Chief Executive Officer and Managing Director, PAAMCO

When we first launched the WAI Report in 2011, discussion on the topic of women's advancement was rather limited. It was a conversation often had solely among women, in small settings and relegated to the sidelines in many ways, despite some powerful voices—investors and fund managers alike—calling for change.

Now, five years later, these issues are moving to the mainstream. There is a greater rallying cry, and it is coming from front and center. The call for gender diversity has been elevated to new platforms such as the World Economic Forum. Prominent voices and influencers are championing these issues and advocating for change. The business case is assumed. People are not just talking about the issue; they are trying to solve it.

We are encouraged to hear these new voices, to see men who are industry leaders passionately embrace and advocate for this cause and to see greater numbers of alternatives professionals who recognize that diversity is a business imperative. And we are excited to see there are bold new solutions being offered.

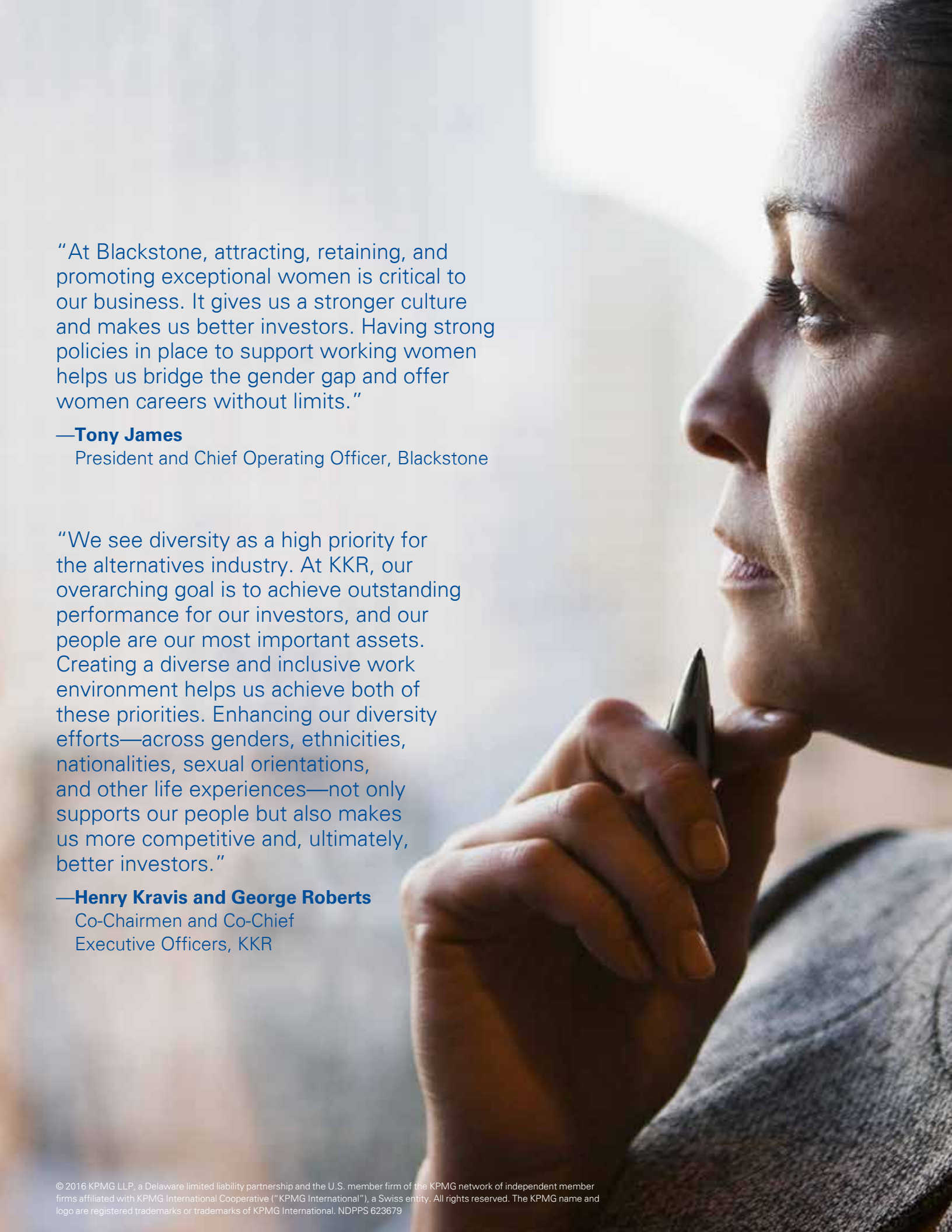
There is significant change afoot, and, as in years past, we feel privileged to help further the conversation on gender diversity in alternatives, to continue to shine a spotlight on the evolution of these issues, and to showcase new initiatives.

We hope that when we reflect back five years from now, this time will have been the beginning of a new era. We look forward to seeing what progress the next five years will bring.

Camille Asaro and Kelly Rau

Partners, Alternative Investments, KPMG LLP

Founding Contributors and Lead Sponsors of the WAI Report



"At Blackstone, attracting, retaining, and promoting exceptional women is critical to our business. It gives us a stronger culture and makes us better investors. Having strong policies in place to support working women helps us bridge the gender gap and offer women careers without limits."

—**Tony James**

President and Chief Operating Officer, Blackstone

"We see diversity as a high priority for the alternatives industry. At KKR, our overarching goal is to achieve outstanding performance for our investors, and our people are our most important assets. Creating a diverse and inclusive work environment helps us achieve both of these priorities. Enhancing our diversity efforts—across genders, ethnicities, nationalities, sexual orientations, and other life experiences—not only supports our people but also makes us more competitive and, ultimately, better investors."

—**Henry Kravis and George Roberts**

Co-Chairmen and Co-Chief
Executive Officers, KKR

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Executive summary

“The data says that if we don’t move toward gender equality, we do so at our peril.”

— **Deborah B. Goldberg**, Massachusetts State Treasurer and Receiver General

This year’s WAI Report is about evolution and the potential for transformation.

It has been five years since the WAI Report launched, and, in many ways, it seems like there has not been much progress in terms of women’s advancement in alternatives. The majority of our respondents still believe it’s harder for women to succeed in the industry and to obtain capital than it is for their male peers. Women-owned funds still remain a very small portion—less than five percent—of the majority of investor respondents’ portfolios.

While on the face of things it may not seem like there has been much movement on these issues, there are reasons to be hopeful.

We have seen a dramatic increase in the percentage of women-owned/-managed mandates and programs, increasing from two percent in 2013 to 10 percent this year. Emerging manager mandates are also on the rise among investor respondents, which presents additional opportunities for many women-owned/-managed funds.

Many respondents are optimistic, with 28 percent planning to launch or manage a new fund in the next five years, and, of women-owned/-managed funds, 26 percent plan to grow their fund to over \$1 billion AUM.

Beyond these encouraging statistics, there are new efforts to increase the pipeline of women going into alternatives. There are novel initiatives designed to better retain and advance women. And there are greater numbers of investors considering diversity when making allocations.

This Report shows the evolution of these issues within the industry. It shows how far we have come and how far

we have yet to go. And it also shows how close we may be to a tipping point. It is up to all of us within the industry to seize this moment, to capitalize on this momentum, and to begin the transformation.

Our Report incorporates insights from an online survey of 791 alternative investment professionals globally and from interviews with industry leaders.

From our survey responses, key themes emerged:

Macro outlook

- Nearly half of our fund and investor respondents believe the global economy is in late cycle.
- Before the Brexit vote, 25 percent of fund and investor respondents expected Europe’s five-year growth rate to decrease. After the vote, 51 percent of respondents expected a declining growth rate.
- Forty-seven percent of our fund and investor respondents expect China’s growth rate will decrease in the next five years.

Sector outlook

- Outlook for hedge funds over the next 18 months is mixed, according to survey respondents. Expected performance and investment opportunities for hedge funds will see the greatest improvement among all sectors surveyed (private equity, venture capital and real estate) according to a plurality (over 40 percent) of respondents. And yet hedge funds will take the hardest hit in allocations, with 18 percent of our investor respondents expecting to decrease allocations to the sector over the same time frame.

- Expected performance for private equity over the next 18 months will improve according to 30 percent of respondents. Investment opportunities look stronger, according to 41 percent of respondents. Among all sectors surveyed, private equity will fare the best in investor allocations, with 30 percent of investors planning to increase allocations to the sector.
- Outlook for venture capital is not as strong, with only 26 percent of respondents expecting improved investment opportunities and only 20 percent expected improved performance over the next 18 months. Despite this weakened outlook, only five percent of investor respondents plan to decrease allocations to the sector.
- Private real estate funds will face a challenging investment horizon and performance outlook with less than one-fifth of respondents expecting conditions to improve over the next 18 months. However, despite this challenging investment horizon, our investor respondents remain optimistic about the sector, with 22 percent of them planning to increase their real estate allocations over the next 18 months.



“Gender diversity is critical, and we don’t have enough of it in the alternatives industry. However, there are reasons to be hopeful. There’s been a heightened level of interest in the area recently, through platforms such as the World Economic Forum. LPs are increasingly focusing on it, which is necessary to move the needle. Moreover, prominent male executives—and not just women—are enthusiastically advocating for gender diversity. There is progress.”

—**Sandra Horbach**

Managing Director and Co-Head of
U.S. Buyout, The Carlyle Group

“It’s very encouraging that the conversation about diversity in alternatives has grown in importance. We are no longer making the business case about why diversity is important—we are now talking about what we can do to change our numbers.”

—**Kate Mitchell**

Co-Founder and Partner,
Scale Venture Partners

Fund management and capital-raising

- As in prior years of the WAI Survey, women are most often seen in C-level positions in compliance, marketing, and financial roles at the funds represented in our survey. This year, women represent 13 percent of CEOs and 19 percent of CIO/Portfolio Managers at the firms represented in our survey, slightly down from last year.
- Twenty-six percent of the women-owned/-managed funds in our study plan to grow their fund to \$1 billion or more in assets under management (AUM).
- Forty percent of our women-owned/-managed fund respondents have pursued emerging manager mandates, up from 23 percent last year. Nearly half who pursued mandates this year won them.
- Fifteen percent of female fund respondents plan to manage their own fund in the next five years, and 13 percent of fund respondents plan to launch a new fund.

Emerging manager and women-led fund allocations

- Emerging manager programs are on the rise among investor respondents. Forty-one percent of this year’s investor respondents have an emerging manager program or fund whereas only 33 percent of last year’s respondents had one.
- This year, 10 percent of our investor respondents have specific mandates for women-owned/-managed funds. This is a significant improvement since our 2013 survey in which only two percent of investor respondents had women-owned/-managed mandates.
- Although 32 percent of investor respondents expect an increase in their allocations to emerging managers over the next 18 months, only 16 percent expect allocations to women-owned/-managed funds to increase over the same time frame. Outlook for women-owned/-managed funds was significantly better in this regard last year, when 26 percent of investors surveyed expected an increase in their women-owned/-managed fund allocations.
- At a majority of investor respondents (60 percent), women-owned/-managed funds represent a very small portion of their total portfolio (less than five percent).
- As in prior years, the majority of investor respondents say the greatest barrier to investing in women-owned/-managed funds is the lack of supply of such funds.

Gender diversity: Views from across the globe

- Many respondents (42 percent) support government-mandated quotas or guidelines seeking gender diversity on corporate boards. Thirty-six percent believe such quotas will improve gender diversity in alternatives.
- Thirty-seven percent of respondents believe emerging manager mandates will increase demand for women-owned/-managed funds whereas 26 percent believe they will not increase demand. The remainder are uncertain.
- A significant percentage of respondents (40 percent) believe investors should seek out investments in women-owned/-managed funds.
- Respondents believe that North America offers the greatest opportunities to women in alternatives. The United Kingdom and Europe (excluding the U.K.) were ranked second and third.
- Seventy-nine percent of respondents believe it is more difficult for women fund managers to succeed in the industry than their male peers. The overwhelming majority also believe that it is harder for women-owned/-managed funds to attract capital. North America is the least optimistic of all regions surveyed about the potential for women's advancement in alternatives.





About the research

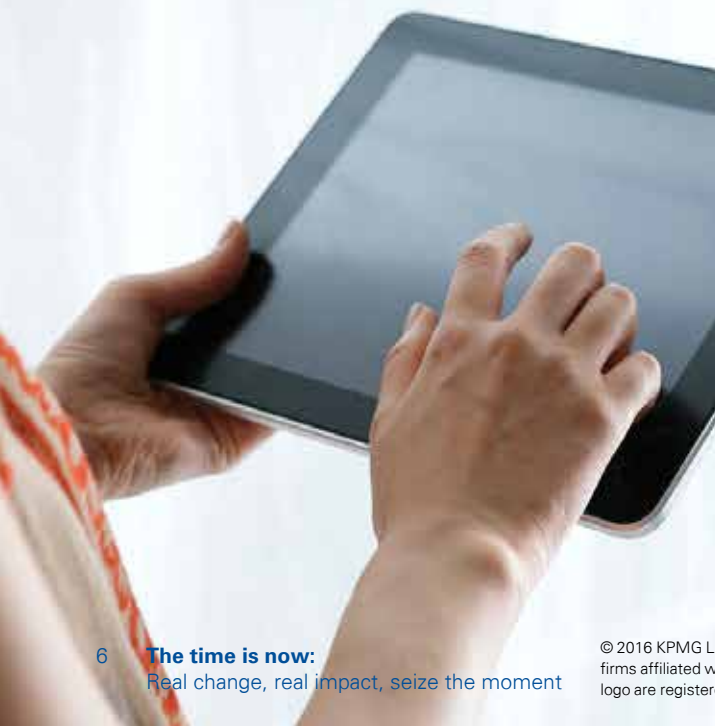
“In this, the fifth year of the WAI Report, it was important for us to elevate the discussion about the opportunities and challenges facing women in alternatives to a global platform. We sought to understand regional perspectives and differences, as well as shared experiences. In addition, the Report showcases the investment outlook of women leaders across geographies.”

—**Darina Barrett**

Head of Financial Service Markets,
KPMG UK

Through an online survey, 791 respondents globally, including fund managers and other professionals, investors in alternatives, and service providers, shared their views on investment outlook, industry trends, and the potential for women’s advancement in alternatives. This Report also benefited from interviews with leading industry professionals, including fund managers and investors, who provided further in-depth insights into issues explored in our survey. The survey was conducted in May through July 2016, and interviews were conducted from August through October 2016.

We would like to thank all of the respondents who participated in the survey and our external contributors who shared their insights. Their views were invaluable in shaping this Report.



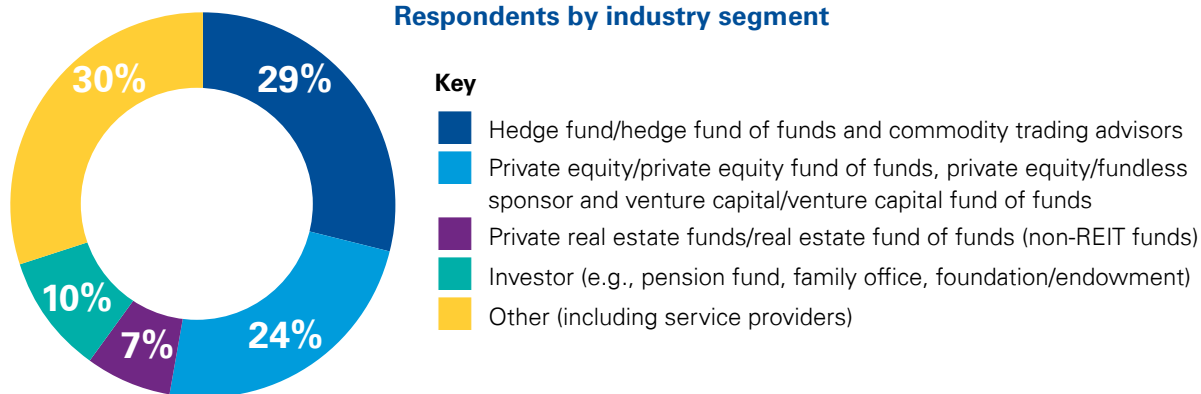
Survey population and report terminology

Professionals at hedge fund firms (a group comprising hedge funds, fund of funds, and commodity trading advisors, collectively referred to as “hedge fund respondents”) represented 29 percent of our survey population. Professionals at private equity and venture capital firms (together, referred to as “private equity respondents” and comprised of private equity and venture capital funds and funds of funds and private equity fundless sponsors) represented 24 percent of respondents. Private real estate non-REIT funds (including real estate fund of funds) represented seven percent of our survey population. Together, these groups are referred to as “fund respondents” throughout this Report.

Investors (excluding funds of funds) represented 10 percent of survey respondents. Funds of funds represent the largest portion of our investor respondents, followed by pension funds, endowments, and family offices. Where noted in the Report, investors include fund of fund respondents from the hedge fund, private equity, venture capital and real estate sectors.

Other respondents, including service providers, represent 30 percent of our survey population.

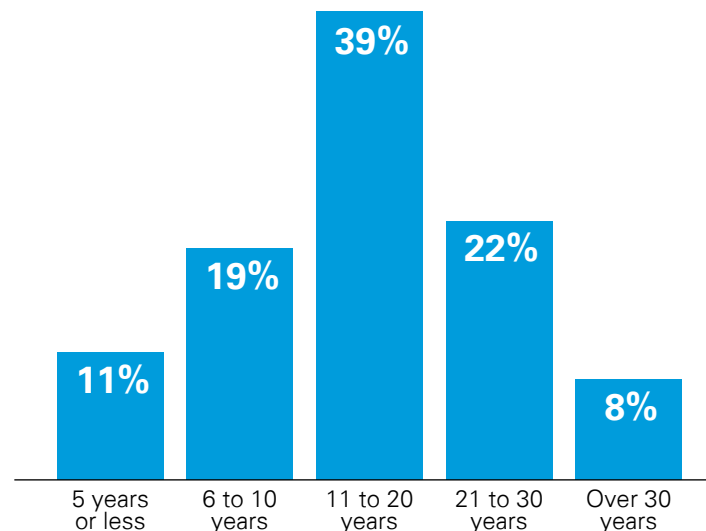
Respondents by industry segment





Nearly all of our respondents (99 percent) are female. As in prior years, the women represented in our survey are an experienced and well-credentialed group. Thirty percent have more than 20 years of experience in financial services.

Female respondents' financial services experience



Does not equal 100% due to rounding

Of our female fund respondents, 27 percent sit on their firm's investment committee and 24 percent sit on public or private corporate boards.

In terms of future aspirations, 15 percent of fund respondents plan to manage their own fund and 13 percent plan to launch a new fund in the next five years.

Eleven percent of our fund respondents hail from predominantly women-owned or -managed firms.

Sixty-three percent of respondents are from funds with \$1 billion or more in assets under management, and over half of the funds represented in our survey have been in operation over 15 years.

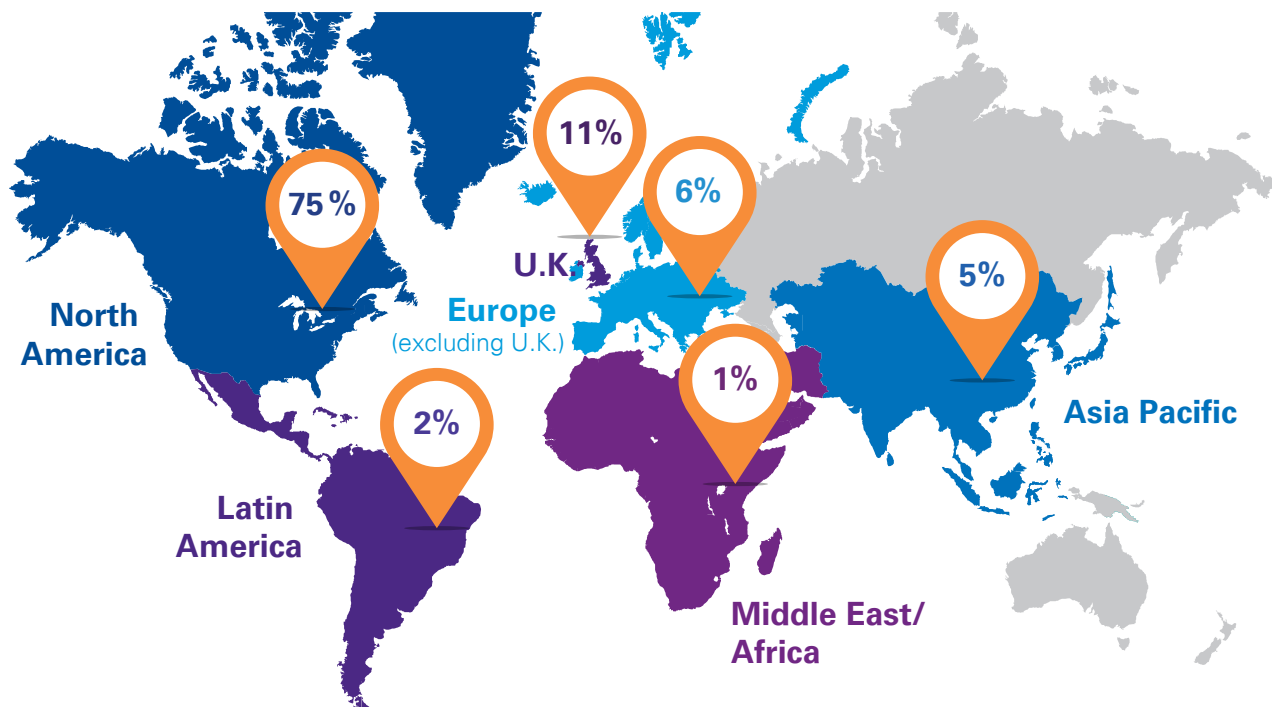
This year was the first year the WAI Report expanded outside of North America and reached a global respondent population. Our respondents remain dominated by North American professionals. Throughout the report, respondents from "Europe" typically include the United Kingdom except when noted otherwise. Where noted, responses from professionals in Asia Pacific, the Middle East/Africa and Latin America are aggregated because of smaller respondent numbers in those regions.

Funds at a glance

- Thirty-one percent of fund respondents are targeting returns of 15 percent or more, and a slightly higher percentage (37 percent) of female-led funds are targeting the same range.
- Seventy-seven percent of funds plan to raise new investment capital in the next 18 months.
- Eighty-seven percent of funds find their investors in North America. Much smaller percentages find investors in Europe (excluding the U.K.) (31 percent), the U.K. (17 percent) and Asia Pacific (16 percent).

Though the firms represented in our survey are predominantly based in North America, many have an international presence. More than half have offices in North America, the United Kingdom and Asia Pacific. Slightly less than half have offices in Europe (excluding the United Kingdom) and roughly a fourth have offices in Latin America and the Middle East/Africa.

Respondents by primary work location



Our fund and investor respondents are heavily focused on North American investment (81 percent), followed by investment in Europe (46 percent) and Asia Pacific (34 percent).



Macro outlook

“Since the launch of the Women in Alternative Investments Report in 2011, we have sought to provide a platform for leading women in alternatives to share their insights and expertise on industry trends and investment opportunities. Given current economic and geopolitical uncertainties, this year presents an important opportunity to continue that practice and showcase the investment outlook of women across the globe.”

—**Camille Asaro**, KPMG LLP

Low returns, slower growth, decreasing effectiveness of unconventional monetary policy, and geopolitical uncertainties present both risks and opportunities for alternative investment professionals. Rate increases in the United States will impact interest-rate-sensitive

industries, emerging markets, and long-term fixed income the most. However, the hunt for yield will become less challenging. Many experts, including nearly half of our fund and investor respondents, believe the global economy is in late cycle.

“The vast amount of liquidity pumped into the global financial system by the world’s major central banks, coupled with record low interest rates, have generated large movements of capital in search of yield. While some asset classes are already experiencing high valuations, it is likely that liquidity will remain high and rates relatively low, making a significant correction in the short term less likely. However, uncertainties in particular around Brexit and other political events could see significant volatility next year.”

—**Yael Selfin**

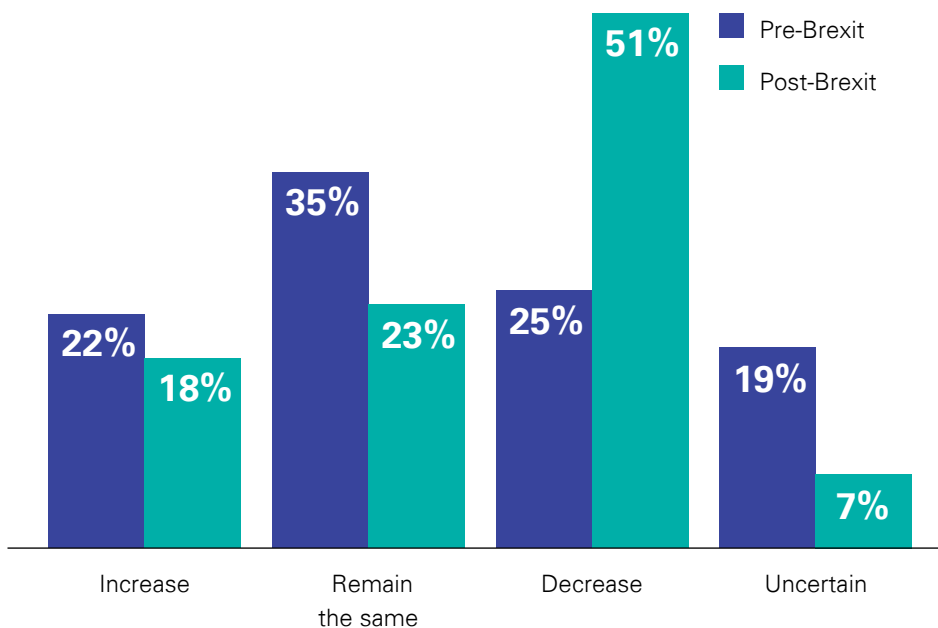
Head of Macroeconomics, KPMG U.K.



Europe

Global financial markets were shocked by the United Kingdom's vote in June to exit the European Union (known as the "Brexit" vote). The Brexit vote resulted in an abrupt sell-off, but in the weeks after, the equity markets mostly rebounded. However, expectations regarding Europe's likely growth rate have been impacted, as our survey findings illustrate. Before the vote, only 25 percent of our fund and investor survey respondents expected Europe's five-year growth rate to decrease, but, after the vote, 51 percent expected a declining growth rate at some point over the five-year period.

Expected growth rate in Europe over next five years, according to funds and investors



May not equal 100% due to rounding

Looking forward, uncertainty, as well as increased volatility, will likely persist until the postvote relationship between the United Kingdom and EU and beyond becomes clearer. Outside of the region, the vote is expected to have a smaller impact despite its initial dramatic effects on markets worldwide.

"Within the UK, every day there seems to be a new debate about the type of Brexit we may have and the concomitant implications for the country. Despite this uncertainty, equity markets have stabilized following the initial shock reaction. Until there is better clarity on what form the UK exit from the European Union will take, many have a 'wait and see mindset'. A key question is whether a deal can be negotiated that will permit the UK to have continued access to the EU single market."

—**Melissa Hill**

Chief Executive Officer
and Managing Principal,
Sabre Fund Management



China

Also weighing on the global economy is the ongoing structural slowdown in China, led as much by demographics as the middle income trap. Many experts, including nearly half of our fund and investor respondents, expect China's growth rate will decrease in the next five years. Only 18 percent expect an increase. However, some experts remain optimistic, given China's policy emphasis on stability and fiscal stimulus, which many hope will result in near term stabilization.

“Early in 2016, China was considered a significant risk to the global economy, but that level of concern has abated. One's proximity to China often impacts how bearish or bullish you are. We are close geographically and are more constructive, but I agree it remains a big risk. Reform is the key theme: if China can manage slowdown in a more constructive way, then there will be more opportunities for the region, even if there's deceleration.”

— **Belinda Boa**

Head of Asia-Pacific Active Investments,
BlackRock



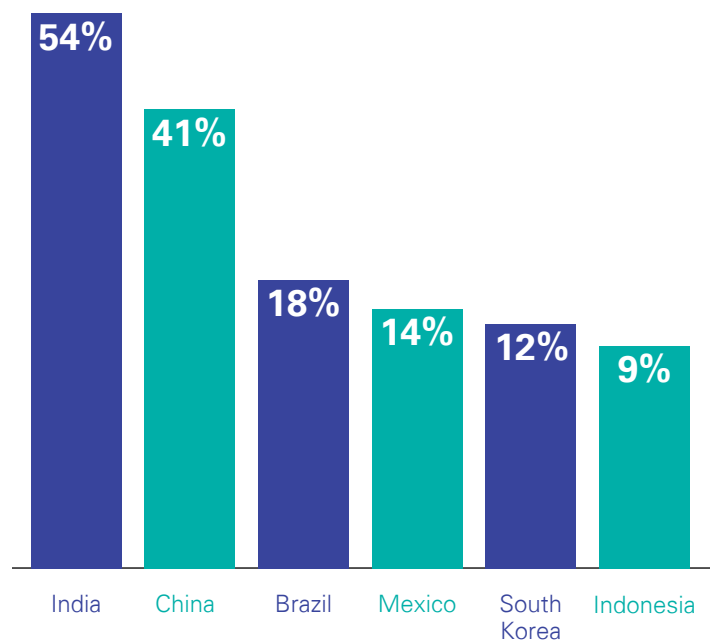
United States

The stronger dollar in the third quarter coupled with a slower pace of growth in the first half of the year caused the United States Federal Reserve Bank to hold off on a rate increase in September. The preliminary reading of third quarter GDP of 2.9 percent is in line with KPMG's forecast that the second half of the year would see a rebound in overall growth.

“While the U.S. economy is not growing rapidly, it is posting solid, and, most importantly, balanced growth that is being achieved as households and corporations are modestly deleveraging,” said Constance Hunter, Chief Economist KPMG LLP. “The engine behind this growth is the consumer, reinforced by 72 consecutive months of job gains. In the face of modest annual growth of around two percent, we expect rate hikes to be similarly modest with two or fewer additional hikes in 2017. Absent any shocks from the global economy, this should allow the normalization of rates without choking off growth.”



Top emerging markets most likely to drive global growth in next five years according to funds and investors:



"Clearly, investors are concerned that they can expect lower rates, lower return, and slow growth, but they still need yield," said Belinda Boa, BlackRock. "Asia is the only place in the world that yields more than three percent in government bonds. Default rates are attractive as well. Given that, investment outlook is even more positive for the region and for emerging markets."



Industry outlook

Given expectations of lower return across most asset classes, many believe it will be harder for institutional investors to get the returns needed to meet their mandates. When faced with potential losses, especially in dollar-denominated fixed income portfolios, and increased market volatility, investors may consider reallocating assets. In such unsettled times, it is important to set a smart long-term asset allocation strategy. “It is difficult to time strategies with a 12-month horizon,” noted Leda Braga, Chief Executive Officer, Systematica Investments. “Investors must settle on a well-diversified allocation plan, pick good professionals for their chosen styles and stick to that. It’s a multiyear journey,” she added.

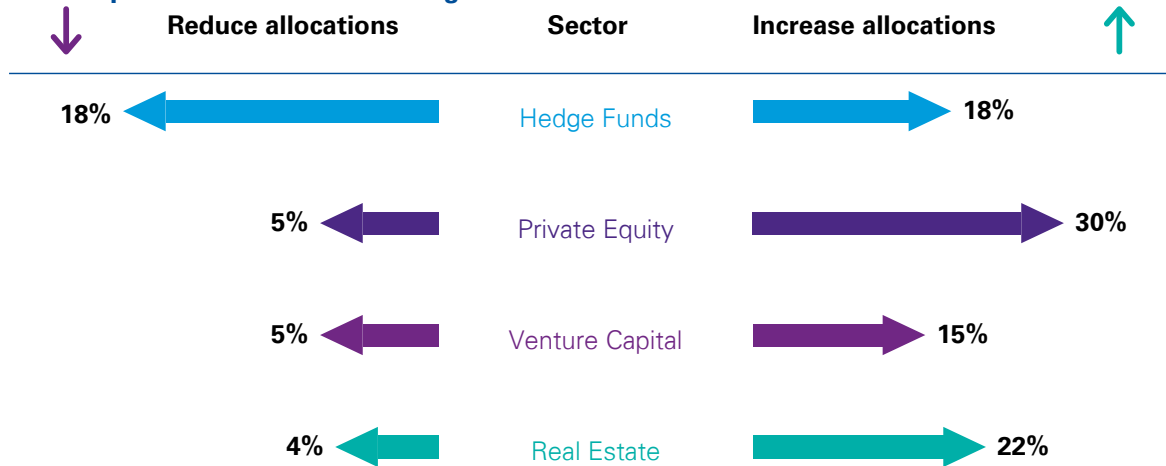
“Faced with likely higher rates in the United States, long-only fixed income managers could see significant losses and alternative fixed income managers that can hedge against or from rate increases should outperform for several years to come,” said Constance Hunter, KPMG LLP. “Historically, when the world’s major central banks are moving rates in opposite directions, volatility in foreign exchange and fixed income is elevated, and managers that can take advantage of this volatility are poised to outperform. Assuming the Fed pursues the gradual path they have stated they will, equities are likely to have several more quarters of growth and getting too short too soon could backfire,” she added.

“Institutional investors remain committed to alternative assets, and, in most cases, far more investors expect to grow their allocations to alternative assets than intend to reduce them, which is positive news for the industry. However, it is undoubtedly a challenging time for investors, with an increasingly congested market making it difficult to select the right investment manager or vehicle, while fund managers face a battle in standing out from the crowd and attracting fresh investor capital.”

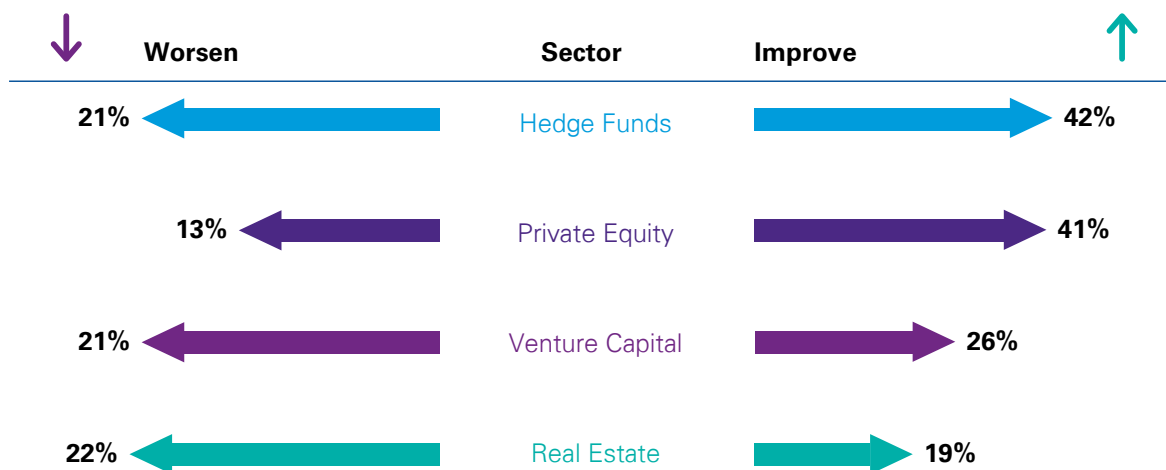
—**Mark O’Hare**

Chief Executive Officer, Preqin

Investor plans for allocations through 2017



Investment opportunities through 2017 according to fund respondents will...





Hedge fund outlook

Coming off a difficult few years, hedge funds forecast brighter days ahead in terms of performance and investment outlook. Forty-eight percent of fund respondents believe performance of the sector will improve through 2017, and 42 percent believe investment opportunities will improve over the same time frame.

Economic conditions, including increased volatility, expected through next year may present hedge funds with considerable opportunities. "Rising rates mean that performance among sectors and companies is likely to become more differentiated, and increased volatility gives traders the ability to go long gamma, short certain sectors and companies, and to profit from price moves," noted Constance Hunter, KPMG LLP.

"Total hedge fund industry capital has reached a record high as the United States economy prepares to conclude an extended interest rate cycle which has de-sensitized investors to risks in financial markets, while suppressing asset volatility and hedge fund performance in recent years," said Kenneth Heinz, President, Hedge Fund Research Inc. "As rates are allowed to normalize, fundamental mean reversion across many specialized long short strategies is likely to drive strong performance and industry growth into 2017."

However, improved performance expectations for the sector through 2017 have failed to whet many investors' appetites for the asset class. Among all of the sectors represented in our survey, hedge funds will take the hardest hit in allocations over the next 18 months, with 18 percent of our investor respondents expecting to decrease allocations to the sector.

"It has been a challenging year for many in the industry. Political and market uncertainty, along with increasing volatility, plays well for certain hedge fund strategies but the environment has been difficult to navigate for others. Growing numbers of institutional investors are reported to be looking to quit or rethink their hedge fund investments, accordingly. However, we are seeing a welcome emergence, particularly in North America, of investors prioritizing longer-term investments and better alignment of interests with managers they like. We are also seeing more interest in smaller niche opportunity funds and also quant strategies. Overall, I would expect hedge fund returns to continue to be somewhat lower, but investor expectations have also adjusted."

—Melissa Hill

Chief Executive Officer and Managing Principal, Sabre Fund Management

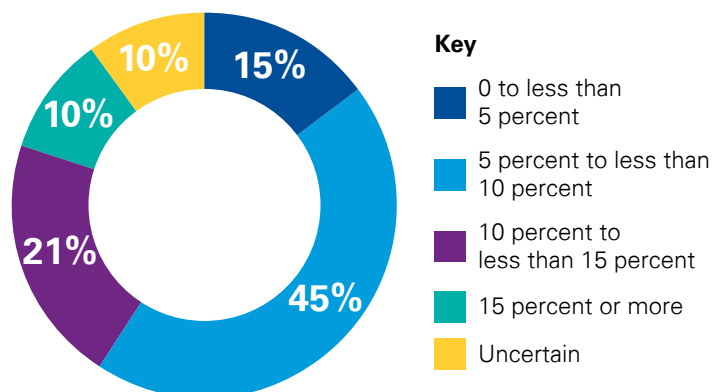


“As a strategy or style, CTAs have a very long track record of providing positive returns with low correlation. I don’t know if the next 12 months will be good or poor for the strategy, but I do believe it has a place in most people’s portfolios. Many feel that both equity and bond markets are ‘toppy’ after years of central banking intervention. There might be sharp market corrections ahead. In light of these factors, there is all the more reason to review one’s portfolio allocations and determine if adjustments are warranted.”

—**Leda Braga**

Chief Executive Officer,
Systematica Investments

Hedge fund respondents’ expected returns have dropped significantly since last year, with only 31 percent expecting returns of 10 percent or more this year. Last year, 51 percent of hedge fund respondents expected returns of 10 percent or more.





Private equity and venture capital outlook

“Private equity has grown to \$2.5 trillion in assets under management as of March 2016 due to several years of strong fundraising, the continued rise in dry powder levels and an increase in the unrealized value of portfolio assets. This growth, however, is not without its concerns; the fundraising market is more competitive than ever and dry powder levels continue to increase and put further stress on finding attractive entry prices for assets.”

— **Christopher Elvin**

Head of Private Equity Products, Preqin

In many ways, the outlook for private equity remains bright. The sector continues to deliver superior returns and investors remain committed to the asset class with many, including 30 percent of our investor respondents, planning to increase allocations to private equity through 2017.

However, there remain areas of concern. Fund and investor respondents are closely split on expected performance for private equity through next year, with only 30 percent expecting improved performance. The outlook

for venture capital is worse, and only 20 percent of respondents expect performance for venture funds to improve through 2017.

Investment outlook for both sectors is a bit more optimistic. Forty-one percent of respondents expect investment opportunities for private equity will improve through the next year and 26 percent expect the same for venture.

“In private equity, valuations and multiples are at unprecedented levels. In addition, leverage levels are elevated and there’s a surplus of capital chasing new investment opportunities. These factors, coupled with the low or no interest rate environment, are driving asset prices up and making it difficult to find attractive investment opportunities.”

—**Sandra Horbach**

Managing Director and Co-Head of U.S.
Buyout, The Carlyle Group

In terms of planned allocation increases, venture capital will lag private equity according to our investor respondents, as only 15 percent of investors plan to increase allocations to venture funds through 2017.

Valuations are weighing upon general partners, as it has become more difficult to find investments at attractive entry prices. Seventy-nine percent of our private equity and venture capital fund respondents believe company valuations are overvalued from a buy-side perspective.

“Strategic buyers who have been on the sidelines since the recession are struggling with top-line growth and want to deploy significant capital to fuel growth or expand operations through mergers and acquisitions,” said Sandra Horbach, The Carlyle Group. “They are paying high multiples and valuations and facilitating exits. That makes for a very competitive buy-side.”

Even with intense competition, a significant percentage of fund respondents (45 percent) expect deal flow in private equity and venture capital will improve over the next 18 months.



“This year, venture capital is on track to hit a high point in capital-raising, driven in part by institutional investors’ search for returns necessitated by slow global growth and low interest rates. Interestingly, the result of that influx is a surge in late-stage, not early-stage, capital. Otherwise, macroeconomic factors like interest rates and even the general level of business activity don’t directly impact venture as much—the innovation in our sector offers some degree of isolation.”

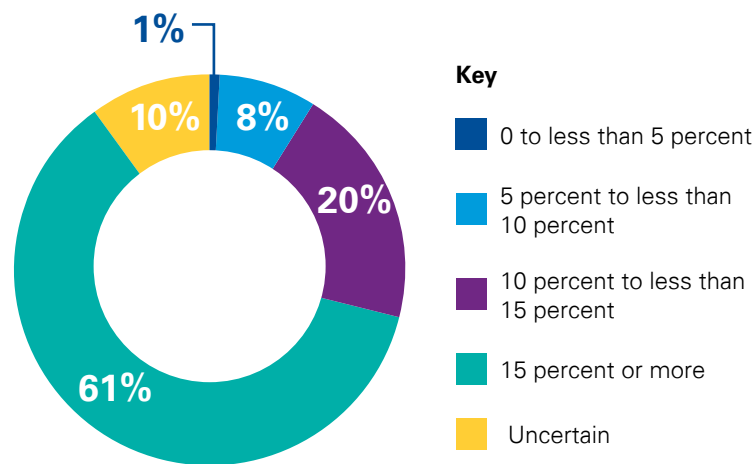
—**Kate Mitchell**
Co-Founder and Partner,
Scale Venture Partners

Certain areas within private equity and venture capital hold particular potential.

“In the next 12 to 18 months, I think consumer, healthcare and technology will provide strong areas for investment,” said Sandra Horbach. “There’s also increased deal flow in industrials and energy, which have hopefully reached the bottom of their cycles.”

“From a venture perspective, the pace of innovation as applied to consumers and enterprises in healthcare and technology remains robust,” said Kate Mitchell. “Mobile has taken off, and we are beginning to see the burgeoning use of artificial intelligence in a wide variety of industries.”

Private equity and venture capital fund respondents are optimistic about the expected performance of their own funds, with 61 percent targeting returns of 15 percent or more this year, roughly the same as last year.







Real estate outlook

Improved fundraising in recent years has left private equity real estate funds with significant dry powder at their disposal. Fund managers continue to see a market in which available capital far exceeds the opportunities to put it to use and conditions have driven up valuations, as was the case earlier this year when we conducted our *Real Estate Outlook Survey: Room to Run in 2016*.

Against this backdrop, it is not surprising that most of our real estate fund respondents believe a challenging investment horizon lies ahead. Only 19 percent expect real estate investment opportunities will improve through 2017. Expected performance is also seen as weaker, with only 18 percent of fund and investor respondents believing performance will improve through next year.

Established markets represent the best opportunities for property investment according to most investors, as recently reported in the *Preqin Investor Outlook, Alternative Assets H2 2016*.

"The United States real estate market is well positioned versus other global markets," said Amy Price, President and Chief Operating Officer, Bentall Kennedy (U.S.) LP. "We are entering a slower growth period, but GDP is strong and interest rates are low."

"Of course, an equity market correction in 2017 could significantly impact the sector and increase outflows as investors rebalance their portfolios, but, outside of a correction, we expect strong inflows through next year," she added.

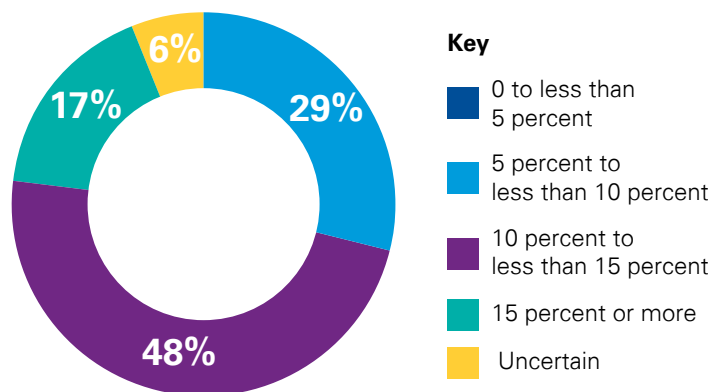
Our investor respondents shared this optimism, with 22 percent planning to increase their real estate allocations over the next 18 months.

Despite a challenging investment landscape, real estate fund respondents are optimistic about the expected performance of their own funds, with 65 percent targeting returns of 10 percent or more.

"We see international capital inflows continuing into real estate. As an alternative to fixed income, the yield premium for real estate is historically wide so it is driving demand for the asset class. Large international buyers with a longer-term investment horizon can access the product, and, although they may be buying at a relatively high point, there's still strong underlying demand driving income growth. The yield for real estate in the United States versus other economies is compelling, and it's also compelling when compared to treasuries."

—Amy Price

President and Chief Operating Officer,
Bentall Kennedy (U.S.) LP





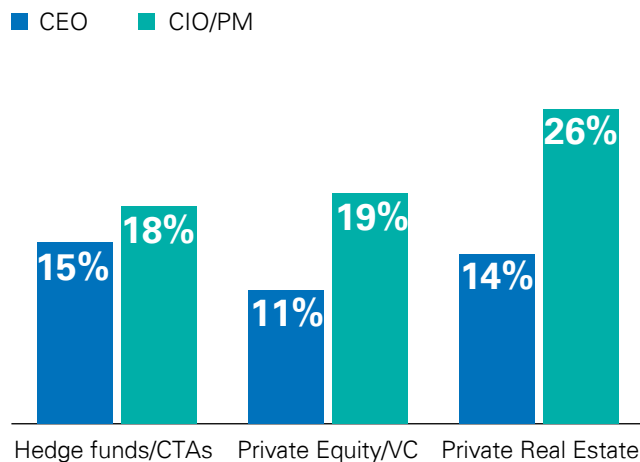


Leadership at alternative investment firms

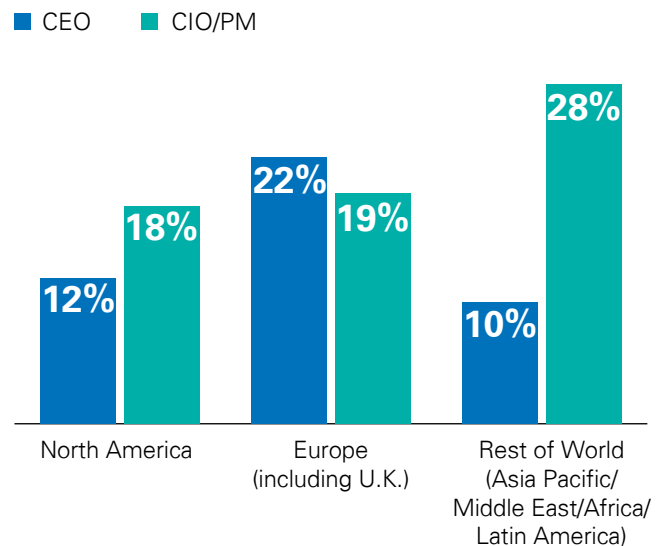
Women are most often seen in C-level positions in compliance, marketing, and financial roles at the funds represented in our survey, but are less often seen in CEO or CIO/portfolio manager roles. These trends have remained relatively consistent since 2012, the first year the WAI Report tracked women's presence in these roles.

Across the sectors, hedge funds and real estate firms have more women in CEO roles than private equity and venture capital firms in our study. The real estate funds in our study also have a significantly higher percentage of women CIOs/PMs than other sectors in our study. Globally, European firms in our survey had the highest percentage of women CEOs.

Women in leadership roles by sector*



Women in leadership roles by region*



*The firms represented in our study tend to have a higher percentage of women in leadership roles than has been seen in other analysis when filtered by sector and region. For example, at the firms represented in the alternative investment databases of the data provider Preqin, women represent 10 percent of C-level positions including noninvestment decision-making roles at hedge funds, 13 percent of senior roles at private equity firms, 12 percent at venture capital firms and eight percent of senior roles at real estate firms. Geographically, Asian hedge fund and private equity firms had higher percentages of women in leadership roles than the rest of the world according to Preqin data.

The percentage of women in the CEO and PM/CIO roles at the North American firms represented in this year's WAI survey (at 12 percent and 18 percent respectively) is the lowest of all years we have conducted this analysis and down from 2013 highs when women represented 17 percent of CEOs and 23 percent of PMs/CIOs at North American firms surveyed.

C-level positions at funds surveyed

CEO



Portfolio Manager/CIO



Operating



Financial



Compliance



Technology



Legal



Risk



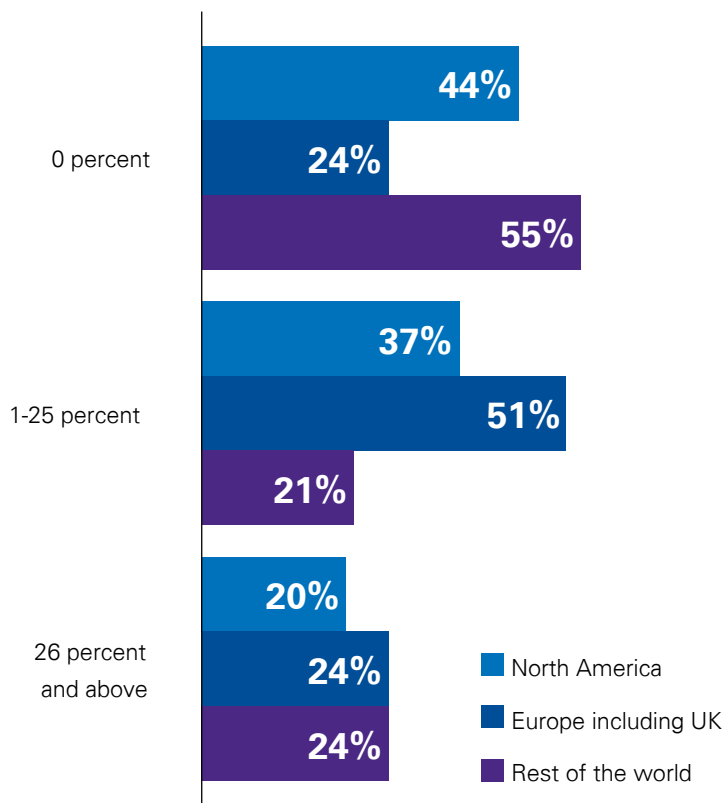
Marketing/Investor Relations

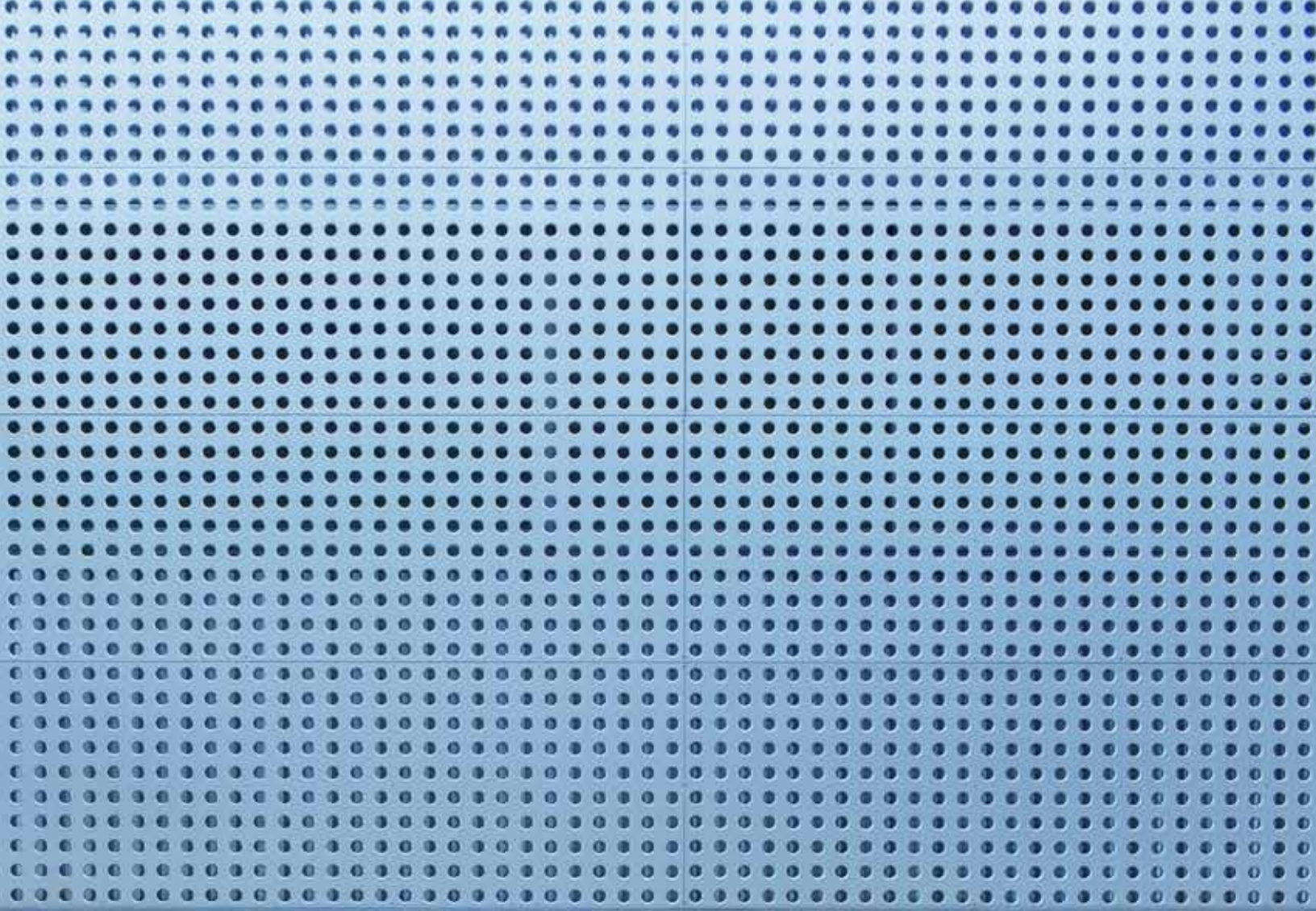


■ Woman-Held
 ■ Man-Held
 ■ Don't Have/Not Applicable

At two-thirds of the funds represented in our survey, women represent 10 percent or less of investment committee members. Forty-two percent of funds surveyed have no women on their investment committee. At 71 percent the funds surveyed, women represent 10 percent or less of the firm's general partners. Forty-five percent of funds surveyed have no women general partners.

Women in investment committee roles at funds by region







Capital-raising for women-led funds

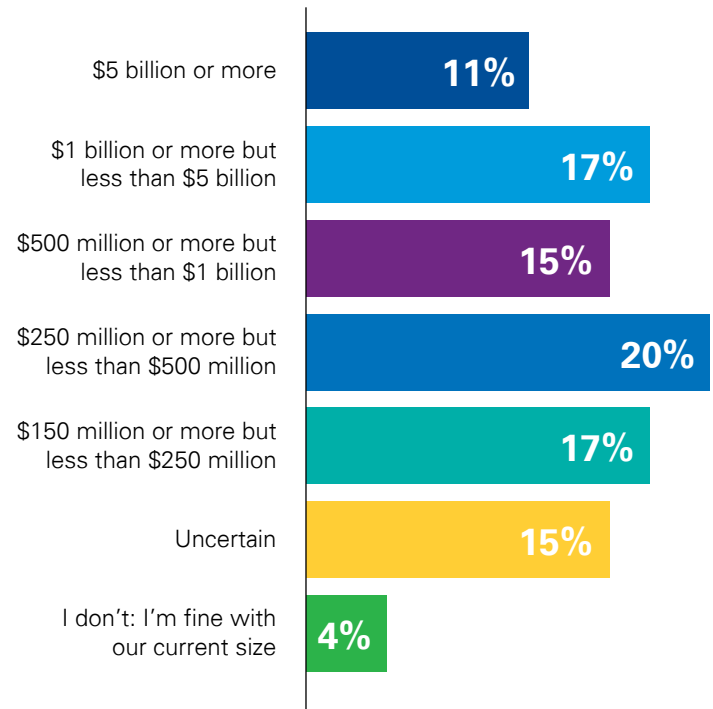
The majority of the women-owned/-managed funds in our study plan to grow their AUM to \$250 million or more.

“Over a quarter of the women-run funds in our study plan to grow their AUM to \$1 billion or more,” noted Camille Asaro, KPMG LLP. “But as research and experience has shown us, unfortunately, very few women-run funds have reached this AUM historically.”

“Certainly, as an initial matter, increasing regulatory and compliance costs have made the barriers to entry high in this industry,” she explained. “In addition, investments tend to be concentrated among the largest players, and new allocations are predominantly given to established relationships. As a result, new entrants have a difficult time breaking through, regardless of gender. However, on top of these already high hurdles, recent research has found that women fund managers, at least in hedge funds, do not obtain the same AUM as their male counterparts despite comparable or, in some cases, better performance, when adjusting for all other factors. These findings are consistent with the capital-raising challenges described by many of our women-run fund respondents across the sectors through the WAI Survey over the years.”

“In alternatives, there are certain prototypical models of a fund manager: people with certain pedigrees and characteristics, physical and otherwise,” said Jane Buchan, Chief Executive Officer and Managing Director, PAAMCO and provider of a research grant for the Northeastern University study *The Performance of Female Hedge Fund Managers*. “When someone conforms to that model, there’s confirmation bias. However, if a fund manager is off-model—if, for example, they are a woman—as the research shows, they need to perform substantially better to get capital.”

Women-owned/-managed funds: Plans to grow



Does not equal 100% due to rounding



Spotlight

Research

A 2016 study by Rajesh Aggarwal and Nicole Boyson of Northeastern University's D'Amore-McKim School of Business examined the performance of 9,520 hedge funds where the sex of the portfolio managers was known, over the period 1994-2013. The sixty-two surviving female-run funds in the study had better returns and similar risk measures than their male-run peers (of which there were 1,669), but lagged male counterparts in several significant ways: the female funds had significantly less AUM (\$150 million versus \$222 million for male-run funds), lower

management and incentive fees but longer tenure than their male-managed counterparts. "Our data suggested no inherent differences in skills between male and female-run funds, but, in order to survive, women-run funds have to be better. And even when they survive they don't have the same AUM," said Rajesh Aggarwal, the study co-author. "It appears that investors are overlooking a source of talent in the market." Other research and indices have suggested that women-run funds tend to outperform industry benchmarks and so the topic remains debated.

Surviving funds, female versus male funds

	Female	Male
Number of observations	62	1,669
Fund size (\$ millions)	150.7	222.0
Fund age (years)	12.1	9.7
Number of managers in fund	1.52	1.18
Management fee	1.41	1.46
Incentive fee	14.44	15.59
Total redemption period (days)	134	100
Lockup period (months)	3.0	2.9
Performance variables		
Buy and hold annual return (%)	7.52	6.69
Buy and hold annual return, excess of style index (%)	0.49	0.12
Annualized alpha, factor is style index (%)	1.90	1.38
Risk measures		
Standard deviation (annualized)	0.107	0.104
Idiosyncratic volatility (annualized)	0.028	0.027
Beta on style index	0.57	0.58

The table presents mean characteristics for surviving funds. "Female" funds refer to those run by teams with any women on them versus funds run only by men.

Aggarwal, R. and N. Boyson. (2016). "The Performance of Female Hedge Fund Managers." *Review of Financial Economics*, 29, 23-36.

Spotlight

HFR Women Index

“Last year, KPMG worked with Hedge Fund Research (HFR), to create and launch the HFRI Women Index. It was important for us to be involved in the launch of this index because, according to WAI respondents over the years, women-led funds often lack the level of visibility and investor access that their male peers have. The HFRI Women Index helps increase awareness and recognition of women-run funds, while serving as a powerful benchmark for their performance.”

—**Kelly Rau**, KPMG LLP

As of October 2016 year-to-date, when judged alongside four other standard industry benchmarks, the HFRI Women Index generally continues to outperform or perform in line with these benchmarks.

As of 10-2016		HFRI Women Index	HFRI Fund Weighted Composite Index	HFRI Asset Weighted Composite Index	HFRI Fund of Funds Composite Index	HFRX Global Hedge Fund Index
Ann. Return	1-Yr	(0.44)	2.54	0.53	(0.50)	(1.30)
	3-Yr	1.50	2.44	2.58	1.69	(0.81)
	5-Yr	3.73	3.75	4.11	2.92	1.03
	YTD	0.72	3.57	1.21	(0.38)	0.75
Since 01-2008	Total Return	38.42	24.23	28.39	2.42	(11.04)
	Ann. Ret	3.75	2.49	2.87	0.27	(1.32)
	Ann. Vol.	7.14	6.38	5.49	5.38	5.97

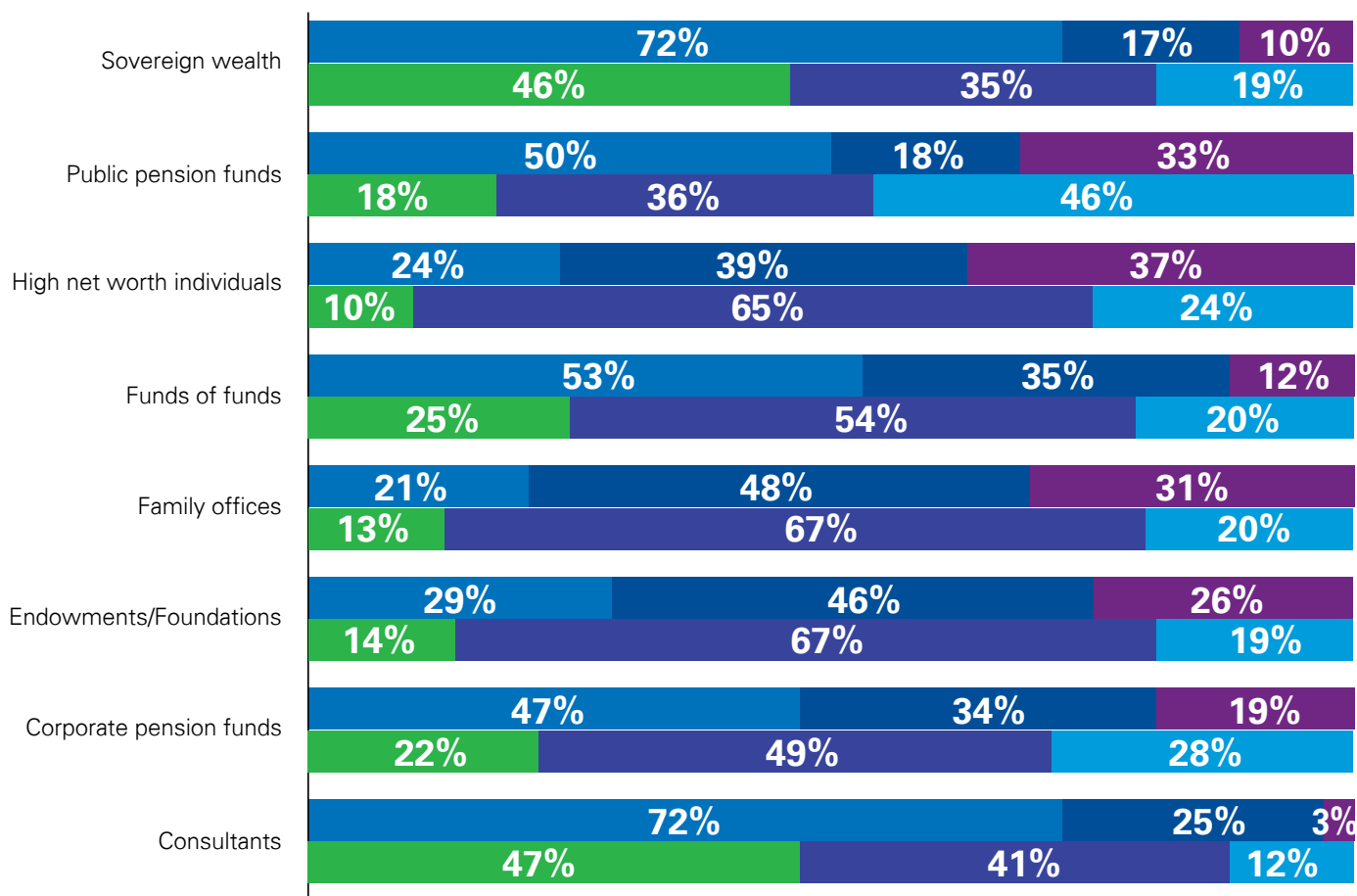


Capital sources

To further explore possible differences in capital-raising across the genders, we examined the investor base of our fund respondents. The top capital sources for surveyed women-owned/-managed funds are high net worth individuals and family offices, followed by endowments/foundations and pension funds. The non-women-run funds in our survey have a high concentration of public pension investors, and the rest of their investor base is rather evenly spread among most other sources.

"This finding isn't surprising," noted Kelly Rau, KPMG LLP. "We often see women-run funds have the most capital-raising success with high net worth individuals and family offices, but less success with institutional investors, especially outside of mandates. Our findings support that, and they also suggest that many non-female led funds have a more diverse investor base than their female-led counterparts," she explained.

Top capital sources for women-run funds versus non-women-run funds



May not equal 100% due to rounding

Women-run

0% 1-25% 26% and over

Non-women-run

0% 1-25% 26% and over

Forty percent of our women-owned/-managed fund respondents have pursued mandates, up from 31 percent from last year. This year, nearly half of those who pursued mandates won them. The women-owned/-managed fund respondents who chose not to pursue such mandates did so because they “don’t know the right people to get in the door,” their AUM is too low, or they “don’t want the ‘stigma’ associated with winning such a mandate,” among other reasons.

Seeking a different perspective, we asked investors what they viewed as the greatest barriers to investing in women-owned/-managed firms. Like last year, “lack of supply” of talent was cited as the greatest barrier by a majority of investor respondents.

Top barriers to investing in women-owned/-managed funds, according to investors



Multiple Responses Allowed

“If we are all only investing with the same majority-owned large firms, we are taking on a risk whether we acknowledge it or not. We are assuming a manager concentration risk and a lack of diversification risk. To the extent that we appreciate the importance of diversification and the need to employ capital in more diverse strategies, that is what will allow us to meet the realities of the 21st century.”

—Laurie Weir

Senior Portfolio Manager,
CalPERS

“There is definitely an increasing demand for women-owned/-managed funds from investors. Greater numbers of investors are interested in creating fund of funds comprised of women-run funds because they recognize the value and diversification women-led funds can bring to their portfolios. At this point, the biggest issue is often ‘how do we execute on this.’ This is a significant change from where we were five years ago when we launched the WAI Report, when there wasn’t nearly as much interest in this area.”

—**Kelly Rau**, KPMG LLP

We don’t see a lack of supply,” said Laurie Weir, CalPERS. “We see an abundance of talented, capable, interesting women and minority-owned firms. One only needs to attend one or two of the larger, diversity-oriented conferences per year and you’ll be surrounded by solid candidates.”

In addition to “lack of supply,” there are other barriers to investing in women-owned/-managed funds, as investors indicated. Massachusetts Treasurer Deborah Goldberg who chairs the state’s Pension Reserves Investment Management (PRIM) board explained, “PRIM has a lot of good analytics that we use when evaluating investment opportunities. If a manager doesn’t fit our profile, then we don’t look. The other issue is we can’t move fast enough. If we have an asset that’s performing well, we can’t just get out of it because we found a strong women-owned/-managed fund.”

“If I had my way, every vendor would be doing an audit of women, tracking their numbers,” said Treasurer Goldberg. “I think we need to get as many pension funds and university endowments as possible to make a commitment to this area. The data says that if we don’t move toward gender equality we do so at our peril.”

According to the recent Responsible Capitalism Survey by Hermes Investment Management, the percent of institutional investors who see gender diversity of senior management as important or vitally important has more than doubled since last year (jumping from 25 percent to 51 percent).





Allocations

The percentage of our investor respondents who have emerging manager and women-owned/-managed mandates is on the rise. However, in spite of this, actual allocations to women-owned/-managed funds (whether through mandates or otherwise) have remained low. At the majority of investor respondents (60 percent), women-owned/-managed funds represent a very small portion of their portfolios (less than five percent).

According to investors (including fund of fund) respondents:

	2015	2016
We currently have an emerging manager program	33%	41%
We plan to implement an EM program in next 18 months	4%	5%
We expect our EM allocations to increase over next 18 months	N/A	32%
We currently have a women-owned/-managed fund mandate	7%	10%
We plan to implement women-owned/-managed mandate in next 18 months	0%	0%
We expect our women-owned/-managed fund allocations to increase over next 18 months	26%	16%

“We are certainly pleased to see an increase in the percentage of emerging manager and women-owned/-managed mandates among our respondents. While planned allocations to women-owned/-managed funds have declined since last year, it is heartening to see a considerable rise in the percentage of our investor respondents who have women-owned/-managed fund mandates, from two percent in 2013 to 10 percent this year. Looking forward, we hope to see a greater representation of women-led funds in respondents’ portfolios.”

—**Camille Asaro**, KPMG LLP





Mandates: The evolution

The emerging manager space has changed significantly over the past decade. It has certainly become more institutional, which means that emerging managers need to be more established and have longer track records, better infrastructure and greater AUM, which some of our respondents criticized as tending to favor established “brand names.”

In addition, many wonder whether emerging manager mandates will help women-owned/-managed funds. Only 37 percent of respondents believe such mandates will increase demand for women-led funds in the next 18 months.

Our survey findings lend support to this view. While 32 percent of investor respondents expect an increase in emerging manager allocations in the next 18 months, only 16 percent expect an increase to women-owned/-managed funds in the same time frame. There are a number of possible reasons for this: not all emerging manager programs include diversity as a component, requirements of greater institutionalization (including track record, AUM and infrastructure) may exclude many women-led funds which tend to be younger and smaller, and, as respondents have noted over the years, the “woman-owned” requirement may also unduly limit the pool of potential candidates, among other reasons.

Moreover, some women-led funds do not seek emerging manager mandates because they believe mandates might stigmatize recipient firms. According to one respondent, “Too often, funds hired under these mandates are perceived as ‘subpar.’”

However, it is unfortunate that some funds don’t seek mandates for this reason.

“Like us, most institutional investors are reducing their external managers, and therefore emerging manager mandates often provide the rare opportunity to bring in a new manager,” said Laurie Weir, CalPERS.

Another concern about mandates is that many programs lack paths for emerging managers to branch into core relationships. “The lack of graduation of many of these emerging manager pools is significantly impacting firms’ ability to grow and scale,” said Matthew McCue, Managing Editor, *Emerging Manager Monthly*. “Aside from manager replacements, graduation is the main avenue for moving emerging managers up the ranks and creating new opportunities outside of capital infusions. Such programs hold considerable potential for emerging managers, including women-run funds,” he added.

Several pension funds are leading the way in this area, providing paths for emerging managers to build their firms

Forty percent of survey respondents agree investors should “seek out” investments in women-owned/-managed funds, and 15 percent disagree. The remainder are noncommittal.

Spotlight

Emerging manager program trend: The “Mentoring Manager” model

Some institutional investors are structuring mandates in new ways to help groom mandate recipients (of any gender). For example, the Canyon Catalyst Fund, a \$450 million platform established by CalPERS and managed by Canyon Partners, invests capital with emerging managers in the real estate space. One of Canyon’s primary responsibilities in managing the platform is to help select and then mentor each of the emerging GPs. “Mentoring is adapted to each team,” says Maria Stamolis, Director of Asset Management and Co-Head, Canyon Partners Real Estate Investments. “We advise on a variety of areas: structuring the investment and business plan for the assets, enhancing back-office capabilities, executing on a growth plan and/or exposing them to other players in institutional real estate.”

to a size large enough to compete for entry into the pool of larger established managers. For example, CalPERS’ Manager Transition Program has committed up to \$7 billion to approximately 15 transitioning managers over the next five years. Allocations are made in direct relationships with staff oversight.

Mandate programs are making significant progress in other ways as well.

“We are seeing investors shift how they view such programs,” said Matthew McCue. “It used to be that emerging manager programs were more of an afterthought, tacked on to a preexisting portfolio. Now we are seeing more investors align emerging manager programs with their overall portfolio strategy and balance them as they would any asset class. This is an encouraging development that can benefit anyone eligible for emerging manager mandates, including women.”

“Of course, there is room for improvement in emerging manager mandates, but we have watched as these programs have grown and expanded over the years and we see the potential they offer, especially to women-led funds. We hope more investors will use emerging manager programs to include women-led funds, and we hope more women will take the leap and seek out such funding.”

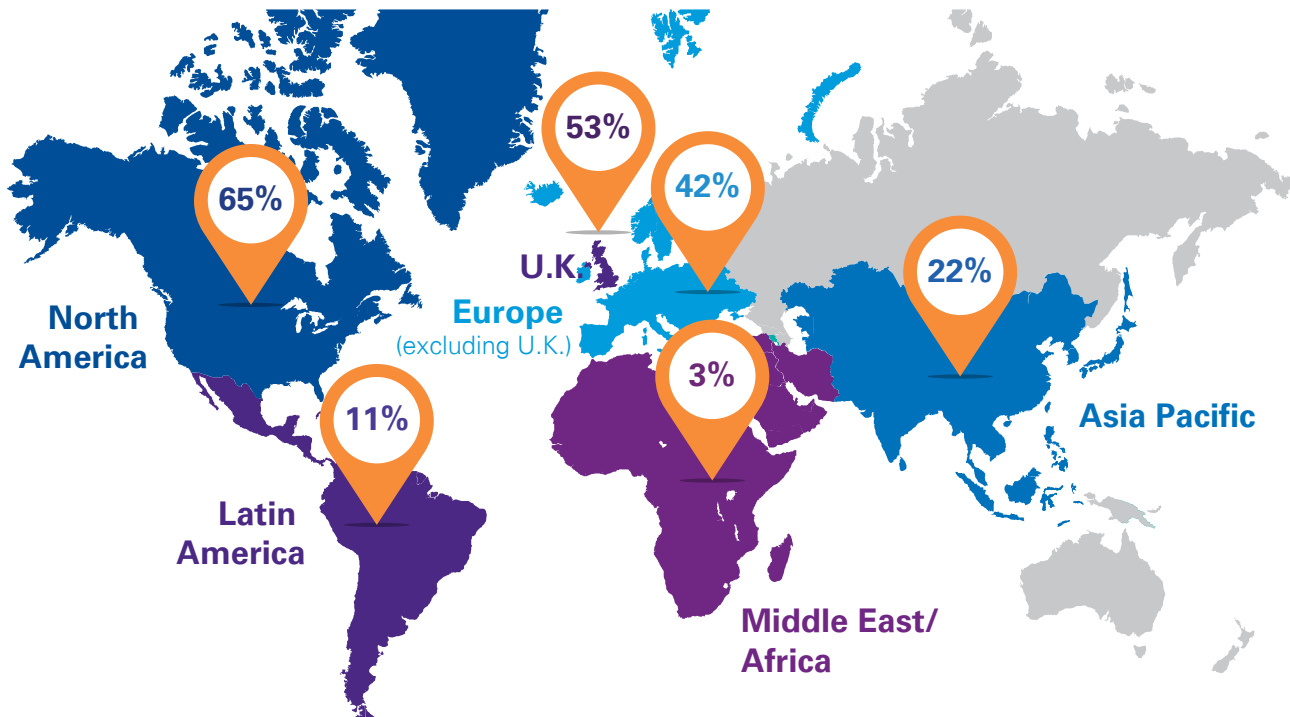
—**Kelly Rau**, KPMG LLP



Perspectives across the globe

Because of the global reach of this year's Report, we asked respondents which regions they believe offer the greatest opportunities to women in the alternative investment industry. North America ranked top of the list, followed by the United Kingdom and then Europe (excluding the U.K.).

Regions offering greatest opportunities to women in alternatives



“The gender balance in European national governments is continually improving with women currently in 29 percent of government roles. Having women in prominent government positions may be impacting certain corporate sectors and helping normalize women as leaders in these areas.”

— **Darina Barrett**, KPMG U.K.

Our qualitative responses at times told a different story. Although many respondents cited the United States and Europe as leaders in terms of providing opportunities for women in alternatives, there were pockets of dissent. Of respondents who compared the two, nearly all suggested Europe was doing more to advance women than the United States. As one respondent noted, “Europe seems to have a more credible action plan.” Respondents cited European mandates regarding corporate board diversity, more generous parental leave policies, and prominent women leaders as reasons why Europe provides better opportunities for women in alternatives.

All regions generally ranked themselves as the rest of the world did, with the exception of Asia Pacific. Fifty-four percent of Asia Pacific respondents believe their region offers women considerable opportunities but only 19 percent of respondents from the rest of the world believe the same.

Given this sentiment about Asia Pacific from within the region’s borders, it is not surprising that a fair number of respondents noted that China and Hong Kong are very favorable to women in alternatives. One respondent also noted, “Women always seem to do well in the investment universe when they enter sectors, industries and markets that are out of favor or more difficult.”

	North America	Europe (including the U.K.)	Other Regions (Asia Pacific/Middle East/Africa/Latin America)
I agree it is harder for women fund managers to succeed in alternatives than for their male peers.	81%	79	65
I believe it is harder for women to obtain capital than their male peers.	73%	65	71

View: North America

Although the majority of respondents believe that North America provides the greatest opportunities for women in alternatives, North American respondents are least optimistic of all regions about the potential for women’s advancement in key areas such as capital-raising.

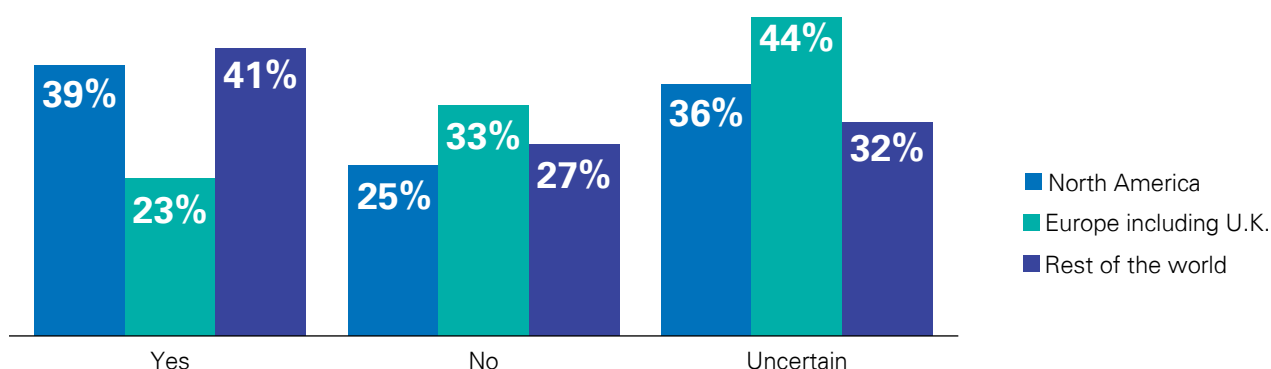
Global views on mandates

The greatest level of support for government quotas or guidelines seeking gender diversity on corporate boards was in regions outside of North America and Europe (including the United Kingdom). However, perhaps because of its experience with mandates requiring greater board diversity, Europe was the most optimistic about the ability

of government-mandated quotas or guidelines to improve gender diversity within the alternative industry.

Interestingly, when asked whether emerging manager mandates would increase demand for women-owned/-managed funds in the next 18 months, Europe was the least optimistic of all regions surveyed.

Will “Emerging Manager” mandates increase demand for women-owned/-managed funds?



May not equal 100% due to rounding

Respondents' perspectives by region

	North America	Europe (including the U.K.)	Other Regions (Asia Pacific/ Middle East/Africa/ Latin America)
I believe emerging manager mandates will increase demand for women-owned/-managed funds in the next 18 months	39%	23%	41%
I support government mandates/quotas seeking gender diversity on corporate boards	38%	48%	60%
I believe government mandated quotas/ guidelines are likely to improve gender diversity in the alternatives industry	33%	45%	40%





The beginning of a new era

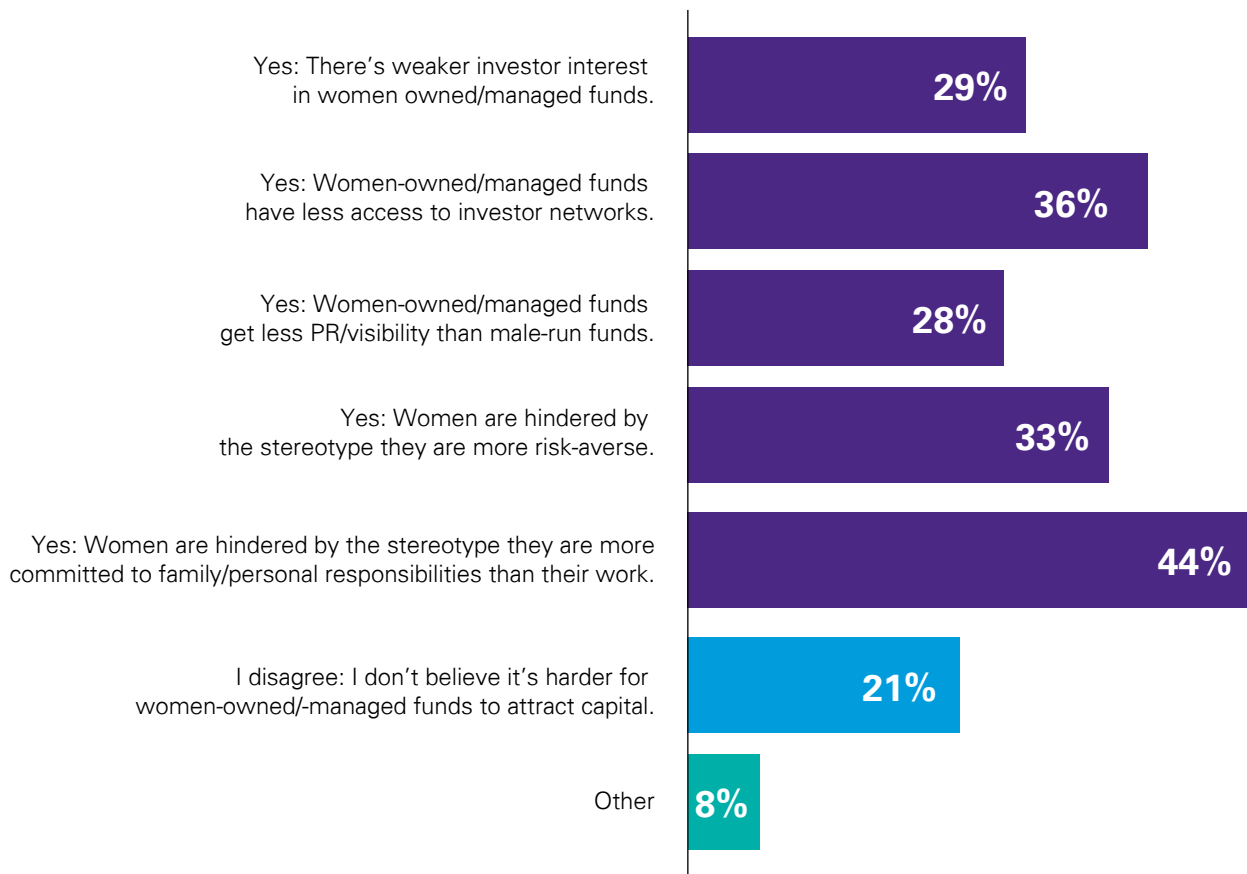
Over the years of the WAI Survey, we have asked various questions about women's opportunities for advancement within alternative investments. The answers to these questions have remained largely consistent. Each year, the overwhelming majority of respondents have said they believe it is harder for women to succeed in the industry and to obtain capital than it is for their male peers. Also, perceived barriers to women's advancement have remained similar: hours and travel required, lack of investor access, and lack of positions for women in alternatives where women can build a track record have been cited as top barriers to advancement through the years.

In spite of these findings and other statistics regarding women's underrepresentation in the industry, there are signs of real change.

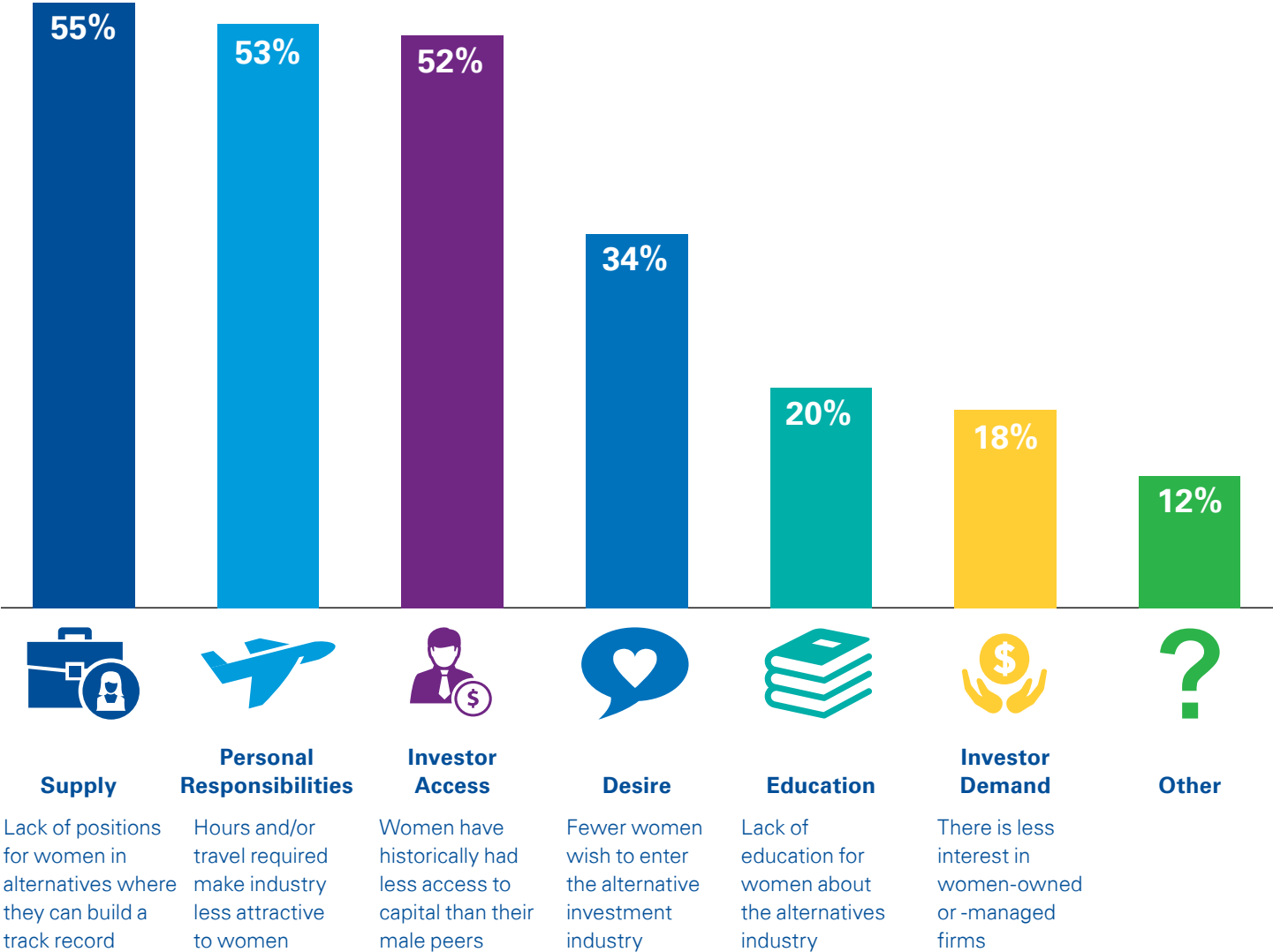
There are new programs to increase the pipeline of women going into or reentering alternatives. There are novel initiatives designed to better retain and advance women. And there are greater numbers of investors considering diversity when making allocations.

And so, while it may seem like substantial change and upset is needed to propel measurable progress, some firms, institutions and organizations are doing just that: they are embarking upon bold initiatives to help truly move the needle.

Is it harder for women-owned/-managed funds to attract capital?



Reasons there are not more women in the AI industry



Spotlight: Growing the pipeline

- The recently launched nonprofit, Girls Who Invest, offers rising female college sophomores and juniors (predominantly liberal arts majors) a four-week summer intensive that provides technical financial training and exposes them to senior professionals in the industry. At the completion of the intensive, participants have a six-week paid internship with top investment firms across asset management.
- 100 Women in Hedge Funds, which celebrates its 15th anniversary this year, is a global network of professionals working together to empower women in the finance and alternative investment industries. The organization offers peer engagement, philanthropic, and educational initiatives for women at every career stage, connecting members in 21 locations across three continents. Its early-career efforts include an Investing in the Next Generation Initiative that targets women in undergraduate and business schools, educating them about roles in alternatives and finance and exposing them to women in the field.
- Massachusetts State Treasurer Deborah Goldberg created the “Massachusetts Women in Finance Fellowship,” which places women undergraduate students in finance-related internships. Fellows are assigned to various departments within Treasury and are each matched with a mentor. The program “seeks to provide talented women with the professional development and mentoring that will help launch their careers,” said Treasurer Goldberg.
- The Carlyle Group currently requires that diversity candidates represent 50 percent of its incoming classes. “That isn’t always our inbound pool—we may not reach 50 percent diversity in a given year,” explained Sandra Horbach. “But we don’t change the ratio. We’ll hold the slot open and fill it off-cycle if need be.”
- In venture capital, some firms are following the “Rooney/Murray Rule,” which means they commit to interviewing women and underrepresented minorities for all senior and intern-level openings. “It’s not a hiring quota,” explained Kate Mitchell. “We’re merely modifying our recruiting process to ensure we are also looking at female and minority candidates.”

Growing the pipeline

Increased efforts to grow the pipeline of women in alternatives are focusing on key entry and reentry points.

“Building the pipeline is essential,” noted Marie Davis, Senior Due Diligence Analyst, Kedge Capital. “We need to educate more women about investing, and particularly alternatives, at the university level. They need to understand there is a place and a path for them in this industry.”

Some initiatives are doing just that. For example, Girls Who Invest, founded by Seema Hingorani, former chief investment officer of the New York City Retirement Systems, currently focuses on building the pipeline of women at the college level by inspiring interest in asset management and motivating students to pursue careers in the business. The organization plans to create a high school program, which includes investment clubs, sometime next year.

Other initiatives are geared toward common drop-off points such as after business school. “If you really want your star women to return, you have to tell them they have a place at the firm after school, and stay in touch while they are there,” said Bronwyn Bailey, Vice President, Research and Investor Relations, American Investment Council (AIC) and AIC lead on the Private Equity Women’s Initiative, a joint effort between the National Association of Investment Companies (NAIC) and AIC.

“We can’t stop feeding the pipeline,” warned Jane Buchan. “You have to be in the right seat to have a career in this industry; if you aren’t in that seat to start, you can’t come in later. Now, more women are going to Silicon Valley out of school. If this trend continues, the percent of women in alternatives could drop dramatically,” she adds.

Reaching the next level

Initiatives and opportunities aimed at retention and advancement are also growing in breadth, depth, and popularity within the alternatives industry.

At the critical mid-level juncture, the industry is losing large numbers of women. Some are leaving the industry entirely, and of those who remain, many shift to roles without investment decision-making authority. “On the one hand, it is a very good thing that, at this critical juncture, some women choose to stay in the industry and switch to roles such as operations, finance and investor relations—all essential roles,” said Camille Asaro, KPMG LLP. “But, without more women in investment-decision making roles, the industry is missing out on a huge source of talent and insights in an area core to its success—returns.”

There are numerous organizations that are trying to stop this gap by providing high-caliber content and networking among women while showcasing senior women role models.

“Women’s business needs evolve as their careers do, and, as such, it’s essential to provide support at every level,” said Amanda Pullinger, Chief Executive Officer, 100 Women. “100 Women is a resource for women throughout their careers, providing targeted programming for members at each stage.” For example, the organization’s NextGen Groups provide cross-firm, peer-to-peer networking and information-sharing opportunities for women who have up to 10 years of experience in finance and alternatives. For more senior practitioners, the organization offers numerous engagement opportunities, such as Peer Advisory Groups that leverage expertise along functional lines, intimate meetings with industry icons and investors, and a Corporate/Private Boards Initiative that connects members to director opportunities.

In addition, certain forums and conferences provide opportunities for women in alternatives to network and share operational and investment insights. For example, the Falk Marques’ Group’s annual conferences—the Women’s Private Equity Summit and Women’s Alternative Investment Summit—were created with the mission of promoting women’s advancement across alternative investments. These Summits provide a forum for senior-level women to network with peers, conduct business and increase their access to information.

Some initiatives are geared toward senior women. For example, the Private Equity Women Investor Network (PEWIN) provides an intimate forum for senior women general partners, limited partners and private equity professionals to network, share investment ideas, explore potential opportunities to work together and generally increase the profile of female leaders in the industry.

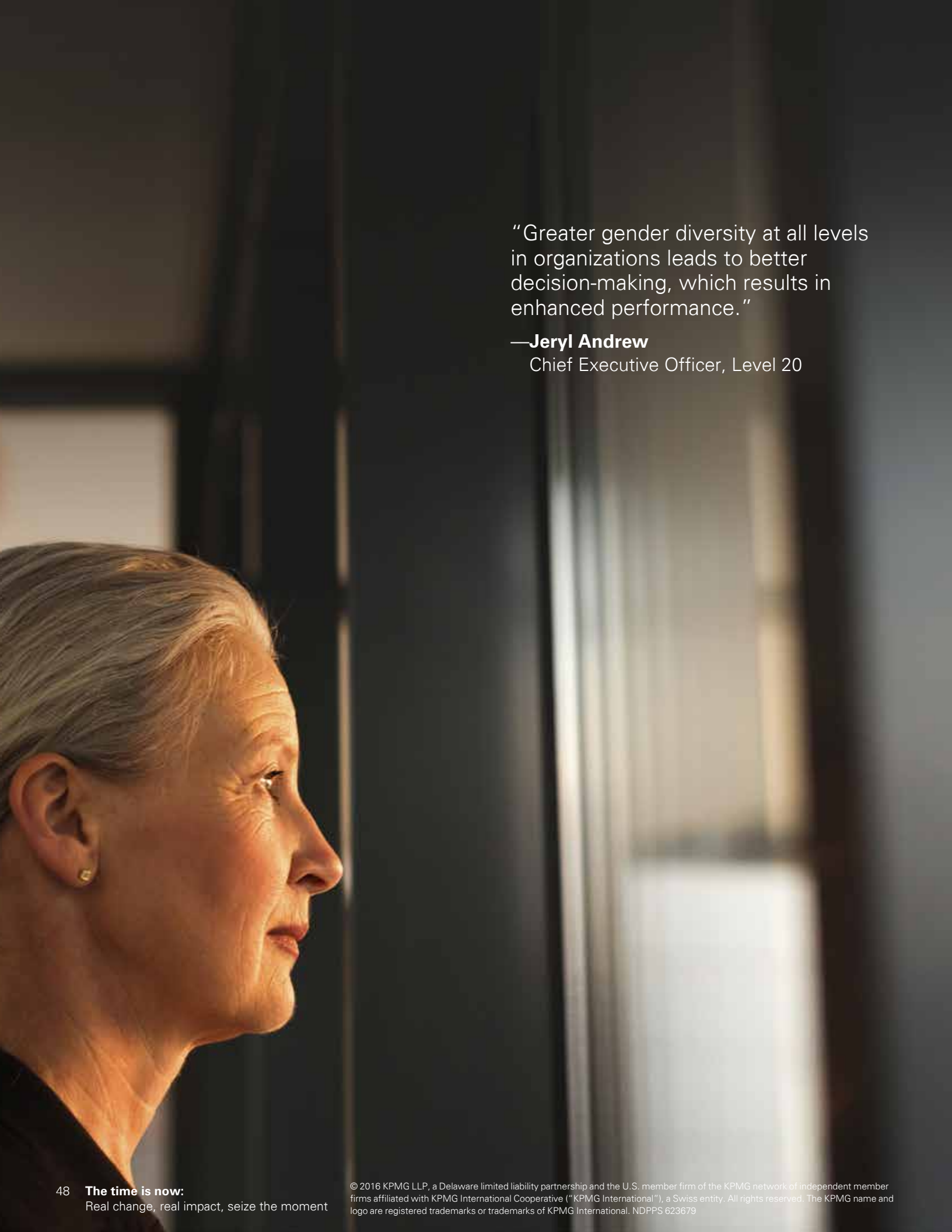
Firms, of course, play a critical role in women’s retention and advancement.

“It’s essential to be at an employer whose culture is a good fit,” said Belinda Boa, BlackRock. “Firm leadership should be committed to developing women, ensuring sponsors are available and that employees have the ability to utilize flexible schedules when needed. That’s how we can keep more women in this industry.”

“We need to deal with the forgotten middle. Women who are in their 30s and 40s need networks, role models, and mentors to help them take that next step. If they don’t have those, we risk losing them.”

—Marie Davis

Senior Due Diligence Analyst,
Kedge Capital



“Greater gender diversity at all levels in organizations leads to better decision-making, which results in enhanced performance.”

—**Jeryl Andrew**

Chief Executive Officer, Level 20

Spotlight: The next level

"Many firms' senior leaders have already identified that diversity is a priority for them," said Bronwyn Bailey. "The next step is to consistently communicate its importance and establish practices designed to foster diversity."

"From a private equity firm's perspective, the greatest challenge may be retention," said Sandra Horbach. "At Carlyle, we hold our managers accountable for retention of high-potential talent, including diverse employees. They are also evaluated on their efforts to mentor and develop junior professionals. These efforts need to start at the top of the organization and then filter down. You need buy-in all along the way," she added.

"I've had conversations with mid-career women who, looking forward, don't believe they can do it all—have an investing career and a family, and so they self-direct, opting out in a variety of ways. Unless people are showing you or telling you it's possible, it's hard to believe that it is. We need to evolve toward more flexibility in how people work, and we also need more role models and mentors."

—**Amy Price**

President and Chief Operating Officer,
Bentall Kennedy (U.S.) LP

- Supported by the commitment of KKR's top leaders, the firm's Diversity and Inclusion Council has launched a series of initiatives to help provide employees with the support needed to manage their family lives. For example, the firm extended paid leave for primary caregivers (male or female) to 16 weeks, implemented a firm-paid childcare travel program that gives employees the option to bring their baby and childcare provider with them on business-related travel during the infant's first year, and they offer executives parental leave transition support when transitioning to or from parental leave. Other initiatives include expanding adoption reimbursement benefits to all employees, introducing firm-paid breast milk shipping during business travel, and maintaining unlimited benefits for fertility treatments.
- For the NAIC/AIC Private Equity Women's Initiative, a working group of senior professionals in private equity firms created a "Best Practices" toolkit to help firms increase gender diversity. The guidelines, provided on each partner's Web site, can be adapted to firms' unique cultures, resources, and business practices. Similarly, the National Venture Capital Association also has plans to create a best practices talent management manual that focuses on diversity and inclusion for venture capital firms.
- Cross-firm mentoring is another initiative growing in popularity. Because many firms lack senior women, cross-firm mentoring can provide junior women with senior women mentors and role models. The nonprofit Level 20, which seeks to increase the representation of women at all levels within European private equity, created a mentoring program in which junior women are matched with senior women and men within the sector.



Under pressure

As many of our respondents and contributors have indicated, investors have perhaps the greatest power to effect change in the industry. “When those who allocate capital start to ask questions about diversity, changes will start within firms,” said Kelly Williams, Chief Executive Officer and Chair, Private Equity Women Investor Network.

In this area, we are already seeing signs of progress.

“Not only are pension funds increasingly considering the diversity of their underlying investments, but they are also asking questions about the diversity of the fund of funds and manager of managers who run those investments,” said Kelly Rau, KPMG LLP.

In addition, there is an increased focus on women-owned/-managed funds coming from the fund of fund, manager of manager and consultant sides as well.

“This uptick is a result of both client engagement and an internal desire to be more inclusionary in their manager research efforts,” said Matt McCue, *Emerging Manager Monthly*. “In addition, some institutions now require consultants to have dedicated emerging manager research efforts.”

Moreover, certain high-profile pension funds, such as the New York City Retirement System and the Netherlands’ APG, have recently added questions on general partner gender balance to their standard due diligence questionnaires.

“Investors are asking the major alternative investment managers why there aren’t more women on their teams,” said Kelly Williams. “As a result, firms are increasing their focus on recruiting diverse candidates. There is progress: prominent investors in both the public and corporate sectors, as well as foundations and endowments, have become more vigilant on this topic.”

“Of course, investors are looking for returns,” said Camille Asaro, KPMG LLP. “However, there’s considerable research suggesting that more diversity in decision-making leads to better outcomes. And, in alternatives, there’s a fair amount of data showing that women-led funds often outperform industry benchmarks. In light of this, we hope to see continued focus on gender diversity in the allocations process.”

“Diversity of thought, of investment strategy, and of asset class can help maximize risk-adjusted returns,” explained Seema Hingorani, Founder and Chair of Girls Who Invest and former Chief Investment Officer of New York City Retirement Systems. “It’s not just good social policy; it’s also sound investment strategy.”





Seizing the moment

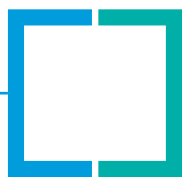
We have come a long way since the WAI Report launched in 2011. It is clear there is still work to be done, the needle has not yet moved, the pipeline has not yet grown. But, as this year's Report shows, we are beginning to see real change.

While last year's Report was about "The Path Forward" for women in alternatives, this year's Report is about seizing the moment.

Change is upon us. It is up to us to capitalize on it. It is up to investors to join the call and consider diversity of investment teams and underlying investments. It is up to firms to embark upon bold new initiatives that seek transformation. And it is up to women to seize this moment of opportunity.

The time is now.





Acknowledgments

Contributors

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- Jeryl Andrew, Chief Executive Officer, Level 20
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Distribution partners

We would like to thank the following organizations and their members for participating and contributing to this Report. Your commitment to education, empowerment and support for women in the industry is helping to move the needle. We sincerely thank you:

- 100 Women in Hedge Funds
www.100womeninhedgefunds.org
- Alternative Investment Management Association (AIMA) www.aima.org
- American Investment Council (AIC)
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- Association of Women in Alternative Investing (AWAI)
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