

Women in finance

Four women who are founders and CEOs of investment companies in Saudi Arabia, the US and Iceland describe their approach to finance.

Giselle Weiss, freelance writer

Diversity begets diversity

A lifetime of thinking for herself has led **Renée Haugerud**, founder and Chief Investment Officer of Galtere, to some pretty strong ideas about women investors.



Renée Haugerud is founder and Chief Investment Officer of Galtere Ltd., New York. She managed trading desks at Cargill Inc. and at institutions such as NatWest Markets before striking out on her own. She has a special interest in the psychology of macroeconomic trends.

Giselle Weiss: Why are women traders and portfolio managers relatively rare?

Renée Haugerud: There's no single answer. Aside from a brief period during the 1970s when companies were actively recruiting women in anticipation of affirmative action quotas, women typically are steered away from portfolio management into non-revenue-producing streams such as financial analysis, economics, research and sales. The sheer predominance of men, too – and the survival-of-the-fittest culture – can be off-putting. Finally, for whatever reason, women have less confidence in their math skills.

Did you set out to trade?

Renée Haugerud: No! I didn't know it existed. I actually grew up in a jail, in Fillmore County, Minnesota. My father was a sheriff. We also had a little farm on the outside of town, where my father raised corn. One day when I was five, he took me up in a plane to check the corn, and as we did so, he explained the futures market to me. To think that you could sell corn without owning it and make money on it mesmerized me. Later, working as a temp at Cargill, I discovered there was such a thing as a grain trader, and I knew I'd found my calling. I worked for a decade or so at Cargill, then left and eventually started my own fund.

Why?

Renée Haugerud: I wanted to do things my way. I have a distinct approach to trading. I really focus both on the science and the art. I knew I had a great strategy and I love running my own business. I also wanted to attract more women to the business. I think women are great traders. Not just good traders. Great traders!

In fact, you have started a program at the University of Tennessee to increase the number of women hedge fund traders.

Renée Haugerud: Yes. My husband and I donated funds to the University of Tennessee that the school has agreed to put toward a studies center called the Finance for the Future initiative. The center is not exclusively for women – it is open to all – but courses will be taught from the female perspective. We want everybody to start thinking with the right side of their brain. We'd like to make both men and women better traders.

So what makes women such good traders?

Renée Haugerud: It isn't that women

are necessarily “smarter” than men that they make as good or better traders. I think it's because we avoid the mistakes. In 2001, researchers at the University of California showed that men do more transactions than women. That raises their net cost of investing and lowers their returns. In addition, men are more likely to sell at the bottom or buy at the top than women are. We're not as impulsive. We don't typically react to hot tips. We want to understand what we are doing in the broader scheme of things.

How do gender roles play out in your team?

Renée Haugerud: I believe everybody has to be able to do everything. I ultimately make the portfolio decisions in my fund because I'm the captain of the ship. But you need thinkers, researchers, doers, executors and risk managers. We definitely have a team approach. And the key issue is diversity. Your portfolio is only as diverse as your trading team.

How did you get interested in behavioral finance?

Renée Haugerud: Observation and experience. I always thought investing was very much a numbers game. But then I started seeing that you can have a whole set of criteria specifying why something should happen, and all those criteria are met, and the market still goes the other way.

Several of your colleagues have talked about risk. Do you need to take risks to be a good trader?

Renée Haugerud: Yes, you do. But everything is a risk. If you don't do a trade, you're taking a risk. You can take calculated risks, though.

Is that something you have to teach women?

Renée Haugerud: I think many women are just as willing to take risks as men. Once they realize it. I tell women, “It's your obligation to get into this business.” And to stop waiting for an invitation. Finance is part of the world economy. We should be involved. We should make money, claim our share of the GDP pie and spend it the way we want to, which I happen to think would be more focused on domestic issues, health care and education. ■

Daring to ask the “silly” questions

Much effort has been expended wondering whether men should behave more like women or women more like men. “They're different,” says **Kristin Petursdottir**, CEO and cofounder of Audur Capital. Why not make the most of it?

Giselle Weiss: Is there anything particular about Iceland that makes being a woman investor in that culture different from, say, New York City or London?

Kristin Petursdottir: The culture of Icelandic banks as it was, and as they were built up over the last decade until the crash, was very similar to what you see in most other places. In other words, it was a culture lacking in balance and diversity. And that culture exaggerated the negative side of the crisis because a lack of critical thinking led to herd behavior. Other than that, I don't think being a woman in this sector here is different from anywhere else. And I have worked in Norway and London. Most of the time, I was the only woman on the management team, even in the team I was heading.

Yet you liked it.

Kristin Petursdottir: In the beginning, I thought investment banking sounded very, very interesting and exciting. And I still do. I never asked myself whether being a woman might be an impediment. I am very competitive, and I just pretended I was one of the boys. I did quite well. But once I crossed the “magic 40,” I realized that women bring many values to the table that can benefit any company, not only the financial sector. Consequently, I think the corporate world should embrace the differences between men and women.



Kristin Petursdottir is CEO and cofounder of Audur Capital, Reykjavik, Iceland. Previously she was an executive at Kaupthing Bank for ten years. She has a BA in economics and an MBA in international business, and was on the national handball team for Iceland.

For example ...?

Kristin Petursdottir: Women tend to have a broader definition of success. They think more longterm. They have a more acute sense for people. And, in business today, where human capital is many companies' biggest asset, being good with people really matters. In addition, women are becoming such a major economic and financial force that companies need to have women at the decision-making table. If you have only men, and you have a growing female market out there, something is missing. I am not saying that we are better than men. I am talking about balance.

How do the feminine qualities you mention play out in actual investing behavior? >



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Kristin Petursdottir: It is always difficult to generalize. But there are certain differences. The biggest is that women want to understand what they are investing in. If they cannot fathom the structure or risk profile of a company or a product or a service, they are less likely to invest than men. Another way of putting it is to say that women dare to ask the silly questions. In my experience, men are more willing to invest in something they think they understand. And they are less likely to ask questions.

Is that to say women are risk-averse?

Kristin Petursdottir: Not risk-averse, but risk-aware. Women want to understand, whereas men may take on risks they don't understand. Women investors are more long-term oriented. They are less willing to take on huge risk for a huge upside in the short term. They prefer to see things grow over time.

What would you change in the existing culture?

Kristin Petursdottir: It is not enough to put one woman in the boardroom or on the trading floor. Many more will be needed to muster the influence required to change things. Iceland, of course, went horribly wrong. But you see the same pattern everywhere else. The financial sector took things way too far. Creating more of a balance would be a step in the right direction. Everyone stands to gain by having more women involved in all areas of their operations.

What new trends do you see in investing?

Kristin Petursdottir: Today, women, and increasingly men, are looking for investment opportunities that have a triple bottom line. They are looking for companies that are not only profitable, but are also doing the right thing. Young people especially are in tune with this way of thinking. But interestingly, I find that older people – older men! – also get this concept of a wider horizon as opposed simply to short-term profits.

Can investors drive change?

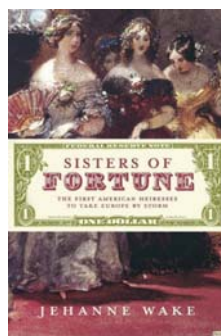
Kristin Petursdottir: They can. In the past, the model has always been that people create a business, make a lot of money building it up, become ultrarich, and then turn into philanthropists and give their money away to good causes. Which is fine. But I sometimes ask myself, "Why on earth not start by doing good business?" Why not just decide to earn a little less and help society to grow and prosper around your business? That is a thought that I have. ■

"I think women are great traders. Not just good traders. Great traders! We should be involved." [Renée Haugerud](#)

"Women tend to have a broader definition of success. They think more long-term." [Kristin Petursdottir](#)

"Do you just want to make money, or do you also want to create jobs, real business clusters and related industries or sectors?" [Nahed Taher](#)

"It is harder to raise capital as a woman. On the other hand, women do have better intuition than men. And that is beneficial as an investor." [Lauren Templeton](#)



Jehanne Wake, "Sisters of Fortune: The First American Heiresses to Take Europe by Storm," Chatto & Windus, August 2010: Women and risk-taking in the 19th century

Marianne, Bess, Louisa and Emily Caton, and their female friends, were risk-taking "lady speculators." Bess, for instance, bought 1,020 British pounds' worth of Spanish Cortes bonds at the bottom of the market in 1832: "I shall clear at least a thousand pounds by my speculation" for "whatever party prevails in Spain the bonds will rise."

When the Spanish Regent granted a constitution in 1833, Bess increased her holding at 14, directing Barings to buy more: "And therefore if you wish sell my Peruvian, I should like you to invest them in Spanish." The bonds had risen to 36 when, in 1834, the Regent's brother-in-law tried to seize the throne and the bonds fell to 31. Britain supported the Regent and, by April 1835, the bonds were at 47. Bess and her friends decided to take a profit in May at 60. Suddenly all Spanish stock plunged from 72 to 50 as Rothschild, the greatest holder, turned bear and the "Spanish panic" of 1835 was under way. Within a week, "the ruin was so comprehensive" that over half the members of the stock exchange had defaulted.

Focusing on the long term

Investment has to be about more than profit. **Nahed Taher**, CEO and founder of Gulf One Investment Bank, talks about taking the broad view.



Nahed Taher is CEO and cofounder of Gulf One Investment Bank in Jeddah, Kingdom of Saudi Arabia. She is the first woman to head a Middle Eastern bank. She has a PhD in monetary economics from Lancaster University, UK. In 2010, the "Financial Times" ranked her 24th among the top 50 women in world business.

Giselle Weiss: Is it hard for women to become investors in Saudi Arabia?

Nahed Taher: Not really. In the past, women tended to invest passively. They preferred simple things, like buying a building and collecting rent on it. Now, as they become more educated, they are keen to add value and to enjoy being part of the business world. Consequently, we are seeing increasing numbers of women coming into the bank to invest.

How did you become an investor?

Nahed Taher: When I returned to Saudi Arabia after doing my PhD in the UK, I was eager to add value to the banking system as a way of helping the economy. At the time, Saudi Arabia had only retail banks. National Commercial Bank, which is the largest bank in both the kingdom and the

Middle East, offered me a senior position. I was the first woman hired among 4,000 men. I stayed for three-and-a-half years, and then I quit (in 2006) to start my own investment bank. Saudi Arabia had no investment banking licenses at the time, so I decided to begin in Bahrain, which had long experience in that sector. Later, I obtained a license in Saudi Arabia as well.

Your project was unique in the Middle East.

Nahed Taher: Yes. The bank I started was an infrastructure bank, which means it focuses only on transactions in specific sectors, such as transportation, roads, ports, airports, water, electricity, carbon emissions, health and education. The bank is not about real estate or financial instruments. We are a pure capital investment bank.

Does that reflect your investment philosophy?

Nahed Taher: Investment must be based on real assets. Even before the financial crisis hit, I could see that real estate, for instance, was way overleveraged, in the Arab world as well as in the US and other advanced economies. Moreover, assets must be valued rationally and not simply serve as a mechanism for increasing bank profits. You don't need money to make money. You need some money, but above all you need creative thinking. You also have to be willing to invest in human capital.

Why is infrastructure investing so important to you?

Nahed Taher: It's closely linked with socially responsible investments, by which I mean things that create jobs or help to build an economy in a sustainable fashion. Investment must be in line with human needs, not linked solely to economic cycles and the availability of financial instruments. But that requires hard work, and in the past, people have been lazy. They are used to making money easily.

In what way has your background shaped your attitude toward investing?

Nahed Taher: I actually grew up in Texas, and then moved to Kuwait, where my father headed the Organization of Arab Petroleum-Exporting Countries. My father used to worry about the danger of relying purely on an oil-based economy. And he was right. From the time I was a young girl, I determined one day to go into finance and investment to help change the world for the better.

Do you hire exclusively women?

Nahed Taher: No. Qualification comes first. I hire people, either women or men, who can add real value to the business and are committed to working hard and to collaborating with others. I issue shares as bonuses so that, over time, our employees become owners of the bank.

In your experience, do women invest differently than men?

Nahed Taher: One very important difference I have observed is that women focus more on the longer term. They want to see real investment happening. Men like quick returns – dollar signs, hit and run – and are not attracted by socially responsible investing as much as women are. That's in general, mind you. Individual cases differ.

What is the problem with focusing on dollar signs?

Nahed Taher: It can keep you from doing business right. A business based on infrastructure and real assets takes time to show returns. It's actually very profitable, even while being sustainable, but you have to be willing to wait. I find, too, that a focus on money can hinder vision. You have to ask where your business is going. Do you just want to make money, or do you also want to create jobs, real business clusters and related industries or sectors? ■

Risk and return go hand in hand

“Simply assuming that women are more risk-averse than men is misleading,” says **Lauren Templeton**, CEO of Templeton Capital Management. Experience plays a hand.



Lauren Templeton is the founder and president of Templeton Capital Management, LLC in Chattanooga, Tennessee. She has a BA in economics from the University of the South, sits on several advisory boards and is coauthor of “Investing the Templeton Way,” an investing business book.

Giselle Weiss: You began your investment career at a young age.

Lauren Templeton: Sir John Templeton was my great uncle. He seeded a fund for me with 30 million dollars in 2001, when I was 24 years old. It was like managing a hedge fund with training wheels. Sir John knew that a young person would have a hard time controlling her emotions at her first go at managing a large portfolio. So I had a lot of rules and guidelines to follow. For example, the fund was set up so that I couldn't sell at the bottom of the market. Over the years, as I became a more

experienced investor, my skin thickened, and I learned to stomach the volatility in the markets and to take advantage of it.

Did your uncle caution you in any way because you were a girl and not a boy?

Lauren Templeton: Never.

How would you describe your own philosophy and approach to investing?

Lauren Templeton: We're bottoms-up stock pickers and value investors. Our motto is to buy at the point of maximum pessimism. A good example would be that we went in and purchased three Mexican airport operators during the swine flu crisis. Our stocks fall into either of two categories: they are extremely unpopular for a temporary reason, like the Mexican airport operators, or they're boring, neglected by Wall Street, and are trading at low valuations.

What does your approach have to do with behavioral finance?

Lauren Templeton: Behavioral finance and value investing are extremely compatible. There's only one way to get a bargain, and that is to buy what others are selling. That is a very difficult thing to do psychologically. It can be unnerving to step into a negative situation and do the opposite of what everybody else is doing. Humans are hardwired to herd. But that is not the way to achieve superior investment results. You have to train yourself to go in and buy when others are selling. And you have to be a great student of behavioral finance to learn where your psychological pitfalls are and how to overcome them.

How can you do that, if humans are hardwired to herd?

Lauren Templeton: It's extremely difficult. I think that I'm a good investment manager because I have learned how to control my emotions. I have my flaws, but I'm aware of them. And I set up policies and procedures at my company that assist me during times of psychological duress. So, for instance, we keep a wish list of securities in a desk drawer that currently aren't trading at valuations where we would purchase them. When the market falls, we're prepared in advance and can go in and get them at deep discounts. We also have limit orders out on those stocks. So if a stock falls 30%, and it becomes psychologically difficult to want to step in and buy the stock because everybody is selling it, we are probably already executed on it.

How does the investing behavior of women differ from that of men?

Lauren Templeton: There have been some studies on this subject. In the late 1990s, Terrance Odean and Brad Barber at the University of California analyzed the brokerage accounts of 35,000 households and found that men traded 45% more frequently than women, generally as the result of overconfidence. And recently, Vanguard went out and looked at about 3 million of their IRA account holders and found that men were more likely to sell at the bottom than women. Indeed, my own experience bears out that, generally speaking, overconfidence and risk-taking are less typical of women than of men.

To what extent does being a woman give you an edge?

Lauren Templeton: It's a mixed bag. It is harder to raise capital as a woman. On the other hand, women do have better intuition than men. And that is beneficial as an investor. Any way you can distinguish yourself from the crowd is positive. The fact that there are maybe only two dozen women hedge fund managers in the world is actually a positive distinguishing characteristic.

In terms of appetite for risk, would you say that women have to learn to take more risk? Or that the market has to learn to de-emphasize the importance of risk?

Lauren Templeton: Risk and return go hand in hand. I said earlier that men typically are more aggressive risk-takers than women, but I don't like to generalize. The appropriate level of appetite for risk really depends on the situation. ■