

Diversity Insights

October 2020

We are happy to present Convergence's eighth edition of Diversity Insights. We welcome the SEC to the diversity discussion with its recent announcement that it would make diversity and inclusion an agenda item for the asset registered investment advisers. On Sept 16th, the SEC's Asset Management Advisory Committee met, and one panel discussed "Improving Diversity and Inclusion" in the industry. Check out the highlights below. The insights derived from these meetings and Convergence's ongoing monitoring of diversity trends will help us all keep this important issue front and center.

Eileen's Views: Having listened to the latest Asset Management Advisory Committee webcast segment on Diversity and Inclusion, I came away with a sense that the panel will be making a recommendation to mandate all RIAs to disclose information about diversity. Three consultants and three allocators presented findings and actions taken to forward the movement of D&I in the industry. All agreed that it all starts with the "tone at the top" of the organization and that entry barriers for diverse firms must be reviewed. One allocator also suggested that the service providers to RIA should be included in reporting; this allocator increased the use of diverse-owned broker/dealers from 1% to 92% in 6 years. The Knight Foundation's research was mentioned by panelists because it showed "diverse-owned funds perform at a level comparable to that of their non-diverse peers." Convergence agrees and believes that costly regulatory actions can also be avoided through good business practices. [Link to SEC Webcast](#)

September Hiring: During the month, 209 new or existing positions were filled with women accounting for 18.66%. Hiring activity increased by 7% in September 2020 compared with August 2020. Managers with AUM<\$250M dominated September hiring, representing 59.33% of hiring volume, a decrease of 2.36% MoM. Hedge Funds accounted for 39.23% of the total C-suite hiring, a rise of 3% MoM, followed by Private Equity and Venture Capital managers with 25.84% and 16.27%, respectively. Hedge funds, Equity, and Multi-Strategy accounted for 24.4% of all hiring.

Women C-suite Executives: The percentage of advisers in the industry without women holding CEO, CFO, COO, or CCO positions increased by 0.7% to 68.72%. Women hold 18.16% of leadership positions, an increase of 0.18% from August 2020. Of the women hired in September, the CCO role accounted for 43.6% of hires, followed by CFO with 23.08%. Convergence identified 66 existing positions that changed hands; women replaced men in 15.15% of those positions, and men replaced women at 18.18% of the total replacements.

Manager Type Bias: While emerging Hedge Fund, Private Equity, and Venture Capital Advisers account for the majority of the hiring in September, Real Estate and Securitized Asset Advisers each hired only one woman into a leadership role. Even though male CEOs outnumber female CEOs by more than 10x, the Median AUM for Men is only 1.15x the Median AUM for Women.

Investor Type Bias: Managers with 100% of their assets coming from Institutional Investors show less female C-suite presentation than the overall industry; 17.03% vs. 18.16%. The COO position shows the most significant difference; 18.4% vs. 22.9%

Multi-Functional Bias: 26.79% of the total new C-suite positions were filled with multi-functional roles. 28.21% of the women and 26.47% of the men were hired into a multi-functional role, 34.78% of all newly appointed CFOs shared a multi-functional role, followed by 33.33% of the COOs. 20.00% of the Women CEOs in the industry share a multi-functional C-suite.

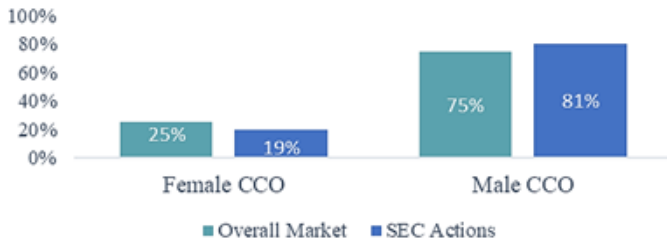
Regulatory Risk Bias: Convergence analyzes SEC actions that result in harm to investors. Often a breakdown in compliance practices and procedures is considered a contributing factor at the time the event occurred. Women represent 25% of the Chief Compliance Officer positions in the market. Of 126 events modeled by Convergence, women were in the position of CCO for 24 events representing 19% vs 81% for men in the same position.

The Convergence Database includes 4,000 data points on each Adviser/Manager updated daily, including:

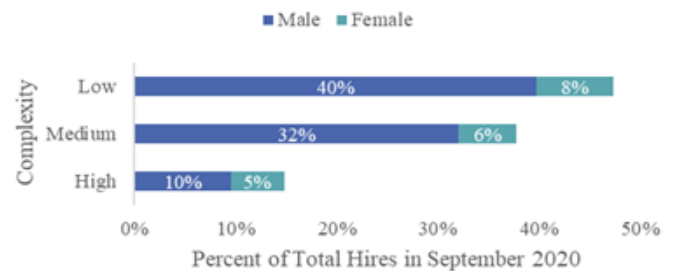
- 38,000+ SEC and State Advisers
- 183,000+ private-public funds
- 6,000 + Service Providers
- 100,000+ C-Suite Executives
- 30 + Investment Strategies

Our data is enriched each day into meaningful intelligence that is used by Advisers, Investors, Service Providers and Governmental agencies. Convergence "insights" are used to support key business decisions they make to improve their top and bottom line and identify risks and threats to their business.

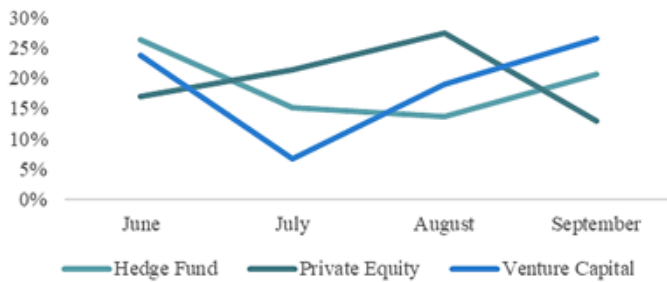
SEC Actions Male vs Female CCOs



Hiring Trends by Complexity



C-Suite Hiring Trend for Women



Hiring Trends	New Positions			Replacement Positions			Grand Total
	M	W	Total	M	W	Total	
Number	118	25	143	52	14	66	209
Percentage	83%	17%	67%	79%	21%	33%	100%
Replacement Positions			CEO	CFO	COO	CCO	Total
Men Replacing Women			1	1	0	10	12
Women Replacing Men			0	3	2	5	10
Net Change for Women			-1	2	2	-5	-2



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