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Do men or women make better money managers?

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Evidence shows women are underrepresented in fund management, but they often achieve better results than men

Discussions about whether women run money differently from men easily slip into cliché. Women do not like risk. Hedge funds are macho.

Maybe, maybe not. What the evidence shows is that women are hopelessly under-represented at the sharp end of fund management – recent research from Bestinvest, the investment consultancy, puts the number of UK retail funds managed by women at just 5 per cent – but they often get better results than men.

A 2001 research paper on gender and investment found male private investors tend to trade more than women, resulting in reduced performance. In 2005, the University of Cologne discovered similar gender differences in a study of US equity mutual funds. More recently, a study by Rothstein Kass, the financial services company, showed female hedge fund managers outperformed male counterparts by about 6 per cent in 2012.

Does this prove women are better fund mangers than men? Not really. The sample is small, and factors other than gender are at play. Rothstein Kass noted that women generally run smaller hedge funds than men and can therefore be more nimble, for example. Nonetheless, the idea that women and men manage money differently does find widespread credence, and the difference most commonly cited is attitude to risk.

“I have an inherent dislike of generalisations, but on aggregate women are more likely to worry about the downside,” says Anne Richards, chief investment officer of Aberdeen Asset Management.

Worrying about the downside seemed quite sensible after the 2008 financial crisis. Testosterone-fuelled trading floors suddenly did not look so clever.

The crisis also highlighted the dangers of “groupthink”, showing diversity made good business sense and burying the notion that fund managers should be white men in spotty ties with public-school accents. In fact, suggests Colin Melvin, chief executive at Hermes Equity Ownership Services, having a diverse team can be more important than the quality of the individuals in the team.

“More diverse teams are more creative teams,” he says. “A diverse team will make different decisions and better-quality decisions.”

To get the full benefit of diversity, everyone’s opinions must of course be valued. That means women must have confidence in their female viewpoint, says Helena Morrissey, chief executive of Newton Investment Management. “It is important not to be embarrassed that you might think a certain way about something. It is fine to be feminine.”

Positioning diversity as good business practice is more likely to cut the mustard with asset management bosses than fairness for its own sake, but do not expect a deluge of women fund managers just yet. For a start, some companies felt the cleansing heat of the crisis more than others.

“There was a bit of external pressure on bank-owned asset managers,” says Jane Welsh, senior investment consultant for manager research at Towers Watson, the consultancy. “Their confidence was shaken. Investment boutiques did not feel the same pressure.”

Subtle barriers also hamper women’s progress. Tanya Landwehr, chief financial officer of TKB BNP Paribas Investment Partners, believes men’s intuitive understanding of networking and power by association makes it easier for them to get promoted more quickly.

“Career-ascendant men understand how important that is,” she says. ‘They spend time cultivating relationships, including out of office hours, and they are good at self promotion. Women are not as adept at promoting themselves, almost to the point where you don’t notice.”

In some ways, this means managing a fund is the perfect job for a woman. “You are judged by your results if you are a fund manager,” says Ms Morrissey.

However, in order to get the best out of male-female diversity, and in order to be attractive to women, fund management companies need to have women at all levels. Achieving that means addressing the subtle barriers Ms Landwehr highlights.

“Most companies are putting in place unconscious-bias training,’ says Ms Morrissey. “It is a little subtler than 10 years ago, when people were more focused on direct discrimination.”

This kind of spadework seems to produce results – and may be a one-time effort. “Half of my team is female,” says Mr Melvin. “Once we got beyond 25 per cent, we didn’t have to worry about it any more.”

It is also hard to see how any asset manager can avoid doing this work. “Asset management companies are putting pressure on companies to have more diverse boards,” says Ms Welsh. "They need to look in the mirror to make sure they are following best practice themselves.”

But it does require effort, and pockets of resistance are to be expected. “It has to be driven from the top and sometimes forced down on management teams,” says Ms Richards.

When half of all fund managers are women, it may be possible to compare female and male results. In the meantime, the benefits of a good gender mix are clear.

“Unquestionably, the more diverse your teams are, the better your decision making will be over time,” says Ms Richards.

There is a fly in the ointment, however. As much as the crisis promoted the notion of diversity, it has put women off working in finance more than men.

“The market will struggle to attract the best talent anyway,” says Ms Morrissey. “I temper my optimism that we might see a breakthrough at the top with the worry that there are not enough women joining at the bottom.”