
Morningstar Research Report

Fund Managers by Gender

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Executive Summary

Our study shows that women are scarce among United States fund managers and underrepresented relative to other professions.

- ▶ Less than 10% of all U.S. fund managers are women.
- ▶ Women exclusively run about 2% of the industry's assets and open-end funds. By contrast, men exclusively run about 74% of the industry's assets and 78% of funds, with mixed-gender teams accounting for the balance.
- ▶ Though the sample is relatively small, performance of exclusively women-run funds rivals that of men-run funds, even though women tend to manage smaller, pricier funds in niche areas.
- ▶ There are far fewer women in U.S. fund management than there are women doctors (37%), lawyers (33%), or accountants and auditors (63%).
- ▶ The fund industry appears to have a weaker job pipeline than some other professions requiring similar education.
- ▶ The coming wealth transfer to women may ultimately prompt more women to become fund managers.

More women in the U.S. are making their own investment decisions than ever before. In one recent study, 19% of women reported being a primary decision-maker for couples' long-term retirement savings --a figure that has doubled since 2011.ⁱ The numbers of U.S. women financial advisors also are on the rise, with women now comprising more than a fourth of a growing profession.ⁱⁱ

Yet the ranks of professional money managers who are women remain exceedingly small. We examined the gender of U.S. open-end fund managers in our database and found that only 9% are women. Women exclusively run only 2% of assets under management in the \$12.6 trillion U.S. open-end mutual fund universe. The likelihood that a woman is managing a core multiasset allocation fund is even lower.

Fund Management by Gender

Overall, about 7,700 individuals are named portfolio managers of U.S. open-end mutual funds as of March 31, 2015. This number includes portfolio managers who run funds exclusively and as members of teams. Of these, 9.4% are women. Women exclusively manage 184 funds, representing about 2% of the industry's funds and assets.

Exhibit 1 Fund Managers by Gender

	Managers	Managers %
Women	699	9.4
Men	6,711	90.4

Source: Morningstar, Inc. Data as of 3/31/2015

Exhibit 2 Funds and Assets Under Management by Gender

	Number of Funds	Funds Managed %	Fund Assets Under Management %
Women only	184	2.5	1.9
Men only	5,775	77.9	74.0
Women & men	1,452	19.6	24.1

Source: Morningstar, Inc. Data as of 3/31/2015

The largest fund companies, as measured by open-end fund assets under management, do a little better on gender diversity than the industry overall. Dodge & Cox leads the way, with 25% women managers. Franklin Templeton is next, at 14.7%, followed by JPMorgan at 13.6%. Vanguard, Fidelity, and T. Rowe Price are at or below average, and Lord Abbett comes in last among the industry's largest firms, with just one woman manager.

Exhibit 3 Managers by Gender for Largest Fund Families

	Total Fund Managers	Women Fund Managers	Women Fund Managers %
Dodge & Cox	24	6	25.0
Franklin Templeton Investments	129	19	14.7
JPMorgan	140	19	13.6
Principal Funds	82	11	13.4
PIMCO	39	5	12.8
Dimensional Fund Advisors	8	1	12.5
BlackRock	107	13	12.2
American Funds	83	10	12.1
Janus	51	6	11.8
Goldman Sachs	86	10	11.6
Columbia	166	18	10.8
OppenheimerFunds	57	6	10.5
John Hancock	179	18	10.1
Vanguard	132	13	9.9
Invesco	114	10	8.8
Fidelity Investments	252	21	8.3
MFS	58	4	6.9
T. Rowe Price	74	5	6.8
Wells Fargo Advantage	113	7	6.2
Lord Abbett	29	1	3.5

Source: Morningstar, Inc. Data as of 3/31/2015

Women are more likely to be managing a fund as part of a mixed-gender team than running a fund alone or with a team of women. Team-managed funds that have managers of both genders run 21% of the industry's funds and more than a third of the industry's allocation funds.

Though the sample is small, performance of funds run exclusively by women rivals that of funds run by men. Only 37 women have continuously run a mutual fund for at least a decade through March 31, 2015, and in several cases, those women comanaged with men for at least part of the decade. The women's returns are similar to men's even though women tend to manage pricier funds in niche areas, such as smaller-cap equity strategies and municipal-bond funds.ⁱⁱⁱ

The average 10-year category rank for equity funds run by women is virtually the same as it is for men, even though the average annual expense ratio for women-run funds was 7 basis points higher. Women-run fixed-income funds lagged those run by men, but that is largely an artifact of one team of women running multiple municipal-bond funds that underperformed over the past decade. The few women running their own allocation and alternatives funds held their own despite significantly higher costs among allocation funds (15 basis points higher) and alternative funds (49 basis points higher).

Exhibit 4 Percent of Funds Managed, Average Expense Ratio, and Category Ranks by Broad Fund Category and Manager Gender

Equity Funds

	Current % of Total Funds	Average Expense Ratio %	Average 3- Year Category Rank %	3-Year Fund Share Classes	Average 5-Year Category Rank %	5-Year Fund Share Classes	Average 10-Year Category Rank %	10-Year Fund Share Classes
Women only	3	1.37	49	216	58	140	48	66
Men only	76	1.30	49	6,359	48	4,638	46	1,886
Women & men	21	1.26	48	1,780	46	1,339	41	597

Fixed-Income Funds

	Current % of Total Funds	Average Expense Ratio %	Average 3- Year Category Rank %	3-Year Fund Share Classes	Average 5-Year Category Rank %	5-Year Fund Share Classes	Average 10-Year Category Rank %	10-Year Fund Share Classes
Women only	2	0.89	57	104	63	67	64	38
Men only	80	0.97	49	3,546	50	2,571	50	1,174
Women & men	18	0.98	54	791	52	572	53	298

Allocation Funds

	Current % of Total Funds	Average Expense Ratio %	Average 3- Year Category Rank %	3-Year Fund Share Classes	Average 5- Year Category Rank %	5-Year Fund Share Classes	Average 10-Year Category Rank %	10-Year Fund Share Classes
Women only	1	1.35	8	11	6	8	0	0
Men only	63	1.20	51	740	52	537	41	138
Women & men	37	1.14	44	432	40	296	33	116

Alternative Funds

	Current % of Total Funds	Average Expense Ratio %	Average 3- Year Category Rank %	3-Year Fund Share Classes	Average 5- Year Category Rank %	5-Year Fund Share Classes	Average 10-Year Category Rank %	10-Year Fund Share Classes
Women only	3	2.32	53	8	0	0	0	0
Men only	84	1.83	49	266	52	118	44	32
Women & men	13	2.10	30	41	30	22	61	1

All Funds

	Current % of Total Funds	Average Expense Ratio %	Average 3- Year Category Rank %	3-Year Fund Share Classes	Average 5- Year Category Rank %	5-Year Fund Share Classes	Average 10-Year Category Rank %	10-Year Fund Share Classes
Women only	2	1.24	50	339	58	215	54	104
Men only	76	1.22	49	10,972	49	7,895	47	3,230
Women & men	21	1.19	49	3,049	47	2,229	44	1,012

Source: Morningstar, Inc. Data as of 3/31/2015

Interestingly, mixed-gender teams provided the best results, though the performance difference between all three groups is narrow. Overall, our data suggest that, from a performance standpoint, women are holding their own as fund managers, despite their small numbers and despite running more-expensive and noncore funds.

Notably, the fund industry's leadership ranks are less-diversified than other comparable professions. A woman is less likely to be running a U.S. mutual fund than working as a doctor (37%), lawyer (33%), or accountant or auditor (63%).^{iv} Women are also better-represented in law leadership ranks: 20% of law-firm partners are women, while 24% of federal judges are women.^v In accounting, 19% of partners in U.S. accounting firms are women.^{vi}

A Leaky Talent Pipeline

Why are there so few women fund managers? A leaky career pipeline is one reason. The early-stage pipeline certainly has grown more robust: Women now represent nearly 60% of all Bachelor's and Master's degree recipients.^{vii} But the pipeline starts to narrow as relatively few women attend business school. In 2013, 37% of MBAs went to women.^{viii} By contrast, women earned 47% of law degrees^{ix} and medical degrees.^x

The pipeline narrows further as fewer women specialize in finance. Less than 17% of the U.S.' 50,898 Chartered Financial Analyst charterholders are women. The U.S. has a lower percentage of women CFA charterholders than other countries with major financial centers, including Australia (18%), the United Kingdom (19%), Hong Kong (27%), and Singapore (31%).^{xi}

Looking at these numbers puts into context the underrepresentation of women in the ranks of U.S. mutual fund managers. With fewer women available, based on education and credentials, the talent pool is dominated by men. That said, there are far more women CFA charterholders (about 8,500) than there are women fund managers (699), so there's room to grow the number of women fund managers in the short term. Interestingly, a May 2015 Morningstar study of mutual fund managers in Hong Kong found that 25% of fund managers in that market are women, so the country with a stronger pipeline of women CFA charterholders also has a higher percentage of women fund managers.

Women and Money

Ultimately, shifting demographics may prompt the most change in the fund industry. Traditionally, women have taken a supporting role when it comes to making investment decisions. This likely reflects stereotypes about gender that have played a large, if sometimes subconscious, role in decisions affecting women's role in financial decisions or, in the case of the mutual fund industry, the career paths they choose to follow.

Women, however, are moving into the driver's seat. They are expected to control half of the U.S.'s private wealth by 2020--\$22 trillion of assets.^{xii} Some of this will come from inheritances, particularly as baby boomers age, but income for women is expanding as well. Women who work outside the home are more likely to share in retirement decision-making and exhibit more confidence in their decisions.^{xiii} As women control more wealth, it's reasonable to expect to see more women among the fund managers investing those savings.

Methodology Notes

This study drew from Morningstar's fund-manager database, which includes all of the individuals who managed mutual funds on March 31, 2015, as documented in official filings with the Securities and Exchange Commission. Morningstar assigns each fund manager a numeric identifier so it's possible to follow the manager's fund duties throughout his or her career. Morningstar includes biographical attributes about each manager in its database, including gender.

By tracking individual managers in this way, Morningstar can determine how many funds are run only by women, only by men, or by teams that include both men and women. From there, Morningstar can assess whether there are significant differences between fund portfolios along gender lines.

The study considered a fund run by women if one or more women are listed managers. To assess performance, Morningstar considered a fund woman-run if the manager or managers on March 31, 2015, were women and at least one woman portfolio manager had been a named manager on the fund for the duration of the period measured. Morningstar used the same methodology to determine which funds were run exclusively by men. Morningstar defined mixed-gender team-managed funds as being run by at least one man and one woman today and for the duration of the time periods measured.

Morningstar did not track changes within management teams in aggregate over the time periods measured. Therefore, some funds classified as women-run could have had a man comanager for part of the measurement period but not at the measurement date of March 31, 2015. The same is true for the men-run funds. For example, we would have considered a fund women-run over the past three years even if a man had comanaged the fund during years one and two of the period as Morningstar's data analysis did not capture interim managers.

ⁱ Fidelity Investments. "2013 Couples Retirement Study Executive Summary." May 2013.

ⁱⁱ Bureau of Labor Statistics, U.S. Department of Labor. "Occupational Outlook Handbook." May 2012.

ⁱⁱⁱ There are 46 fixed-income funds among the women-run funds with three-year records, 30 of which are municipal-bond funds. Seven of the muni-bond funds have been managed by Stella Wong and Carrie Higgins of Franklin Templeton, so they represent 4% of the three-year sample and 16% of the funds with 10-year records. These strategies have very poor long-term records, due in part to Franklin Templeton's firmwide decision to hold battered Puerto Rican bonds in its single-state and other muni-bond portfolios. When one excludes Wong and Higgins' results from the women-run funds with 10-year records, the group's average category rank rises to the 45th percentile, indicating most beat their typical peer for the period.

^{iv} Bureau of Labor Statistics, U.S. Department of Labor. "Labor Force Statistics from the Current Population Survey." Feb. 12, 2015.

^v American Bar Association. "A Current Glance at Women in the Law." July 2014.

^{vi} Moore, S. 2013. "AICPA 2013 Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits." American Institute of CPAs, July 26, 2013.

^{vii} Data from Digest of Educational Statistics, National Center for Educational Statistics "Enrollment, staff, and degrees/certificates conferred in degree-granting and non-degree-granting postsecondary institutions, by control and level of institution, sex of student, type of staff, and level of degree: Fall 2010, fall 2011, and 2011-12."

^{viii} Data from unpublished statistics by Association to Advance Collegiate Schools of Business, "Women's Share of MBAs Earned in the U.S.," cited by catalyst.org, July 2014.

^{ix} American Bar Association. "A Current Glance at Women in the Law." July 2014.

^x Data from Association of American Medical Colleges. "Medical Students, Selected Years, 1965-2013." July 28, 2014.

^{xi} Data from Bloomberg Visual Data: Bloomberg Best (and Worst), "Fewest Female CFA Society Members: Countries."

^{xii} Silverstein, M.J., & Sayre, K. 2009. "The Female Economy." Harvard Business Review, Sept. 2009.

^{xiii} Fidelity Investments. "2013 Couples Retirement Study Executive Summary." May 2013.