Women-Led Hedge Funds Outperform, Despite Prejudice

Stockholm (HedgeNordic) The HFRI Women Index has returned an average of 4.4% over the past 5 years, outperforming the 4.2% return of the HFRI Fund Weighted Composite Index, which takes into account all strategies and genders, according to the Financial Times. The conclusion, supported by earlier academic studies, is simple: hedge funds run by women outperform those run by men in the longer term. This is despite an underperformance of 2.2% to 5.5% on the HFRI Women Index and the Weighted Composite Index respectively this past year.

The question, then, is why there are so few women in the industry, comparatively speaking. Fewer than one in 20 hedge funds employ a female portfolio manager. The root of the problem is the obstacles faced by women when trying to raise money from investors, according to Jane Buchan, chief executive of Paamco, a $24 billion fund of hedge funds. “Women have substantially less assets. That is a real issue, and it is not a performance issue… To get that same level of assets as a man, you have to outperform by 200 basis points,” Ms Buchan told the FT.

Only 439 hedge funds employ a female portfolio manager, compared with the 9,081 that employ a male investment manager, a study from Northeastern published last year in the Review of Financial Economics found. 79% of U.S. hedge fund professionals believe it is harder for women to attract capital from investors than for their male counterparts, the accounting firm KPMG found last year. As it is harder for women to raise assets when branching out on their own, the funds that do thrive tend to outperform, according to the Northeastern research.

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