



Gender Lens Investing: ESG play or direct impact?

Abstract

Gender Lens Investing (GLI) can be broadly defined as investing with the intent to address gender issues or promote gender equity, with implementation depending on liquidity, sector and strategy type. In this executive summary, we will share the key takeaways from our research and conversation with Gender Lens Investing expert Robert Kraybill from Impact Investment Exchange (IIX) and address how investors can:

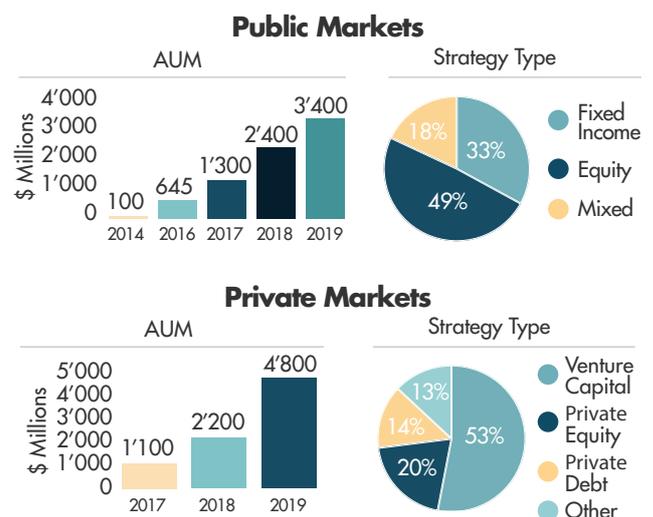
- Assess gender lens investments across public and private markets;
- Understand the main limitations and critics to gender lens investing frameworks; and
- Find attractive opportunities from both an impact and financial perspective.

The market

The market has observed a significant growth both in public and private strategies in recent years, with the AUM of listed GLI strategies reaching over US\$3bn in 2019 and closed-end funds having raised close to US\$5bn of assets.

Strategies in public markets are predominantly long only equity strategies, both active and passive, followed by fixed income strategies.

Within private markets, the majority of GLI funds are venture capital and private equity funds. Finally with regards to geographies, gender lens investments are mostly an U.S. phenomenon, though it has been recently gaining momentum in Europe and Asia as well, so geographic diversity is increasing both in public and private markets.



GLI frameworks

There are multiple frameworks for classifying gender lens investment products, and definitions and classifications vary according to different sectors and asset classes. Building on existing frameworks, we at iGravity developed our own GLI framework in combination with an impact rating system:

- The first category or “gender lens” focuses on women in leadership. This is the most common approach to gender lens investing adopted by listed equity managers. It focuses on screening criteria that select companies that meet a certain percentage of women in leadership positions, such as management positions or board seats. While the benefits of having more women in leadership positions have been demonstrated, this is only one component of gender lens investing.
- The second category focuses on workplace equality and not only looks at the proportion of women in leadership positions but also at companies’ policies favoring gender equality, including wage equity policies as well as safe and inclusive workplaces and paid family leave, among others.
- The third and final gender lens, predominantly applied in private market strategies, focuses on investments in strategies whose products and services substantially improve the lives of women, for example products easing household and caregiving responsibilities, or investments improving health and education for women and girls. Within this segment we also include those investments that ease access to capital, which we believe is key in directly supporting and empowering women.

Women in leadership	Apply screens focusing only on the proportion of women in leadership (women in management positions and/or boards)	Lower Impact
Workplace equality	Apply women in leadership screens and consider companies' policies in favor of gender equality and diversity, reducing pay gap, etc.	Moderate Impact
Products & services for women	Select companies offering products and services designed to support women and gender equality such as access to finance, affordable childcare, etc.)	Higher Impact

iGravity's view: At iGravity we view impact and ESG¹ strategies as complementary approaches, with impact being defined as the (positive) environmental or social change of a product or service delivered, and ESG being the process under which the product or service is produced and delivered. In this context of gender lens investing, we focus on investments and strategies that offer products and services empowering women, rather than just applying ESG screens.

In fact, while research shows connections between higher proportions of women in leadership with increased ESG performance (companies with gender-diverse boards generally have higher ESG scores, indicating that companies with diverse boards adopt better sustainability practices), we seek a more direct type of impact, favoring those investments that can empower and support women through their products and services, as we believe the impact potential is highest.

¹ Environmental, Social, and Corporate Governance

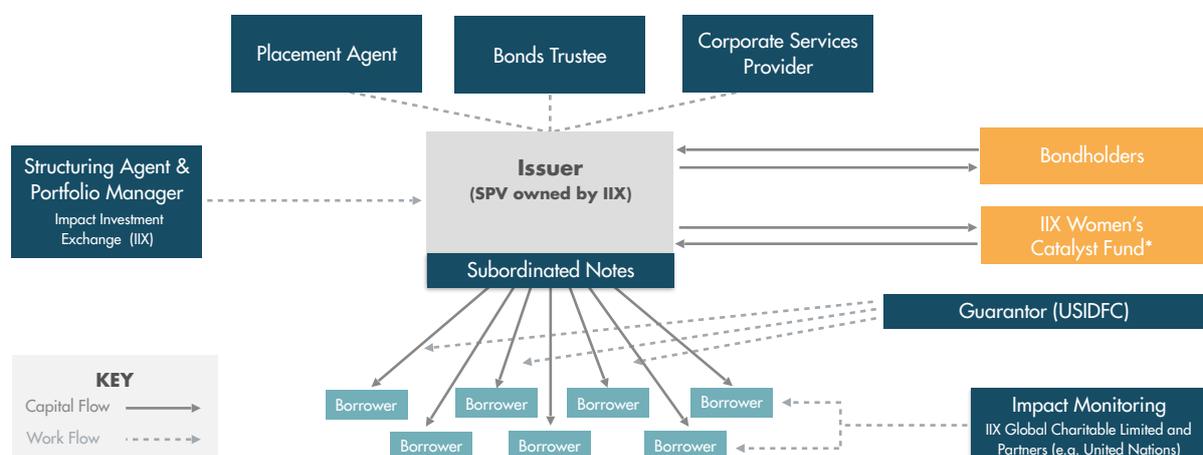
IIX and the Women's Livelihood Bond series



IIX is a pioneer in impact investing and the global leader in sustainability. Founded in 2009 and headquartered in Singapore, IIX's work has spanned 53 countries, unlocked US\$215 million of private-sector capital, and positively impacted over 100 million direct and household lives.

The Women's Livelihood Bond (WLB) Series is a series of innovative debt securities that mobilize private capital to build gender-equal capital markets, lending the proceeds raised to a portfolio of enterprises that empower underserved women through sustainable livelihoods.

IIX launched the first WLB bond in 2017, the first social bond with a gender-lens to be listed on a stock exchange (the Singapore Exchange). In 2020, IIX issued two more listed bonds in the series to continue empowering women and drive COVID-19 relief, recovery and resilience. IIX's WLB Series won 3 additional Awards including the UN Women Asia-Pacific Women's Empowerment Principles (WEP) Award for its accomplishments of empowering women to build back better and creating gender-equal capital markets.



*With funding provided by Taiwan ICDF

WLB key features

Credit Protection	Use of Proceeds	Additionality
<p>The WLB Series benefits from several layers of credit protection, including:</p> <ul style="list-style-type: none"> • Guarantee: Each WLB benefits from a 50% pari-passu guarantee from the U.S. International Development Finance Corporation (DFC) • First Loss: Each WLB benefits from a subordinate-debt tranche of ~8-10% of the total issuance size serving as a first loss to bondholders 	<p>The entire proceeds of the each WLB are on-lent to a group of underlying borrowers focused on empowering underserved (low-income, rural, minority, or otherwise financially or socially excluded) women through sustainable livelihoods and enabling them to become agents of change.</p>	<p>The WLB Series differs from pure traditional microfinance by:</p> <ul style="list-style-type: none"> • Lending to a diversified pool of organizations including both Microfinance Institutions (MFIs) and other high-impact enterprises in sectors such as sustainable agriculture and clean energy • When lending to MFIs, focusing on Tier 2 and Tier 3 MFIs (Gross loan portfolio under US\$100mn) who value access to long-term funds

iGravity's view: The Women Livelihood Bonds present the required features iGravity looks for in any investment opportunity across three key dimensions:

- Compelling impact profile with the strategy directly supporting women favoring access to finance;
- Attractive risk/return profile also thanks to the credit protection features;
- Liquidity potential thanks to the listing on the Singapore Exchange which facilitates access to private markets-like strategies.

In addition, being able to subscribe to the bond in the primary market allowed our investors to access a niche investment opportunity otherwise difficult to source and execute.

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