



## **Diversity and Inclusion**

*Vert Asset Management*

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Recent events have put a spotlight on injustices and inequalities in our society. Many companies have issued statements of support for Black Lives Matter. Many made similar statements for the Me Too movement not so long ago. As inequality continues to grow, more people, and more firms are beginning to realize that statements are not enough. They recognize that real change will come from proactively fostering diversity and inclusion in their workplace and in the communities they serve.

Vert was founded by a husband and wife team. We recognize, and prize, the value of having diverse skills in our organization and feel strongly that more firms could benefit from more diverse backgrounds in their workforce. We are also well aware, on a personal level, of the lack of support traditional financial services firms provide for working mothers and fathers. We know this is not unique to our experience.

We are fortunate to have Professor Brad Barber on our Advisory Board. Professor Barber has spent several years researching gender inequalities and has written several papers on the topic. He presented some of his research at our 2019 Client Conference. His research identifies the many impediments to more diversity in financial services and STEM fields.

### **THE SDGs ON EQUALITY**

The UN recognizes the importance of equality in 2 of the 17 UN Sustainable Development Goals (SDGs). The UN Sustainable Development **Goal 10** is to Reduce Inequalities which targets reducing inequality in income, opportunity, and power. UN Sustainable Development **Goal 5**, Gender Equality aims to ensure equal opportunities for leadership, promote gender equality, and empowerment. The private sector can foster change through better business practices; specifically, when hiring, training, mentoring, and shaping company culture, in order to promote equal opportunities and improve socioeconomic outcomes.

### **INEQUALITY AT WORK**

Vert's business is in the financial services industry, and we currently invest in the real estate sector. Neither industry currently reflects the full diversity of society. According to the National Bureau of Labor Statistics, Blacks represent less than 9.8% of the workforce in real estate and only 5% in financial services. And women make up 49.7% of real estate workforce, but only 38.2% in financial services. In terms of ownership, out of 967 real estate firms, only 2.2% are minority-owned and just 1.8% are women-owned, according to a review by Bella Private Markets.

The picture is even bleaker in asset management. According to Professor Barber's paper, 'Family, Values, and Women in Finance', which he co-authored with Renée B. Adams and Terence Odean:

*"Women are spresented in the investment profession. Less than 20% of CFA members are women. Only 9.4% of managers of U.S. open-end mutual funds are women. Funds run exclusively by women manage only 1.9% of the industry's assets while funds run exclusively by men manage 74.0%. Women account for only 9.4% of all mutual fund portfolio managers."*

This paper goes beyond standard observation and looks into potential causes for lack of gender diversity. It finds that the financial industry as a whole disproportionately rewards people who will work long and inflexible hours. Since historically women face greater time obligations outside of work, this places them at a disadvantage.

## **INDUSTRY EFFORTS**

To promote the recruitment, inclusion, and advancement of women, Blacks and other underrepresented individuals, several industry bodies have launched initiatives such as:

- The National Association of Real Estate Investment Trusts (NAREIT) created a [Dividends Through Diversity and Inclusion Initiative](#) in 2017.
- The European Public Real Estate Association (EPRA) has a [Diversity Programme](#) focused on gender.
- The US Financial Planning Association (FPA) formed a Diversity & Inclusion Committee in 2008 that provides education, resources, and scholarships.
- The UK's Investment Management Association's Diversity and Inclusion program publishes an annual gender pay gap report and provides guidance for increasing ethnic diversity.

Some incremental progress on gender is being made; according to a [2019 FPL survey](#), 50% of the newly elected REIT directors in the U.S. in 2019 were women. Women now represent 19.6% of US REIT boards, up from only 12% three years ago. In Europe, women occupy 28% of board seats, according to EPRA.

To date, we have not seen much progress for underrepresented individuals from diversity efforts. Some studies suggest there are not any more Blacks in financial services than there were 15 years ago. We estimate that less than 5% of REIT board positions are held by underrepresented individuals, and ISS Analytics recently estimated only 7.7% of new board hires at REITs went to underrepresented individuals.



## VERT'S COMMITMENTS

Vert Asset Management believes it's important to promote equality and diversity in financial services, real estate, and in our society more broadly. We believe progress can be made when more companies measure and publish their performance on diversity; and develop formal policies. As a business, we are committed to the following actions:

1. We are elevating company Diversity as a Focused Excellence Qualifier for the Vert Global Sustainable Real Estate Strategy. Companies who excel on this Key Performance Indicator and meet our sustainability criteria can now potentially qualify for the portfolio.
2. We have found the data on diversity in REITs to be inadequate. We commit to pushing our portfolio companies, industry partners, and our research firms to collect and publish Gender and Diversity statistics. We have expressed our views to real estate industry groups NAREIT, EPRA, and GRESB.
3. We recognize the inextricable links between environmental degradation and socioeconomic justice and will continue to emphasize these connections in our investment strategy and in our engagement initiatives.
4. We have always, and will continue, to exclude from our real estate strategy private prisons and other firms that profit from incarceration and the cycle of recidivism. We recognize these firms are contributing to a broken US justice system that perpetuates socioeconomic and racial inequalities. We will continue to exclude all firms that violate human rights.
5. We remain committed to participating in industry advocacy campaigns for Diversity & Inclusion:
  - a. We are signatories on the Investor Advocates for Social Justice's sign-on letter: Investor Statement of Solidarity to Address Systemic Racism and Call to Action.
  - b. We signed the Principles of Responsible Investing (PRI) letter: Investor Statement to Support the UN Women Empowerment Principles and Achieve Gender Equality.
  - c. We are signatories to the Your Stake campaign: A Demand for Racial and Gender Pay Equity.
  - d. We are also supporters of the Investor Alliance for Human Rights.
  - e. Our proxy voting policy calls for diversity of skills on executive boards.
6. We remain committed to promoting diversity within our own firm and in our supply chain, through proactive recruiting and hiring, but also by providing flexible and supportive work policies.
7. We commit to publishing our diversity statistics. Despite being a small firm, we believe it's important to walk the talk. We begin now:

Vert Asset Management Diversity	Ownership	Executive Team	Advisory Board
% Women	49%	66%	0%
% Underrepresented	1%	0%	33%

8. We have made a donation to the [AAAA Foundation](#), an organization cultivating and promoting African Americans within the financial planning profession.



## REFERENCES

Adams, Renée B. and Barber, Brad M. and Odean, Terrance, "Family, Values, and Women in Finance" (September 1, 2016). Available at SSRN: <https://ssrn.com/abstract=2827952>

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Lutton and Davis, "Fund Managers by Gender," Morningstar. (June 2015). Available at <https://www.morningstar.com/lp/fund-managers-by-gender-the-global-landscape>

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## DISCLOSURES

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