

# Investing in Women is Smart Investing

## *The Value of Gender Diversity is Proven in the Numbers*

by Joseph F. Keefe, CEO, and Sallie L. Krawcheck, Chair, Pax Ellevate Management LLC

Why should you invest in women? Because it's 2016. Because it's the right thing to do. Because you want a better world for your daughter. But perhaps most importantly, because the business case for investing in women is now beyond compelling—in our opinion, it is overwhelming.

Yes, the research overwhelmingly shows that where women are better represented on corporate boards and in senior management, companies simply perform better.

Just within the past few months, a Morgan Stanley report found that companies with greater gender diversity delivered higher return on equity (ROE)<sup>1</sup> and lower volatility than their low diversity peers.<sup>2</sup> Similarly, a February 2016 Peterson Institute survey of nearly 22,000 firms from 91 countries found that the presence of female executives is associated with unusually strong firm performance as measured by both gross and net margins.<sup>3</sup> In 2015, a RobecoSAM paper noted that gender diversity and equality contribute to better corporate performance and investment returns,<sup>4</sup> and a 2014 report from Credit Suisse found positive associations between greater gender diversity, particularly among executives, and financial performance.<sup>5</sup>

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<sup>1</sup> Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

<sup>2</sup> Morgan Stanley, *Putting Gender Diversity to Work: Better Fundamentals, Less Volatility*, May 2016.

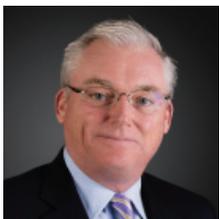
<sup>3</sup> Marcus Noland, Tyler Moran and Barbara Kotschwar, Peterson Institute, *Is Gender Diversity Profitable? Evidence from a Global Survey*, February 2016.

<sup>4</sup> RobecoSAM, *Does corporate gender equality lead to outperformance?*, September, 2015.

<sup>5</sup> Credit Suisse, *The CS Gender 3000: Women in Senior Management*, September 2014.

### KEY TAKEAWAYS

- The research is clear: companies with more women on their boards and in senior management simply perform better.
- That's why we built the first Index and launched the first Fund consisting of the highest-rated companies in the world for advancing women onto their boards and into senior management.
- The Fund is proving—in real time, with real money from real investors—that companies with gender diverse leadership teams are better performers and therefore smarter investments.



**Joseph F. Keefe** is President and CEO of Pax World Management LLC and Pax Ellevate Management LLC. An advocate for investing in women, Joe has written and spoken widely on the critical role that gender diversity plays in long-term business success. Under Joe's leadership, Pax Ellevate Management launched the Pax Ellevate Global Women's Index Fund, the first mutual fund to

invest in companies that invest in women. He is Co-Chair of the Leadership Group for the Women's Empowerment Principles, a joint program of the United Nations Global Compact and UN Women, and was honored at the United Nations with the Women's Empowerment Principles Leadership Award in 2014. In 2012, Joe was recognized by Women's eNews as one of "21 Leaders for the 21st Century," and in 2015 the Financial Times named him one of its 10 "top feminist men," for helping "women succeed in business and beyond."



**Sallie L. Krawcheck** is the Chair of Pax Ellevate Management LLC and of Ellevest Asset Management, and is Principal of Ellevest Network, a global professional woman's network, with 34,000 members from across industries and around the world. Ellevest Asset Management has partnered with Pax World to offer the Pax Ellevate Global Woman's Index Fund, the first broadly

diversified mutual fund that invests in the highest-rated companies in the world in advancing women's leadership. Sallie is the past president of Global Wealth & Investment Management for Bank of America, the largest wealth management business in the world, whose operating businesses include Merrill Lynch and US Trust. Prior to joining Bank of America, she was Chief Executive Officer and Chairman for Citi Global Wealth Management and Chairman and Chief Executive Officer of Sanford C. Bernstein & Company.

These recent studies buttress an already robust body of research establishing a link between gender diversity in corporate leadership and financial performance.<sup>6</sup> Simply put, gender diversity delivers results.

Yet women still hold only 4 percent of CEO positions and less than 20 percent of board positions among S&P 500 companies,<sup>7</sup> and only about 16 percent of senior management positions globally.<sup>8</sup> The Peterson Institute survey referenced above found that among the 22,000 firms surveyed, almost 60 percent had no female board members, just over half had no female C-suite executives, and fewer than 5 percent had a female CEO.<sup>3</sup> At the current rate of progress, it will take 117 years to achieve global gender parity in the workplace.<sup>9</sup>

This is unacceptable. It's time to ask ourselves: what can we do to close this gender gap?

## A Fund that Invests in Women

Well, we did ask ourselves this very question. Having seen the research demonstrating that companies with gender diverse leadership teams perform better than their less diverse peers, we decided that it was time to invest in these companies.

So, two years ago we launched the first mutual fund that invests in the highest-rated companies in the world for advancing women's leadership, as rated by Pax World Gender Analytics. We wanted to prove in real time, with real money, that companies with more women in leadership can deliver better investment returns. We wanted to offer investors the opportunity to invest in these companies, and to benefit from their vision and their success. And guess what? The strategy has been working. The Pax Ellevest Global Women's Index Fund (PXWEX) has outperformed the MSCI World Index<sup>10</sup> for the two-year period ending June 30, 2016.\*

*“At the current rate of progress, it will take 117 years to achieve global gender parity in the workplace.”*

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<sup>6</sup> Visit Pax Ellevest's Gender Research page for a list of studies on the relationship between gender diversity and corporate performance: <http://www.paxellevest.com/resources/gender-research>.

<sup>7</sup> The S&P 500 (Standard & Poor's 500 Index) is an index of 500 stocks seen as an indicator of U.S. equities and a reflection of the performance of the universe of large capitalization companies. One cannot invest directly in an index.

<sup>8</sup> Catalyst, *Women in S&P 500 Companies*, June 2016. Pax Gender Analytics, 2015.

<sup>9</sup> EY, *Women. Fast Forward. The time for gender parity is now*, 2016.

<sup>10</sup> The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Returns are shown net which includes dividend reinvestments after deduction of foreign withholding tax. One cannot invest directly in an index.

\* The annualized returns for the Pax Ellevest Global Women's Index Fund – Individual Investor class as of 9/30/2016 were, 1 year: 10.47%, 2 year: 2.97%, 5 year: 10.93%, 10 year: 3.21%. The annualized returns for the Pax Ellevest Global Women's Index Fund – Institutional class as of 9/30/2016 were, 1 year: 10.77%, 2 year: 3.24%, 5 year: 11.22%, 10 year: 3.48%. The returns for the MSCI World Index as of 9/30/2016 were, 1 year: 11.36%, 2 year: 2.80%, 5 year: 11.63%, 10 year: 4.47%. The returns for the Pax Global Women's Leadership Index as of 9/30/2016 were, 1 year: 11.55% and 2 year: 3.81% annualized. **Total annual Pax Ellevest Global Women's Index Fund operating expenses, gross of any fee waivers or reimbursements, for Individual Investor Class and Institutional Class shares are 0.90% and 0.65%, respectively, as of 4/1/2016 prospectus.** Performance data quoted represent past performance, which does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For most recent month-end performance information, visit [www.paxworld.com](http://www.paxworld.com).

This outperformance isn't an anomaly. The team from UBS CIO Wealth Management Research recently conducted a regression analysis of returns over a six-year period to independently assess whether more gender-balanced S&P 500 companies outperformed the broader market.<sup>11</sup> What did they find? You guessed it: Companies with greater diversity tended to outperform.

It's also worth noting that women *want* to invest in other women. In fact, 77 percent of women want to invest in companies with diverse leadership teams, according to the Center for Talent and Innovation.<sup>12</sup> And according to a recent survey of high net worth investors by U.S. Trust, 63 percent of women consider social, political or environmental impact when making investment decisions.<sup>13</sup> For most women investors, it's no longer about earning a fair return OR having a positive impact; it's about a fair return AND a positive impact.

So, women want to invest in gender diverse leadership teams and gender diverse leadership teams have delivered better financial performance.<sup>14</sup> Sounds like a winning proposition to us.

## Making an Impact

When it comes to advancing gender diversity, we believe investors can make an impact. They can put their money to work by investing in companies that are forward-looking on this front. This includes companies like Hilton Worldwide, which is a signatory to the UN Women's Empowerment Principles and created a Women in Leadership strategy that includes women's leadership development, women's mentoring, and an Executive Committee Networking program. Or Aetna, where women comprise 33 percent of the company's board of directors and hold 64 percent of its management positions. Or KeyCorp, where four of the company's 10 executives, including Chairman & CEO Beth E. Mooney, are women. Companies like these—all holdings in the Pax Ellevest Global Women's Index Fund—are leading the way when it comes to advancing gender diversity and women's leadership.

The fact of the matter is that we can close the gender gap, and we can close it by becoming more conscientious investors. We can make a difference. We just need to put our money to work.

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## Pax Ellevest Management LLC

The Pax Ellevest Global Women's Index Fund, managed by Pax Ellevest Management LLC, is the result of a partnership between Pax World Management LLC and Ellevest Asset Management LLC, whose principal is Sallie Krawcheck. Pax and Ellevest came together because they share the same vision about the critical role that gender diversity plays in business success over time, as well as the investment opportunity associated with investing in women. Pax has long been a recognized leader in investing in women and advocating for greater representation of women on boards. Ms. Krawcheck, one of the most powerful advocates for women in the financial services industry, is Chair of Pax Ellevest Management LLC and a trustee of the Fund.

<sup>11</sup> UBS CIO Wealth Management Research, *On the road to parity*, Q1 2016.

<sup>12</sup> Sylvia Ann Hewlett and Andrea Turner Moffitt with Melinda Marshall, Center for Talent and Innovation, *Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth*, 2014.

<sup>13</sup> U.S. Trust, *U.S. Trust Insights on Wealth and Worth*®, 2016.

<sup>14</sup> Visit Pax Ellevest's Gender Research page for a list of studies on the relationship between gender diversity and corporate performance: <http://www.paxellevest.com/resources/gender-research>.

## Pax World Management LLC

Pax World Management LLC, investment adviser to Pax World Funds and creator of the Pax Global Women's Leadership Index,\* is a pioneer in the field of sustainable investing. Pax World integrates environmental, social and governance (ESG) research into its investment process to better manage risk and deliver competitive long-term investment performance. Across all of its funds, Pax World withholds support from all-male corporate board slates, and working with other institutional investors, actively engages with companies to embrace gender diversity on their boards and advance women in the workplace. For over 45 years, Pax World has made it possible for investors to align their investments with their values and have a positive social and environmental impact. Today, its platform of sustainable investing solutions includes a family of mutual funds, as well as separately managed accounts.

\* A custom index calculated by MSCI. One cannot invest directly in an index.

## Ellevest Asset Management LLC

Ellevest Asset Management LLC was formed by Sallie Krawcheck to provide investors with a means of directing capital to companies that actively embrace gender diversity and female leadership as a lever for business success. Krawcheck also owns Ellevest Network (formerly 85 Broads), the global professional women's network. Both of these organizations are dedicated to the economic engagement of women worldwide.

*The statements and opinions expressed are those of the authors of this report. All information is historical and not indicative of future results and subject to change. This information is not a recommendation to buy or sell any security.*

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**You should consider a fund's investment objectives, risks, and charges and expenses carefully before investing. For this and other important information, please obtain a fund prospectus by calling 800.767.1729 or visiting [www.paxworld.com](http://www.paxworld.com). Please read it carefully before investing. An investment in the Pax World Funds involves risk, including loss of principal.**

**Past performance is no guarantee of future results.**

**On 6/4/2014, the Pax World Global Women's Equality Fund merged into the Pax Ellevest Global Women's Index Fund (the Fund), pursuant to an Agreement and Plan of Reorganization dated March 4, 2014 (the "Reorganization"). Because the Fund had no investment operations prior to the closing of the Reorganization, Pax World Global Women's Equality Fund (the "Predecessor Fund") is treated as the survivor of the Reorganization for accounting and performance reporting purposes. Accordingly, all performance and other information shown for the Fund for periods prior to 6/4/2014 is that of the Predecessor Fund.**

**As of 9/30/16, Aetna was 1.5%, Hilton was 0.1% and KeyCorp was 1.7% of the Pax Ellevest Global Women's Index Fund. Holdings for the Pax Ellevest Global Women's Index Fund are available by visiting <http://paxworld.com/funds/pax-world-mutual-funds/global-womens-index-fund>. Holdings are subject to change.**

**RISKS: Equity investments are subject to market fluctuations, the fund's share price can fall because of weakness in the broad market, a particular industry, or specific holdings. The Fund does not take defensive positions in declining markets. The Fund's performance would likely be adversely affected by a decline in the Index. Investments in emerging markets and non-U.S. securities are generally less liquid and less efficient than investments in developed markets and are subject to additional risks, such as risks of adverse governmental regulation, intervention and political developments. There is no guarantee that the objective will be met and diversification does not eliminate risk.**



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