THE MARCH OF THE WOMEN: INCREASING DIVERSITY IN ASSET MANAGEMENT

Contributors:
Candice Tse | Managing Director
Wendy Lin | Vice President
Kate Ju | Associate
Jennifer Prosser | Associate
Women make up 50% of the world’s population\(^1\), earn more than $20 trillion every year globally\(^2\), and control over one-third of the total household wealth\(^3\). Yet a gender gap continues to exist, especially with respect to finances. Last year, we explored how COVID-19 affected the gender gap, particularly in the labor market, as well as COVID-19’s impact on women entrepreneurs. In this paper, we will focus on the gender gap in asset management and offer considerations for investing in diversity in the investment industry.

Diversification is a core concept in asset management. By allocating across different asset classes and managers, investors seek to reduce market volatility and improve risk-adjusted returns. We think that diversification also applies to teams managing money and allocating assets. Currently, women’s representation in the asset management industry lags behind representation in the rest of financial services\(^4\). We believe that diversifying with women can have a multiplying effect that can potentially improve returns, attract more women to the industry, and contribute to the leadership pipeline. Goldman Sachs Asset Management is dedicated to playing an active role in closing the gender gap within asset management.

**EXECUTIVE SUMMARY**

- We believe that diverse teams lead to better outcomes. More perspectives and differentiated backgrounds can drive higher-quality decision making, improved deal sourcing, and better ability to attract and retain talent, helping to drive business longevity and investment performance.
- Diversity can be improved both in terms of women in investing and investing in women. On investment teams, we find that women are underrepresented across public equity, fixed income, and alternatives markets, particularly at a senior level.
- Asset allocators — such as pension plans, endowments and foundations — and financial advisors also play an important role in investing in diversity, both on their own investing teams and in the managers in which they invest.
- Across investors and asset allocators, we see common approaches for improving women’s representation in asset management. In order to support diversity in the future, we think it is important for the industry to **ACT NOW**:
  - **ADOPT** a written diversity, equity, and inclusion (DEI) policy in seeking to build accountability
  - **CULTIVATE** a supportive culture with strong apprenticeship, allyship, and sponsorship
  - **TAP** into differentiated recruiting pools and then train, retain, and promote diverse talent
  - **NORMALIZE** diversity reporting standards and commit to regular reporting in industry databases
  - **OUTLINE** diversity criteria for investing, and set medium- and long-term target goals
  - **WORK** with external organizations to help eliminate familiarity barriers and review progress toward diversity goals

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DIVERSITY IN WOMEN IN INVESTING

We believe that diverse teams lead to better outcomes. More perspectives and backgrounds can drive higher-quality decision making, improved deal sourcing, and better ability to attract and retain talent, helping to drive business longevity and investment performance. In our own practices and the practices of our peers in the investment industry, we think a deliberate effort to improve representation of women in investing is imperative.

Public Markets

US public markets, both equity and fixed income, are among the largest in the world at $52 trillion and $46 trillion, respectively\(^5\). Public market investors have the potential to influence a significant amount of capital. Unfortunately, in 2020 just 11% of public fund managers in the US were women—a percentage that has remained roughly constant over the last decade according to Morningstar\(^6\). The absolute number of managers has increased, but has not kept pace with the growing industry.

Despite increased focus in recent years, even mixed-gender teams are still the minority today. Diverse investment teams represented 28% of funds and nearly 40% of assets under management in 2020, which still has significant room for further improvement. By comparison, all-men teams accounted for 70% of funds and nearly 60% of assets while all-women teams represented less than 2% of teams and 1% of assets. The status quo suggests that without intentional practices to address structural barriers or implicit biases, the industry will continue to skew toward men.

Exhibit 1: Women Underrepresented in Fund Management

Across the last 20 years, female fund managers have appeared to thrive in more nascent markets where niche opportunities meant smaller presence from mainstream investment management players and more opportunities for new, diverse ideas. In 2000, at the onset of index and exchange traded fund (ETF) investing, women accounted for nearly 20% of US passive fund managers. As the market has matured, women now represent approximately 13% of passive fund managers. Today, female fund managers are still more represented in emergent fund markets such as China, where women accounted for more than 28% of managers in 2020—twice the global average\(^6\). We have seen a similar pattern across industries: better representation in smaller, newer markets and at smaller, newer firms. Seeing women contribute in these spaces is encouraging, but we believe keeping them as industries grow to scale is critical.

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\(^{5}\) SIFMA, as of February 2022.

In an industry that is so familiar with benchmarks, we think that a benchmark approach to diversity can help. Setting clear goals and measuring and reporting against them may improve accountability. For example, ensuring that applicant pools are diverse across all roles, diversifying leadership positions across experiences, and translating diversity mandates into cultural inclusivity may help.

Katie Koch
Chief Investment Officer of Public Equity within Goldman Sachs Asset Management

Diversity and inclusion is not just an issue of equity, it’s an alpha issue as well, for us and for our clients. In investing, especially human-driven fundamental investing which is what we do every day, you seek to create an edge by having a unique perspective relative to the market. One of the ways to cultivate that variant perspective is to bring in people with different perspectives and backgrounds – ensuring that there is a diverse set of voices at the table so that our collective understanding is better informed and less biased. Recognizing this competitive advantage, we have built a team where over 50% of our $350bn+ in Assets Under Supervision is led or co-led by women portfolio managers, much higher than the industry average. In my view, the “if you see it, you can be it” mentality is critical for inspiring the next generation of investment talent. The good news is that once you reach a critical mass of female representation on an investment team, the diverse talent actually comes and finds you. Women want to work somewhere where they see other incredibly talented women in seats of authority, influence, and risk-taking.

Alternatives Investors

The private market and alternatives landscape also has progress to make on the diversity front. According to Preqin data, women represented just over 20% of employees working in alternative assets in 2020. Across individual geographies, asset classes, job functions, and seniority levels, the gender gap becomes even greater.

Exhibit 2: Women Underrepresented in Alternatives Asset Management

Female Employees in Alternatives as a Proportion of Total Employees (%)

<table>
<thead>
<tr>
<th></th>
<th>Junior</th>
<th>Mid-Level</th>
<th>Senior</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td>32</td>
<td>25</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>38</td>
<td>29</td>
<td>14</td>
<td>22</td>
</tr>
<tr>
<td>Private Debt</td>
<td>30</td>
<td>22</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>27</td>
<td>30</td>
<td>11</td>
<td>19</td>
</tr>
<tr>
<td>Real Estate</td>
<td>37</td>
<td>22</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>32</td>
<td>21</td>
<td>10</td>
<td>19</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>33</td>
<td>22</td>
<td>11</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Preqin Pro and Goldman Sachs Asset Management. As of December 2020. For illustrative purposes only.

7 Assets Under Supervision (AUS) includes assets under management and other client assets for which Goldman Sachs does not have full discretion. The ~50% of assets managed across Fundamental Equity products are led or co-led by female portfolio managers. This number will change as markets move and client asset flows cause assets in different strategies to increase and decrease.

There is significant fall-off of women in alternatives as careers progress, with women accounting for 12% of senior roles compared to 24% at the mid-level and 32% in junior positions. Research by McKinsey suggests that attrition itself is not to blame – women leave roles at roughly the same rates as men. However, women are promoted at lower rates than men9. So while we believe recruiting junior women into alternatives is important, creating an intentional structure around training, promotion, and retention is paramount to improve senior representation in the future.

The solution for each firm may differ based on circumstances, but in surveying many of our industry peers in alternatives we have found a few common practices. The Goldman Sachs Asset Management Alternatives Investment Manager and Selection (AIMS) team collected responses from 550 long-only, hedge fund, private equity, and real estate investment management firms in which our clients are invested. Most have a written policy on equal employment opportunity (EEO) or diversity, equity, and inclusion (DEI) and conduct periodic reviews of compliance with that policy. Many also have DEI-focused recruitment initiatives, but fewer have specific benchmarks for diverse hiring, retention, or promotion.

### Exhibit 3: Movement Toward Diversity, Equity, and Inclusion

<table>
<thead>
<tr>
<th>Manager DEI Policies and Actions (%)</th>
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<tbody>
<tr>
<td>Have a Written EEO/DEI Policy</td>
<td>84</td>
</tr>
<tr>
<td>Conduct Periodic Reviews of Compensation Compliance with the EEO Policy</td>
<td>76</td>
</tr>
<tr>
<td>Have DEI Focused Recruitment Initiatives</td>
<td>69</td>
</tr>
<tr>
<td>Have Employee Affinity Networks</td>
<td>39</td>
</tr>
<tr>
<td>Have Benchmarks in Diverse Hiring/Retention/Promotion</td>
<td>30</td>
</tr>
<tr>
<td>Have a Chief Diversity Officer</td>
<td>27</td>
</tr>
</tbody>
</table>

Source: Goldman Sachs Asset Management 2021 AIMS Diversity Survey. As of December 31, 2021. For illustrative purposes only.

Alongside the survey, many managers emphasized the importance of diversity and inclusion to their firm culture and recognize how it can help them drive commercial success. For example, diverse teams may have access to differentiated deal pipelines, recognize new business initiatives, or create relationships with a broader group of founders. Additionally, we think that proactive DEI practices can help asset managers recruit, promote, and retain more women, making progress on female representation in the investment world.

### Suzanne Gauron

Global Head of Private Equity Strategies and Launch with GS within Goldman Sachs Asset Management

> In private markets there have been large rivers of capital chasing the same opportunities for many years. Diversity to us is about finding differentiated opportunities or contrarian ideas, and we believe those come from all sorts of individuals and backgrounds. We believe there needs to be more capital on both sides of the table to move the needle, so we started Launch with GS where we seek to work with both underrepresented investors and founders. We are excited because we have never seen more investment opportunities than we do now in 2022. In 2018 when we first started Launch with GS, we often got the question from stakeholders, “is there the enough opportunity to deploy capital in this area?” Now we believe we can definitively say yes, with the data to support.

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DIVERSITY THROUGH ASSET ALLOCATORS

Diversity has also become top of mind for asset allocators, though progress has been more localized at the plan sponsor or institutional level. Moving the needle on diversity typically comes through two approaches: manager diversity and allocation diversity. For asset allocators, the former addresses diversity within the workplace while the latter focuses on promoting diversity through investments. So far, data remains scarce on both ends. We believe inclusive representation starts with having good data. Efforts to normalize diversity reporting similar to financial reporting may drive transparency and create opportunities for women, diverse, and emerging managers.

Public Plans

Public plans have been most visible in their diversity efforts, though still lack consistency. Looking at hiring policies, only 26 of the 195 listed public defined benefit plans have declared an explicit policy encouraging the hiring of women, minority, disabled or veteran investment professionals. On allocation diversity, only 11 plan sponsors publicly reported the amount of assets invested with diverse managers as of February 2021. Reporting also varied across public plans, with some plans producing regular diversity report cards to evaluate and monitor commitment to inclusion while others remained opaque.

Public plans may be subject to state statutory requirements when it comes to asset allocation and manager selection. For example, state legislations may specify that fiduciaries must act prudently and for the exclusive purpose of providing benefits, which can limit the use of non-financial factors to influence decision-making. Many plans have sought different ways to incorporate diversity into investments depending on their circumstances. Some plans may lean on emerging and diverse manager programs as a solution, or pair them with dedicated asset allocation, carve-out mandates, and diligence processes considering diversity as a criterion for evaluating investment partners. A number of public plans also have specific requests for proposal (RFPs) seeking expertise on standardized DEI measurement and scoring systems. We find that public plans have also supported diversity efforts through dedicated partnerships with diverse-owned and -led brokerages. Many have also joined broader coalitions to effect change in their investments by way of corporate engagement and voting shareholder rights.

Still, relative to their peers, public plans are ahead of the curve on representation given a different set of motivations, in our view. First, a commitment to advancing minority- and women-owned businesses reflects an extension of existing affirmative policies for awarding government contracts. As local governments are responsible for representing societal values and diverse constituents, they may be incentivized to address existing imbalances in resources and structural barriers. Second, the recent spotlight on gender inequality may have also reignited a public focus on improving diversity. With a growing global emphasis on environmental, social and governance (ESG) issues, we believe employers’ commitment to employee wellbeing has also been elevated, extending to include gender equity too. Lastly, many public plans already benefit from having greater gender diversity on their investment teams relative to other institutional peers, potentially increasing their willingness to allocate toward diverse managers.

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Even so, there is still work to be done. Currently, just 24% of employees working for institutional investors are women. Women are more likely to be employed by smaller firms than large ones, especially at the senior level. Preqin data shows that more than one-fifth (22%) of senior employees at institutions with less than $1 billion in assets under management are women, compared with 16% at a firm with assets exceeding $100 billion. A similar pattern holds at the junior level – 44% at smaller firms compared with 31% at the giants. For public plans specifically, progress on women’s representation is above-average, though still far from parity.

Expanding the pipeline for diverse managers is equally important, in our view. Public plans typically use consultants and multi-manager funds as key ways to access diverse managers. By outsourcing, asset allocators are relieved of having to diligence individual managers in a space where performance data is often scarce and in-house expertise is limited. These resources offer potential advantages, but we think that asset allocators should also consider opportunities outside of these networks.

For example, consultants have deep networks across investment managers, but their breadth of coverage may have the unintended consequence of keeping lesser-known players out of the big league. For smaller managers, access often comes at a steep marketing cost, and investment firms that pour capital into developing strong investment teams may lack the resources to spend on campaigns to scale consultant relationships. Moreover, consolidation within the consultant universe alongside the growth of asset managers means that fewer consultants are responsible for evaluating a growing pool of competitive information. Therefore, consultants may award mandates to incumbent asset management firms given their existing familiarity with these firms and access to performance records. However, these large incumbent firms often lack diversity.

Additionally, public plans have also leveraged multi-manager funds to assist with vetting and staffing mandates. While these structures may benefit from having a narrower focus, e.g., with diligence oversight of diverse managers instead of the full universe of investment firms, they may also be less economical for plan sponsors.
Exhibit 5: Some Potential Benefits and Considerations of External Firms

<table>
<thead>
<tr>
<th>Consultants</th>
<th>Multi-Manager Funds</th>
</tr>
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<tbody>
<tr>
<td><strong>Potential Benefits</strong></td>
<td><strong>Potential Considerations</strong></td>
</tr>
<tr>
<td>Potentially strong database of manager pools</td>
<td>High marketing costs for managers to access consultants</td>
</tr>
<tr>
<td>Comprehensive and rigorous manager research platforms</td>
<td>Limited capacity to diligence all managers</td>
</tr>
<tr>
<td>Client-centric</td>
<td>Tendency to allocate with established managers</td>
</tr>
</tbody>
</table>

Source: Goldman Sachs Asset Management. As of March 2022. For illustrative purposes only. Note that Multi-Managers Funds are not appropriate for all investors and are not riskless investments, so investors can lose money. This material is provided for educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities.

Heather Kennedy Miner
Global Co-Head of Client Solutions and Capital Markets within Goldman Sachs Asset Management

From pension plans to the advisor community, our clients are diverse and represent a diverse constituency, and they bring an expectation that the firms they entrust to manage their money have a similar diversity of gender, thought, and experience. The data tells us that we should be particularly focused on improving women’s representation in senior roles, so building networks is critical. Those networks enable us to hire laterally more equitably, create opportunities for mobility so that we can grow the leadership pipeline, and support women through important life milestones so that we can retain our diverse talent.

Investment Consultants

Our observations on public plans extend to investment consultants as well. In a 2020 Annual Investment Consultant Survey, 16 firms were interviewed on their diversity efforts in-house and on behalf of their clients as asset allocators. Across the respondents, the study found that while firm ownership remained dominated by white men, diversity within senior management has started to improve. On average, 23% of firm owners are women, while 39% of women hold senior management positions. Women represent 29% of the research staff at consultants on median. We think this is an important metric to watch as a more gender-balanced research staff wielding decision making power may be impactful in broadening female inclusion through manager selection. Still, the forward pipeline to inclusivity can be improved. Across the 16 firms, 14 of them have established guidelines on diversity hiring practices. Yet only five firms have a written policy to interview one or more woman candidate for every available position.

We see areas of improvement for the investment manager review process too. While the majority of surveyed investment consultants have diverse manager programs in place, less than a third of them have explicit rules requiring a qualified diverse-owned firm to be interviewed for asset manager openings. Moreover, only three consultants actively track incoming inquiries from investment firms, diverse, or otherwise. We believe access to diverse managers requires an active approach to expanding the candidate pipeline.

To do so, we need robust data. Over the past year, investment consultants have taken great strides to harmonize diversity data provided by asset managers in order to better assess, evaluate, and award mandates. The Institutional Investing Diversity Cooperative (IIDC), a growing body of 24 consulting firms representing $32 trillion in assets, have broadened screening metrics beyond the traditional focus on firm ownership to also include details on leadership and investment products. For instance, in collaboration with eVestment, there are now roughly 947 asset managers who have opted to share data on ~9,000 products, reflecting more than 37% of active products in the traditional manager database. While more buy-in is required, we believe establishing a broadly accessible database could go a long way in distributing DEI data to institutional clients and intermediaries while also removing hurdles for diverse managers to get in front of institutional investors. There are no shortages of proprietary databases owned and maintained by individual consultants, but a centralized database may help improve access. Importantly, establishing a standardized language in diversity reporting may even invite more opportunities for direct institutional investment.

Endowments & Foundations

The endowment universe also has significant potential to make a positive impact on equality measures, in our view. The market value of the endowment funds of colleges and universities in the US totals more than $648 trillion, and the size and the perpetual investment horizon of the assets may amplify the impact that capital can have over the long run. Unfortunately, there is still significant room to improve investments in diversity. According to the 2021 National Association of College and University Business Officers (NACUBO)-TIAA annual survey, only 6% or approximately 42 of the 705 US institutions in the study acknowledged a formal policy addressing diversity, and none of the 104 institutions with endowments greater than $1 billion or more answered yes to the question. Of the 6% with a formal policy, larger endowments were significantly more likely to have diverse managers in their portfolios relative to smaller counterparts, potentially due to differences in resources needed to conduct due diligence and source investments.

There has been modest improvement from the 2018 study where only 4% or approximately 32 of 802 US institutions surveyed answered affirmatively to a diversity and inclusion policy for manager selection. However, we continue to see significant inertia and status quo where 104 institutions with endowments greater than $1 billion or more did not answer yes to the policy question. We think that formalizing a DEI policy in manager selection is one of the first steps to expand manager due diligence and potentially enhance investment performance.

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15 Institutional Investing Diversity Cooperative (IIDC), as of October 21, 2021. [https://www.top1000funds.com/2021/10/diversity-how-can-we-measure-progress-if-we-dont-have-the-data/](https://www.top1000funds.com/2021/10/diversity-how-can-we-measure-progress-if-we-dont-have-the-data/)


18 NACUBO-TIAA, “Study of Endowments,” 2018. No affirmative yes to the existence of a formal diversity and inclusion policy stat is based on institutions with endowments $1 billion or greater in size as of the respective fiscal year (FY) end.
Exhibit 6: Endowments and Foundations with DEI Policies

Number of US Institutions

- FY 2017
- FY 2020

Source: NACUBO-TIAA, “Study of Endowments,” 2018 and 2021. The number of institutions that did not respond affirmatively to the existence of a formal policy is based on institutions with endowments $1 billion or greater in size as of the respective fiscal year (FY) end. For illustrative purposes only.

Foundations are another potentially powerful asset allocator that have often led the charge in investing with diverse-owned firms, with the goal to secure strong returns, identify new opportunities, and engage with increasingly diverse and interconnected communities. Looking at some of the largest US foundations in the US, 16.6% of assets (or $1 in every $6) are invested in diverse-owned funds in 2021, up 1.1 percentage point from 2020 when considering the amount of analyzed AUM. The greatest growth was observed in investments directed towards minority-owned firms, while the percentage of investments placed with female-owned firms remained constant at 9.8%.19

Luke Sarsfield
Global Co-Head of Goldman Sachs Asset Management

“
To achieve gender diversity in asset management and ensure that more women move into senior management ranks, men need to be intentional about providing our colleagues access to the intangibles that underpinned our success. First and foremost: it is incumbent on men to identify, coach, and most importantly sponsor women. When I reflect upon my career, I can look back at the times in which a senior executive not only asked how they could help, but also used their influence to support me. This goes beyond the necessary work diversity programs do to bring diverse groups together to take ownership of the challenge – people who still hold the majority of senior roles can accelerate the process. Advocacy is really what matters and if we successfully advocate for our colleagues’ careers, we will create a more vibrant, successful organization.”

Financial Advisors

Wealth management has long been a male-dominated industry. Over the years, various asset managers and professional organizations have recognized this issue and launched initiatives to improve the balance, but we still see room for improvement. While women represent just over 50% of the US population, only 18% of financial advisors were women in 2021, a mere 2.4 percentage-point increase from 2015\(^\text{20}\). Female representation further decreases at the top. Only 11 of the Barron’s top 100 financial advisors were women and only 16% of top 100 registered investment advisors (RIA) firms’ executives were women in 2021\(^\text{21}\).

Exhibit 7: Women Underrepresented in Wealth Management


Source: Cerulli Associates and Goldman Sachs Asset Management. As of December 2020. For illustrative purposes only.

We think there are many reasons why women are underrepresented in the advisor community. Some of the obstacles that female financial advisors face include: pipeline challenges, limited visibility of leadership, insufficient mentoring opportunities, work-life balance, and implicit bias. In addition to the headwinds faced during the recruitment process, many firms continue to struggle with retention and career progression. In fact, when analyzing the average US advisor by gender, the ages 45 to 54 represented the cohort with the largest difference in male and female advisor population. In their prime career years, many women also have to balance caregiving and household activities. Without structural support and clear opportunities in the workplace, female advisors may opt to change tracks\(^\text{20}\).

Exhibit 8: Decline at Peak Earnings Years

US Advisor Age by Gender (2020) (%)

Source: Cerulli Associates and Goldman Sachs Asset Management. As of December 2020. For illustrative purposes only.


\(^{21}\) Barron’s, 2021 Top 100 US Financial Advisors and Top 100 RIA Firms.
The steps that wealth management firms can take to improve women’s participation in the industry are similar to those in other parts of asset management. Starting with recruitment, firms can attract students and young professionals to the industry while making women leaders more visible to broad audiences. Firms can adopt new definitions of job descriptions based on skills and interests rather than labels, for example “relationship manager” as opposed to “financial advisor22.” For employees, we believe firms should recognize that work-life balance is not just a women’s issue, and offering flexibility and parental benefits can be helpful for all employees. Finally, sponsoring affinity networks that promote inclusivity, enhance leadership skills, and build professional confidence may elevate retention. Many companies have already laid a foundation for investing in women, but a deliberate, metrics-based approach can improve impact.

Stephanie Cohen
Global Co-Head of Goldman Sachs Consumer and Wealth Management

"We strive to empower our millions of clients and customers to achieve their financial goals. In order to do that well, we must tailor our approach to each individual. It’s no secret that the financial industry has not always done a great job of serving women. We are focused on changing that across every aspect of our business – from the products we offer to the services we provide to the means by which we deliver those products and services. Focusing on this is, of course, the right thing to do, however, it is also good business given by 2030 American women are expected to control much of the $30 trillion in financial assets that baby boomers will possess."

The gender gap in asset management is a result of decades of structural and cultural issues. Influential stakeholders including asset managers and allocators, as well as senior leadership and human resource departments should be at the forefront of improving diversity starting today. We think the asset management industry should **ACT NOW**:

- **ADOPT** a written diversity, equity, and inclusion (DEI) policy to build accountability
- **CULTIVATE** a supportive culture with strong apprenticeship, allyship, and sponsorship
- **TAP** into differentiated recruiting pools, then train, retain, and promote diverse talent
- **NORMALIZE** diversity reporting standards and commit to regular reporting in industry databases
- **OUTLINE** diversity criteria in investing, and set medium and long-term target goals
- **WORK** with external organizations to help eliminate familiarity barriers and review progress toward diversity goals

**Megan Hogan**  
Chief Diversity Officer of Goldman Sachs

> There are two important opportunities to improve the pipeline of women leaders. First, we need to build the confidence of women – ensuring they better value their capabilities and their aspirations. Studies show that women pass on roles if they don’t score “10 out of 10” on the requirements listed. We need to encourage women to advocate for themselves based on their past performance and their potential. Second, senior leaders need to expand their spheres of influence and be transparent and intentional in elevating more women – that means being aware of who they travel with, take out after work, mentor, or sponsor. Importantly, we also need to broaden the pipeline for talent too. We cannot continue to look for the same type of talent from the same places.

**Adopt a written diversity, equity, and inclusion (DEI) policy in seeking to build accountability.**

A formal DEI policy is essential in providing a commitment and framework to foster a culture of diversity, equity, and inclusion within organizations. A written policy sets clear and attainable expectations for the whole organization. In fact, simply writing down goals may increase the chances of achieving them by 42%.

**Cultivate a supportive culture with strong apprenticeship, allyship, and sponsorship.**

Once a written DEI policy is in place, actions should bring the policies into the workplace and portfolios in ways that can be reviewed, improved, and replicated in the future. Here at Goldman Sachs, we have set aspirational goals for women to represent 50% of analysts, 50% of associates, and 40% of vice presidents by 2025. At a senior level, we are measuring and reporting on women’s representation in managing director and partner classes. While there is still more to be done, we have found these goals help to keep us accountable. We also have a women’s network for women in asset management, and men are welcome to be sponsors and allies in the network.

**Tap into differentiated recruiting pools, then train, retain, and promote diverse talent.**

A focus on attracting women at the junior level and beyond will ensure companies maintain a more diverse workforce and leadership pipeline, but it will likely require changes to human resource strategies. Firms should consider new recruiting pools, including students with non-business majors, professionals with tangential yet practical experience, and women returning to the workforce. Educating women on the industry, the various roles, and how to build a

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meaningful career in asset management is important. For example, having female employees speak at events and teach classes is helpful so that female students may see themselves in the field and male students see diversity as the norm. Shifting strategy may require a new approach to training, but we believe the benefit from attracting and retaining top female talent is immense. Firms can also work to eliminate bias in reviews, promotions, and compensation by using clear metrics and transparent processes.

**Normalize diversity reporting standards and commit to regular reporting in industry databases.**

In an industry that revolves around benchmarks, we think that normalizing public diversity reporting is imperative. Reporting on metrics helps to keep asset managers accountable to their goals, through both internal and external stakeholders. By creating a standardized database of measures, stakeholders can keep track of progress and managers can learn from each other’s best practices. Firms can also continue to raise awareness by publishing reports examining the state of diversity across the industry.

**Outline diversity criteria in investing, and set medium- and long-term target goals.**

Still, each firm will likely have its own diversity criteria in its own investment process. For example, a money market manager may transact with diverse-owned brokers, while a growth equity firm may invest in women-led companies, and an endowment CIO may seek out diverse-owned or diverse-led firms. Support functions, such as marketing, investor relations, and technology, should also feature diversity.

**Work with external organizations to help eliminate familiarity barriers and review progress toward diversity goals.**

Finally, this is not a solo endeavor. Asset managers can work together, engage with their network of consultants and partners, and leverage lessons learned from other industries. Closing the gender gap will ultimately be a group effort. Fortunately, we believe the outcomes should grow the pie to benefit everyone.
## Goldman Sachs Commitment to Supporting Women

<table>
<thead>
<tr>
<th>Goldman Sachs</th>
<th>Asset Management</th>
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<tbody>
<tr>
<td><strong>Goldman Sachs Asset Management</strong> seeks to use proxy voting to promote diversity on public company boards.</td>
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</table>

In 2021 the policy expectation was for all companies globally to have at least 1 woman director, and for US companies to have at least 2 diverse directors, one of which must be a woman.

As a result, Goldman Sachs Asset Management voted against 2,655 directors at 1,172 companies globally due to a lack of diversity during CY 2021.

### Launch With GS

*Launch With GS* is Goldman Sachs’ $1 billion investment strategy grounded in our belief that diverse teams drive strong returns, which was founded in 2018.

Through *Launch With GS*, Goldman Sachs aims to increase access to capital and facilitate connections for women, Black, Latinx and other diverse entrepreneurs and investors.

As part of the program, GS invests capital in companies with diverse and gender-balanced leadership and in investment managers with at least one diverse General Partner across venture capital, growth equity, and private equity strategies.

### GS Empower™

Started in 2015 by Goldman Sachs Asset Management, the series has helped more than **4,000 individuals** take control of their unique financial circumstances and opportunities.

Each of the seven letters in the word EMPOWER stands for an action investors can take to bring their financial goals to reality.

In 2020, CEO David Solomon announced that all companies in the US and Europe that GS takes public must have at least **1 diverse board member**, with a focus on women.

In July 2021, the standard was raised to be **2 diverse board members, one of which must be a woman**.

Initial public offerings (IPOs) with a woman on the board performed significantly better than those without one over the previous four years.

### 10,000 Women

Global initiative committed to provide business and management education and access to capital for women entrepreneurs in emerging economies.

Trained over **10,000 women** from **200 countries** in person since 2008 – **60%** of graduates created new jobs, **70%** reported higher revenues, and **90%** pay it forward by mentoring.

Committed over **$1.76 billion** to banks in **36** emerging markets that will enable more than **72,000 women entrepreneurs** to access capital to grow their businesses.

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**THE MARCH OF THE WOMEN: INCREASING DIVERSITY IN ASSET MANAGEMENT**

<table>
<thead>
<tr>
<th><strong>10,000 small businesses</strong></th>
<th>Initiative to help small businesses across the United States, United Kingdom, and France create jobs and economic growth through access to a practical business education, capital and business support services.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To date, more than 11,400 business owners have graduated from the program across all 50 states in the US, Puerto Rico, Guam, and Washington, DC, 48% of which are women.</td>
</tr>
<tr>
<td></td>
<td>Committed over $1 billion to 29 capital partners who have deployed $879 million, resulting in over 16,800 small businesses served.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ONE MILLION BLACK WOMEN</strong></th>
<th>Initiative to commit $10 billion in direct investment capital and $100 million in philanthropic support to narrow opportunity gaps for at least one million Black women in the US over the next decade.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Goldman Sachs conducted listening sessions that engaged more than 12,000 women to determine the projects that would receive the initial round of financial support. To date, 12 organizations nationwide have received the initial investment capital.</td>
</tr>
</tbody>
</table>

Source: Goldman Sachs. As of March 2022. For illustrative purposes only.
Disclosures

Glossary
Active fund manager refers to one that makes active decisions to deviate from the index.
Alpha refers to returns in excess of the benchmark return.
Asset allocator refers to an investment professional responsible for managing assets across a portfolio.
Cross-asset investing refers to an investing strategy that achieves higher diversification by featuring more than one asset class in a portfolio or fund.
Diversification refers to allocating capital in a way that seeks to reduce exposure to any one asset or risk.
Investment management fees refer to the cost of having an investment fund professional manager by an investment manager. In a multi-manager fund, management fees are typically paid at two levels - to the underlying fund manager and to the fund-of-fund manager.
Passive fund manager refers to one that tracks an index.

Risk Considerations
All investing is subject to risk, including the possible loss of the money you invest.
Equity securities are more volatile than bonds and subject to greater risks.
Investments in fixed income securities are subject to the risks associated with debt securities including credit and interest rate risk.
Alternative investments are suitable only for sophisticated investors for whom such investments do not constitute a complete investment program and who fully understand and are willing to assume the risks involved in Alternative Investments. Alternative Investments by their nature, involve a substantial degree of risk, including the risk of total loss of an investor's capital.
The above are not an exhaustive list of potential risks. There may be additional risks that should be considered before any investment decision.

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