KPMG

The call to act

Women in alternative investments
Sixth edition

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"With change happening at an unprecedented pace, it is fitting that alternative investment firms are strategically focused on leveraging diverse perspectives in these disruptive times. So many of us are pushing our organizations to do more, to think more creatively, and to work more collaboratively. It's exciting see this important evolution in inclusion and diversity taking place."

—**Lynne Doughtie**
Chairman and CEO, KPMG LLP

Introduction

When we first launched the Women in Alternative Investments Report (WAI Report) in 2011, we were among the few voices talking about women's advancement in alternative investments. It was a delicate conversation and one that few people were comfortable having.

But now, eight years later, the conversation has shifted. The issues have moved mainstream, the dialogue has broadened and the voices are many. The needle may not have moved substantially, but change is afoot.

And so this year we too are making a change.

This year, the WAI Report is about action. This year, we expose gaps in perception across gender to lay the groundwork for shared understanding. We spotlight investors' increased focus on diversity in the hope that it spurs others to action. And we outline firm diversity practices to show others the way forward in their own efforts.

But we could not do any of these without having a truly inclusive conversation about gender diversity. Thus, for the first time, we surveyed men (and not solely women) about their thoughts on gender diversity in alternative investments.

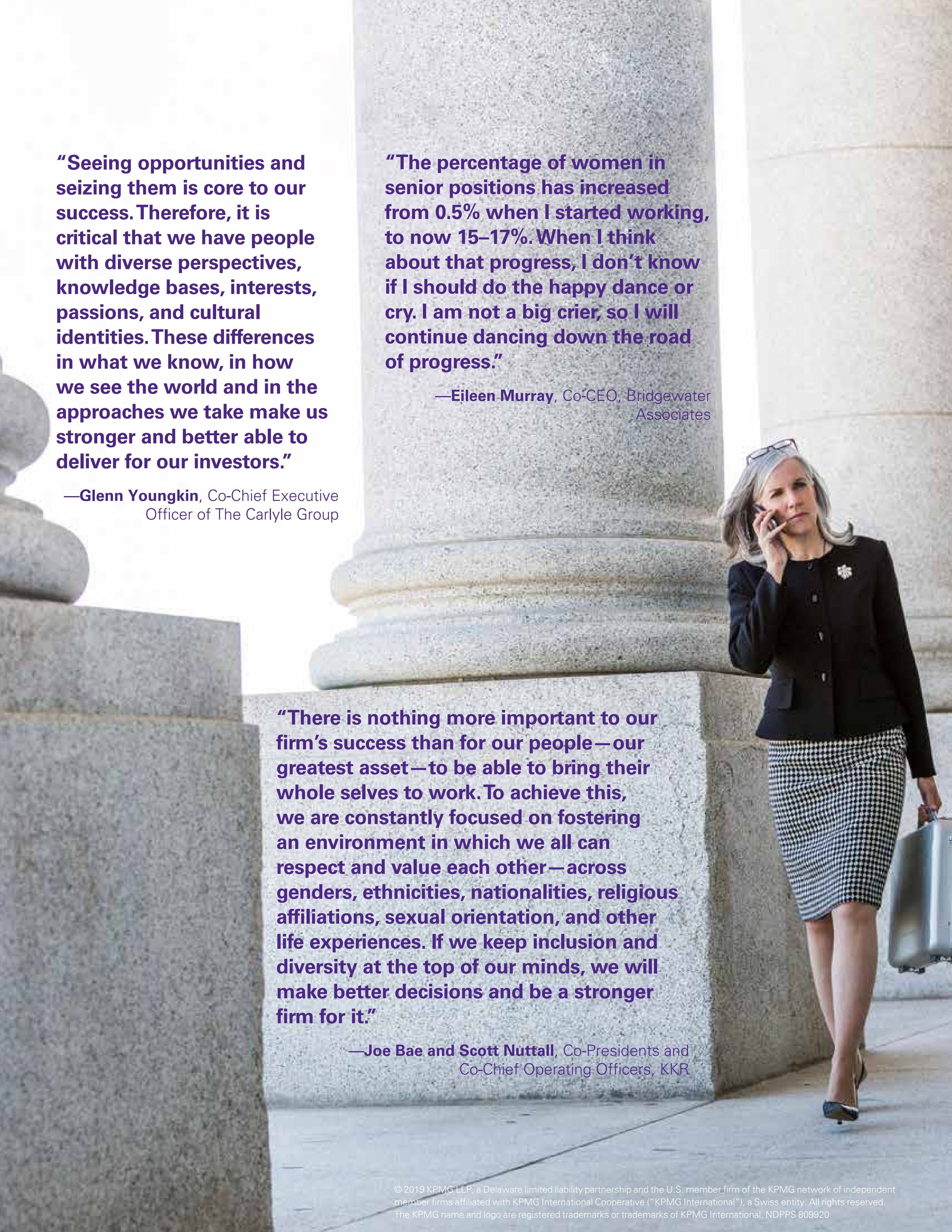
The quest for gender diversity is not a simple or easy one. It will be a long journey, and women alone cannot do it. Everyone needs to join—women, men, firm leaders, and investors—if the goal is to be achieved.

Given the need for joint effort, it is fitting that we reached a record number of respondents—886—across genders and from nearly every major geographic region and sector within alternatives—hedge funds, private equity, venture capital, and real estate, as well as investors.

This year we break from the past in many ways. We spotlight initiatives that upset established norms, approaches that reframe the conversation (from "women's issues" to "everyone's issues") and programs that have begun to effect real change.

Investors are driving change, firms are answering the call and individuals are taking responsibility. We hope you will join us and answer the call to act.

Camille Asaro and Kelly Rau
Partners, Asset Management, KPMG LLP
Co-Authors and Founding Contributors of the WAI Report



"Seeing opportunities and seizing them is core to our success. Therefore, it is critical that we have people with diverse perspectives, knowledge bases, interests, passions, and cultural identities. These differences in what we know, in how we see the world and in the approaches we take make us stronger and better able to deliver for our investors."

—**Glenn Youngkin**, Co-Chief Executive Officer of The Carlyle Group

"The percentage of women in senior positions has increased from 0.5% when I started working, to now 15–17%. When I think about that progress, I don't know if I should do the happy dance or cry. I am not a big crier, so I will continue dancing down the road of progress."

—**Eileen Murray**, Co-CEO, Bridgewater Associates

"There is nothing more important to our firm's success than for our people—our greatest asset—to be able to bring their whole selves to work. To achieve this, we are constantly focused on fostering an environment in which we all can respect and value each other—across genders, ethnicities, nationalities, religious affiliations, sexual orientation, and other life experiences. If we keep inclusion and diversity at the top of our minds, we will make better decisions and be a stronger firm for it."

—**Joe Bae and Scott Nuttall**, Co-Presidents and Co-Chief Operating Officers, KKR

"Achieving diversity may not be easy, but every day we succeed at difficult challenges, and this is another where we will succeed."

—**Luke Ellis**, Chief Executive Officer, Man Group

"My dream is, when I leave this position, that I give my job to a woman."

—**Jon Winkelried**, Co-Chief Executive Officer, TPG

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Executive summary

KPMG's Women in Alternative Investments (WAI) Report spotlights the bold practices of investors and firms that seek to drive meaningful change in gender diversity. This Report is valuable for investors, firm leaders, diversity and human resources personnel and other change agents who want to improve diversity within alternative investments.

The WAI Report incorporates insights from an online survey of 886 alternative investment professionals globally and from interviews with industry leaders, including firm leaders, fund managers, and investors.

This year's WAI Report focuses on action:

1. **Bridging the gap: Exposing gaps in perception to facilitate joint action**
2. **Investors driving change: Showcasing investor practices that advance diversity**
3. **Firms taking action: Spotlighting firms that are taking meaningful steps to improve diversity**
4. **Individuals taking responsibility: Making public respondents' commitment to advance gender diversity**

"This industry takes on the toughest challenges in the world, so why can't it view gender diversity as a complex business problem and solve it? Many firm leaders are thinking about this as a social or ideological issue when they should be thinking about it as a complex series of problems to be solved."

—**Theresa Whitmarsh**, Executive Director of Washington State Investment Board & Agenda Contributor, World Economic Forum

1 Bridging the gap: Exposing gaps in perception to facilitate joint action

The majority of women and men respondents agree that achieving gender diversity is a business imperative, but the genders diverge significantly over whether enough is being done to advance women.

My sector is not doing enough to advance women.

65% Women

45% Men

My firm's leadership believes diversity is an important part of firm business strategy.

50% Women

65% Men

My firm is not doing enough to advance women.

48% Women

30% Men

2 Investors driving change: Showcasing investor practices that advance diversity

In the next year, greater percentages of investors will push for diversity than in the prior year.

Ask investment teams about their firm's diversity efforts

60% Last year

75% Next year

Require disclosure of diversity statistics for all potential investments

16% Last year

37% Next year

Require firms in their portfolio to improve diversity

11% Last year

42% Next year

3 Firms taking action: Spotlighting firms that are taking meaningful steps to improve diversity

Many alternative investment firms are improving their diversity efforts.

Top diversity practices at firms represented*

62% Have women in noninvestment leadership roles

55% Provide parental and adoption leave

49% Provide flexible work schedules

38% Have women on the firm investment committee

34% New promotions include diverse employees

27% Require a diverse slate in hiring

*Statistics are from firms represented by our fund respondents.

Practices leading the way:

Recruitment

Create a diverse candidate pool:

- Expand/redefine background needed
- Partner with diverse pipeline-building organizations
- Create goals for percentage of diverse candidates considered

Decrease potential for bias:

- Review job postings and internal job descriptions for gender neutrality
- Use HR training and resources to standardize interview and candidate evaluation processes

Retention and Advancement

Create an inclusive culture:

- Frequent messaging from firm leaders about the importance of diversity
- Hold managers accountable for diversity goals
- Support affinity groups and other avenues to help women feel included

Keeping women through maternity leave and flexibility:

- Provide 16 weeks paid parental leave
- Provide support around leave (coaching, caregiver/baby travel, etc.)
- Provide flexible work arrangements where consistent with business needs

Create mentoring and sponsorship opportunities to help women advance

- Ensure access to executive-level leaders
- Partner with organizations for senior women mentors if needed
- Consider fast-tracking diverse candidates

4 Individuals taking responsibility: Making public respondents' commitment to advance gender diversity

Over the next year, survey respondents (both fund professionals and investors) say they will:

Educate themselves on how unconscious bias can impact key talent and investment decisions

Advocate for a woman's promotion

Ensure women on their team get paid commensurate to their male peers for equal work

Sponsor a woman in the industry

> "It has been our privilege at KPMG to continue the important work of the Women in Alternative Investments Report, which launched in 2011. Through the years, this Report has sought to foster continued dialogue about the role of women in alternatives and the path to future successes for women in the industry.
>
> However, this year's WAI Report seeks something more. This year, we are not just highlighting the actions that need to be taken, but we are also spotlighting those who are answering the call to act. And we are showing what still needs to be done. It is our hope that by sharing this information and these resources, we can help other investors, firms, and individuals embark upon or expand their own efforts. We look forward to continuing on this journey together."

—**Jim Suglia**, United States National Practice Leader, Alternative Investments, KPMG LLP

Bridging the gap

"In our 2016 WAI Report, we celebrated the fact that the conversation about women's advancement in alternatives had moved to the mainstream. We lauded the fact that men in greater numbers were joining the dialogue and, in some cases, advocating for change. Given that evolution, it was important for us to have a truly inclusive conversation about gender diversity and actively solicit views from men (and not only women) for this year's Report. We sought to explore perceptions on diversity across genders and identify points of commonality as well as where the genders diverge. By sharing this data, it is our hope that we can begin to bridge the gap in perception, create shared understanding across genders, and come together to create impactful solutions."

—**Camille Asaro and Kelly Rau**, Partners, KPMG LLP

Given that research has repeatedly shown that diversity of opinions and backgrounds leads to better decisions, it is not surprising that the overwhelming majority of women and men respondents* (84 and 76 percent, respectively) agree that achieving gender diversity is a business imperative.

But although most women and men agree diversity is important, they differ on whether enough is being done to improve diversity by their sector and their firm. Women respondents are considerably less satisfied than men respondents with the actions being taken.

On a firm level, both male and female respondents are rather optimistic about their firm's belief in the importance of diversity, with half or more of women (50 percent) and men (65 percent) believing their leadership team sees diversity as an important part of firm business strategy. However, there is a significant gap in perception between genders on this point as well.

The greatest debate is over the question of whether respondents' firms are doing enough to improve gender diversity. Men are significantly more likely than women respondents to say their firm is doing enough to advance gender diversity. **

*Most of our analysis compares the views of women and men respondents. We had only one non-binary respondent and therefore did not have a statistically relevant sampling to conduct analysis of this group on a stand-alone basis.

**To tease out possible explanations for gender divergences, we examined whether male respondents hailed from sectors or firms that may be more supportive of women. Neither seemed to explain the difference. Gender breakdown along sector lines was roughly equal. When investigating firm differences, we posited that men may be at firms that are better at advancing women. That was not the case. Female respondents came from firms with a slightly higher percentage of women in leadership roles, but our women respondents didn't consider these firms to be more supportive of diversity.

My sector is not doing enough to recruit, train, and advance women.

45% Men

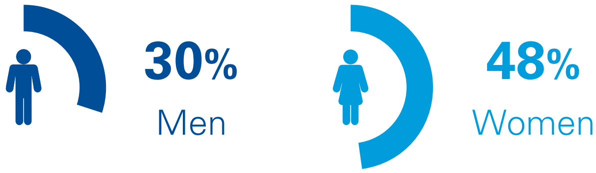
65% Women

My firm's leadership believes diversity is an important part of the firms business strategy.

65% Men

50% Women

My firm is not doing enough to recruit, retain, or advance women.



It is possible that men may be more willing to assume that because a diversity commitment is made or a policy is in place, it must be helping. However, many women respondents said they question their firm's stated commitment to diversity because it isn't backed up with action or meaningful progress.

If the genders do not agree on the level of action needed to advance diversity, then it will be harder to take the bold steps required to effect change. And so, in this year's WAI Report, we explore how investors, firms, and individuals are seeking to bridge gaps in understanding, working to abandon preconceptions, and coming together to create impactful solutions.

> Having a breadth of backgrounds—gender, ethnic and generational, among others—leads to a better understanding of markets and market participants and can lead to better investment decisions and returns. There should be little debate about this.
>
> —**John Hershey**, Director of Alternative Investments, Oregon State Treasury

Investors driving change

Investor advocacy

Within the last few years, institutional investors have significantly stepped up efforts to influence change at both the companies and the firms they invest in. They have used means both public and private to force progress on a variety of "social responsibility" issues, whether from the lens of Environmental, Social and Governance (ESG)—or diversity-specific criteria.

Powerful pension funds and large asset managers have taken meaningful steps to increase diversity at companies in their portfolios.* Some pension funds such as California Public Employees Retirement System (CalPERS), California State Teachers' Retirement System (CalSTRS), Texas Teacher Retirement System, and Florida State Board of Administration have supported shareholder board diversity proposals. Asset managers such as BlackRock and State Street Advisors have used their proxy power to cast votes against directors on corporate boards that lack gender diversity.

In 2017, New York City Comptroller Scott Stringer and New York Retirement Systems launched the "Board Accountability Project 2.0" to "ratchet up the pressure on some of the biggest companies in the world to make their boards more diverse, independent and climate-competent, so that they are in a position to deliver better long-term returns for investors," according to a press release on the pension fund's website. The initiative asked 151 United States companies to disclose their directors' race, gender, and skills, in a standardized matrix format and to enter into a dialogue regarding the board's "refreshment" process.**

And much more is happening behind the scenes to encourage companies to enact change.

Alternative investment firms are feeling the pressure as well.

In Europe, institutional investors have been pushing alternative investment firms in their portfolio to improve on various ESG metrics for years.

"Many European institutional investors have been very focused on improving ESG practices at firms in their portfolio, and I think the ESG effort in Europe is both rather sophisticated and well-established as a general matter," said Kathryn Graham, Head of Strategy Coordination, Universities superannuation Scheme LTD. "Like many other investors, we consider ESG relevant to our assessment of investment risk and that includes a company's governance, culture, decision-making approach, and independence."

However, at many European investors, diversity is considered a subset of ESG and is rarely a stand-alone consideration when evaluating alternative investment managers. But, because ESG is an entrenched concept in corporate governance, it provides a useful entry point for investors who also want to improve diversity at firms in their portfolios.

"In the United States, many institutional investors treat ESG and diversity separately," Ms. Rau explained. "Over the past few years, greater numbers of U.S. investors have formally placed diversity on the agenda during manager evaluations which is an important change."

*Some private equity and venture capital firms are involved in similar efforts. For example, TPG launched a board diversity initiative in 2017 to add at least one woman to every portfolio company board that the firm controls or has significant influence over. Over 20 women have already been added to boards through the initiative. The Carlyle Group's initiative to improve diversity at its portfolio company boards will be continued and overseen by the firm's recently hired Chief Diversity Officer. KKR has a pilot program to identify inclusion and diversity gaps and opportunities in portfolio companies and is also focused on increasing portfolio company board diversity.

**The earlier version of the New York City plan launched in 2014 and focused on increasing proxy access tied to diversity and carbon asset risk.

Together, these investor efforts may not yet amount to a seismic shift, but there is enough evidence to suggest the potential for one. Investors are now—more than ever before—willing and able to use their platforms to push for change at the companies and firms they invest in. There are established frameworks for advocating for change, whether those frameworks were established to further ESG or diversity goals. And there is a common business case that underlies all these efforts: investors' belief that improved corporate governance will better protect and ensure long-term returns for their constituents.

Against this backdrop, we explore how investors are utilizing this power to improve diversity throughout the alternative investment industry.

The stage has been set.

Increased pressure on fund managers

Within alternative investments, investor pressure has taken many forms. Investors have allocated to women-led funds through formal emerging manager programs or informal practices designed to increase the number of diverse-led funds in their portfolios. They have partnered with or supported organizations focused on increasing gender diversity within alternative investments. And, in greater numbers, investors have started pushing for diversity at the historically male-dominated funds that comprise most of their portfolios.

Each of these areas holds significant potential for improving women's retention and advancement within the industry, but it is particularly encouraging to see increased investor pressure on funds which are male-dominated. These funds continue to represent the majority of assets in the alternative investment industry, and, if diversity increases there, it will have a huge ripple effect throughout the industry.

Years ago at a World Economic Forum event at Davos, Theresa Whitmarsh, Executive Director of Washington State Investment Board and Agenda Contributor, World Economic Forum, was told by a private equity general partner, "We need you as an investor to push us as GPs. If it's important to you, it will be important to us." And it wasn't just one GP asking her to push. There were many. This marks a significant change from even a decade ago.

> "Investors need to actively have conversations with fund managers about the importance of diversity, or no one is going to do anything about it. If we want this industry to evolve, we need to raise the level of discourse from talking about it to taking action."
>
> —**Dana Johns**, Senior Portfolio Manager, Maryland Retirement and Pension System

"Back then, when you asked investors to exert pressure on firms to increase diversity, many answered that it wasn't their business," said Kate Mitchell, Co-Founder, Scale Venture Partners. "But now they are raising the topic. And because they are raising it, diversity has assumed an increased sense of urgency among fund managers."

In some instances, fund managers are proactively placing diversity and inclusion formally on the agenda (and not in response to an investor request), which was not happening a few years ago.

Reflecting increased investor interest in diversity at the funds in investors' portfolios, the Institutional Limited Partners Association (ILPA), a global organization dedicated to advancing the interests of LPs and their beneficiaries, recently published a revised Due Diligence Questionnaire (DDQ) template which solicits detailed information about firms' diversity and inclusion statistics, programs, and practices, as well as plans for program implementation. The revised DDQ was created by ILPA investor and fund manager members (several of whom were interviewed for this report) across geographies.

To many in the industry, ILPA's revision of its standard DDQ to include diversity questions represents a substantial shift in investor sentiment.

John Hershey, Director of Alternative Investments at the Investment Division of the Oregon State Treasury and ILPA board member, believes ILPA's revised DDQ is an important step forward. "Hopefully, the template becomes a tool used for new fund commitment and re-upping decisions. It's up to us as investors to make sure we don't let the topic drop longer-term," Mr. Hershey said.

Dana Johns, Senior Portfolio Manager, Maryland Retirement and Pension System, agrees with the approach. "When investors ask these questions, the goal is to partner with our fund managers to solve the diversity challenge. Given that we are both seeking to achieve outsized returns, and we believe that diversity of thought leads to better returns, we are mutually incentivized to find solutions to this," she explained.

Investor respondents' prior efforts and anticipated commitments to advance diversity

Our survey findings are also encouraging, showing that greater numbers of investor respondents will require firms in their portfolios to account for and, in some cases, improve their diversity efforts over the next year. For example, last year, only 11 percent of our investor respondents required firms in their portfolio to increase diversity efforts, but next year 42 percent say they will require firms to increase efforts.

Increased investor efforts like these have the potential to bring about significant change in the industry.

Some of our survey respondents want investors to take punitive steps against funds that are not sufficiently diverse, withdrawing or not renewing allocations from such funds. However, this view may not be realistic. As history has shown us, gender diversity will not be achieved overnight, even when there are concerted efforts. In addition, investors' power over funds in their portfolios is not unlimited. Institutional investors are constrained by a variety of factors such as concentration limits, return profiles, and track records required. In this environment, established fund managers with strong returns do hold significant power as well.

"We wouldn't have a PE program if we made gender diversity a prerequisite of our investments," noted Theresa Whitmarsh, Washington State Investment Board. "We want to incentivize firms to have diversity as an objective, not penalize them if they haven't achieved it yet."

Increased investor focus on women-led funds

In prior years of the WAI Report, we examined opportunities and challenges related to investments in women-led funds. We also discussed various aspects of emerging manager mandates and programs and spotlighted those like CalPERS (featured in our 2016 WAI Report) that have led bold efforts to increase investments in women-led (and other diverse-led) funds.

We continue to see evolution in emerging manager programs, with managers such as Texas Employees Retirement System, Teachers Retirement System of Texas, and Chicago Public School Teachers continuing to use or expand such programs and including women-led funds in their outreach.

Emerging manager mandates and programs may be holding relatively steady from a pure dollar standpoint, but there are reasons for optimism.

"There's certainly been a greater focus on the importance of women- and minority-led funds within emerging manager programs over the past several years," stated Matthew McCue, Managing Editor, *Emerging Manager Monthly*.

More consulting firms are also actively trying to increase their roster of diverse and women-owned firms through "diverse manager days" and other focused outreach.

Some consultants are now utilizing the "Rooney Rule" to broaden their searches by requiring the inclusion of at least one diverse-owned firm in every public manager search for advisory clients.

"Our hope is that allocations will follow this increased interest and focus by both investors and consultants, especially if the conversation about gender diversity in alternatives and pressure to improve those numbers continue," said Camille Asaro, KPMG LLP.

Some investors have decided to take matters into their own hands outside of formal emerging manager programs.

Dana Johns, Senior Portfolio Manager at Maryland Retirement and Pension System, has helped develop the System's approach to investing with women- and diverse-led private funds. The approach focuses on direct investment in developing and diverse funds managers at full allocations. For any multimanager program, she prefers a separate account structure with veto rights and a direct relationship with the underlying managers.

These approaches "provide me the ability to control the investment process and to be a more impactful limited partner rather than diluting the relationship and returns through a fund of funds program." Ms. Johns stated. The number of women-led funds has more than doubled, either directly or through the separate account, over the past two years.

> "With all of these efforts gaining traction, we are more optimistic than ever before about the potential for increased investment in women-led funds. The landscape in this regard has changed significantly since our launch of the WAI Report in 2011, when those focusing on women- and diverse-led funds were the outliers. We are happy to see a heightened focus on these funds by investors and consultants, and we hope that allocations will follow."
>
> —**Kelly Rau**, KPMG LLP

Spotlights

Investor how tos: Grants to diversity organizations

There are other ways that institutional investors are using their platform to increase diversity within alternative investments. For example, the Robert Wood Johnson Foundation made a $2 million, three-year grant to non-profit finance and alternative investment pipeline-building organization Sponsors for Educational Opportunity (SEO) "We needed to help our program staff understand that an SEO grant was aligned with the foundation's global 'human capital' objectives, but most foundations and firms have the ability to support diversity efforts like this in a meaningful way, " said Brian O'Neil, Chief Investment Officer, Robert Wood Johnson Foundation.

Investor Resource: AIF Global

Some organizations are providing additional resources to investors. For example, the independent economic think tank AIF Global provides regional and themed forums, investor education and industry research to its institutional investor members on a variety of investor issues and initiatives, including the value of gender diversity and women investor initiatives. The organization's recent Women Investors' Forum yielded record participation, bringing together investors, fund managers, consultants, and academics to discuss research and trends and to create actionable items that seek to further women's advancement within alternative investments.

Spotlights

Investor how tos: Diligencing diversity

The global Institutional Limited Partners Association (ILPA) recently released a revised due diligence questionnaire (DDQ) that provides a template for investors who want to ask their fund managers about diversity. The template provides sample questions soliciting the following:

— Diversity statistics including new promotion and attrition rates for women and minorities and utilization rates by gender for family leave.

— Diversity policy information and plans for implementation including formal policies for family leave, diversity and inclusion, a code of conduct or procedures covering harassment, discrimination and/or workplace violence. If the firm lacks any such policies or procedures, the DDQ asks whether the firm would be willing to implement them within one year.

— Descriptions of various diversity practices including formal mentoring for women or minorities, whether the firm supports organizations that promote the advancement of women or minorities in alternatives, descriptions of recruiting processes, and whether any claims of sexual harassment or discrimination have been levied against firm employees.

Variations to the above are to be made for regional restrictions that limit tracking of employee ethnicity. The organization also released guidance for developing Codes of Conduct for general partners, limited partners, and fund portfolio companies. Both the DDQ and Code of Conduct guidelines can be found on the organization's website. While ILPA's DDQ is designed for private equity and venture capital firms, most diversity questions are relevant to other alternative investment firms.

"What gets measured gets managed," said Theresa Whitmarsh, one of the investors involved in ILPA's effort. "This is not about having set quotas, but if we require firms to measure and report these numbers, then firms will want these numbers to shift."

Looking Forward: Gender-lens investing

Gender-lens investing is an area growing in popularity among investors.

Gender-lens investing is an intentional investment strategy that seeks to promote gender equity. In the past several years, more products and opportunities for gender-lens investing have launched such as gender diversity-focused exchange-traded funds, indices, and separately managed accounts. The motivations for gender lens investing and improving diversity at companies and investment management firms are similar, bolstered by increasing evidence of the correlation between gender diversity and enhanced corporate performance and returns.

Accredited investors, particularly women, are driving considerable interest in this area, making it a focus of their portfolios, whether through investment in gender-lens investment vehicles, or by direct allocations to female-founded companies. In addition, more private equity and venture capital firms are launching impact investing funds, aligning their impact to one or more of the 17 Sustainable Development Goals—one of which is gender equality.

Gender lens investing is rapidly evolving, and the surge in popularity is yet another indicator of the growing importance of these issues to investors.

—**Tania Carnegie**, Partner & Leader of Impact Ventures, KPMG LLP

Firms making progress

"When it comes to making progress on gender diversity, there needs to be a lot of experimentation, learning and sharing. It will take time to get to parity, but we will never get there if we don't start now."

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

Investors may be driving change, but firms are beginning to answer the call. Although investor advocacy for gender diversity is important—and perhaps necessary—to propel change industry-wide, firms also hold significant power. Our respondents agree, with 76 percent believing firm leadership is most responsible for improving gender diversity in the industry.

"When we launched the WAI Report in 2011, diversity was not a focus at many alternative investment firms," said Camille Asaro, KPMG LLP. "Back then, some firms had diversity initiatives or efforts in place, but they were the exception. But now, seven years later, we are encouraged to see how things have evolved. Firms that were early trailblazers in their diversity efforts have dramatically increased the depth and breadth of their initiatives, and others have joined the call, launching their own diversity efforts. There is still more work to do, but we are happy to see these developments over the years," she added.

On the bright side, many firms have women in noninvestment leadership roles. Roughly half provide parental leave and flexible work arrangements.

But what distinguishes firms who are "doing enough" to advance gender diversity versus those who are not "doing enough" is whether the firm takes action beyond these areas, according to our respondents.

Those firms which respondents say are "doing enough" to advance gender diversity are taking far greater and more comprehensive action to improve diversity than their peers. They, like the firms spotlighted in this year's WAI Report, are expanding the pipeline to get more women in the door. They are trying to keep women by creating an inclusive culture and providing support beyond maternity leave. And they are looking for ways to help women reach the next level of their careers.

These firms and those highlighted in this year's Report are taking action and answering the call. In the following pages, we spotlight firm practices in women's recruitment, retention, and advancement. We hope the stories and examples provided here may inspire others to continue or start on their own journey toward achieving gender diversity.

"Greater numbers of alternative investment firms are recognizing the importance of diversity, but many are still struggling with how to execute. These issues are not only important, but we also need to have a sense of urgency about them."

—**Sam Chandan**, Silverstein Chair, NYUSPS Schack Institute of Real Estate and Partner, Capri Capital Partners

What firms are "doing enough" to advance gender diversity?

Only 29 percent of respondents (both women and men) said their firm is "doing enough" to advance gender diversity. We wondered, what distinguishes those firms that respondents think are doing enough to advance gender diversity from those firms that respondents say aren't doing enough?

Here's what we found.

	Firms that are doing enough	vs	Firms that need to do more, according to respondents
Have women in noninvestment leadership roles	86%	vs	49%
Provide flexible work schedules	69%	vs	36%
Have women on the firm investment committee	63%	vs	24%
Identify and develop high-potential employees including women	62%	vs	27%
Provide parental and adoption leave	61%	vs	51%
Require all leaders to be inclusive	50%	vs	18%
Leaders repeatedly talk about the importance of gender diversity	48%	vs	23%
New promotions include diverse employees	49%	vs	27%
Require a diverse slate be considered when hiring for open positions	42%	vs	19%
Ensure women have access to sponsors	42%	vs	11%
Provide part-time work opportunities	39%	vs	20%
Address the potential for unconscious bias in key talent processes and decisions	33%	vs	9%

Getting women in the door: Recruitment

> "For years, firm leaders told me they did not receive enough resumes from women, but they were all recruiting from the same small number of schools and investment banks. I realized we needed to broaden out the pipeline in this industry and help change the way that firms recruited talent."
>
> —**Seema Hingorani**, Founder of Girls Who Invest and former Chief Investment Officer of the New York City Retirement Systems

Historically, "lack of qualified women candidates" was frequently given as an excuse for gender imbalance at alternative investment firms. But now, many more firms are engaged in substantial and proactive efforts to increase diversity in their candidate pools. Some are rethinking how they approach recruiting, starting earlier in the process and creating college-level internships. Others are reconsidering candidate pedigrees or changing their interview process.

Despite these developments, as a general matter, firm efforts to grow the pipeline are lagging according to our respondents, with only 27 percent saying their firm requires a diverse slate be considered when hiring.

However, some firms have made considerable progress in expanding their pipelines and making diversity an ingrained part of firm hiring.

For example, The Carlyle Group always targets 50 percent diversity in its incoming classes. "Each business unit needs to hire in a way that meets the needs of that specific group. Teams recognize that it may take longer to find a diverse slate of candidates, but we'll hold the spot open. Everyone is in it together. We have found great candidates," said Lauren Dillard, Managing Director and Management Committee Member, The Carlyle Group. The firm's two-year associate diversity (gender and race, combined) has been more than 50 percent for five years, and the 2019 class will be 63 percent diverse. For higher-ranking positions, all funds and departments are required to have a diverse candidate slate.

Blackstone does not have a specific diversity hiring target, but the firm tries to ensure diversity in its candidate pool. One way the firm does that is through its "Future Women Leaders Program." The program includes résumé and interview workshops for high-achieving female college sophomores and the opportunity to meet professionals at the firm's New York and London offices. In the three years since the program launched, the firm's analyst and associate pool increased from 15 percent women to between 25 to 40 percent women.

At smaller firms where the opportunities for hiring are fewer, some are following the "Rooney/Murray Rule" which means the firms commit to interviewing women and minorities for all intern and senior-level openings.

Often, firm efforts are helped through partnerships with pipeline-building nonprofit organizations such as Girls Who Invest (a nonprofit organization dedicated to increasing the number of women in portfolio management and executive leadership in the asset management industry), 100 Women in Finance (a global network of professionals working together to empower women in the finance and alternative investment industries), Level 20 (a nonprofit that seeks to increase the representation of women at all levels within European private equity) and Sponsors for Educational Opportunity (SEO), a nonprofit that seeks to grow the diversity pipeline for finance and alternative investments, among other industries). These organizations and others can benefit the recruiting efforts of firms of all sizes.

> "Our goal is that lack of diversity becomes an irrelevant issue for the next generation, one that they no longer need to talk about. This won't change overnight, but this is our time to act, to make a difference and to hold ourselves and the industry accountable."
>
> —**Robyn Grew**, Chief Administrative Officer and General Counsel, Man Group

In addition to entry-level outreach, Man Group tries to expand the pipeline earlier on through partnerships with high school-focused nonprofits in the United Kingdom and United States to expose girls and economically disadvantaged students to investing careers. "We want to avoid early self-selection of these students out of our field," explained Michelle McCloskey, President of Americas, Man Group and President, Man FRM.

In addition to diverse candidate outreach, many firms are utilizing lessons learned in bias training to help their hiring process evolve. Some are reviewing job listings and firm descriptions for gender neutrality, with the hope that more women will apply. Others are relying primarily upon substantive, skills-oriented questions during interviews, versus interest-based questions that allow a greater potential for bias. Standardization of candidate evaluation processes is also helping.

"These are things that a firm of any size can and should do," noted Michele Meyer-Shipp, Chief Diversity Officer, KPMG LLP. "We are all influenced by unconscious bias and those biases can play a significant role in key talent decisions such as hiring. Given that, it's important to identify and interrupt these biases, otherwise they will influence decision-making, without us even realizing it."

Perspective: Women's role in expanding the pipeline

Another part of the pipeline equation falls to women themselves, according to numerous survey respondents. Several respondents noted their candidate pools are dominated by non-diverse men. As one respondent described, her firm had over 200 applicants for an opening, and only one of these was female.

Many respondents said women need the confidence to apply, especially for positions that seem like a stretch. As one respondent surmised, "women either are not looking for new work as often as men to advance themselves or they are not feeling qualified to apply for the next level."

These observations are consistent with research findings. For example, a 2014 study by Hewlett Packard found that, in general, men apply for a job when they meet only 60 percent of the criteria whereas women apply only if they meet 100 percent of the criteria. KPMG's recently released 2019 Women's Leadership Study reached similar findings, noting that only 43 percent of the women surveyed were open to taking risks associated with career advancement.

"If you don't force diversity in your candidate pool, it's difficult to change where you are."

—**Eileen Murray**, Co-CEO, Bridgewater Associates

Outside firms: Organizations growing the pipeline

In addition to firm efforts, numerous organizations are also expanding the pipeline of women into alternatives.

1 100 Women in Finance conducts early outreach through "teenage daughter dinners" in New York, London, and Hong Kong. Senior men in finance bring their daughters to hear from and network with women in different roles and levels in finance. "Coming into the dinner, many girls are either neutral or negative about finance, but the dinners dramatically and positively change these girls' perceptions of our industry," said Amanda Pullinger, Chief Executive Officer.

2 Since the launch of its inaugural 2016 Summer Intensive Program, the nonprofit Girls Who Invest has provided a 10-week summer program for college women that includes a four-week financial and soft skills training program and a six-week paid internship at a leading asset management firm around the world. Nearly 200 female college students have completed this flagship program and another few hundred have completed the organization's online programs. In the summer of 2017 alone, 100 scholars interned at 66 unique asset management firms globally. "This industry will look a whole lot different with these women in it, and ultimately this will benefit investors everywhere," said Seema Hingorani, Founder.

3 Organizations such as 100 Women in Finance and Level 20 are conducting undergraduate and business school outreach to expose women to careers in alternatives. The Alternative Investments arm of Sponsors for Educational Opportunity (SEO) provides training and mentoring to diverse women (and men) investment-banking analysts to prepare them for careers in alternative investments.

4 Other organizations are creating opportunities for women students to network and create mentoring relationships with senior women in the industry. For example, at New York University's "National Symposium of Women in Real Estate," women in real estate MBA or masters programs (from schools nationwide) have an opportunity to learn from senior women in the industry. The conference also provides networking and facilitates the creation of mentoring relationships between students and senior practitioners in the field.

5 Career fairs for entry level and just beyond are also helping build the pipeline. For example, the Women's Association of Venture Equity (WAVE) runs an annual Career Forum each November to connect qualified women (undergraduates through three years post-MBA) with alternative investment employers looking for talent.

Reaching the next level: Retaining and advancing women

Women's retention and advancement are often treated as two separate problems to be solved, but, as our respondents' stories illustrated, the two issues are often intertwined and related. For many women to stay, they need to see a viable path forward and upward at their firms.

Many of our respondents expressed frustration with their firms – the fact that there were few women in leadership, that the path upward was uncertain or that their firm didn't "walk the talk" and show it was truly committed to gender diversity. Others noted feelings of exclusion. Some felt they were not valued. For others, motherhood was the catalyst for departure but it was often not the cause.

The reasons for dissatisfaction were many and varied, and yet only 12 percent of the firms represented in our study analyze the attrition rates of high-potential women. But understanding those losses and the reasons women leave can show firms what needs to be done.

There are no quick fixes that will address all of these issues. But there are actions, values, and behaviors that can help foster an inclusive culture, give women reasons to stay, and lay the foundation for their success. In these pages, we spotlight some of those practices.

> "Firms can publish all the policies they like, but it's the little things that can make a woman feel excluded and, if she feels excluded, she's more likely to leave. I think the key to retention is the company's culture, supported by the tone from the top."
>
> —**Kathryn Graham**, Head of Strategy Coordination, Universities Superannuation Schemes Ltd.

Setting the tone from the top

Our respondents and contributors generally agreed that, if firms want to foster inclusion and diversity and thereby keep more women (and other diverse professionals), firm leadership must set the tone from the top.

Firm leaders who have made progress in this area are vocal advocates who consistently message the importance of diversity and inclusion within the firm. And each one backs up that messaging with action.

For example, TPG has vastly increased the frequency of Co-CEO internal communications about diversity and inclusion, making it a central element of town hall meetings, firm forums, and regular email communications. Co-CEO Jon Winkelried is also the executive sponsor of the firm's Diversity and Inclusion Council and is involved in numerous other diversity efforts throughout the firm.

"As a firm, we are still in the early days of making substantial progress on diversity, but inclusivity and diversity have become part of our dialogue in a natural way," said Mr. Winkelried. "I think this has been an important step in getting people to embrace inclusivity and diversity as the new normal."

At KKR, the firm's Co-CEOs consistently message the importance of inclusion and diversity to the firm in internal communications, as well as on investor and client calls. "That messaging is probably one of the most important reasons for the longevity and sustained focus on these issues within the firm," said Alissa Wood, Member, KKR. "It's also essential to how that messaging has cascaded to and been adopted by senior management firmwide."

In addition, in each of these firms, CEO support of diversity is strengthened by infrastructure and resources dedicated to diversity such as Diversity and Inclusion Councils and dedicated diversity or human resources professionals.

Some firms such as The Carlyle Group have Chief Diversity Officers or, like TPG, have Chief Human Resources Officers who lead diversity efforts.

At the firms represented in our study, many leaders have more work to do to show their commitment to diversity. Thirty percent of fund respondents say their leadership team does not consider diversity important to firm business strategy, and 19 percent are unsure. Only 29 percent of respondents say their firm leaders regularly talk about the importance of diversity.

While a strong CEO commitment to diversity is essential, many of our respondents noted that both firm culture and supervisors need to support that commitment. While firm culture may be partly a product of leadership's efforts, values and direction, it is also a product of its members' behaviors and attitudes. And, as many of our respondents indicated, it is the behaviors and attitudes of those members that often cause a woman to stay or leave.

"Even if firm culture says the right things, if the people in charge of the business units don't buy in, the culture doesn't matter," noted Grishma Parekh, Managing Director, The Carlyle Group.

Attitudes are hard to monitor or enforce, but what firms can do is hold managers accountable for diversity goals and progress.

At many firms, there is considerable room for improvement in this area. For example, leadership requires managers to be inclusive at a relatively small percent (29 percent) of the firms in our study. Leadership actually holds managers accountable for gender diversity goals such as the rate of women's recruitment, retention and advancement at far fewer firms—only 6 percent—in our study.

> "Diversity programs in and of themselves don't actually move the needle. I think success in diversity comes about when the culture of the firm is driven to effect change."
>
> —**Joan Solotar**, Senior Managing Director, Blackstone, Head of Private Wealth Solutions and External Relations

Formally holding managers accountable for diversity goals is a way to ensure that firm values are being met, and it also shows that firm leaders consider diversity to be a strategic business objective for the firm (and not just a "nice to have").

Some firms have taken an important step forward in this regard and are holding managers formally accountable for specific diversity goals and metrics such as recruitment, retention, and advancement of diverse professionals.

At KKR, the firm's year-end review process looks beyond commercial results to whether someone is "living the values and culture of KKR," said Alissa Wood. "Inclusion and diversity are central, and if someone isn't living up to those, then it is a measure that is considered as part of their performance review," she added. In addition, the year-end strategic plan for each business unit includes diversity goals, and each year, leaders are evaluated on those goals.

The Carlyle Group also holds managers accountable for diversity goals at year-end. If any business line is significantly below the firm average for diversity representation at various levels, managers for the business are called upon to address it.

> "The conversation about gender diversity in European alternative investment firms and companies has significantly evolved over the past several years and has likely been furthered by increased government involvement in this area. Quotas and guidelines seeking gender diversity on corporate boards, the United Kingdom's gender pay gap reporting requirement and progressive parental leave policies, especially among Nordic countries, have pushed these issues to the mainstream and are causing many firms and companies to reexamine diversity policies and practices."
>
> —**Chrystelle Veeckmans**, Partner, KPMG, Luxembourg

Creating opportunities for inclusion through affinity groups

To foster inclusion and help create community among women professionals, firms are taking various approaches.

All of the large firms profiled in this year's WAI Report use employee resource groups (ERGs) or affinity groups to help facilitate networking and create a sense of community among diverse employees across business units and geographies. In each case, these groups have executive-level support.

Blackstone's BX WIN program creates a network of incoming women analysts and associates across offices to facilitate networking, and it also gives them access to role models and mentors by pairing each class with junior and senior women with whom they meet regularly.

At TPG, affinity groups enhance the firm's diversity efforts. Co-CEO Jon Winkelried signed up for each affinity group and joins events when he is in town to show his support.

Bridgewater Associates has 160 "community groups" organized around diversity and other interests. These groups provide opportunities for employees to "bring their authentic selves to work, create meaningful relationships with one another and foster a sense of inclusion," explained Co-CEO Eileen Murray. Ms. Murray is the executive sponsor of the groups and considers this "one of her most important roles at the firm."

At smaller firms, the approach is different.

Katarina Carlbring, Chief Operating Officer, Nordkinn Asset Management, noted, "I think in many ways, it's much easier for smaller firms to create and foster an inclusive culture because of greater control, both in terms of setting the tone and managing behaviors." At Nordkinn, inclusivity means that all employees, including staff, attend regular firm off-sites to equally get involved in many strategic firm discussions."

Outside firms: organizations fostering community

Women at firms of any size can benefit from networking opportunities provided through external organizations. The cross-firm networking provided by these organizations allows women the opportunity to create meaningful relationships with women outside of their firms and facilitate mentoring and information-sharing. Many also provide a forum for women to talk openly about work challenges, which they may not be able to do with members of their own firm. These organizations and opportunities include 100 Women in Finance's NextGen Groups for women with up to 10 years of experience in finance and alternatives, PE WIN for senior women in private equity, "WIRE" for women in private equity real estate in the U.S. and U.K., Level 20 for women in private equity in Europe, "WAVE" for women in U.S. private equity and venture capital, and the Falk Marques' Group's annual Women's Alternative Investment Summit and Women's Private Equity Summit, which provide a forum for senior-level women to network with peers, conduct business, and increase their access to industry information.

Spotlights

Firm how tos: creating and open and inclusive culture

Each firm profiled in this year's WAI Report believes their culture and values are essential to their gender diversity efforts. For example, Bridgewater Associates' culture is based upon the belief that radical truth and radical transparency make the organization stronger, said Eileen Murray, Co-CEO. In pursuit of these ideals, the firm encourages and solicits open and honest feedback on a regular basis about various aspects of firm life: individual performance, firm management, and firm policies and practices. All employees have the opportunity (and on many occasions are required) to review colleagues at all levels. In addition, the firm has created "issue logs" whereby firm employees are encouraged to write down problems they are perceiving. These issue logs provide opportunities for employees to surface and have the firm address issues before they result in bigger issues, for example employee dissatisfaction or attrition. Significant issues are elevated to the firm Chair and Co-CEOs who analyze how the firm should address the issue.

"Radical truth and radical transparency won't work unless you have created an open and inclusive environment which truly encourages employees to raise their concerns, and you also need to give them a platform to raise such issues," said Kate Manahan, Senior Management Associate, Diversity and Inclusion, Bridgewater Associates.

"We consider it our employees' obligation to honestly and openly tell us what we can do better as individuals and as a firm," added Eileen Murray.

Firm how tos: Firms holding themselves accountable externally

One form of accountability aggregates business unit diversity metrics for internal or external reporting of diversity progress. Few firms in our study are doing either (15 percent of represented firms report internally and only 10 percent report externally).

However, some firms are leading the way and providing detailed external reporting on diversity programs, practices and progress, as well as publicly committing themselves to specific diversity goals.

For example, Man Group publishes an annual Diversity and Inclusion Report to track its progress. It has also made public its commitment to improve diversity, and is targeting 25 percent women in senior management roles by 2020 (it is currently at 20 percent).

Other accountability has been driven by external legislative forces, such as the U.K.'s gender pay gap reporting requirement for firms with over 250 employees.

Keeping women through leave

Important life transitions, and particularly motherhood, are critical times in a professional career. They may serve as the catalyst which pushes a woman to leave, especially if she does not feel supported at work or she questions the viability of her path upward.

Given the critical nature of those transitions, we examined how firms are handling leave and the transition back to work.

Only 55 percent of firms represented by our respondents provide parental and adoption leave. It is somewhat surprising that this number is not higher, given that nearly all of the firms represented in our study have female employees (only two did not have any female employees).

Many alternative investment firms, especially larger ones based in the United States, are now providing at least 16 weeks paid leave, though that does not necessarily represent the average throughout the industry. In several European countries, leave policies are dictated by the government.*

But a leave policy is only the first step. Firms that are leading the way are exploring how to make this critical life transition easier, with the hope more women will stay.

> "One of the biggest issues … [is] how do we keep [women] mid-career when family pressure (children and aging parents) combine with a narrowing route to the top?"
>
> —Female fund respondent

*For example, Norway provides generous government-paid parental leave of 46 weeks at full salary (with certain caps) or 56 weeks at 80 percent. Fathers have a 10-week "quota" which, if they do not take those weeks, the overall family allotment is reduced.

Some firms have recast leave from a benefit only extended to mothers to a benefit that is provided to all parents, regardless of gender.

For example, Man Group recently revamped its policy to allow 18 weeks of paid leave for all new parents after the birth or adoption of a child. "Work-life balance is important for both women and men, and we consider it important for achieving workplace equality as well," said Michelle McCloskey, President of Americas, Man Group.

"I've always been puzzled by the assumption that women alone need flexible working arrangements after the birth or adoption of a child," said Kathryn Graham, Universities Superannuation Scheme Ltd. "That's why it's a welcome shift that more companies, especially in the U.K., are starting to reframe their leave policies as 'shared parental leave' with either parent being able to take the time off."**

By making leave policies gender-neutral, the hope is that the stigma and career penalty associated with maternity leave decreases.

Firms are undertaking other initiatives as well.

For example, several years ago, KKR implemented a firm-paid childcare travel program that gives primary caregivers the option to bring their baby and childcare provider with them on business-related travel during the infant's first year.

Another thing that helps is having a mentor, sponsor, or coach to help you through such transitions.

KKR has taken a programmatic approach to this, providing executive coaching to support employees when transitioning to or from parental leave.

Blackstone created a Working Parents Network to support firm parents as they balance family and career. The network includes a Working Mothers Lunch Club, a speaker series, online resources, and other opportunities for employees to share insights and learn from other's experiences as parents at the firm.

Perspective: Team and individual dynamics, the ultimate test of leave

In addition to firm maternity leave programs and policies, women need to feel supported by their supervisors and team during leave and thereafter. "Great leave policies can be in place but if you don't feel supported by your team, the policies don't matter." Mai-Lan de Marcilly, Director, KKR Real Estate.

To avoid common preconceptions, assumptions, and misunderstandings around leave and motherhood, our contributors underscored the importance of open and honest conversations with supervisors and team members before, during, and after leave about expectations for engagement.

For example, before and during maternity leave for her second child, Grishma Parekh, Managing Director at Carlyle Global Credit, did a "lot of forward and regular communicating" with her team so they knew exactly how she wanted to be engaged while out. Her supervisors never pressured her to be involved and were appreciative when she was. "Their understanding and support actually made me want to work harder," she said.

Another theme that emerged was the need for flexibility on both sides. "Each leave may look very different and is driven by your needs, your baby's needs, and that of your group at that particular time in your life and career," said Sara Schwarzschild, managing Director at Metropolitan Real Estate. She noted that each of her maternity leaves varied greatly based upon the uniqueness of the situation. For each, the success of the arrangement was due in large part to the support of her team and supervisors and open communication on both sides to set and manage expectations.

Mai-Lan de Marcilly, a mother of two, agreed and noted the importance of flexible hours. "There's no face time here, and my supervisor gives me the flexibility to work where I want. His trust makes me even more loyal to my group."

**Formal shared parental leave policies resulted in a dramatic uptick in paternal use in Norway. Before the paternal "quota" was enacted in 1993, only three percent of fathers took leave. Now, 90 percent of fathers take at least 12 weeks. Other European countries (such as Germany, Portugal, France, and, more recently, the United Kingdom) have followed, setting aside a period of leave specifically for fathers.

Flexibility: A useful retention tool

Many agree that flexibility is essential for retention, especially among mothers. But flexibility can benefit all employees, increasing employee satisfaction and productivity. And yet only 49 percent of the firms represented in our study provide flexible work schedules. Only 26 percent of the firms in our study provide part-time schedules.

Some respondents and contributors noted that "face-time" and long hours are part of the culture of many alternative investment firms. We heard stories of firm leaders walking the halls late at night to see which employees were still there. In some firms, it seems that long hours are a sign of commitment.

Many question this approach.

Theresa Whitmarsh, Executive Director, Washington State Investment Board, does not measure the success of firms in her portfolio by the hours they work. "I don't think there's a strong correlation between hours worked and returns," she added.

Fortunately, flexibility is on the rise at alternative investment firms. Some rely on business unit leaders to set practices whereas others have formal policies.

Bridgewater Associates allows all employees to work from home one day a week. "It's been one of the most impactful things we've done in terms of improving employee morale and satisfaction," said Eileen Murray, Co-CEO.

At Man Group, any employee can apply for a flexible work arrangement, regardless of reason. "From the highest level of our firm, we stress that we will be flexible with work hours and conditions," said Michelle McCloskey, President of Americas, Man Group. "Flexibility is good for all of our employees, not just women, and we also believe it increases productivity."

Outside firms: Organizations providing diversity guidance to firms

Several industry organizations provide resources to support firm diversity initiatives. For example, the United States-based National Venture Capital Association (NVCA), through its VentureForward Initiative, aims to expand opportunities for people of all backgrounds to access VC funding and to thrive at VC firms. NVCA offers research, education, training, and best practices for VC firms and start-ups, including sample Human Resources documents for addressing harassment and for attracting and retaining diverse talent, as well as a sample code of conduct. The Private Equity Women's Initiative, jointly sponsored by the National Association of Investment Companies and the American Investment Council, created a "Best Practices" toolkit to help firms increase gender diversity, which is shared on each organization's website. The global CFA Institute's recently released report entitled "Driving Change: Diversity and Inclusion in Investment Management" provides recommended actions on a variety of diversity and inclusion areas.

Laying the foundation for women's success

> "I think the next area of focus for many of us will be mid-level and beyond. It's not enough to just hire someone—firms need to wrap their arms around them, give them a network and resources and push them."
>
> —**Joan Solotar**, Blackstone

Women still face an uphill battle to make it to the top of their firms. Only 38 percent of represented firms have women on their investment committee. At only 34 percent of firms do new promotions include diverse employees. Clearly, there is more work to do. It is our hope that now, with firms making greater efforts to get women in the door and to keep them once they are there, firm leaders can also turn their attention to the next horizon: laying the foundation for women's success and decreasing barriers to their advancement.

One of the ways in which firms can do that is by working to ensure that women have access to mentors and sponsors. Research has shown that mentoring and sponsorship relationships may not organically develop for women (or other diverse professionals) as often as they do for men. That is why many believe that concerted efforts to facilitate mentoring and sponsorship for women can help bridge this opportunity gap.*

For larger firms, one way to ensure such relationships are happening is through formal programs, while, at smaller firms, a concerted, thoughtful effort by firm leaders can help. Among the largest firms in our study (the ones most likely to benefit from formal programming), only 29 percent provide mentoring programs (of any kind).

However, some large firms are utilizing formal mentoring programs to supplement informal relationships, especially for diverse employees.

For example, KKR provides a nine-month diversity mentorship program which pairs selected diverse executives globally with senior members of the firm. Potential mentees are invited and must opt-in to the nine-month program.

> "The key to success for all of us is to build a partnership pipeline that is diverse and homegrown. We need to make sure all of our professionals, and particularly diverse professionals, come in to the firm with an internal network they can feel connected to. We as a firm need a talent management approach that helps hire and retain professionals with diverse backgrounds. There's nothing worse than a departure that happens before people can reach their full potential."
>
> —**Anilu Vazquez-Ubarri**, Chief Human Resources Officer, TPG

*"Mentors" can be professionals at any level, including peers, within or outside of the mentee's firm. Their role is to provide a sounding board for their mentee and to guide her/him. A "sponsor" is senior to the individual being sponsored and does not need to be at her/his firm. Sponsors are in positions of power, make important introductions, and serve as advocates or champions for the person being sponsored.

Man Group provides numerous mentoring programs available to various groups and at different levels. The firm has mentoring programs for high-potential women, "returnship" program participants (predominantly female professionals who want to return to work following a career break), and LGBTQ, disability, and ethnic minority professionals. Several of these programs, including the mentoring program for high-potential women, pair each mentee with an executive committee member. Such pairings facilitate the development of relationships that could evolve into sponsorships.

Among the firms represented in our survey, very few—just 20 percent—say they ensure women have access to sponsors.

"Sponsorship is undoubtedly important for advancement," explained Michele Meyer-Shipp, Chief Diversity Officer, KPMG LLP. "Firm leaders' evaluation of sponsorship opportunities for women can yield valuable information about areas for improvement."

Individual efforts: Mentoring and sponsorship

We asked our respondents, most of whom are senior-level investment professionals, about their own efforts to mentor and sponsor women.

73% mentor women, answering their questions and providing advice

67% have important career conversations with women

52% sponsor women, advocating for their advancement internally, making important introductions, and ensuring they get access to leadership and/or investment opportunities

> "In nearly everyone's career, there's a time when you think about changing roles, new opportunities or even leaving an organization. Having someone – particularly a mentor or a sponsor – to help through those decisions is invaluable."

—**Lauren Dillard**, Managing Director and Management Committee Member, The Carlyle Group

Outside firms: organizations providing mentoring and networking

Because many firms lack senior women, some organizations are trying to fill the void through cross-firm mentoring programs. The organization Level 20 provides a one-on-one mentoring program (now in its fourth year), with two cohorts of mentees, one of mid-career women who are matched with senior women and men and the other of junior women who are paired with more senior women and men within the private equity industry. Out of 23 women in Level 20's pilot program, 22 continue to work in the industry, and 16 have been promoted since being mentored. "The program allows participants to have open and honest conversations with a mentor outside of their firm, and the program's male mentors have said that, because of their participation, they have a better understanding about the issues young women face in a male-dominated industry," said Jeryl Andrew, Chief Executive Officer, Level 20. The global organization PEWIN offers firms mentorship opportunities by pairing high-potential women from firms with senior PEWIN members.

Other organizations facilitate networking and mentoring opportunities for senior-level women in the industry in different ways. For example, 100 Women in Finance provides networking for small groups of senior practitioners working in the same specialized areas through its Peer Advisory Groups. PEWIN provides an intimate networking forum for senior women general partners, limited partners, and private equity professionals through events such as CIO Roundtables and "pop-up" dinners for LP and GP members.

Spotlight

Firm how tos: Fast-tracking women and diverse candidates for partnership consideration

Some firms are focusing their attention on the promotion process to ensure women and other diverse candidates have equal opportunities for advancement.

For example, TPG has recently revisited its partnership recommendation process. If there are women or professionals of color not yet up for partnership consideration, firm and business unit leaders discuss whether they should be considered a year early. "We may want to vet them early so they have a better chance for promotion the following year," Co-CEO Jon Winkelried said. "It's important to show we are invested in them and connect them to the firm." This early focus on identifying a diverse pipeline of partners has resulted in increased diverse representation at the partner level and retention of high-potential diverse employees.

Spotlight

Outside of firms: The promise of women-led funds

"Retention of women at firms is an important issue to address if we want to keep more women in the industry," noted Kelly Rau, KPMG LLP. "However, there are important opportunities to retain women outside of firms as well. We've seen many women leave firms for the investor side, but another area that holds tremendous potential is for women to launch their own funds," she explained.

Kelly Williams, Chief Executive Officer and Chair, Private Equity Women Investor Network, agreed. "I firmly believe that one of the best ways to keep women in the industry is to encourage them to start their own firms," Ms. Williams said.

Some organizations are helping women do just that.

For example, the Private Equity Women Investor Network (PEWIN) recently launched Project Pinklight, an initiative to help women launching their own funds by providing resources which help position them for success. The program provides participants with recommendations for lawyers, placement agents, and LPs open to investing in women-led firms. Participants also pitch a panel of GPs and LPs and receive feedback. The first two firms who completed the program have already closed their funds.

In addition, the nonprofit finance and alternative investment pipeline-building organization Sponsors for Educational Opportunity (SEO) provides over 100 pre-arranged one-on-one LP and GP meetings at its annual conference and introduces diverse managers to SEO investor members throughout the year.

Individuals: Answering the call to act

"While our 2016 WAI Report was about seizing the moment, this year's WAI Report is about taking action. If the industry truly wants change, everyone needs to join together—all genders, ethnicities, abilities and pedigrees, firm leaders, investors, and everyone in between. To that end, for the first time, we create a call to action, hoping it will hold all of us accountable for the change we want and need to see. We hope you will join us in taking these and other bold steps in the quest for transformation."

—**Camille Asaro and Kelly Rau**, KPMG LLP

In the next year, fund respondents will do the following:

75% I will be a greater advocate for gender diversity within my organization

53% I will sponsor a woman within the alternative investment industry

69% I will introduce a woman to key power players within my organization and within the industry

42% I will help a woman get access to leadership roles within my organization

56% I will ensure women on my team get paid commensurately to their male peers performing equal work

25% I will help a woman get access to investment decision-making roles within my organization

56% I will advocate for a woman's promotion

13% I will add a woman to our leadership team

In the next year, investor respondents commit to doing the following:

75% When meeting with an investment team, I will ask firm leadership about their diversity efforts

42% I will require firms that we invest in improve their diversity efforts if needed

37% I will require disclosure of diversity statistics for all potential investments

The time for action

Much has changed in the two years since our last WAI Report. Conversations about gender diversity in the workplace have not just moved to the mainstream, but they have moved front and center.

Now, so many of us want to do more—we want to question old ways of thinking, to unsettle established norms, to understand these issues more deeply and to act more boldly.

We have a chance: a chance to seize this opportunity, to bridge the gaps in perception, to reach shared understanding and to come together to create impactful solutions.

We hope you will join us and answer the call to act.

Appendices

About the research

Through an online survey, 886 respondents globally, including fund managers and other professionals, investors in alternatives, and service providers shared their views on investment outlook, industry trends, and gender diversity in alternatives. This year's survey had a record number of respondents and included the largest number of investors (128) and men (107) in all six years of the WAI Survey.

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 2018, and interviews were conducted in August through October 2018.

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

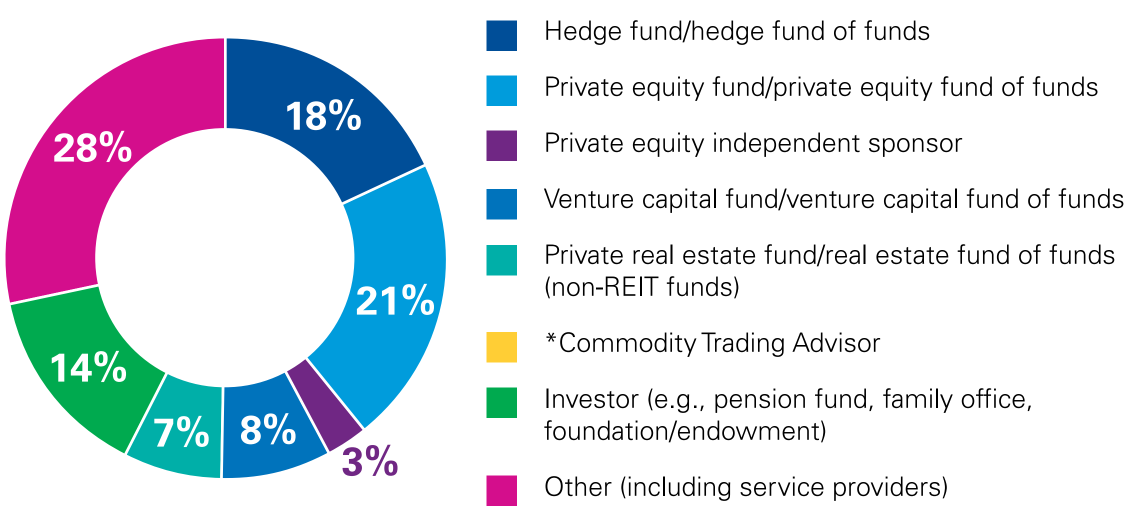
Eighty-eight percent of our respondents are female and 12 percent are male. One respondent did not identify with either gender. Throughout the Report, we typically refer to "female" or "male" respondents since we did not have a statistically significant nonbinary respondent population.

As in prior years, the women represented in our survey are an experienced and well-credentialed group. Twenty-seven percent have more than 20 years experience in financial services. Forty-three percent have 11 to 20 years experience.

Our male respondents are even more senior, with 56 percent having more than 20 years experience in financial services.

Of our female fund respondents, 25 percent sit on their firm's investment committee. Forty-three percent of our male respondents do.

Respondents by industry segment



Does not equal 100% due to rounding

*Note: There was one respondent (1) who selected Commodity Trading Advisor; <1%

Public board membership is low for both women and men respondents (at three versus four percent). However, male fund respondents are more likely to sit on one or more private corporate boards, with 30 percent of men but only 19 percent of women respondents serving as private company board members.

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

Forty-one percent of fund respondents are from firms with $5 billion or more in assets. Thirty-five percent are at firms with less than $1 billion in assets.

Twenty-seven percent of fund respondents are at firms with over 100 employees, and 46 percent have less than 25 employees.

Fifty-one percent of female-led funds are targeting returns of 15 percent or more in 2019, and 38 percent of male-led funds are targeting the same.

Seventy-eight percent of funds plan to raise new investment capital in the next 18 months.

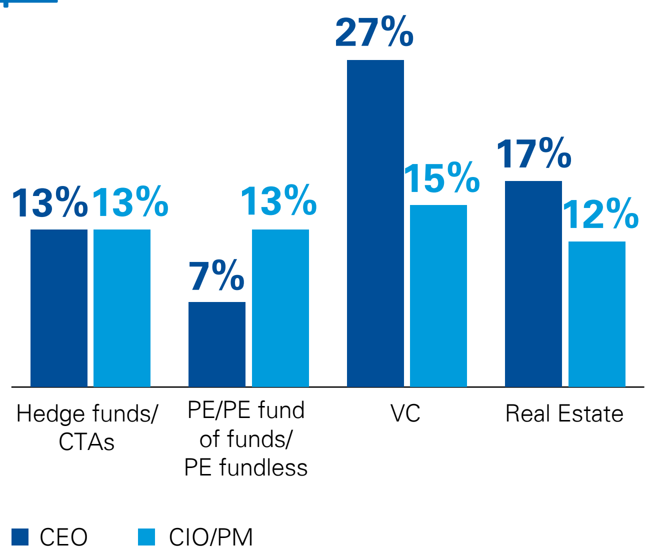
Survey respondents are dominated by North American professionals (representing 78 percent of respondents). Throughout the Report, respondents from "Europe" typically include the United Kingdom (together representing 14 percent of respondents) except when noted otherwise. Where noted, responses from professionals in Asia-Pacific, the Middle East/Africa, and Latin America are aggregated because of smaller respondent numbers in those regions (together representing 6 percent of respondents).

Women in firm leadership

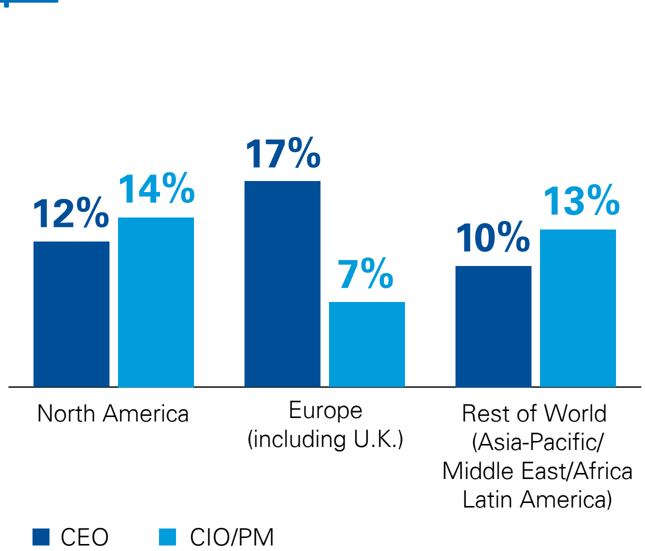
As in prior years of the WAI Report, women are most often seen in C-level positions in marketing/IR, compliance and financial roles at the funds represented in our survey, but they are less often seen in CEO or CIO/Portfolio Manager roles.

Venture capital firms in our study have significantly higher percentages of women in CEO roles (at 27 percent) than all other sectors surveyed, and private equity firms had the lowest percentage of women CEOs (at seven percent).

Women in leadership roles by sector

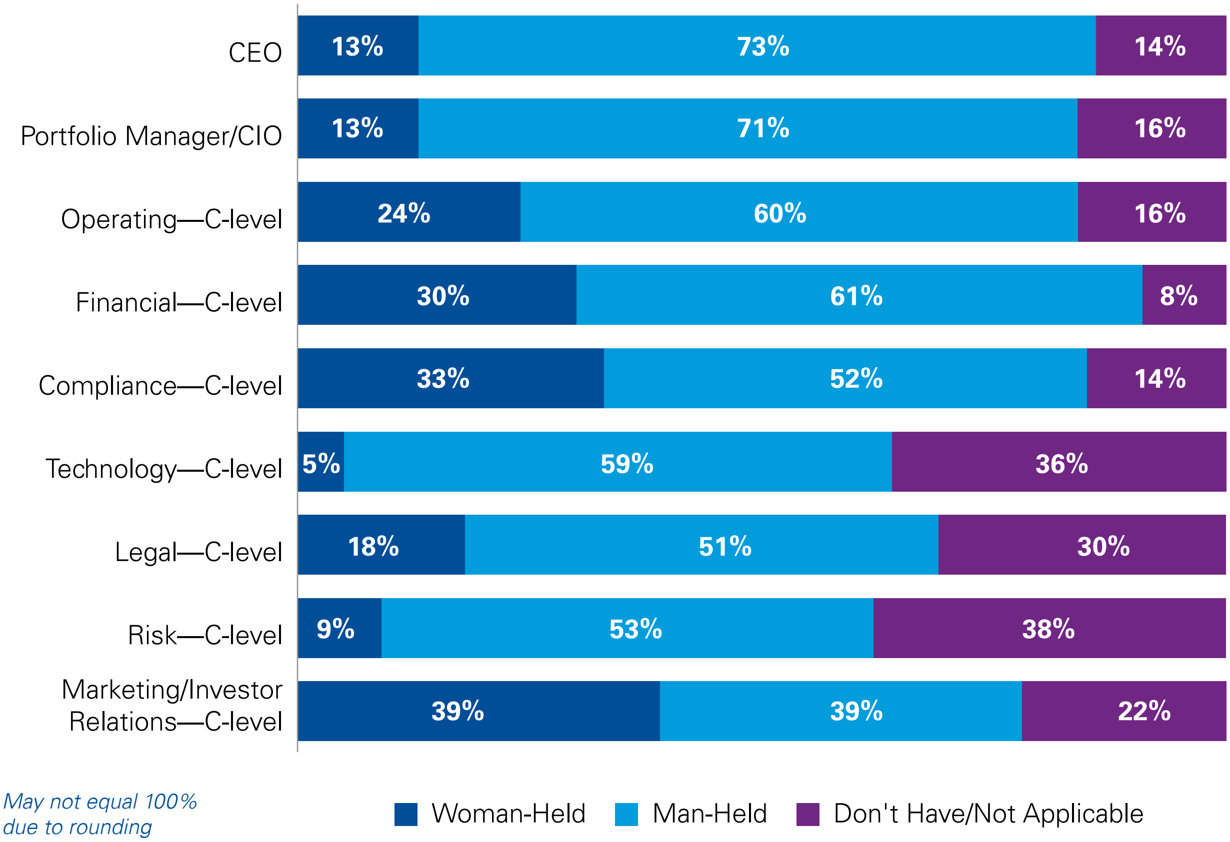


Women in leadership roles by region



As noted in our 2016 WAI Report, 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 are "senior employees" at 11 percent of single-manager hedge funds and venture capital firms, 10 percent at real estate firms and 9 percent at private equity firms. The venture capital firms represented in our study are particularly progressive in gender diversity, given industry-wide data such as Preqin's analysis which found women CEOs in only 8 percent of venture capital firms). Across geographies and sectors, the highest percentage of women in senior roles was found at Asian hedge funds, Asian and French venture capital firms, Chinese private equity firms and French real estate firms, according to Preqin data.

C-Level positions held by women



May not equal 100% due to rounding

Thirty-seven percent of the funds surveyed have no women on their investment committee, which is slightly better than in 2016, when 42 percent of the funds represented had no women on their investment committee.

Acknowledgments

External contributors

We would like to give a special thanks to the following contributors for their time and insights for this Report. Their recognition of the importance of diversity in the workplace and actions they have taken internally are helping to pave the way for change.

- Jeryl Andrew, Chief Executive Officer, Level 20
- Joe Bae, Co-President and Co-Chief Operating Officer, KKR
- Katarina Carlbring, Chief Operating Officer, Nordkinn Asset Management
- Sam Chandan, Chair, Silverstein Chair, NYUSPS Schack Institute of Real Estate; Partner, Capri Capital Partners
- Mai-Lan de Marcilly, Director, KKR Real Estate
- Lauren Dillard, Managing Director and Management Committee Member, The Carlyle Group
- Luke Ellis, Chief Executive Officer, Man Group
- Christopher Elvin, Head of Private Equity Products, Preqin
- Kathryn Graham, Head of Strategy Coordination, Universities Superannuation Scheme Ltd
- Robyn Grew, Chief Administrative Officer and General Counsel, Man Group
- John Hershey, Director of Alternative Investments, Oregon State Treasury
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- Dana Johns, Senior Portfolio Manager, Maryland Retirement and Pension System
- Julian Johnson, Executive Vice President, Sponsors for Educational Opportunity (SEO)
- Michelle McCloskey, President of Americans, Man Group and President, Man FRM
- Matthew McCue, Managing Editor, Emerging Manager Monthly
- Kate Mitchell, Co-Founder, Scale Venture Partners
- Eileen Murray, Co-Chief Executive Officer, Bridgewater
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- Melissa Waller, President, AIF Institute
- Theresa Whitmarsh, Executive Director, Washington State Investment Board
- Kelly Williams, Chief Executive Officer and Chair, Private Equity Women Investor Network
- Jon Winkelried, Co-Chief Executive Officer, TPG
- Alisa Wood, Member, KKR
- Shannon Zoller, Founder, Tephra Advisors, LLC and WAVE Midwest SC; Southern SC Chairperson

Distribution partners

We would also 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) www.investmentcouncil.org

— Association of Women in Alternative Investing (AWAI) www.altinvesting.org

— Association of Women in Finance (AWF) www.womeninfinance.ca

— California Hedge Fund Association (CHFA) www.calhedgefund.org

— Falk Marques Group www.falkmarquesgroup.com

— Felix Weiner Consulting Group www.felixweiner.com

— Investment Program Association (IPA) www.ipa.com

— National Association of Investment Companies (NAIC) www.naicpe.com

— National Association of Real Estate Investment Managers (NAREIM) www.nareim.org

— National Association of Real Estate Investment Trusts www.reit.com/nareit

— National Council of Real Estate Investment Fiduciaries (NCREIF) www.ncreif.org

— Pitch Book www.pitchbook.com

— Private Equity CFO Association (PECFOA) www.privateequitycfo.org

— Private Equity Women Investor Network (PEWIN) www.pewin.org

— Texas Wall Street Women www.txwsw.com

— Women in Alternative Asset Management (WAAM)

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Camille is an Audit partner in KPMG's New York Financial Services practice, with a focus on private equity and hedge fund companies in the Asset Management practice. A skilled professional with more than 28 years of experience in auditing, accounting, regulatory, and strategic planning in the alternative investments industry, Camille is a Certified Alternative Investment Analyst.

Camille is passionately involved with KPMG's gender and diversity initiative, which helps position women for career success and board seats. She is a frequent speaker at industry conferences on topics such as the challenges and opportunities facing investors and diversity practices that yield the greatest rewards in the industry. Camille is the cochair of the WomenCorporateDirectors' New York Chapter and is on the steering committee for the AIF Women Investors' Forum. She is a founding contributor of the Women in Alternative Investments Report.

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Kelly is an Audit partner in KPMG's New York Financial Services practice, serving hedge funds, private equity and venture capital companies in the firm's Asset Management practice. She has over 20 years of experience advising alternative investment companies on auditing, accounting, regulatory and management issues.

Kelly has proudly co-led the Women in Alternative Investments Report since its inception in 2011. She strongly believes in the important role the Report has played in the industry, as it has provided a platform for women fund managers to share their investment and industry insights and has helped further conversations about gender diversity in alternative investments. Kelly is a frequent commentator in media and industry outlets on investor best practices (including efforts to advance gender diversity), challenges, and opportunities facing women-led funds and other issues related to women's advancement in the industry.

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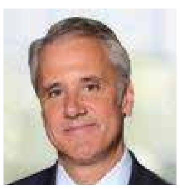
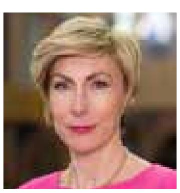
Tania is the founder and leader of the Impact Ventures practice at KPMG. A recognized global leader in impact investing, she is responsible for KPMG's Impact strategy and for advising clients on developing strategies that leverage impact as a means to drive long-term value creation. Previously, Tania created and led the firm's Community Leadership and Impact strategies as KPMG's Chief Impact Officer.

A business innovator, Tania integrates social, environmental, and governance impacts into business and investment decisions to maximize opportunities for differentiated growth, competitive returns, and public trust.



Jim Suglia, *National Sector Leader – Alternative Investments, KPMG in the U.S.*
Jim is the National Sector Leader for the Alternative Investments Management practice and is also a member of the firm's Global Investment Management Executive Leadership team. Prior to his current role, Jim was the U.S. Advisory Industry Leader for Investment Management. While in this position, the U.S. Investment Management Advisory practice doubled, and its portfolio of capabilities significantly expanded. He joined the firm in 2000 and was admitted to the partnership as a principal in 2004.

With more than 25 years of industry experience, Jim has served an extensive roster of both mutual fund and alternative investment clients and has also been involved in the strategic planning for the investment management sector and the financial services LOB. Jim also serves as an at-large partner for KPMG's Pension Strategy and Investment Committee, which assists the board's Compensation and Pension Committee in discharging its responsibilities in relation to the firm's pension benefit plans.



Chrystelle Veeckmans, *Partner, KPMG in Luxembourg*
Chrystelle has 17 years of audit professional experience, for the last 12 years with KPMG. She currently serves as an Audit engagement partner in KPMG in Luxembourg Investment Management practice as well as in the Insurance practice. Chrystelle currently serves as the audit engagement leader for clients covering a wide range of investment activities from the traditional UCITS to the alternative investments space. Chrystelle has been a KPMG director since 2007 and has experience providing assurance services to an array of large, complex regulated industry clients operating in the public and private sectors, in particular UCITS and SIF (Specialized Investment Funds), and structured finance vehicles.

Lead author

Melissa McClenaghan Martin, *President, M3 Strategic Alliances*
A 14-year veteran in the diversity and inclusion field, Melissa has launched transformational initiatives within a range of industries. She has specialized experience creating programs that dramatically increase employees' revenue production while increasing their career satisfaction and commitment to their employers. Melissa is a frequent speaker, commentator and consulted expert on women's advancement in financial and professional services and a former columnist on diversity issues and best practices. She is also a former practicing attorney.

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