

## MEDIA RELEASE

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### Do women run smarter super funds?

*Sydney 7 March:* Super funds run by women, or where there is strong female influence on the trustees board or in senior management, out-perform male dominated funds on average leading to the conclusion that the depth gender diversity in a super fund's leadership team is a strong indicator of its quality, reveals research from Rainmaker SelectingSuper.

Rainmaker SelectingSuper, one of Australia's leading superannuation information and research groups, has just completed a pilot study analysis of gender diversity among super fund management teams.

It found that while there are still too few women playing leading roles in super funds, super funds with a high proportion of women in their leadership teams are more likely to achieve higher investment returns.

Rainmaker SelectingSuper said it's simplistic to say that women are necessarily better at running super funds but the research reinforces the view that boards and leadership teams that are more diverse are more likely to make more insightful decisions and be more innovative which usually translates into better financial outcomes for fund members.

#### How the study was conducted

To control for different types of investment strategies, fee mixes and corporate structures, Rainmaker SelectingSuper analysed super fund returns for 44 MySuper products offered by not-for-profit super funds representing \$500 billion in assets under management.

Retail funds were excluded from the study because of the way retail wealth management groups often have a single trustee board overseeing many superannuation products each with different fee structures and investment choice arrays.

The different nature of leadership management structures within retail wealth groups also precluded them from the study.

To eliminate longer term biases and influences of previous leadership teams, the analysis focused on investment returns for the 2014-15 financial year and the 2015 calendar year, ie rolling 12 month periods 6 months apart.

Super funds were given a W-index score based on whether they have a female Board Chair or Co-chair, whether they have a female CEO or deputy CEO, the gender mix of their trustee board, and the gender mix of their C-suit and broader management team.

Information used as the basis of the study was sourced from the RainmakerLive database comprising details on 1600 super fund personnel made up of 600 trustees and 1000 fund executives.

## Research findings

- Compared to about half of all super fund members being women, 37% of fund executives are women, 27% of super fund trustees are women and 15% of CEOs and deputy CEOs are women. This compares to women making up 22% of ASX 200 company board directors, according to figures from the Australian Institute of Company Directors.
- The average super fund W-index score was 23%.
- There was no significant relationship between a super fund's W-index score and its investment return.
- However, if funds with high W-index scores (in relative terms at least) above 30% are grouped together, these 'high W' funds were found to have delivered on average an extra 50 basis points during both 2004-05 and during the 2015 calendar year.
- But more significantly, these 'high W' funds were found to more consistently out-perform. This was evidenced by them beating the SelectingSuper MySuper market benchmark index in 2014-15 in 12 of 16 cases and in the 2015 calendar year in 10 of 15 cases.
- In contrast, 'low W' funds, ie funds with male dominated leadership teams, were equally mixed regarding over and under performance relative to the SelectingSuper MySuper index. In these funds the top performers were thus offset by a similar number of lower performers.

## Commentary

Alex Dunnin, Rainmaker SelectingSuper's executive director of research, said, "The research doesn't prove that super funds with high level of female influence in their leadership teams are objectively better, but it shows that they are more likely to out-perform."

Dunnin cautioned that this stronger likelihood of out-performance isn't because women are better trustees, investors or executive managers.

"This reinforces the widely held view that management boards and executive teams with more diverse leadership are more likely to make better decisions, be more innovative and be more open to different ideas," he said.

The gender diversity insight premium could potentially add an extra 10% to a super fund member's superannuation nest egg at retirement, worth many tens of thousands of dollars.

But Dunnin said the surprise is not in the investment performance outcomes but in the generally low W-index scores notwithstanding not all funds may be in a position to promote a high level of gender management diversity, eg, super funds servicing male dominated industrial sectors.

"Superannuation, financial services, wealth and investment management is Australia's largest industry but it's still a surprise how few women work in the sector and how few have been appointed to senior leadership positions," he said.

The situation is improving but slowly, at least according to figures from the Australian Prudential Regulation Authority (APRA), that showed in 2014 women accounted for 24% of super fund trustees although by 2015 this ratio had climbed to 27%.

“SelectingSuper’s research shows that women in the superannuation industry are highly skilled and the evidence tells us we should be hiring more of them. If there aren’t enough women applying for these jobs we should as an industry be asking why and then doing all we can to train more women and recruit them to join the industry,” said Dunnin.

This is an issue in other industries and not just financial services, Dunnin noted.

For super fund members, the research is very useful because it shows that a strong indicator of a super fund’s quality is the degree to which women are involved across its leadership team.

Dunnin said while this may seem superficial, the subtlety is that because women who are not highly competent, unlike men in the same situation, are not likely to be working for long in a senior position at a super fund.

The research serves another purpose as well. That is to highlight how important it is for super funds to be transparent about who is on their trustee boards, who their executives are, what is their background and how are they appointed.

Dunnin said it is ironic that this was one of the objective behind the government’s recent fund governance reform proposals notwithstanding the proposals become over politicised and so were rejected by the Senate.

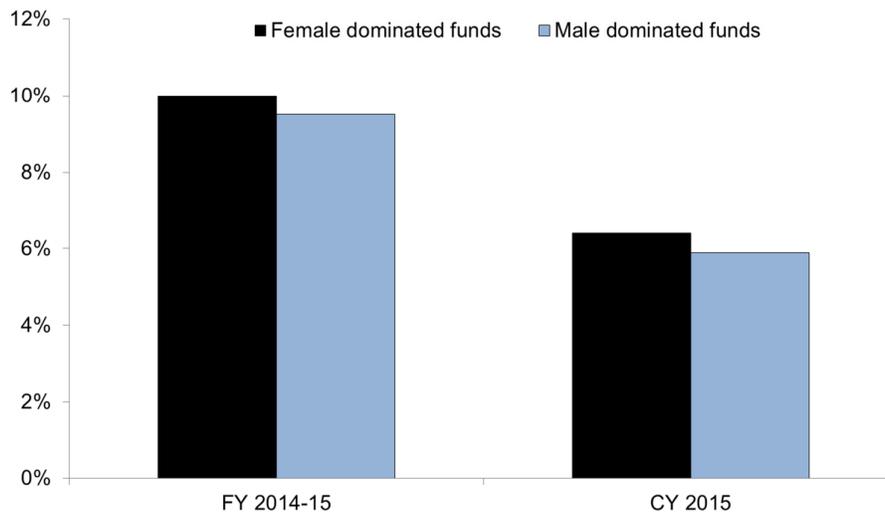
Dunnin said reflecting these research results, it’s no surprise that the two funds with the highest level of female influence in their leadership teams – CareSuper and HESTA – are two of Australia’s leading and most awarded super funds.

See over the page for 2 supporting Exhibits.

Table: Super funds with the highest W-index scores

Fund name	W-Index
CareSuper	74%
HESTA	73%
AvSuper	50%
MTAA Super	47%
Commonwealth Super	46%
REI Super	45%
TASPLAN	43%
Club Plus	42%
Statewide	42%
Kinetic Super	41%
Mine Wealth and Wellbeing	40%
REST Super	39%
Australian Super	38%
EnergySuper	37%
LGIAsuper	37%
Equisuper	36%

Fig: Super fund gender diversity and investment returns



**For media enquiries, please contact:**

Alex Dunnin  
 p. 0408 200 488  
 e: [alex.dunnin@rainmaker.com.au](mailto:alex.dunnin@rainmaker.com.au)

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