



THE POWER OF THE PURSE

By Rene Redwood



REDWOOD
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Namaste! I just returned from Kathmandu, Nepal where the power is not in the purse, the power is in the pants and with the papas. Women's voice are being lifted against traditions and castes and diminishment and being done so not just for this generation but in the honor of their mothers and grandmothers — and importantly for their daughters and sons. The power of the purse is in the pursuit of dignity, respect, equity and equality.

Power

Power is an ability to effect change, and change is the process of becoming different. Power is the amount of work done or energy transferred per unit of time. Power is the ability to exert one's will to enhance one's life and state of being. It is the collective influence to shape our future and bend the arc of justice to the benefit of the many not just the few. I use POWER as an acronym to define the expression of its meaning and elements for having and using power.

P is for **Purpose**. Power is having clarity of one's purpose and then living to attain the goal or intention or your reason for being. What am I here to do? When thinking about investing of your resources or the financial resources of your institution, recognize budgets are statements of priorities and values. In this context the use of your dollars to demonstrate your values, what's important to you, and in essence — who you are.

- In a presentation entitled “Gender Lens Investing: A Portfolio Manager's View”, Eve Ellis¹ stated: “You are how you invest. Just as your home, your friends,

your work, your leisure activities, your philanthropic involvements are all ingredients of what makes you you, so too is your investment portfolio a reflection of who you are.

- She asked “How do we make our investments look like us?” and tells the story of a conversation she had with a chief investment officer of a multi-billion dollar foundation who told her that the foundation needed “to invest in non-SRI (Socially Responsible Investments) so that they can have better returns and therefore provide more money to our grantees.” The irony is the foundation would grant huge sums to environmental causes and, simultaneously, undercut their own grants by investing huge sums in not-so-environment-friendly large companies.”
- How many of us are doing the same thing by investing in funds and companies (through our purchases) that work against our values, show little respect for women through unequal pay and glass ceilings, or underwrite politicians who believe that when a women is raped her body shuts down and can't get pregnant?

O is to be **Open** and Receptive — opportunity exists everywhere.

- Dow Jones reported in 2012 that start-ups with more women in C-suites had twice as high success rates than start-ups with fewer women in their C-suites². And yet, a Babson College survey found that 2.7% of the 6,517 companies that received venture funding from 2011 to 2013 had a female CEO.
- “O” also stands for Ownership or Investors: We as investors have ownership in the companies or portfolios we invest in so demand that these companies position themselves for innovation and set as many standards as possible for financial strength. Data shows gender inclusion on the board of directors has a positive correlation with returns.

“Power, properly understood, is the ability to achieve purpose. It is the strength required to bring about social, political, or economic changes. In this sense power is not only desirable but necessary in order to implement the demands of love and justice.”

— Dr. Martin Luther King

- The 30 Percent Coalition includes large institutional investors writing shareholder proposals for change. The 30% Club in the US activates well-known individual business leaders to change the national conversation to focus on gender equality while promoting gender equality within their companies.

W is for **Will** — determination with no bounds yet informed by risk. Willing to put in time and energy to usher change. The will of companies and institutions to value women not just as a consumer or market share (we make 80+ percent of purchasing decisions) — but as competent, credible, capable decision makers to shape, influence and lead at all levels of an institution and in all disciplines, professions, and positions.

- Do we as women have the will to demand a new paradigm for how we are treated in society?
- Women's Organizations — what is their role in pushing this agenda of parity and seizing our power?
- The Rothstein Kass 2012 and 2013 reports, covering 5-year periods, found that women hedge fund managers handily outperformed their male counterparts³. Upon hearing these results, only 25% of hedge fund investors planned to increase their allocations to women hedge fund managers⁴.
- Women on Boards of For-Profit enterprises, Corporations, Non-profit organizations, and Legislatures can make a positive difference in policies and organizational practices that demonstrate dignity and respect for women, and stronger investments that yield a positive return.
- Investors do NOT need to sacrifice financial returns for social returns.
- And yet, only 19.2% of board members of S&P 500 companies are women, a glacial increase from an even paltrier 16.9% in 2013.

E is for **Equality**. Gender equality measures merit elevation to company strength metrics as much as earnings per share, profitability, or other financial metrics does.

- What percentage of female representation is in the company's workforce, senior management, Board of Directors? And how does the company treat its women employees?

R in POWER is for **Renunciation** — to reject the status quo, to re-think the way business has been done, and to require a different approach. Ask your financial advisor about the investments that use the PARITY Principle and refuse to invest in funds that have no women in decision-making positions. [Note: do your homework and see what the women (and men) who are on the boards of your investments stand for. Do they speak up for equality for women and for all? Just because a person may be female does not mean they advocate for women's rights and respect.]

¹ Eve Ellis is a CFP and an Accredited Investment Fiduciary and, therefore, acts in her clients' best interests. She works with Morgan Stanley Wealth Management, Matterhorn Group in New York City.

² Dow Jones and Company Inc. Women at the Wheel: Do Female Executives Drive Start-up Success?

³ Rothstein Kass. Women in Alternative Investments: Building Momentum in 2013 and Beyond, 2012. For example, for the five-year period ending 2012, the Women in Alternative Investments Hedge Index had a cumulative return of 19.6% for the women hedge fund managers versus -14.2% for the HFRX Global Hedge Fund Index.

⁴ KPMG. Women in Alternative Investments: A Marathon, Not a Sprint, 2014.

THE POWER OF THE PURSE

The power of the **PURSE** is about the influence and impact of women to determine and define the quality of their lives, the life of their family and the well being of community. How we use our financial wherewithal to enhance the economic status of our family, build wealth and security for our care and enjoyment of our mature years, open opportunities for future generations, shape the tone and tenor of the public discourse, and impact societal priorities for the betterment of the world. Money matters. Our purse is a vehicle for change and as such how we use it is up to us – we decide.

Purse as an acronym is about the utility and value we place on our hard earned capital. It defines the actions we take to align our power with who we are and what we value.

P of **PURSE** is for **Parity**. The Parity Portfolio is a discretionary Portfolio Management, gender lens investment strategy to help meet the needs of ultra-high net worth individuals and institutional clients seeking financial returns and social impact.

- How to make it more accessible to a broader cohort, market share is an important next step for the Parity Portfolio.
- **Parity Portfolio has returned over 54% gross since inception slightly over two years ago (and with less risk than the market).**
- Key statistics about the Parity Portfolio:
 - The Parity Portfolio seeks financial and social returns simultaneously.
 - Since inception in the beginning of 2013 through 2014, the Parity Portfolio posted returns of 44.80% gross. (Fees are up to 1.5%.)
 - The strategy seeks to achieve financial returns through:
 - Capital appreciation

- Current income
- Impact on social returns through gender parity in [all sectors including] corporate America.
- The investors are part of the movement to get more women on boards. (Eve Ellis the portfolio manager does not believe investors need to be Carl Icahn to be activist investors.)
- The Parity Portfolio strategy for social impact:
 - Urge companies one by one to recruit more women for their boards.
 - Alert the public to the pressing need to get more women on boards.
- Measurable Impact to date.
 - It took 3 years to increase the number of women as board members of S&P 500 companies from 16.3% to 16.9%. Now it is 19.2% (a creep in the right direction, when we need a leap to even keep get close to the countries that require a percentage of board member to be women.)
 - Parity Portfolio can take partial credit for the creep in the right direction as it is part of the movement in its own right, and are active participants of 2020 Women on Boards, The 30% Club in the US, and The Thirty Percent Coalition.
 - The media attention to Parity Portfolio in *The New York Times*, *Wall Street Journal*, *HuffPo*, *Bloomberg*, *Businessweek*, *The Globe and Mail*, *ZEIT Online*, and others has certainly increased awareness to this issue.
 - Morgan Stanley named its 3rd female to the board in November 2014 The board knew about Parity, and while the portfolio managers will not take full credit for this decision, I think the performance of the portfolio speaks for itself.

- “P” is also for **P.R.O.I.** (Political Return on Investment): Politics of ... power ... position ... personnel ... perception ... oppression and our opposition: an organized challenge to racial and gender justice ... prayer ... discrimination ... language ... privilege ... public sentiment or public opinion. Politics – use it for advancing dignity and respect, and understand it for the impact it has to make societal change while still doing well financially.

U is for **Unapologetic**. Demand what is right and makes business sense. Ungulate – be flexible and dynamic; go with the flow that offers opportunities differently.

- Through healthy disruption, we make investing with our values of gender equality a sustainable proposition. Individual and institutional investors need to demand gender equality as a requirement for investment. Reward companies that favor gender equality. Money talks. Recognize that an investment is similar to a vote. To remain quiet is a vote for the status quo—now both financially as well as socially.
- 2020 Women on Boards enables individual investors and company customers to raise their voices through email campaigns.
- “U” is also for **USWCC** (US Women’s Chamber of Commerce) is unapologetic and forthright in demanding accountability of government to enforce and practice contracting regulations. They advocate for their members to get government contracts. USWCC seeks to hold Congress and procurement offices of Federal agencies accountable for meeting and exceeding the required legal and legislative mandates.
 - USWCC Endorses women candidates that support [through their vote small business growth and the critical role women owned business play as economic drivers for jobs and community development.

R is for **Revenue** or **Return on Investment**: Catalyst found that over a recent 5-year period, public companies with a minimum of three women on their boards had a 46% higher return on equity, a 60% higher return on invested capital, and an 84% higher return on sales⁵. *The Power of the PURSE!*

S is **Systemic** change for **Sustainability** — and yet, when statistics reveal that investing with a gender lens actually correlates to sustainability of company strength in our capitalist structure, most investors stand still. It is not sustainable to limit the candidate pool.

- “S” is also for **Spirit** — stay connected to your higher power. Knowing and acting on your faith and values and intuition when coupled with data-informed awareness can yield powerful outcomes. Positive mental attitude is an attracting force. In my faith we believe that all of our needs are met fully and on time and that we are abundantly blessed. “Seek and ye shall find. Knock and the doors will be opened.”

E of **PURSE** is for **Economy** or **Economic** imperative to link capital market investments with our values. There is a financial advantage to invest with a gender lens. The data bears this assertion.

The Power of the **PURSE** is in the hands of women (and men who value women as equals). Institutional barriers and societal impediments to access to decision making positions of authority require systemic remedies and the will of leadership to do their work different than the past. The business case for parity is the bottom line. Public will supports parity, and economic indicators show that the return on investment — is money in the bank. The Power of the **PURSE** — *Count on it!*

⁵ Catalyst. The Bottom Line, 2011,



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