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International Women's Day 2021: gender diversity and equality remain on the agenda

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To mark International Women's Day on 8 March, some of our leading female fund managers discuss the prospects for their asset class as well as their thoughts on the wider backdrop for women in asset management and progress towards gender diversity

Melda Mergen
Deputy Global Head of Equities

We are in the midst of a global, cyclical market rotation which is moving in lockstep with the pace of vaccinations. Companies with strong balance sheets, significant market share, and high moats will rebound quickly once pent-up consumer and business demand is released. We expect to see an expansion of market leaders over the next 18 months, as compared to the narrow group of winners we saw in 2020.

However, even as Covid-19 cases fall, the pandemic will continue to have a long-term impact on global equity markets, as it has accelerated several existing secular trends. We see innovation and product development increasing in areas such as e-commerce, digitalization, data sharing and healthcare.

Investors should remain prepared for periods of elevated volatility in the coming months. The path toward creating an infrastructure to distribute and administer vaccines globally will not be smooth, and the markets will react to bumps in the road. As active managers, we view periods of market volatility as opportune times to invest in our longer-term themes, by purchasing companies we already like at a discount, or selling those in which we have less conviction at price targets.

The labour force will play a significant role in the economic recovery. US unemployment hit record highs in 2020, and we expect it to remain elevated for some time in certain sectors of the economy. In the US, women were especially disadvantaged, as their labour force participation rate dropped to 57%, the lowest level since 1988*. We can't let this become a long-term issue. Women need to be an integral part of the economic recovery. To leave them behind would be a detriment not only to markets, but to families and society as whole.

Ann Steele
Portfolio Manager, European Equities

For European equities there is light at the end of the tunnel. European companies' earnings are at the second highest level in 10 years and many are beating on margins rather than revenues. Operating leverage is kicking in and after multiple expansion in 2020, we expect a powerful 35% earnings growth in 2021 as further fiscal measures come through. We believe commodities, autos and financials will help to drive this growth.

Happily, we are optimistic after a tough year which turned workplaces upside down. During the pandemic, boundaries between work and home have blurred and with worries about their families' health and finances, burnout is a real issue for many working women. Our company made significant investment in building a more flexible and empathetic workplace to nurture a culture in which women have equal opportunity to achieve their potential over the long-term. In Europe, 5.1% of the largest listed companies have a female CEO**. Helena Helmersson, CEO at the Swedish construction and mining machinery leader Epiroc, knows having women in management roles can positively influence social motivations and achievements, which in turn empowers all employees. We join her in celebrating International Women's Day and believe the choices companies make today will have consequences on gender equality for decades to come.

Sonal Sagar
Portfolio Manager,
UK Sustainable Equities

In UK sustainable equities, we continue to believe in the philosophy that companies that invest in their people and products while delivering positive sustainable outcomes are better placed to achieve superior investment returns. This is just as pertinent as companies emerge from the global pandemic.

We see value in the wider UK market, which we feel is trading at too wide a discount relative to other international indices. The certainty around Brexit should remove a key overhang for the UK and sustainable global leaders in the benchmark will be the beneficiaries of increasing global spending on green and clean products that have a positive impact.

We are seeing a lot of positive steps in gender diversity, particularly with women on boards. The FTSE 100 and 250 have all seen increases in the number of women on boards and in leadership roles in the last five years. The FTSE 350 no longer has any all-male boards. However, there are only 17 female CEOs among the 350 in the FTSE index, and gender equality in corporate leadership is still far from a reality***. We know that it's important to find the right leaders for the right role and we continue to support companies in their journeys of increased diversification.

Tammie Tang
Portfolio Manager,
Fixed Income

For the past year, corporate bond spreads have been well supported by stimulus, and especially following various central bank announcements to expand bond buying. This year we still see a supportive, although moderated, technical backdrop, and whereby considerations for demand may still outweigh supply. We also see balance sheet and debt trends improving. However, investment grade spreads trade tighter (richer) than before the pandemic and warrant caution. So superior issuer selection should increasingly derive value for investors. If the vaccine rollout succeeds in normalising activity, we may also see increased spread compression among wider-trading issuers and sectors.

While a lot has progressed towards more inclusion and diversity, and with International Women's Day marking its 111th year, I believe more can be done. Gaps are still very notable in areas such as female labour participation and also in representation in politics. At the current pace (and before allowing for the material counter-productivity from the pandemic), the World Economic Forum forecast that global gender parity could take another 99 years.

Maya Bhandari
Portfolio Manager,
Asset Allocation

After an extraordinary 2020, which marked the end of the longest economic cycle on record followed by the sharpest policy-induced recovery ever experienced, financial markets are refocussing on the risks that lie ahead. In particular, the sharp sell-off in rates markets in recent weeks appears to reflect mounting concerns of a "policy mistake", with real bond yields rising under similar conditions as they did around the 2013 taper tantrum or in late 2018 as Powell's Fed reflected that they were "a long way from neutral".

Earnings growth is sufficiently strong to secure good total returns for equities even with some derating – and our focus in Columbia Threadneedle Investments multi-asset portfolios has been to concentrate our risk exposures in equity markets with smartly growing profits, such as emerging Asia and Japan, held together with higher-quality US stocks and a mix of corporate bonds. But we are cognisant that an un-anchoring of bond yields is perhaps the greatest risk facing asset markets this year.

The leadership provided through this crisis by women, from Jacinda Ardern, to Christine Lagarde and Janet Yellen, has been exemplary. New Zealand's approach to the pandemic has been widely praised as among the most successful; Europe has made significant strides towards fiscal integration that might not have occurred under different circumstances, with strong ECB support; and the US Treasury has been and will remain central in helping the economy get back on its feet.

*Bureau of Labour Statistics (January 2021)

**Economist (December 2020)

***Hampton Alexander Review (February 2021)

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