

Women in Alternatives: “The rate of change in building gender diversity still needs to improve”

Edgehaven’s Bev Durston talks to Louise Weller about the positives of gender diversity in business, the importance of quotas, and finding inspiration from the women around you

Please can you start by telling us a little bit about your current position?

I am the Founder and Managing Director of Edgehaven, a boutique alternative assets advisory firm for professional investors, located in Australia and the UK. We are a small team working for a handful of institutional clients to research, select, recommend, implement, and monitor high-quality ideas (mainly funds and some co-investments) across the broad spectrum of alternative assets. These include private debt, absolute return, real assets, infrastructure, emerging market debt and opportunistic property ideas. Since I set the firm up in 2013 we have selected and implemented over US\$2bn of investments for our clients, spread across 5 portfolios. We work as an extension of our clients’ in-house teams as an experienced investor by their side for firms with limited dedicated resources in the alternatives space. We are able to hand-pick quality investments that some of the larger consultants cannot source, including being a cornerstone investor with emerging managers or with smaller, specialist strategies. As we do not offer any products, we are totally aligned with our various clients’ needs and have no conflicts in recommending managers, an unusual status for most asset consultancies nowadays. My main focus is on sourcing new investments and building risk-adjusted, uncorrelated portfolios based on the existing investments and the current opportunity set. Other staff are specialised in negotiating and implementing investments, monitoring the portfolios or in governance. We typically select between 4 to 8 new investment ideas each year and have over a decade of performance track record in this space.

Alternative assets are very broadly defined – anything that is not highly correlated with listed equity, govt bonds or core property – and so the range of ideas that we look at is very wide. I travel extensively to source new ideas, spending approximately four months a year “kicking the tyres” of managers overseas as well as serving our UK clients. Most managers that we employ do not have a large Australian presence or client list and so would not usually visit there. We have a significant Asian bias in our portfolio, together with some smaller managers that are heavily invested in their own products (sometimes the manager is the largest investor). This works well, as we prefer managers to be well aligned with client outcomes. Managing businesses in the UK and Australia rounds off my time.

What did you study at university and why? Why did you decide to pursue a career in finance?

I was lucky to specialize in Advanced Mathematics and Economics at school in the UK. Learning about the world and the way the economy works, as well as understanding quantitative methods, sparked my interest in finance. I chose to study Banking and International Finance at Cass Business School, which offered the opportunity to spend a year at a work placement in the City of London. After a few years at a merchant bank as a market maker in bonds and money markets I chose to switch to investing, chiefly to have longer time horizons than trading allowed. I transferred to a pension fund in 1994 and have been focusing on managing investment risk and selecting high quality opportunistic strategies and managers for more than 25 years.

Have you seen people’s outlook on female representation within the industry change since you started your career?

Yes, they have certainly moved in a positive direction during the length of my career – although not as fast as I’d prefer! When I started my career in finance I was trading at a large UK merchant bank

(now Dresdner Kleinwort Benson). With only three females on that large trading floor of 150 traders, life was considerably challenging for the few of us. The firm authorized gender-biased activities on that trading floor to celebrate male traders' birthdays that would make today's firms shake their heads in dismay! However, it was part of that long-gone (thank goodness) culture. Recent news reports show that the culture is still gender biased and not perfect now, but far less gender discriminatory. Yet, sadly the numbers of females in senior management or board positions in financial services are still not significantly different from when I started.

Do you think the industry needs to focus more on female representation? Why/why not?

I firmly believe that gender diversity is a positive element and actively seek it out in managing my business. I contend that the glass ceiling still exists in business, despite the huge strides made in the investment industry (a shining example of a more balanced approach is superannuation in Australia). Nevertheless, it would be encouraging to see more well-defined processes and increased transparency when recruiting directors and senior executives. Nowadays I am a fan of minimum quotas to encourage diversity in a speedy fashion. This was never my view earlier in my career when a pure meritocracy was favoured. But I have been convinced because of the lack of progress in getting senior women into board and senior management positions despite the massive talent that I see waiting on the outskirts. I believe that a quota of thirty percent female representation on boards would quickly redress that imbalance. This would enhance the industry significantly for the better in my opinion. It seems strange that we accept quotas in other parts of the investing industry (i.e. Trustee Boards are still comprised of partly union and partly employer representatives) and yet we shy away from a female based quota. I don't know why if it serves to quickly shift the balance of bias which has moved inexorably slowly over the 30 years of my career.

Are there any specific initiatives that your firm is undertaking to improve female representation?

Luckily, we are a firm that does not have an issue in this regard. We encourage meritocracy but have a small bias toward hiring senior females if they have equivalent talent. Out of seven people at the firm, five are female and three are highly experienced, senior in age. Naturally we believe that we have a good mix of talent. However, most of our clients remain male and we don't view ourselves as a female-specific environment.

Are there any inspirational figures that have influenced your career?

Plenty of people have inspired me and influenced my career. These range from senior women in the industry who I have worked alongside; to those who have generously shared their historical experiences with me via 100 Women in Finance and other industry events; to senior figures in firms to whom I have reported and who have demonstrated leadership, integrity, and strategic thinking. Inspiration comes in many guises if you seek truly great performers and learn to emulate their best practices.

What advice would you give to females looking to start their career in finance?

I would tell anyone looking to start a career in any field to focus on selecting something that they love doing – whatever it be – and advance in that area no matter what the gender balance is like. If you love doing something then you will tend to be good at it and rise to a higher level – and have the added benefit of being happy in your work! Second-guessing where a female may be better placed to do well might not be the most advantageous plan, especially given the rate of disruption and change in many of today's industries. Any changing industry also opens up opportunity for all skilled and committed women with vision to be successful.