THE EDGE

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masterinvestor
RESEARCH • ANALYSE • INVEST

Dame Helena Morrissey: In search of gender balance in finance

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Foreword

Dear Reader,

If you're reading this on our release date of 8th March, Happy International Women's Day!

Many of you may be readers of our monthly free digital magazine, Master Investor Magazine. If so, thank you for coming over to read our new magazine supplement, The Edge – we hope you enjoy it! The concept behind The Edge was to create a quarterly supplement to complement our main magazine but to allow us to take a deeper dive into specific investment themes. With the first issue coinciding with International Women's Day, what better opportunity than to use our first issue to showcase some of the most successful women in finance and investment?

This year's theme for International Women's Day is #balanceforbetter, and when we look at investing this is clearly an area in need of more balance. Research by MHP communications in June 2018 found that just one fifth of women have any investment portfolio at all, compared with a third of men. The gender pay gap could account for some of this stark divide between the sexes; but in my opinion, this is further compounded by the fact that money is still a relatively taboo subject amongst women, despite it being something that affects all of us.

In this issue we have been lucky enough to get contributions from some amazing and inspirational women, including Maike Currie, Director at Fidelity International (page 06); Jenny Tooth, CEO of the UK Business Angels Association (page 13); Charlotte Ransom, CEO of Netwealth (page 19); and Merryn Somerset Webb, Editor in Chief at MoneyWeek (page 34).

Our Editor in Chief, James Faulkner, also had opportunity to do a very special interview with one of Fortune magazine's 'World's 50 Greatest Leaders' and the Financial Times' 2017 'Person of the Year'. She was also appointed a Dame in the Queen's 2017 Birthday Honours list. She is none other than Helena Morrissey DBE, Head of Personal Investing at Legal & General Investment Management (see page 26).

We hope that this issue gives you inspiration for your investments, or simply encourages you to take the first step with investing.

Thank you for taking the opportunity to read The Edge, we welcome any feedback and please do send us any suggestions for topics you'd like to see covered in detail in future issues.

Happy Investing!

Amanda Taylor,
Guest Editor and Chief Commercial Officer

P.S. If you're new to our magazine you may not be aware that we organise an annual event, the Master Investor Show. This year's event will be held on 6th April at the Business Design Centre in London. I'm pleased say that I can offer readers a complimentary ticket using the discount code EDGE – just use the code when checking out here.

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Does your mother invest?

By Maike Currie, Investment Director, Fidelity International

Does your mother invest? My mother did, and so did my grandmother. My gran was a typical 1950s housewife – a pro at keeping her house immaculately clean and hosting dinner parties. Her husband was 'the head of the house', breadwinner and decision-maker. He would give her a monthly allowance to take care of household expenses. As she was very frugal (a war child) she would always put a few pennies aside, which she quietly invested. I remember clearly how she would page through the newspaper to check how her stocks had performed.

There's no doubt in my mind that my gran's example, and my mum's, sparked my own interest in investing, and also made it a far less daunting prospect. But it's not the same for many women. So let me frame this question slightly differently: Does your mother/wife/sister/daughter invest? Chances are you may not know many women who invest.

And that's a problem. Not least when women make up half of the population, often manage the family purse strings, outlive men, are increasingly the main breadwinner and more than likely the ones teaching their children about money. Wouldn't it be great if there was a female investor or fund manager that was a household name? Like Benjamin Graham, John Bogle or John Templeton? Unfortunately, there isn't, and Warren Buffett admitting that he invests like a woman doesn't quite cut it.

Even in those subjects where we know women are chronically underrepresented, you can find a role model or two if you look really hard. If you were pressed to name a famous woman, say in business or science, you could probably come up with one – perhaps Sheryl Sandberg for the former or Marie Curie for the latter. In the technology space, we now celebrate Ada Lovelace day. But if I asked you for a name in the investment space, chances are you will probably be stumped. The root cause: too few women are investing money both within a professional context and at home.

My colleagues at Fidelity International and I have been doing a lot of work on this, culminating in a report entitled, *Unlocking women's financial power*, with the ultimate aim of digging deeper into the barriers stopping the other 50% of the population from investing[1].

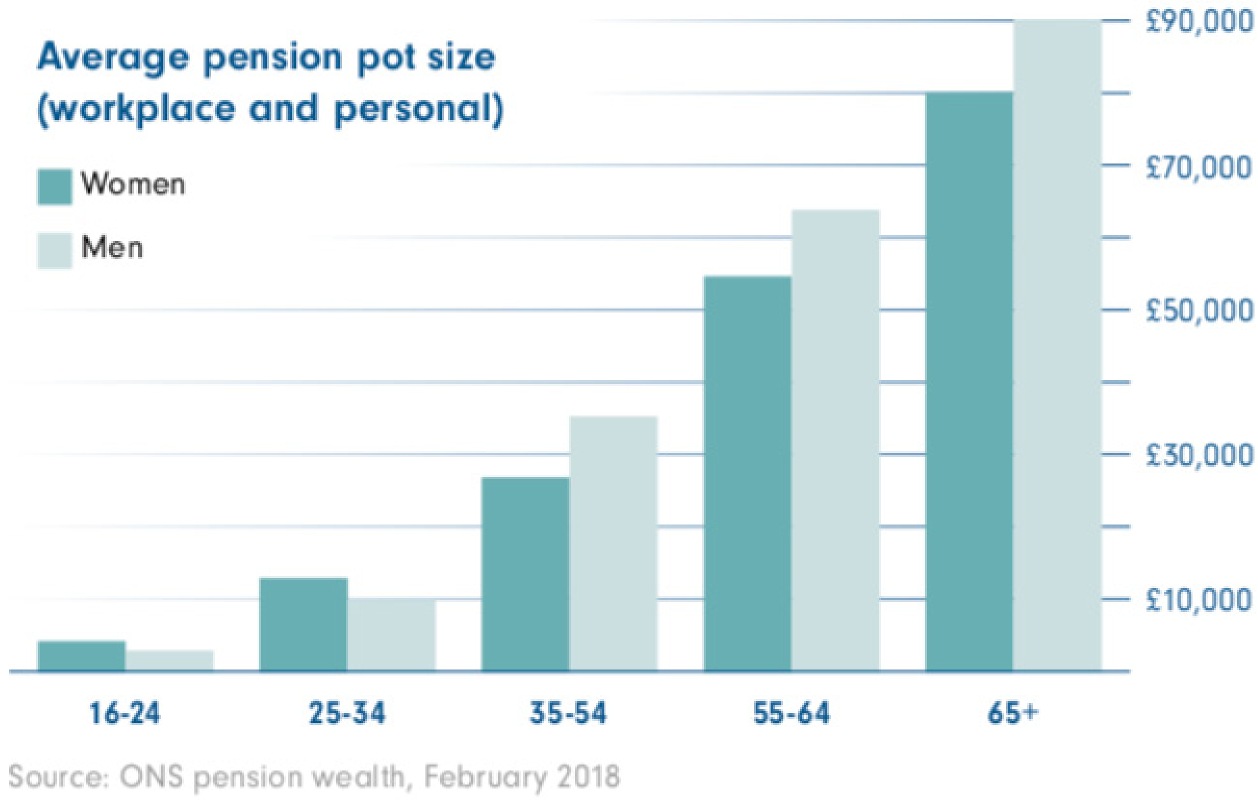
The first (and rather obvious) problem is the thorny issue of the gender pay gap. If you earn less, you're probably less willing to take risk with your earnings. Your earnings (and investing potential) is further impacted by the fact that many women will take a career break to raise a family, often referred to as the 'motherhood penalty' or the fact that women are still more conscientious than men when it comes to taking time off to care for a sick or elderly relative – referred to as the 'good daughter penalty'.

If that's all a bit depressing or negative, it's worth remembering that if you're in a workplace pension, you're already investing, and the opportunity to make the most of that investment is right in front of you. As we point out in the report, women can close the 'gender pensions gap' by just adding an additional 1 per cent of their salary towards their pension early on in their career. Over more than 39 years, this would cost around £35 per month[1].

Here's the rub. We might not have much control over things like the gender pay gap or equal pay day, and we can't always control whether we can get that pay rise or promotion. But we do have control over our personal finances, and we need to start engaging with our pension. How many of us have no clue where our pension is invested, how much it's worth or even how much we're contributing each month?

Beyond this, women also think differently about money – not as our own, but as our family's, something we share with those near and dear to us. Again, logic dictates that if we think about money in this way, we're far less willing to take any risk with it. The numbers back this up. Just take the annual HMRC figures on ISA sales. While women hold far more ISAs overall, we tend to prefer cash ISAs while our male counterparts hold stocks and shares ISAs[2]. This caution comes at a hefty cost in an era of record low interest rates and high inflation.

Women are expected to control 60% of the UK's wealth by 2025[3] – but if six years down the line we're still leaving that wealth languishing in cash, we will be failing dismally to unlock our own financial potential. It won't just hurt us – our families, society and the economy as a whole will lose out.



"Women can close the 'gender pensions gap' by just adding an additional 1 per cent of their salary towards their pension early on in their career."

A lot of women shy away from investing because they feel they don't have the knowledge. Perhaps we are just more conscious of the gaps in our knowledge. We know what we don't know. In fact, we're acutely critical of this. It's the same reasoning that sees women want to tick all the boxes under a job spec before they apply for a role.

Here's the rub. As the homemakers, caretakers and purse-string managers, chances are there are a few businesses we understand far better than we realise. And what you eat, drink and do at the weekend can tell you an extraordinary amount about how our habits are changing the world, which means you probably have a good idea of the companies positioned to benefit. As the Sage of Omaha puts it, “Only invest in businesses you understand”.

Finally, a word on how women invest when they do decide to take the plunge. Any experienced investor will tell you that the best returns tend to come not in the third or fourth week or month after they were purchased but in the third or fourth year. Most investors fail to benefit from those gains because they are long gone, chasing the next winner because they don’t have the patience to just sit and wait. Men often fall prey to this, as Terrance Odean, a professor at Berkeley’s Haas School of Business, known for his work on behavioural finance, found back in the 1990s. His research found that men traded 45% more than women[4], blaming this on male overconfidence. Women in contrast, tend to be buy-and-hold investors.

When we do invest, we do so with long-term goals in mind, and we are happy to stick to these whether we’re saving for our child’s education or putting

Fidelity International’s report on unlocking the financial power of women, is a deep dive into women (and men’s) attitudes to investing. You can download and read it here: www.fidelity.co.uk/womenandmoney

something away for a comfortable retirement. To unlock the financial power of women, we need to address the personal, professional and policy barriers stopping women from investing. That's the only way to get more female investors in industry and at home.

Now's the time to get your mum, your gran, your daughters and all the other women in your life to #GETINvested.

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Maike Currie is a writer, broadcaster and published author. Her role is to provide insight and guidance to end investors on topics ranging from investments to pensions and personal finance. Prior to joining Fidelity, Maike worked at Investec Asset Management. She also spent a sizeable time of her career working as a financial journalist, most notably at the Investors Chronicle, the oldest weekly magazine for private investors. The author of The Search for Income: An Investor's Guide to Income-Paying Investments, Maike is a media spokesperson for the broader business, appearing on BBC business, Sky news and ITV. She is regularly quoted in the national press and writes a monthly column for the Financial Times.

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Important information

Women mean business... but not without the angels

By Jenny Tooth OBE, CEO, UK Business Angels Association

In 1993, according to the London School of Economics, women made up 20 percent of the wealthiest 10 percent of the population. Twenty years later, this figure had only increased to 28.2 percent. Today, women account for just 12.8% of the world's wealthiest 500 people, while self-made wealthy women are only 1.4% of that. The gender gap in wealth ownership spills over into wealth management, where the disparity is even more stark; women make up 27% of all venture capital staff and only 14% of angel investors in the UK. Globally, female fund managers are responsible for just 4% of worldwide assets.

With an increasing focus on ensuring that women succeed as business leaders, having equal representation on boards and equal pay in their salaries, there remains an ongoing disparity in the proportion of women who are using their financial capacity and business expertise to invest in small businesses. Forming the basis of an important new research report released earlier this year, The UK Business Angels Association championed an investigation into the dearth of women investors on behalf of six leading European Angel organisations, delivering pan-European insight into the issue. The report focused on understanding the challenges that are holding women back from angel investing, as well as finding out how we could reach the women who fit the profile, but do not currently invest. The research unveiled critical changes that need to be addressed industry-wide, with a focus on role-models and subsequent perceptions of wealth proving key.

The data – commissioned across 640 women investors and six countries – revealed a concerning series of trends throughout the European investment community, ranging from gender-skewed advice, women's lack of confidence regarding other women's introspective perceptions of wealth, and, overridingly, a distinct lack of senior female role models to help challenge these issues. Only 14% of women investors said that they had been informed by advisory sources about relevant tax breaks or funds enabling them to invest in small businesses, while 78% of female investors only found out about relevant investment

"Women make up 27% of all venture capital staff and only 14% of angel investors in the UK. Globally, female fund managers are responsible for just 4% of worldwide assets."

opportunities because of their own professional groups and networks. Due to financial advisers' view of women as more risk averse, the majority of women said that they were instead directed to stocks and shares first – followed by bonds, pension funds, assets under management and property before being made aware about EIS funds and VCTs.

Perhaps more shockingly was the emerging disparity between the sentiment of male and female investors towards women entrepreneurs. Close to 20% of female angel investors have invested in three to 10 women founders, compared with only a few leading male angels investing in a significant number of women founders. This outcome is significant as similar research carried out by Beauhurst – the UK's start-up and scale-up database – found that only 2.9% of women founders go on to successfully access equity investment. Compared with their male counterparts – who are 86% more likely to secure equity investment – it is easy to see why only 9% of total investment funding went to women.

The problems do not, however, end there; many of the barriers to progression for gender-balanced investment were due to a significant majority of the respondents feeling uncomfortable with being associated with many of the stereotypes that often come with the "wealthy woman investor". With perceptions of wealth in the female community emerging as significantly flawed, the crux of the issue does not stem from lack of wealth, and instead a distinct un-comfortability with its associated stereotypes. Far from the pigeon-hole of a steely iron maiden seated on a leather chair with a briefcase full of money to her side, women investors are as diverse as the society they are from. As with many male investors, women do not need to be millionaires to invest – many of the most successful SME investors commence their investment careers with smaller funding rounds, supported in no small part by business angels who catalyse the charge.

There is a clear indication that women absolutely have the means and the resources to invest into British businesses, but without accurate representation and the presence of prominent women lead angels, financial momentum – albeit possible – will not occur. By empowering women to become successful investors in their own right, we can then empower them to become lead business angels. With a lack of role models consistently quoted by women investors as one of the key barriers to entry, this empowerment

"By empowering women to become successful investors in their own right, we can then empower them to become lead business angels."

to leadership roles should be the key priority for all in the industry.

As one of the UK Business Angels Association's key objectives, we have recommended the building of a national campaign to raise awareness among women about the opportunity to angel invest, offering access to bespoke education and support, whilst also proposing the development of new co-investment funds to leverage women led investments.

UKBAA will be drawing on the findings and recommendations of our report, and the Women Mean Business campaign, to actively engage in a programme of actions across the UK in the year ahead with a view to encouraging more women to take the leap into angel investing.

If you would like to be involved in our work, get in touch with us through www.ukbaa.org.uk.

Jenny Tooth OBE is CEO of the UK Business Angels Association, the trade body for angel and early-stage investing, representing over 18,000 investors around the UK. Jenny has over 20 years' experience of facilitating SMEs' access to investment, both in the UK and internationally. She ran her own consultancy on access to finance for SMEs, including spending nine years based in Brussels, working closely with the EC. In 2009, Jenny co-founded Angel Capital Group which incorporates London Business Angels, one of the most established and active angel networks in the UK and which was a sold to Newable in April 2017.

Jenny is an angel investor and in her role at UKBAA she focuses on building the angel community around the UK, connecting investors to good deal flow and assisting entrepreneurs to attract investors. Jenny sits on the steering group for emerging technologies and innovations for Innovate UK and the advisory board for the London Co-Investment Fund. Jenny is an experienced speaker on angel investing and entrepreneurship both in the UK and internationally. She has an MSc in Economics from the London School of Economics and Political Science. Jenny was awarded an OBE in 2015 for services to small businesses.

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Women & Wealth

No longer just a man's game?

By Charlotte Ransom, CEO, Netwealth

In the 100 years since women have earned the right to vote, gender balance progress has been steady. 58% of UK university applications in 2018 were female[1] and FTSE 350 boards have a 25.5% female representation[2], a focus on gender balanced executive teams and finally a long overdue spotlight on the gender pay gap.

Due to these fundamental changes, women increasingly hold significant personal wealth. In the UK, according to the Office for National Statistics, in 2016 the average net estate size for women with "identified wealth" is £268,400 – for men it is £300,200[3]. The Centre for Economics and Business Research estimates that by 2020, 53% of millionaires in the UK will be female.

But where are these women when it comes to investing their money? Is there, in fact, another gap beyond that of pay – the investing gap? At some point, potentially early in our lives and then subliminally underscored thereafter, societal and structural barriers may have restricted women's ability to be financial participants.

Balancing family support with the cost of neglecting to invest

As women take on more professional demands, the fact remains that providing for family members at both ends of the generational spectrum is more often taken on by women, with the ensuing personal and financial costs that go with it. Whether it is for elderly parents who may need regular care or financial support, less well-off siblings, or their own adult children. The list of those needing emotional and financial support can be long.

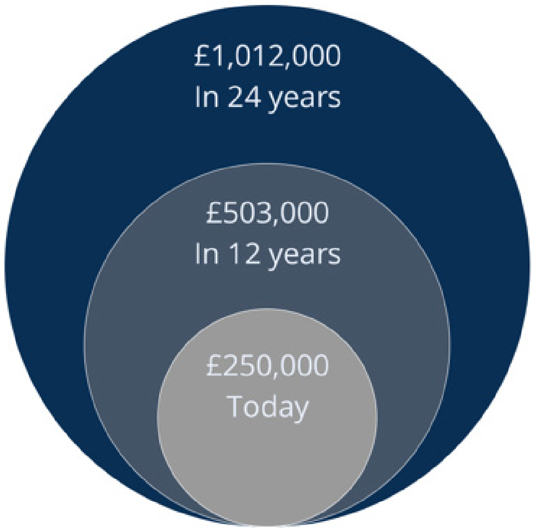
"By not investing, or by leaving it too late, women create a huge yet avoidable wealth deficit."

All of this matters, especially when we consider that over 42% of marriages end in divorce, with these numbers increasing in the over-50s. Women also tend to outlive men by 3-5 years on average, exacerbating the need to ensure that investment capital is thoughtfully put to work. By not investing, or by leaving it too late, women create a huge yet avoidable wealth deficit. After all, with average market returns of 6%, every £250,000 that is invested could double over 12 years and could grow to £1 million in 24 years. Leave it in the bank and it is guaranteed to decline in value as inflation eats away at it.

In fact, while holding your money in a savings account may alleviate worries about taking action, your capital is not as safe as it seems.

Between the end of 2007 and the end of 2017, the actual purchasing power – after retail price inflation – of £250,000 left to languish in a bank account would have slumped to £210,062. There is a significant cost to inertia, whatever the cause.

Compounding can double your money in 12 years and quadruple it in 24 years



Source: Netwealth. Assumed gross annual return of 6% and an initial investment of £250,000

The legacy and challenges of wealth management

These multiple and diverse constraints are not helped by the fact that when it comes to those who should be there to help, many women view the wealth management industry as male-oriented, unwelcoming and full of jargon. Even those who have a good relationship with their wealth managers may be quick to admit that they don't feel they have ever truly understood the cost of the service. If pressed, they may recall several recommended investments which they didn't understand and performed poorly.

Despite the pattern of the past, my bet is that this investing gap is going to close, and fast.

The benefits of a modern, user-friendly experience

When women put money aside for their financial goals, we feel in charge of our futures. The satisfaction from investing and meeting these goals only grows as we get older if the means are there to create an accessible and user-friendly experience.

At Netwealth, I am seeing a clear and exciting trend among our female clients – they have distinctive preferences when it comes to wealth management. They are willing to embrace digital technology and, combined with a client-facing service, women find investing to be empowering; it finally brings the topic of finance alive. It allows them to plan for their financial goals. It gives them control and highlights the great distaste at having providers who treat them as inferior or who hide the real costs of their service.

“Despite the pattern of the past, my bet is that this investing gap is going to close, and fast.”

Women are doers and delegators, they have clear views on what they want to achieve, and they will play a greater role in safeguarding their own and their family's long-term financial welfare, just as they prioritise wellbeing in all other areas of their family's lives. Now is the era of change.

Please remember that when investing your capital is at risk.

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Charlotte Ransom is the founder and CEO of Netwealth, a leading UK online wealth manager. Having started her career at JPMorgan she spent 20 years at Goldman Sachs, serving as a partner for 10 years. Her leadership roles spanned relationship management, marketing and product development in the Securities Division. From 2006 to 2011, Charlotte was head of Institutional Wealth Management and the Market Solutions Groups for Europe, Middle East and Asia in the Investment Management Division. From 2012, she explored the impact of digital technologies on a variety of industries before founding Netwealth in 2015.

Charlotte was recognised by PAM as one of the 50 Most Influential in 2019.

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AN INTERVIEW WITH DAME HELENA MORRISSEY

In search of gender balance in finance

By James Faulkner, Editor in Chief, Master Investor

In this interview, our editor in chief, James Faulkner, was given privileged access to one of the UK's leading women in the investment and business world, Dame Helena Morrissey. Having founded the 30% Club – a movement aimed at raising female board membership to 30% among the UK's leading companies – she is well aware of the challenges faced by women in the workplace. What follows is a transcript of the video interview, which can be viewed here.

Dame Helena Morrissey is well known for her work on gender equality. She founded the 30% Club, a campaign for more gender-balanced boards in 2010. Since then, the representation of women on FTSE100 boards has risen from 12.5% to 30.7% and there are now ten 30% Clubs throughout the world.

Helena was CEO of Newton Investment Management for fifteen years, taking its assets under management from £20bn to £50bn. She joined Legal and General Investment Management in 2017, leading a new drive to engage the nation to invest more, with a particular focus on improving women's financial wellbeing.

Helena has been named one of Fortune magazine's World's 50 Greatest Leaders, the Financial Times' 2017 'Person of the Year' and recipient of Lloyds Bank 'Outstanding Contribution to Business' National Award in 2018. She was appointed a Dame in the Queen's 2017 Birthday Honours list. Helena is a Philosophy graduate (Cambridge) and a Fellow of the London Business School.

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James Faulkner: Hi Helena and thanks for taking the time to speak with Master Investor. So, we are here to talk about women in business and specifically women in the investment industry. You are the perfect person to talk to about this because you've done a lot of work on women's empowerment at work. To begin with, can you just give us an overview of the state of play with women in UK business? Where are we at now? We've come a long way haven't we but there is still work to be done.

Dame Helena Morrissey: Well, there's still more talk than actual results, I think. Certainly, there is a lot of action, but not a lot of results. There's been great progress on women on boards in the UK, so since I founded the 30% Club in 2010, we've gone from 12.5% women on FTSE boards to over 30% now. But to be honest, I think that's really been a distraction from the fact we haven't achieved enormous progress in other areas. We still have significant gender pay gaps, and in finance, unfortunately, we're pretty much bottom of the heap – particularly when it comes to women in senior roles, women running businesses, women entrepreneurs being financed through venture capital financing, and women in fund management are still a rare species, I'm afraid.

"Women in fund management are still a rare species."

JF: You mentioned that when you first set up the 30% Club there was only around 12.5% female board membership, but we've made it over the 30% threshold now, so what happens next? Does that become the 50% Club? Where do we go from here?

HM: Well, to be honest, I think the 30% target has been perceived more as a shorthand for just wanting better gender balance at all levels. The 30% came about through me realising that it was an important number, really through other expertise. I'm not a scientist or a neuroscientist or anything but I'd done a lot of reading around how 30% is the point at which you feel more like a person in the room rather than a token and that resonated with me. I was the only female member of the investment association board for a while, and you know when you are the only woman in the room. I'm almost ashamed to admit it but I have sometimes hesitated from speaking my mind or just disagreeing with other people. When you are three out of ten, one of three out of ten, then

you're treated like just another person and you feel that way.

I think it's more important than just raising the target of women on boards. I'm not saying that's won and done, but I think the most important thing is making sure that we have better gender balance or better diversity, not just women as well, but at all levels of companies. We do have to reflect the customers that we serve and ensure that we don't just have one type of person making it to the top. The financial crisis was partly because we had very homogeneous boards, but also arguably because we had group think at the management level as well.

Women are very highly educated these days. I won't go on about university statistics that show that women are 60% of graduates or certainly those with firsts or whatever, but you know it seems such a waste of so much talent and there's also the argument – particularly when it comes to fund management, I think – around needing more diversity of thought. I don't claim that women are the answer to every aspect of that, but it is a very symbolic starting point for improving diversity of thought.

JF: Talking about the financial sector specifically, women in the financial services industry have still got a mountain to climb, haven't they? The gender pay gap in the financial services industry is actually 22%, which is more than double the average over the entire economy.

HM: Yes, and I'm afraid we're just about to have the year two of the formal mandatory reporting of the gender pay gap and I suspect it will be worse again for the finance industry, not because we're not doing anything about it but because the data is reflecting the position last April. It's a year's lag, and of course 2017 was a very good year for markets and it means that the top paid people got paid even more than people on average pay or lower down, so we are going to see it worsen and I have to say I think it is still a challenging environment. I won't go so far as to say that it's a hostile environment for women, but you're still a bit of the odd one out and I think culturally we still have some way to go, for example to embrace different ways of working. There is still a culture of presenteeism, people are expected to work all hours. Obviously, I'm not saying people shouldn't work hard, but I do think that we can work in a smarter way and allow men as well as women to have a life as well as a career.

JF: **So why are women having such a bad time in financial services do you think? Why is it financial services in particular? What is it about financial services that's not appealing to women?**

HM: Well I think there is that sort of chicken and egg problem. The fact that there aren't many women there already doesn't help. I speak at a lot of schools and universities and very many young girls don't even think of applying because they just think of it as an alien world. They think of it just as a masculine, male-dominated environment and I think it is in lots of ways very rational to think that that might prove an uphill struggle compared to if you go to work in a sector that's a bit more balanced to start with. But I personally believe that having more women is important culturally, but we can also change things for the better hopefully, and we need better balance.

I do encourage people to think not just in terms of what their image is but also to not make the mistake of thinking that you have to have a maths degree! That's the other thing that's a bit of an impediment, because girls are much less likely to study A-Level maths or further maths in particular. I happen to have a maths A-Level, which is ancient history of course, but I know that my philosophy degree has been much more useful even when I was a bond fund manager, frankly. So, I'm really trying to encourage people and that obviously requires companies in turn to have recruitment policies that aren't just specifying, "Oh, you have to have a 2-1 or higher degree in economics, maths, or science".

So, I think we do have some practical things we can do and then we need to evangelise more and talk about what it is we do. It's not shady figures, cooking the books, its mostly people in my experience who are trying to do a good job for clients and actually trying to improve financial wellbeing which has a social purpose too.

JF: It's not just the world of work either is it, because it spills over in to personal finance? Figures show that women are much less likely to invest than men are, for example. Do you think that psychology plays a role here, because men are traditionally seen as these risk takers whereas women are traditionally seen as more risk averse?

HM: I think that's partly to do with it. I think my own experience is that women tend to be risk aware – not necessarily

"I think that women, when it comes to personal finances, feel that they're not understood, that the language used is either very complicated or very patronising."

afraid of taking risks but more aware. Obviously, everyone's always asked me whether I think women make better fund managers than men which seems a bit of a leading question, but I do think sometimes – and again it's a strangely controversial thing to say now – but I think on average men and women are a little bit different and there's research on both sides of that argument.

The ideal team has a mix. I think that women, when it comes to personal finances, feel that they're not understood, that the language used is either very complicated or very patronising. You can argue that women are never pleased but it's actually just that it doesn't emotionally appeal to women. Often, even very smart, highly educated, professional, high-achieving

women tell me, "No, actually, I hand all that over to my husband or my partner". Unfortunately, that often means that women are in later years quite vulnerable financially and the statistics suggest that women in the UK, when they reach the age of 65, have a pension pot only one fifth of the size of the average man. Not just one fifth less than but one fifth of! and if you are divorced, apparently, a woman's pension pot is on average £9,000 – the whole pot – and she becomes very dependent on family and friends.

JF: So, what do we need to do to make investing more accessible to women? What are the main things that we can do?

HM: I think we need to make it more relevant and I recognise that it's not a sort of question of "build it and they will come". If we were all just making rational decisions, then we would all be investing very wisely from a very early age, but that's not how people operate. We often prefer to just have short-term gratification, we like to get involved with things that we're interested in and I think we need to make finance more relevant and appealing.

One idea is connecting what it means for you, in the way that for example we look after our health. More people these days than ever before exercise and eat sensibly, not because they don't love cake but because they know that in the long term it's not going to be great if they eat lots and lots of cake. We need to get finance into this sense of being an everyday thing. There is also the issue of aligning with values and obviously there is a lot of talk about environmental, social, and governance topics. Climate change or gender equality or just making sure that your money is not financing companies that employ people on zero-hours contracts – these are things that young people in particular say they care about, but we've yet to see them backing that with their money. Making it more obvious that the products and the services that they buy are going to do some good rather than

> **"There is research showing that mixed gender teams perform the best of all."**

just line the pockets of people they don't particularly rate would be a step in the right direction.

JF: You mentioned this earlier, but I've got to ask this question: Do women make better fund managers than men? Because you mentioned that women are more risk aware, as you put it. Does that set them up to be better asset managers than men, do you think?

HM: I'm not going to be a politician and avoid the question, but there's professional investors and then there is everybody else. There was a big study in the States beautifully entitled "Boys will be boys" that examined a group of 35,000 American households. The researchers realised when analysing their investment returns that the women tended to on average outperform by around 1% a year relative to the men, but only because they traded less. These academics attributed it to the notion that women tend to be less confident than men, and typically overconfidence meant that you tend to act on your beliefs.

JF: And all the studies show that people who trade less frequently achieve better returns in the long term.

HM: That spills over, I think, to professional fund management, where we tend to sort of stick with a position. Now, of course, you also need to have the courage of your convictions, you need to be decisive, which is why there is research showing that mixed gender teams perform the best of all. But what I have seen directly is that women – and again it sounds too stereotypical to be even true – tend to be very conscientious, tend to do a lot of research, be great analysts, and therefore often do consider risks really well. It's just that taking the plunge that sometimes, I think, we need someone to say, "Just go for it". Women tend to be a little less good at doing that, so maybe there are pros and cons and what you need to look for if you are picking the best team is mixed gender.

JF: OK! And on that note, thank you very much.

HM: Thank you, it's been a pleasure.

Why we need to change the language of investing

By Merryn Somerset Webb, Editor in Chief, Moneyweek

If you are ever in Edinburgh with a little time to spare, I insist that you ask to visit the Library of Mistakes, a small financial library tucked away on the first floor of a little mews house at the end of the Georgian New Town. Once in, look for pamphlet called the "The Finders Guide to The History of Financial Advice". The authors – academics Peter Knight, a professor at the University of Manchester; Nicky Marsh, a professor at the University of Southampton; and Dr Paul Crosthwaite at the University of Edinburgh – have read 300 financial advice books ("so you don't have to", they say) going back as far as 1726. In doing so they have come up with all sorts of interesting observations.

But one that stands out deals with gender and investing. The majority of these books are written for men. The market is discussed as being somehow stereotypically female (volatile, fickle unfathomable, capricious, impulsive) – something to be managed into creating returns by men with charts, calculations and rational thinking. Doing this – even as a side-line – is also presented as tough work, something one early commentator notes, makes it entirely unsuitable for women, unsuited as they are to the "nervous strain… Which necessarily accompanies all hazard." The "true stock operator" said Thomas Lawson, writing in his Frenzied Finance in 1905, "is sometimes tempted to buckle on his armour and get into an exciting fight solely for the combat's sake and then he might not be over concerned about the rights and wrongs of the contention."

The theme is picked up by Burton G Malkeil in his still best-selling *Random Walk down Wall Street* ("the book for the 1990s investor" according to his blurb). Most of the book is about how you can't beat the market. But the final few paragraphs of the last chapter reveal a little more about just how Malkeil reckons markets make a man feel. "Investing is a bit like lovemaking. Ultimately it really is an art requiring a certain talent and the presence of a mysterious force called luck. The game of investing is like lovemaking in another important respect too. It's much too much fun to give up."

This kind of thing matters. It matters because language matters. And the net result of this genre of writing and this characterisation of how investing works (complicated, difficult, a gamble, a battle, a man thing) has stuck with us. In a recent survey conducted by Fidelity, some 45 per cent of women said that they find the way in which investment is communicated by the industry to be complicated. 18 per cent felt it to be incomprehensible and intimidating. The result? Even now, when the gender pay gap has, for example, all but disappeared for the under 35s, investing has remained something of a man's game: study after study shows that women with money are more likely to keep it in cash and less likely to invest than men –

"Study after study shows that women with money are more likely to keep it in cash and less likely to invest than men – something that has nasty long-term effects on their wealth."

something that has nasty long-term effects on their wealth.

This is particularly maddening for two simple reasons. The first is that with time taken out from the work place for children and with longer life spans to boot, women need to make their money work even harder for them than men do. The second is that there is no reason for investing to be complicated, incomprehensible and intimidating. With the rise of simple and inexpensive online wealth managers, excellent platforms with great customer service back up and the existence of the ISA wrapper (which allows you to put £20,000 away every year with all the returns from it coming to you tax free) everyone should find it pretty easy to grasp the basics and get started.

But how do we fix the problem that this isn't how most people see it? Some of the problem is going to fix itself. The introduction of pensions auto enrolment means that everyone in all but the lowest of paid work in the UK is effectively invested in the equity markets (whether they know it or not!) and the closing of the gender pay gap alongside the slow reform of our working environments is gradually changing the gap between male and female lifetime earnings. The government, unusually, is doing its bit. But there is also a huge onus on the industry to help things along. They need to find a way to cut through the jargon and faux complication and present a simple picture of possibilities to their audiences – whatever their gender.

(Secret: most men find the language of investing confusing too, they are just less likely to say so).

Merryn Somerset Webb is Editor in chief of Moneyweek and a weekly columnist for the Financial Times. She is also a regular radio and TV commentator on all things financial.

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BOOK REVIEW

Money Lessons

Review by Amanda Taylor

In preparation for this magazine supplement, I was fortunate enough to be given a sneak preview of *Money Lessons,* written by Lisa Conway-Hughes. I originally discovered Lisa on instagram (@MissLollyMoney), where she shares lots of inspirational financial posts and stories. Lisa also blogs, podcasts for *She's on the Money* and speaks publicly on financial issues as well having a day job at Westminster Wealth Management.

As someone without a formal investment or financial background, I have tried to learn through immersion in my role at Master Investor. This has been somewhat effective, but I haven't been very disciplined in applying what I've learned to my own finances. The tagline for Money Lessons is *'The definitive guide for anyone wanting to start their journey to a more informed and empowered future.'* After reading the book I can say hand on heart that the description is true! This is a book that everyone should be given when they leave school – scratch that; this is the stuff that should be taught in school!

But you'd be mistaken to think that this means the content is basic – it is far from it, and it covers in great detail everything you need to know about all aspects of your finances. *Money Lessons* is part reference and part work book, combining useful information with interactive examples to complete for your own finances. It takes you on a journey of each element of your personal finance – through savings, goal setting, debt, mortgages, taxes and much more, culminating in the final chapter and my personal favourite, *Chapter 9: Once in a lifetime – what to do with your money once you've made it,* including how to invest your money.

Even the most seasoned investors will find something to learn from this book, and even if it's not for you, I'd urge you to buy a copy for any young people you know that are being failed by the education system when it comes to personal finance.

Money Lessons is out on 25th April 2019 and available to pre-order on Amazon.

Investor Events Diary

EVERY WEDNESDAY | 12:30
Event: SR Live
Organiser: SyndicateRoom
Place: Webinar

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12 MARCH | 18:00-21:00
Event: London South East Investor Evening
Organiser: London South East
Place: Brewers Hall, Aldermanbury Square, London EC2V 7HR
Tickets: www.eventbrite.co.uk/e/london-south-east-oil-gas-investor-evening-with-ceos-from-jadestone-energy-inc-tower-resources-and-tickets-56882563278

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27 MARCH | 17:00-20:00
Event: Mayor of London's TechInvest Clean Tech Showcase
Organiser: UKBAA
Place: Level 39, 1 Canada Square, Canary Wharf, London E14 5AB
Tickets: http://techinvest.london

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6 APRIL | 09:30-17:00
Event: Master Investor Show
Organiser: Master Investor
Place: Business Design Centre, 52 Upper St, London N1 0QH
Tickets: https://masterinvestorshow-2019.reg.buzz Use code: BALANCE for a free ticket

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6 APRIL | 09:30-17:00
Event: London Cryptocurrency Show 2019
Organiser: Investor Conferences (UK)
Place: Novotel London West, 1 Shortlands, London W6 8DR
Tickets: www.eventbrite.co.uk/e/the-london-cryptocurrency-show-tickets-45189200114 Use code: MASTERINVESTOR19 for a free ticket

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9 APRIL | 18:00-21:00
Event: London South East Investor Evening
Organiser: London South East
Place: Brewers Hall, Aldermanbury Square, London EC2V 7HR
Tickets: Email amanda@masterinvestor.co.uk to register interest

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26 JUNE | 18:00-23:00
Event: Small Cap Awards 2019
Organiser: Small Cap Network
Place: The Montcalm Hotel, Marble Arch W1H 7TN
Tickets or sponsorship: Email amanda@masterinvestor.co.uk to register interest

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25 OCTOBER | 09:30-17:00
Event: London Investor Show
Organiser: Investor Conferences (UK)
Place: Novotel London West, 1 Shortlands, London W6 8DR
Tickets: www.eventbrite.co.uk/e/london-investor-show-2019-tickets-53471905910
Use code: MASTERINVESTOR19 for a free ticket

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15 NOVEMBER
Event: Manchester Investor Show
Organiser: Investor Conferences (UK)
Place: Manchester, TBC
Tickets: www.eventbrite.co.uk/e/manchester-investor-show-2019-tickets-53471910925 Use code: MASTERINVESTOR19 for a free ticket

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Glossary

Active Management: When you invest in an actively-managed fund, a professional fund manager will choose which investments to hold in the fund. The manager's aim is to deliver a performance that beats the fund's stated benchmark or index and they will 'actively' buy, hold and sell investments to try to achieve this goal.

AIM: Alternative Investment Market (AIM) is a sub-market of the London Stock Exchange. There is no minimum size the company needs to be to list on AIM and they also don't require a trading record, which means many of the companies which join the market have only been around for a short period of time.

Asset allocation: Asset allocation is deciding what proportion of a portfolio should be made up from different investments (such as equities, bonds or funds), markets and sectors, taking into account the risk involved with each one.

Bear market: A bear market is a prolonged period of falling stock prices, usually marked by a decline of 20% or more. A market in which prices decline sharply against a background of widespread pessimism, growing unemployment or business recession.

Bid-offer spread: The 'bid' refers to the price the market is willing to pay you if you want to sell your shares, whereas the 'offer' is the price the market will sell you shares if you wish to buy them. The gap between the two prices is known as the 'spread'. For shares that trade very frequently, this difference is likely to be quite narrow.

Bond: A bond is a loan issued by a corporation or government where they promise to repay the full amount on a specific date in the future, while also paying interest to the investor. Some bonds are structured in such a way that they make regular interest payments at a specific rate and over a specific period. Some bonds have interest rates that change over time.

Bull market: Any market in which prices are advancing in an upward trend. In general, someone is bullish if they believe the value of a security or market will rise.

Capital gain: The difference between the price you pay for an investment and its selling price, when the difference is positive.

Commodities: Wheat, livestock, oil, gold and sugar are all types of commodities. They are raw materials that are used to create a range of consumer products. Commodity investors study the markets for these products with the aim of predicting how prices will change in the future. Historically, the price of commodities have been very volatile, responding quickly to changes in the political and economic environment.

Compound interest: Compounding is all about earning interest on your interest (or returns on your returns), rather than just on the original money you invested. The power of compounding can have a huge effect on your investment returns. If you don't make withdrawals and let your returns mount up over time, the knock-on effect can be substantial.

Diversification: The process of owning different investments that perform well in different market conditions. The aim is to reduce the effects of volatility (market ups and downs) on the portfolio, while boosting the potential for increased returns.

Dividends: Dividends are payments made by companies to their shareholders out of their profits or reserves. They are not guaranteed. Investors can either take dividends as a cash payout, or reinvest them to boost the potential for growth over time.

ETF: An Exchange-Traded Fund (ETF) is a type of fund that tracks an index or market such as the FTSE 100 or S&P 500. ETFs are traded in the same way as individual shares, which means they can be bought and sold on the stock market. The share price changes throughout the day, depending on market movements.

Equities: Shares issued by a company. A holding in a company gives the holder the entitlement to dividend payments and voting rights.

FTSE, FTSE 100: FTSE is an acronym for the Financial Times Stock Exchange. Today, the FTSE manages lists of companies – known as 'indices' – trading on the London Stock Exchange to show how they're performing.

Fund: A pool of money from a group of investors and managed by an investment manager. The investment manager takes the money and invests it in a wide range of assets such as equities and bonds. Unit trusts and open-ended investment companies are types of fund.

Growth investing: Investment strategy that focuses on stocks of companies and stock funds where earnings are growing rapidly and are expected to continue growing.

Investment strategy: A set of rules, behaviours or procedures designed to guide an investor's selection of a portfolio and meet their goals.

IPO: An Initial Public Offering (IPO) occurs when a business comes to the market for the first time and sells shares to the public just before they become available on a recognised stock exchange.

ISA: An individual savings account (ISA), a scheme allowing individuals to hold cash, shares, and unit trusts free of tax on dividends, interest, and capital gains.

Liquidity: How quickly and easily you're able to access money from your investment. The more shares a company has listed on the stock market, the more liquid the shares are, in theory. Also the larger the number of investors in a market, the higher the market's liquidity because the easier it is to make prices.

Market capitalisation: (or market cap) refers to the market value of a company. It's calculated by multiplying the number of a company's shares by the price per share.

Open-ended investment companies (OEIC): A type of fund that is able to invest in other companies with an ability to constantly adjust its investment criteria and size hence it is 'open ended'

Passive funds: The opposite of active funds, and also known as index trackers or tracker funds. Passive funds will buy all, or the majority, of the assets in a particular market – which in turn means the passive fund will closely mirror the performance of that index.

PE ratio: The price-to-earnings ratio of a stock is a measure of the price paid for a share relative to the annual net income or profit earned by the company per share. It is worked out by dividing a company's share price by its earnings per share. The PE ratio is often used by investors to help them decide whether they are getting value for money on the stock they are investing in/selling.

Portfolio: A collection of investments owned by one organisation or individual. These investments are managed collectively, with specific investment goals in mind.

Price-Earnings ratio: (P/E) A valuation measure that shows how much investors are paying for a particular company's earning power. It is calculated by taking the company's share price and dividing it by the earnings per share.

Risk attitude: All investments carry some degree of risk – the chance you will lose your capital. Traditionally, the greater the risk you take with your money, the greater the potential reward.

SIPP: A self-invested personal pension (SIPP), a pension plan that enables the holder to choose and manage the investments made.

Stock market: A place where stocks and shares are bought and sold, for instance the London Stock Exchange.

Stocks, shares: These two terms are often used interchangeably. A stock is a share in a company. A company can separate its 'stock' into a number of shares. Investors generally aim to buy them at one price and sell once the value has increased. Stockholders or shareholders usually receive dividends once or twice a year, which are paid from the company's profits.

Unit trusts: A collective investment that holds assets and passes the profits from the underlying assets/investments to the owners of those units, as opposed to reinvesting them in the fund.

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