

## ICI VIEWPOINTS

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# Asset Management Leaders Talk Shop on Markets and Trends—and the Industry’s Gender Divide

A panel of four leading women in asset management took the stage at ICI’s 60th annual [General Membership Meeting](#) last week to share their insights on market outlooks, industry trends, and gender diversity.

Moderator Marie Chandoha, president and CEO of Charles Schwab Investment Management, kicked things off with a question about investment opportunities. Just where are they, she asked, in an economic expansion that looks to be nearing its end?

“For me, the value is in value right now,” said Sarah Ketterer, CEO and cofounder of Causeway Capital Management. “With rising interest rates in the United States, monetary policy turning the corner in Europe and Japan, and a likely contraction next year, if there is ever a time for value investing, it’s now.”

Rupal Bhansali, chief investment officer of international and global equities at Ariel Investments, agreed that “the easy money has been made,” noting her firm’s extra vigilance in positioning and its focus on the telecommunications sector. “My view is that telephones are the new consumer staples,” she said. “You can live without shampoo, but not your smartphone. You’re going to pay that bill whether you have a job or not.”

Matthews Asia portfolio manager Teresa Kong, a fixed-income specialist, gave her view on bonds. “We’re seeing the stars align right now in China,” she said, noting her expectation of higher yields in the near term. “Many of you know that China will be added to the Barclays Global Aggregate Bond Index next year...this is like saying that China now has the maturity, both in rights and responsibilities, of a developed nation.”

What about emerging markets, Chandoha asked? The sector was on fire in 2017, the experts agreed, but has hit a rough patch in recent months. “My quantitative colleagues say, ‘back away,’” Ketterer said, explaining that her firm is remaining cautious about the sector until some of the risk fades away.

Yet Bhansali is looking at the higher volatility in emerging markets as a “positive thing—because it provides opportunities for active stock pickers. If you know what you’re doing, volatility enables you to express your views. The best opportunities come when people are afraid.”

## **Success in Active Management**

With a strong bull market and the growth of passive investing, active management hasn't exactly been in vogue this decade, Chandoha noted. But for the panelists, success for active managers hasn't been as elusive as many people think.

"Many of those who call themselves active managers are actually 'closet passive,'" Bhansali contended. "If you exclude the closet passive managers from your active management data, the record of genuinely active managers is astoundingly good." Kong agreed, adding that active managers "need to take back the moral high ground. We're not just engineering a portfolio to reduce tracking error."

Ketterer credited her success in active management to her firm's efforts to combine a fundamental approach (reading financial statements, grilling management, asking governance questions) with a quantitative one (building a multifactor risk model to identify the stocks that have the most attractive risk profile).

"Our analysis of where the risks are—that's what active fees pay for," she explained. "It's much more sophisticated than a naïve index." As the world continues to turn the corner away from broad growth in all assets, she said, "investors might decide they'd like to pay a little more for performance."

As Chandoha pointed out, investors these days also are looking more toward sustainable—or environmental, social, and governance (ESG)—investing. But not all firms are on board. Although all three panelists agreed that governance is the most important of the three ESG factors for shareholders, Bhansali posited that money management might not be the best avenue to pursue environmental and social causes. Firms engaging in ESG investing run the risk of "mission creep," she said.

## **Narrowing the Gender Divide**

Turning to the subject of gender diversity in the fund industry, Chandoha lamented that, according to a Morningstar study, women manage only 9 percent of funds and only 2 percent of fund assets—even though funds managed by women perform just as well as, if not better than, those managed by men. She asked the panelists their advice on narrowing the gender divide.

Kong responded that firms need to achieve a "critical mass" of women—not just a "token female" on each team—and to create a results-oriented workplace that enables people to work the flexible hours that care providers of both genders need.

Ketterer cited better marketing and dedicated skill-building as keys to encouraging women to enter and stay in asset management, and mentioned the need to create more programs like the Girls Who Invest initiative, which provides young women with internships in finance and helps place them in jobs. Program participants still need to finish college and earn an MBA before they should be considered for jobs in the industry, Ketterer said, but these positions are a great place to start.

Bhansali counseled that women "reset their thinking"—that is, they must consider and apply for jobs in the industry, even if they feel they aren't fully qualified. "Asset management is the most fulfilling, rewarding, and challenging profession I know of," she proclaimed. "So raise your hand to get that experience. It can be done, and it can happen for you."

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