

# Emerging Manager *Monthly*

A Publication of Financial Investment News

The Trusted Source for Emerging Managers

September 2016

## Pacific Global Launches Active Strategy Focusing On Women Leaders

Pacific Global Investment Management Company has launched an active domestic large-cap core equity strategy that focuses on investing in companies with women in leadership.

The strategy targets companies with women in C-Suite roles such as ceo, president, coo and cfo as well as companies with women making up at least one-third of its board of directors, according to Charles Suh, v.p. and portfolio manager.

There have been several institutional investors and investment management firms that have begun to examine the space, however the focus has been predominantly on passive strategies to this point, including the California State Teachers Retirement System's \$250 million investment in State Street Global Advisors' Gender Diversity Index ETF, which is comprised of listed U.S. large-cap companies with the highest levels of gender diversity on their boards of directors and in senior leadership within their sectors.

While most strategies in the marketplace are taking an index approach to this area, Pacific Global wanted to focus on how the information could be used in an active way to build off the premise that women in leadership companies outperform the broader market.

"Starting with a universe that is already better than average, hopefully we can employ or utilize the investment research processes and portfolio construction to add value on top of that," he said.

Suh said that in conducting research into the success of companies with women in leadership versus the overall market, "it was interesting to see the statistical significance of out-performance."

Suh noted that the factors that came through in the research, particularly return on equity, earnings stability, shareholder returns and lower volatility, dovetailed nicely with the firm's efforts in its quality core strategies.

"We are putting a lot of active muscle behind what we think is already a strong passive

vehicle," he said.

Among the companies in the Standard & Poor's 500 Index, 150 companies are classified as women in leadership companies. Using its quantitative metrics to screen for quality, resilience, stable growth and other factors, that universe is narrowed to 60 companies that make up the select universe that are screened further before the final roughly 35 names are placed in the portfolio using a multi-factor dynamic portfolio optimization tool that ranks stocks on upside potential, downside risk, historical draw-down, return on capital, growth rate and other factors.

"It is sizing positions so that the portfolio management process is 50% discretionary and 50% systematic," Suh explained.

Of the 60 companies in the select universe, 18 of them have at least 33% or more women on the board of directors, with approximately one-

The firm has put a concerted effort into working with groups in the industry, including Catalyst, a nonprofit organization focusing on workplace inclusion for women.

"Our focus has been getting the knowledge and support and see what doors open up from that," said Junior Bryant, the firm's v.p. and national marketing and sales director. "I think you are going to see people who want to see more done in this field."

Suh said the investment return potential in the area is the main focus of the firm.

"Clearly the evidence points to this is something from an investment standpoint...that makes sense. We are not a socially responsible shop or impact investing, so it is not like we are doing this because we have a mission. We are doing this from an investment standpoint," Bryant said. "There hasn't been a vehicle out there for them to take advantage of it"



third overlapping with those with women in executive leadership roles.

For perspective, 10.7% of all S&P 500 companies have more than 33% of their board seats occupied by women, and just 22.7% have at least one female executive, as of June 30, according to FactSet.

The strategy went live on July 1 and Suh acknowledges that the process will take some time as the efforts across the industry look to take hold.

"CalSTRS was a big boost in terms of visibility but it is still frontier land," Suh said.

**We are putting a lot of active muscle behind what we think is already a strong passive vehicle.**

The S&P 500® Index is an unmanaged, market capitalization weighted index which measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. It is not possible to invest directly in the Index.

**Investing in securities involves risk of loss that clients should be prepared to bear.** No investment process is free of risk; no strategy or risk management technique can guarantee returns or eliminate risk in any market environment. There is no guarantee that our investment processes will be profitable. Diversification does not assure a profit or protect against loss. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

The Pacific Global Women in Leadership - Large Cap Quality Core strategy seeks capital appreciation with reduced market volatility through diversified equity investments in high-quality large capitalization companies with women in executive positions or representing at least one-third of the Board of Directors. The strategy selects companies in the S&P 500® Index with advantaged business models that deliver consistently high returns on capital; we seek to outperform the benchmark when markets are declining and keep pace when markets are steadily advancing.

Pacific Global Investment Management Company, 101 N. Brand Blvd., Suite 1950, Glendale, CA 91203, (800) 989-6693