

# Hidden in Plain Sight

**Capturing the Untapped Investment  
Opportunity in Female and Other  
Underrepresented Investment Talent**



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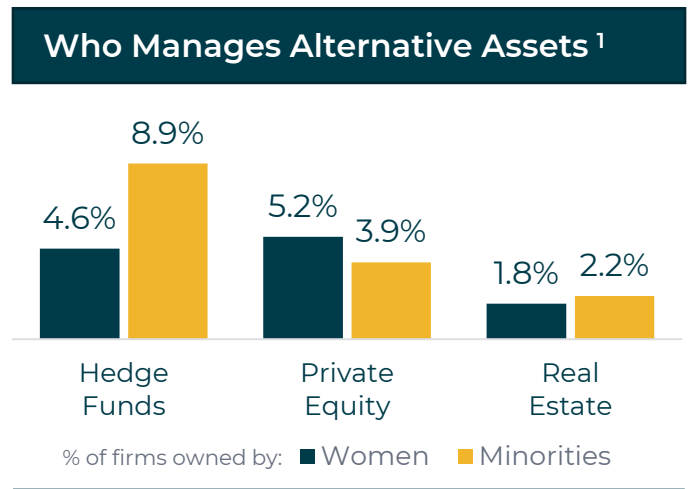


It is hard to find overlooked opportunities in the intensely competitive investment management business. But there is one area that has been largely ignored despite its huge potential: backing female and other underrepresented investment talent. For a variety of reasons, diverse talent\* controls only a tiny fraction of the assets under management in the U.S., even as research shows they outperform non-diverse peers.

By taking advantage of this mismatch—by investing where others haven’t done so significantly—there is a unique opportunity to expand the investable universe with the possibility of generating outsized alpha. To understand why this dislocation exists, it is worth exploring why the investment industry, and more specifically, capital formation, has often proven so challenging for these individuals.

## A Miniscule Share of a Behemoth Industry

Female and other underrepresented investment talent manage just [1.3 percent of the \\$69 trillion](#) in institutionally-run assets, according to a study by Harvard Business School and Bella Research Group sponsored by the Knight Foundation. Typically, such firms are defined as those in which women or minorities hold at least 25 percent or 50 percent of ownership. The same study showed that these firms accounted for about 10 percent of the industry total, by number of firms, which suggests they have struggled to accumulate assets.



### Diverse Talent – a Tiny Fraction of Asset Managers

**1.3 percent** of **\$69 trillion** in institutionally-run assets are managed by female and other underrepresented talent.

Unconscious bias may explain part of the problem. Institutional investors tend to invest in people who look like them, and in the alternative asset space, **97 percent** of the money is with firms run by white men.

\*Diverse Talent / “Diverse Managers” includes, but is not limited to, Black and African Americans, Hispanic Americans and Latinxs, Native Americans, and Asian Americans.

(1) Harvard, Bella, Knight Report – [hyperlinked here](#).



## Size Bias Limits Opportunities

A different kind of bias—again unconscious—also works against underrepresented talent. Call it a size bias. In recent years, larger firms have captured a growing share of the pie. Particularly since the Global Financial Crisis, institutional investors have shown a preference for fewer, larger money managers with established track records. Many institutional investors, for instance, won't invest in funds with less than \$1 billion in assets or in funds that don't have a five-year independent performance record—hurdles underrepresented managers often can't overcome. These well-established industry dynamics may explain why the capital commitments to underrepresented talent don't seem to grow, despite expressions of interest from well-intentioned investors.

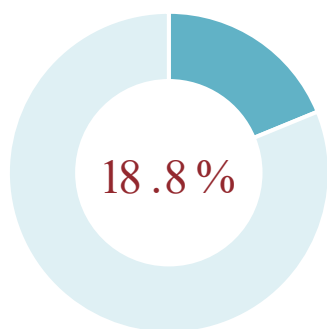
This group of managers also face barriers in launching their own funds. Because their compensation at their prior firms tends to be lower and it takes longer for them to be promoted, or their net worth is largely tied up

in illiquid carried interest, they lack the capital needed to build the infrastructure and team required to raise institutional money and to have the staying power over generally longer fundraises. It should be noted that while these diverse managers are raising their first funds, they are not first-time investors. Many have compiled impressive records working at other firms.

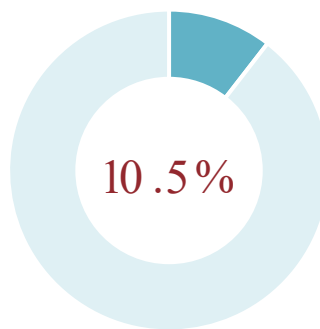
Diverse managers also typically find the costs of running their firms to be more onerous. A study by the Association of Asian American Investment Managers (AAAIM) found that firms with less than \$500 million in assets under management are less able to achieve economies of scale. The organization notes that the costs of running a small fund are high due to relatively fixed costs for back-office staff, compliance, and other business essentials. For a small fund, such expenses consume [70 percent of fees compared to less than 40 percent](#) for larger funds, AAAIM found.

### Diversity Drought at The Top <sup>2</sup>

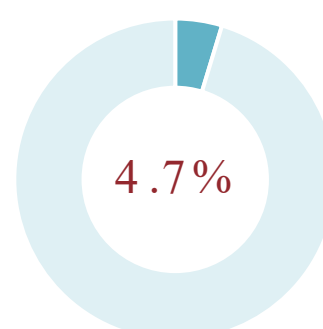
**Total Workforce Representation of Women in Alternative Asset Management Industry**



**Women at Senior Level**



**Women at Board Level**



(2) Prequin Special Report: Women in Alternative Assets – [hyperlinked here](#).

## Diverse Investment Teams Proven to Outperform



### Gender-Diverse Teams Outperform

Relative to male-only deal teams, gender-diverse teams in private equity buyout outperform by an average of 12 percent IRR and 52 cents per dollar invested, along with reducing average capital loss ratios by 8-12 percent.<sup>3</sup>



### Women Back Women in Venture

Female venture partners invest in twice as many female founding teams as their male colleagues, and U.S. startups with at least one female founder go on to hire 2.5 times more women than startups with all-male founders.<sup>4</sup> Think of this as a flywheel effect of diversity. With more diverse talent at the helm, more money will likely flow into companies with a similar makeup, creating a virtuous circle that will build a more diverse talent pipeline and should drive outperformance.



### Topping Quartile Rankings

Research by the National Association of Investment Companies discovered that diverse private equity funds topped median quartile performance in more than 75 percent of the vintage years from 1994 to 2018.<sup>5</sup>



### Outperformance by 20 Basis Points

When they do get a chance to manage assets, female and other underrepresented talent generally does well. An analysis of 2,400 investment teams globally by Willis Towers Watson found that diverse investments teams outperform those with no gender or ethnic minority employees by 20 basis points a year on average.<sup>6</sup>



### Better Returns, More Profitable Exits

Venture capital firms that increased their proportion of female partners by 10 percent saw on average a 1.5 percent spike in overall returns each year and had more profitable exits, according to a 2021 report published in the Harvard Business Review.<sup>7</sup>



### Women Make the Difference in Venture

Consider one more piece of evidence. The majority of venture firms (65 percent) don't have a single female partner or general partner, yet out of all U.S. venture firms that had a top quartile fund between 2009 and 2018, almost 70 percent had women in decision-making roles.<sup>8</sup>

## Seizing the Opportunity for Superior Risk-Adjusted Returns

Put all the data together and what emerges is this: there is a large investable universe of underrepresented talent that has been overlooked and undercapitalized. Information about the talent is hard to come by because there are no available databases of comprehensive information to access. MPowered Capital ("MPowered") has done this work having already invested considerable time in building its own

proprietary database of firms. To date, MPowered has identified over 800 managers in its investable universe (private market strategies). A dislocation on this scale doesn't come around often, and when it does it represents a rare opportunity to produce superior risk-adjusted returns for those who recognize it and have the skills, knowledge and capabilities to seize it.

(3) HEC Paris – [hyperlinked here](#) (4) Kauffman Fellows – [hyperlinked here](#) (5) NAIC – [hyperlinked here](#) (6) Willis Towers Watson – [hyperlinked here](#) (7) Harvard Business Review – [hyperlinked here](#) (8) All Raise – [hyperlinked here](#).

# The MPowered Story

## Embracing the Untapped Investment Opportunity



When Marcia Page co-founded Värde Partners (“Värde”) in 1993, her goal wasn’t to remake the investment business. It was to be a successful investor. In the following decades, she and her co-founders, George Hicks and Greg McMillan, built Värde into what is now a \$14 billion global firm with investments across a range of asset classes. Page herself raised funds, hired top-notch talent and developed a reputation for identifying profitable pockets of dislocations in the market.

When she became executive chair at Värde, she started focusing more on diversity, initially at her own firm. Even though Värde had a woman as a founder—one of the few in the global alternative investment industry—the firm’s numbers for female hiring and retention were not much better than industry averages.

“I felt a deep sense of responsibility to improve that in an accelerated way,” she said in a 2019 paper she wrote for the World Economic Forum. The paper, titled, “Why Getting Workplace Diversity Right Isn’t for The Faint-Hearted,” called out the industry’s “glacial” pace of progress in promoting diversity.

Page’s work contributed to boosting the numbers at Värde after a rigorous effort that scrutinized and changed how the firm handled recruiting, hiring and promotion. By the time she founded MPowered in 2020, Page was convinced that the issue of diverse

investment talent was more than a business problem. It was also an investment opportunity—one she has backed with \$75 million of her own money.

MPowered Managing Director Chrissie Chen Pariso, arrived at the same conclusion having traveled a somewhat different path. She previously headed the women and minority manager program at Exelon, a major U.S. energy company with over \$40 billion in assets under management, where she made \$520 million in capital commitments to diverse talent. She also serves on the board of WAVE, the Women’s Association of Venture and Equity, and established the organization’s Career Forum. Pariso knew Page—she had invested in Värde through her former employer—and when she heard that Page was putting together a platform to back women and other underrepresented managers, “it was an opportunity that was too good to pass up,” she said.

The third member of the MPowered leadership team, Yibai Li Haney, has an extensive background in structured and growth equity investing across a range of industries. The team has over 60 years of investing experience, and an authenticity that comes from having thought about and worked on the diversity problem for years.

MPowered is not the only firm backing this same investment talent. But it believes its blend of skills, knowledge, network and commitment stands out from the pack.



## About the Authors



### **Marcia Page** | Founder & CEO

Marcia founded MPowered Capital and serves as CEO. She believes the time is now to commit resources to women and other underrepresented investing talent in a more structured and disciplined way.

Marcia is one of a handful of women founders of a global alternative investment firm (Värde Partners) with a successful 28-year track record and a history of investing in market dislocation.

As Co-Founder of Värde Partners, Marcia oversaw the \$14 billion global alternative investment firm's growth ranging from raising and investing capital in dislocated opportunities, identifying talent and building investment teams across geographies, and portfolio company board representation. She served as Värde's Co-CEO and Co-CIO until 2016 and currently serves as the firm's Executive Chair.

Prior to founding Värde, Marcia served as Vice President of EBF & Associates, an alternative investment firm where she managed Merced Partners, an investment partnership. Prior to EBF & Associates, she traded distressed and high-yield bonds and managed fixed-income portfolios at Cargill.

Marcia graduated from Gustavus Adolphus College, Minnesota with a B.A. in Economics, and received an M.B.A. from the University of Minnesota. Marcia is active on external investment committees, evaluating investment talent and asset allocations, including serving as Chair of the Investment Committee of Gustavus Adolphus College. She is on the Board of Overseers of the Carlson School of Management at the University of Minnesota and is a member of The Committee of 200.

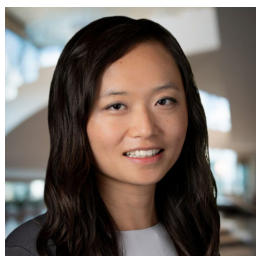


### **Chrissie Chen Pariso** | Managing Director

Chrissie co-leads MPowered Capital, bringing 20 years of investing experience to the role. As a former Senior Portfolio Manager of Private Equity at Exelon Corporation and Head of Exelon's Women & Minority Manager Program, Chrissie brings a unique set of qualifications to MPowered. While at Exelon, Chrissie sourced, diligenced, and committed over \$1.8 billion to 46 funds and 31 managers across venture capital, growth equity, buyout and distressed funds globally.

Chrissie led Exelon's Women and Minority-Owned Manager Program and developed and executed Exelon's first Investment Office Diversity and Inclusion Survey across asset classes. Prior to Exelon, Chrissie was Vice President at middle-market buyout firm Sterling Partners.

Chrissie received her B.A. from Georgetown University and her MBA from The University of Chicago – Booth School of Business. She is a board member and Midwest Steering Committee member for Women's Association of Venture and Equity (WAVE). Additionally, Chrissie is a member of Private Equity Women's Investor Network (PEWin).



### **Yibai Li Haney** | Director

Yibai brings 11 years of experience to her role as Director at MPowered Capital.

Prior to MPowered, Yibai was a structured and growth equity investor at Virgo Investment Group, where she evaluated, structured, and managed investments in founder-led and family-controlled businesses in the healthcare and niche industrials sectors. At Virgo, she invested over \$150 million of equity in eight portfolio/platform transactions and led \$450 million in debt financing over 2.5 years.

Previously, Yibai was a Senior Analyst at Värde Partners, where she focused on executing and originating private credit and equity investments. She was also an Associate with BDT Capital Partners, where she invested across the capital structure and advised large-cap family-controlled businesses, and an Analyst in the natural resources investment banking group at Morgan Stanley.

Yibai earned her B.A., summa cum laude, from Williams College and received an M.B.A. from The Wharton School, The University of Pennsylvania, graduating with honors as a Palmer Scholar.