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AAPIs in Asset Management:

ANALYSIS OF CAREER FUNNEL ATTRITION
& FEMALE REPRESENTATION





AAPIs in Asset Management:

Analysis of Career Funnel Attrition & Female Representation

Asian Americans and Pacific Islanders (AAPIs) share many challenges with other minority groups in asset management. Like other diverse communities, AAPIs face structural barriers to advancement due to existing promotional practices within established social groups. This status quo makes it difficult for high-performing minorities to integrate into the upper echelons of top firms. At the same time, AAPIs face particular forms of unconscious bias, which lead to unique and often overlooked obstacles.

A primary issue is the widespread “model minority” myth which stereotypes AAPIs as analytically-gifted hard workers. Presumably, AAPIs do not need support because they are perceived as thriving in the industry. Due to strong entry-level numbers, there is an industry-wide tendency to group AAPIs with Caucasians rather than with other minority communities in terms of population and performance data. At the same time, while “model minorities” are characterized as diligent, it is thought that they lack the strong persona to make effective leaders; as a result AAPIs are often excluded from opportunities for advancement.

This means that AAPIs notice patterns of exclusion when moving up the career funnel, but lack the data to confirm their observations. Indeed, there is a growing body of



qualitative research to support these claims. But until recently there has been a dearth of quantifiable evidence to account for actual AAPI representation.¹ This is because 1) demographic data is rarely collected, 2) DEI initiatives tend to overlook AAPI workers, and 3) when AAPIs are included in DEI analytics, that data tends to aggregate all minority populations together without parsing racial or ethnic groups.

Since 2020, The Association of Asian American Investment Managers (“AAAIM”) has worked to fill these quantitative gaps through a research partnership with Bella Private Markets (BPM). Under the leadership of Professor Josh Lerner of Harvard Business School, BPM has undertaken a series of groundbreaking studies that map AAPI representation and performance in asset management. The initial findings from that work, published in November 2020, illustrate the stark underrepresentation AAPIs experience first-hand: notably, across the four main asset classes of private equity, hedge funds, public equity, and real estate firms, AAPIs own just 3.5% of firms and 2.9% of funds, and hold only 0.7% of AUM.²

This paper updates and extends that research, spotlighting two key issues: 1) rates of AAPI representation at each stage of career progression within top-100 firms segmented by four major asset classes and 2) representation of female AAPI workers as a specific subset. While the 2020 report shows that AAPI ownership is incredibly low, this paper shines a light on where barriers to advancement occur for AAPIs and AAPI women in asset management careers. Like the 2020 report, this one is pioneering—it adds significant quantitative data points to AAAIM’s earlier survey findings, published in the 2022 report, “Beyond the Glass Ceiling: Examining the Intersectionality of Being an AAPI Woman in Financial Services.”

As suspected, this new data shows substantial drops in AAPI representation between lower and higher seniority roles in all four major asset classes. This is true when measured across a variety of benchmarks, including the United States census, percentage of business school graduates, and percentage of all positions at United States VC firms in 2020.³ Yet while representation decreases up the career funnel, BPM found evidence to suggest AAPI-owned funds outperform non-AAPI-owned funds across select asset classes studied. This performance data shows that diversifying investment talent and leadership is not only good for the AAPI community, it’s also good for business.⁴



The current moment is ripe for transformation. While the numbers illustrate a pattern of exclusion, AAAIM's and BPM's research is foundational to a cultural sea-change that is already underway. AAPI marginalization is often described as an invisible problem—and indeed the lack of prior data is itself evidence of this invisibility.⁵ But the research presented here is part of a growing movement to create visibility, transparency, and accountability in support of diverse workers and leaders in the industry.⁶ For instance, notable progress is underway as a result of focused attention and concerted interventions within asset management for the nation's top universities and foundations. AAAIM's and BPM's ongoing research augments that work, illustrating how cultural tendencies impact AAPI representation and opportunities for career advancement. In doing so, this work delineates a problem that is both real and urgent.

¹ Much has been written on the model minority stereotype and how this bias is one of several that affects AAPIs across industries from psychology to medicine to academia. The Association of Asian American Investors has published findings specific to the asset management industry in two recent reports: "Good Workers — Not Leaders: Unconscious Biases That Stall AAPI Advancement" published in September 2021 https://aaaim.org/wp-content/uploads/2021/09/21-09_BSG-AAAIM-Report-v2.pdf, and "Beyond the Glass Ceiling: Examining the Intersectionality of Being an AAPI Woman in Financial Services" published in September 2022 https://aaaim.org/wp-content/uploads/2022/09/AAAIM_Beyond_Glass_Ceiling.pdf.


² Lerner, Josh et al. "Representation of AAPIs in Asset Management: Analysis and Strategic Response." Bella Private Markets and the Association of Asian American Investors. November 2020. <https://aaaim.org/wp-content/uploads/2021/01/AAAIM-Bella-Research.pdf>

³ In order to determine under or over-representation of AAPIs within asset management firms, BPM considered that AAPIs comprised: 6.1% of the U.S. population in 2021, 14% of the percentage of students in an average top 25 U.S. business school in 2020, 20.7% of financial analysts and 9% financial managers in the U.S. in 2021, 12.6% of doctoral degree recipients in the US in the 2019/20 academic year, and 18.0% of all positions at U.S. VC firms in 2020. It should be noted that these numbers likely understate AAPI representation since these metrics tend to exclude individuals who identify as multi-racial.

⁴ AAAIM will publish a forthcoming paper that details BPM's findings according to AAPI performance, firm ownership, and AUM.

⁵ Yip, T., Cheah, C. S. L., Kiang, L., & Hall, G. C. N. (2021). "Rendered invisible: Are Asian Americans a model or a marginalized minority?" *American Psychologist*, 76(4), 575–581. <https://doi.org/10.1037/amp0000857>

⁶ Notable work includes the Knight Foundation's 2021 "Study to assess the representation of firms owned by women and racial or ethnic minorities among investment firms used by the country's top 55 charitable foundations." Found here: https://knightfoundation.org/wp-content/uploads/2021/09/KDAM_Philanthropy_2021.pdf Additionally, the Diverse Asset Managers Initiative (DAMI) has instituted an "Endowment Watch" to encourage transparency among major universities' asset management. Among other interventions, they confronted Yale's President and Chief Investment Officer over their lack of transparency regarding diversity, equity, and inclusion in the Investment Office. Knight, Geoff. "DAMI Confronts Yale Following Illuminating Student Article About Lack of Diversity, Accountability in Investment Office." December 2, 2022. Accessed January 30, 2023. https://static1.squarespace.com/static/5d335efa6690f4000010e09f2/t/638a02c669d7c034c490af59/166998906232_8/11.21.2022+dami+letter+to+yale.pdf



A Note on Methodology

Given the scale, detail, and unprecedented nature of this study, BMP confronted a number of methodological challenges. In order to acquire demographic data, the BPM team looked at the top 100 firms in each asset class (private equity, real estate, hedge funds, and public equity) and hand-collected the employee information of over 20,000 individuals.⁷ In order to inhibit human error and account for ethnic nuance, this data was cross-checked by at least two individuals from both the United States and Asia. Then the team used algorithmic techniques to identify and correct for any remaining discrepancies.

In order to trace levels of AAPI representation at different levels of career progression, BMP created a “bucket” system to account for differences in titles and hierarchies across firms. For example, while in many PE firms “principals” are one step below partner-level, within larger firms that manage public equities a “vice president” often holds that same level of seniority and the title of “principal” may not be used at all. Therefore, BPM “bucketed” employees into four groups from the most junior in Tier 4 to the most senior in Tier 1.⁸ This system delineates the specific levels at which AAPIs generally and AAPI women specifically either thrive or diminish in number, and as a result pinpoints areas where greater opportunities and support are needed.

⁷ The BPM team employed 15 research assistants for this work.

⁸ Tier 1 employees include partners or managing directors, Tier 2 employees include principals or vice presidents, Tier 3 employees include associates, and Tier 4 employees include analysts.

1

Results: AAPI Career Attrition Data & Analysis



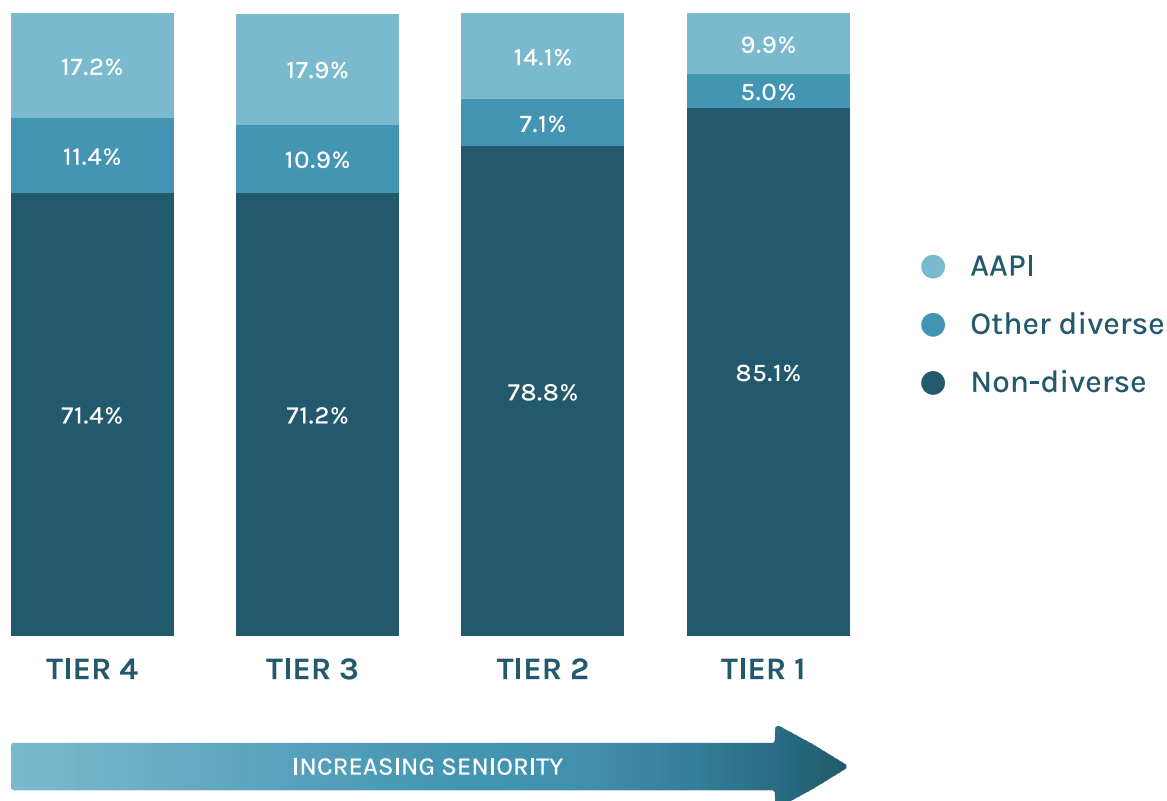


1. Results: AAPI Career Attrition Data & Analysis

Broadly speaking, BPM's data shows an attrition rate of about 50% from entry level to senior level positions among AAPIs (see Figure 1). Notably, there is a high level of retention—even slight augmentation as will be discussed shortly—between the lower two tiers. But representation then drops dramatically between Tiers 3 and 2, and it drops again, this time by nearly 30%, between Tiers 2 and 1. As AAPI representation drops to under 10% in Tier 1, the non-diverse population increases to comprise over 85% of senior-level positions. The evidence is clear: AAPIs face barriers to progression in the upper echelons, where the non-diverse population prevails.

FIGURE 1

REPRESENTATION BY SENIORITY, ALL ASSET CLASSES



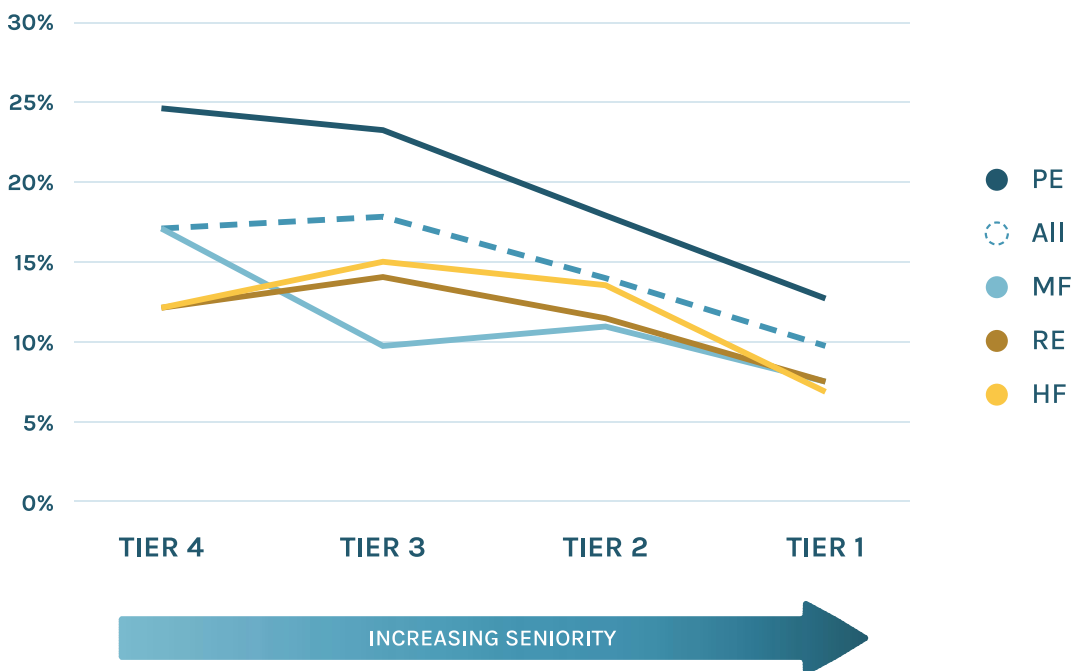


While the general trend shows an overall pattern of attrition, there is some variation within individual asset classes (see Figure 1.2). Private equity tends to have the highest overall AAPI representation across seniority levels, however its attrition rate is nearly 50% between Tier 4 (where AAPIs comprise nearly a quarter of the worker population) to Tier 1 (where that number drops to under 13%). At the other end of the spectrum, real estate shows overall low AAPI representation. Only about 12% of RE professionals are AAPI and a mere 7.6% have obtained senior-level positions. Mutual funds firms show the highest level of overall AAPI attrition between entry-level and senior-level positions. While nearly a fifth of Tier 4 positions are held by AAPIs, less than 8% of senior executives are AAPIs—an attrition rate of over 55%.

It is worth noting that both RE and HF saw slight growth in AAPI representation between Tiers 4 and 3, indicating a strong career start and/or performance-related advancement between the lower two seniority levels. Indeed, BPM has found that AAPI HF owners do outperform their peers, a finding that will be detailed in a forthcoming paper.⁹ Yet despite this evidence of high performance, RE and HF show the lowest percentages of AAPIs at Tier 1—between 8% and 7% for RE and HF respectively.

FIGURE 1.2

AAPI REPRESENTATION BY SENIORITY AND ASSET CLASS



⁹ In addition to HF, that paper will detail AAPI owner-level performance in PE and VC.

2

Results: Career Attrition for AAPI Women



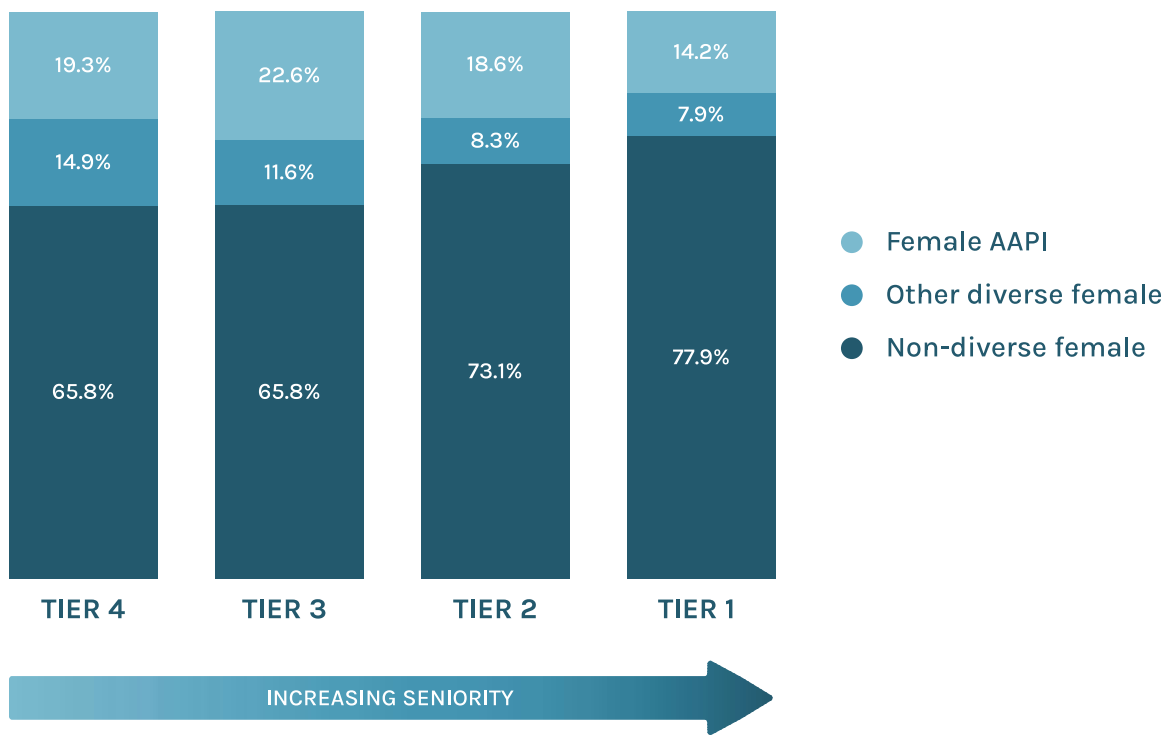


2. Results: Career Attrition for AAPI Women

Spotlighting AAPI women, the data shows evidence of intersectional challenges. The good news is that AAPI women are slightly better-represented in comparison to non-AAPI women than the general population of AAPIs (see Figure 2.1). Case in point, AAPI women constitute 14.2% of all senior-level women; compare that to the 9.9% of AAPIs as a whole who comprise senior-level positions. However, the same pattern of racial attrition appears when looking only at women. Whereas female AAPIs enter the industry as nearly one fifth of all women, they lag at Tiers 2 and 1, while the non-diverse population of women increases.

FIGURE 2.1

FEMALE REPRESENTATION BY SENIORITY, ALL ASSET CLASSES

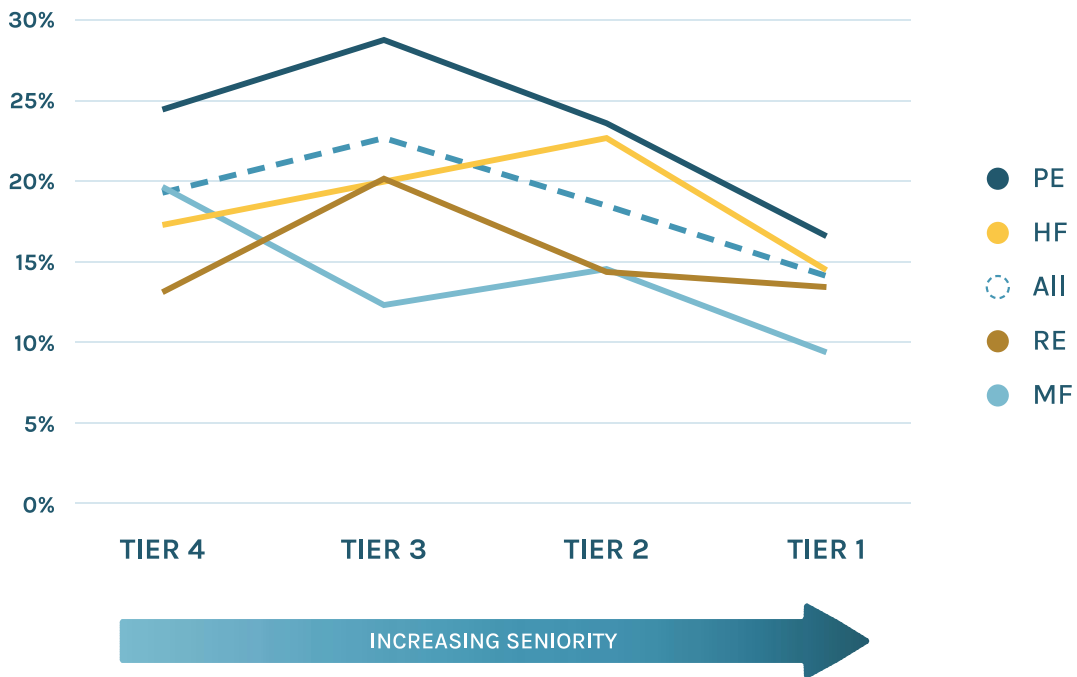




Similar to the overall analysis of AAPIs in the career funnel, there is variability of movement patterns and representation within individual asset classes. However as seen in Figure 2.2, there is a greater degree of unstable motion in female AAPI career advancement, suggesting a rockier path for AAPI women.

FIGURE 2.2

FEMALE AAPI REPRESENTATION BY SENIORITY AND ASSET CLASS



AAPI females are best represented within private equity—a reflection of AAPI representation overall. While there is some motion between the first three tiers, the percentage of AAPIs hovers around a quarter of all women below the senior-most level within firms. However, representation drops markedly at the most senior level. Between Tier 3 where AAPI women are best represented and Tier 1, there is a drop of over 40% in AAPI representation.

Hedge fund firms see the second highest AAPI representation among females at all seniority levels. In a pattern unique to HF, AAPI women see slight growth among the female population between Tiers 4 and 2. But as with the other asset classes, there is a steep decline for AAPI women at the highest level of seniority, from about 23% at Tier 2 to 14.5% at Tier 1.



In real estate, AAPIs are better represented among females compared to AAPIs overall. While still a low number, consider that AAPIs make up over 13% of women in senior-level positions—nearly double that of Tier 1 AAPIs overall. Nevertheless, in comparison to female AAPI representation in other asset classes, RE hovers near the bottom. For RE, the attrition cliff occurs between Tiers 3 and 2, declining further at the senior-most level.

Mutual fund firms show the lowest levels of female AAPI employees as well as a high degree of attrition. Coming from the second-highest percentage of entry level positions, the number of AAPI women falls by over 52% on the path to senior executive. Fewer than 10% of women are AAPIs at the highest level of seniority.

3

AAPI Women Face a Double- Edged Sword



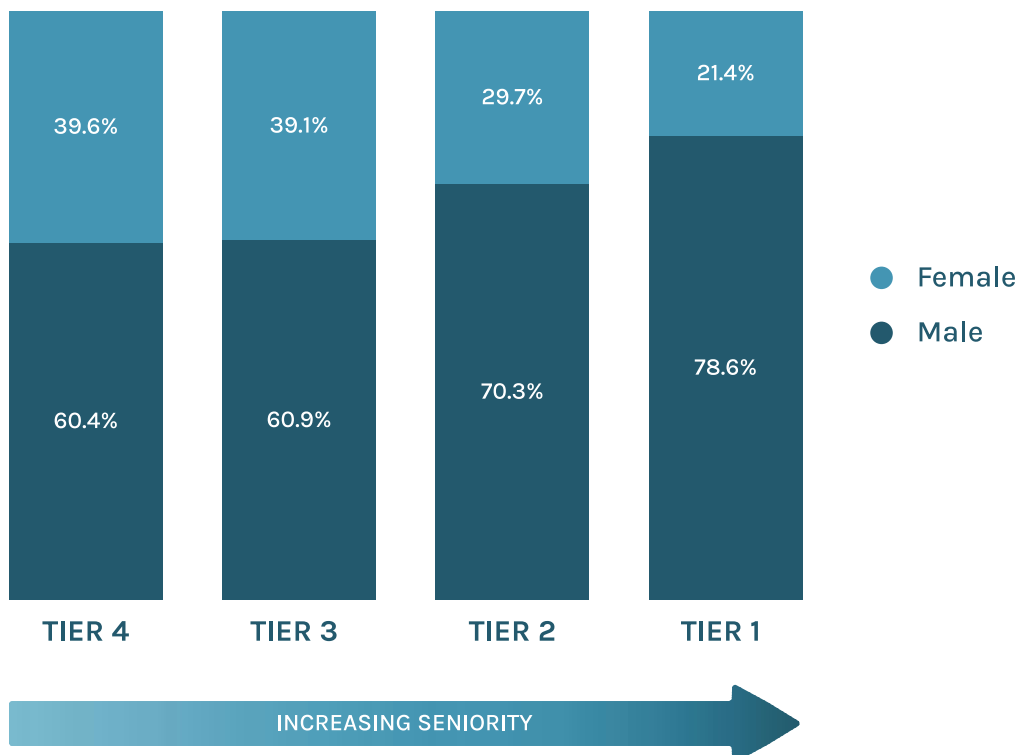


3. AAPI Women Face a Double-Edged Sword

The above data shows how AAPI women fare in comparison to other women in asset management. However, AAPI women face additional quantifiable challenges when advancing to senior-level positions. As seen in Figure 3.1, about 20% fewer women compared to men (independent of ethnicity) enter the investment management industry. They then come up against an ~50% attrition rate that accounts only for gender. Add that to the ~50% attrition rates experienced by AAPIs writ large, and it becomes clear that female AAPI representation as a proportion of all professionals—much less senior-level executives—remains staggeringly low. When it comes to ownership, BPM has found that the percentage of female AAPI-owned firms falls to below 1% when measured against all other firms.¹⁰

FIGURE 3.1

REPRESENTATION BY SENIORITY, ALL ASSET CLASSES





In other words, AAPI women are minorities within subgroups of both ethnicity and gender—they face both a “glass ceiling” and what some call a “bamboo ceiling.” This intersectionality has compounding ramifications. On the corporate level, few diversity, equity, and inclusion initiatives acknowledge AAPI workers, so AAPI women who seek DEI opportunities typically find themselves grouped with other women. But initiatives for women don’t account for the unique experiences of AAPIs, including racialization (stereotyping based on perceived race), and differences in cultural expectation and experience including language and immigration.¹¹ The stereotypes that follow AAPI women can remain alive and well among other women. As one AAPI woman put it in a recent AAAIM publication, “Within women networks in finance that are predominantly white, Asian women are often viewed as ambitious, competitive, too serious and blunt.”¹²

When it comes to advancement, AAPI women are affected by the same model minority stereotype as AAPI men. As such, they often find that they are seen as analytical, hard working, intelligent, and shy or submissive. In short, they are seen as good workers, but ineffective leaders. But AAPI women also face a gendered double standard that they are either too submissive or too aggressive, outspoken, or opinionated. This leads to a no-win scenario: even if an AAPI woman attempts to overcome the stereotype that she is meek by demonstrating a stronger persona, she will likely still face pushback.

When confronted with ongoing bias, the ramifications for career advancement can be devastating. As one woman put it, “The most impactful career advancement age feels like it was around my 30s and 40s, and that’s when the discriminatory actions seemed more evident. First to get cut, last to get promoted, assigned more responsibilities for less pay.”¹³

¹⁰ This data derives from a slightly earlier version of BPM’s research. As will be discussed in a forthcoming paper on ownership and AUM, the BPM team updated their methodology between 2020 and 2022, so slight variability can be expected. However, this number is on the right order of magnitude.

¹¹ See “Beyond the Glass Ceiling,” 9.

¹² Ibid., 5.

¹³ Ibid., 11.



Human Capital Equals Financial Capital

This paper presents irrefutable evidence that AAPIs, and AAPI women specifically, face barriers to advancement in the asset management industry. But not only is this a solvable issue, creating inroads for AAPI leadership promises tremendous dividends. BPM research shows evidence to suggest that AAPI-owned funds outperform non-AAPI-owned funds across select asset classes. Other research has shown that gender balance in private equity and venture capital leads to significantly improved outcomes.¹⁴ As Brenda Chia, AAAIM’s board Co-Chair has noted, by contributing to an environment that hinders AAPI and female AAPI advancement, firms “are losing highly qualified, smart and driven leaders who bring the perspectives and experience required to serve an increasingly diverse world.”¹⁵ On the other hand, by working towards greater AAPI retention and leadership, firms have the potential to harness immense growth.

Asset management is at an inflection point. Changes in the macroeconomic, geopolitical, and technological landscape require that firms reexamine antiquated strategies and implement new ones in the coming years.

In the process, it is crucial that firms pay much-needed attention to the interplay between human capital and financial capital. Research shows time and again that the



most direct path to innovation lies in cultivating a diverse human ecosystem. Firms that want to stay abreast of the changing landscape to find investment alpha need to invest in people that can bring a diversity of thought. This means not just focusing on representation numbers, but rather on fundamentally shifting the culture of an organization such that those representation numbers shift.

During the 2022 AAAIM National Conference, a group of distinguished panelists discussed how every organization's enduring health largely depends on its culture. They concluded that it is a mistake to dismiss "culture" as negligible or superficial. On the contrary, the human element is foundational to ongoing performance. The most successful firms will be those that invest in diverse human ecosystems and leadership.

¹⁴ International Finance Corporation. "Moving Toward Gender Balance in Private Equity and Venture Capital." https://www.ifc.org/wps/wcm/connect/e3cea47f-aa13-4ab3-b743-0d0e44c6710f/Exec+Summary_Moving+Toward+Gender+Balance+Final.pdf?MOD=AJPERES&CVID=mBmcOnZ Accessed December 8, 2022.

¹⁵ "Beyond the Glass Ceiling," 10.



Towards a Solution

In order to address the human element, firms will need to take a close look at corporate, cultural, and individual relational dynamics. A continued data-driven approach can help firms to understand how unconscious bias plays a role in current practices. Organizations can work to dispel myths while at the same time implementing structural changes that include sponsorship, mentorship, and supportive programs for diverse workers—including AAPI workers, and AAPI women specifically.

There are a number of concrete steps firms can take to assess internal practices and cultivate AAPI leadership. For instance, they can reevaluate the mechanics of how leaders are selected. They can consider whether the standard criteria precludes newer talent and they can make sure that AAPI candidates are on the list. Additional measures could include blind resumes and culturally-informed leadership training.¹⁶

To cultivate leadership opportunities for AAPI women, firms should pay closer attention to female subgroups. When looking at key performance indicators, data can be broken down at each level by gender, race, and subgroup in order to reveal any blindspots in promotions and assignments. Furthermore, firms can implement initiatives, employee resources, and networking groups specific to AAPI women. Importantly, all aforementioned processes can be reevaluated and instituted without losing focus on a candidate's potential to produce alpha. High performance and diversity go hand in hand.



In order to be included in the broad DEI dialogue and initiatives to support minority inclusion, AAPIs will need to work together and support each other. While AAPIs comprise a vast array of different cultures and ethnicities, standing together will be imperative to create large-scale momentum towards increased representation and greater performance. This means that firms will need to see AAPIs as an important diverse community in their own right, and not exclude them from the critical discussion that is predominantly focused on other diverse communities. At the same time, AAPI workers can reflect on and reconcile their wide range of cultural expectations and experiences while finding and celebrating commonalities.

AAAIM plans to continue its groundbreaking intellectual leadership by spearheading data-driven research, publishing its findings, and working for regulatory change in support of the AAPI community. As part of ongoing research, a forthcoming paper will examine a related issue that Josh Lerner and BPM investigated: that of AUM, performance, and access to investment capital among AAPI-owned firms.

¹⁶ “Beyond the Glass Ceiling,” 10.



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About Us



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The Association of Asian American Investment Managers (AAAIM) is a national 501 (c)(3) non-profit organization dedicated to increasing diversity and inclusion in the investment management industry, serving as a powerful voice for the Asian American and Pacific Islander (AAPI) community. AAAIM's goal is to elevate underrepresented groups through education, networking, and empowerment. AAAIM is recognized as the national voice of AAPI investment managers and the only national organization dedicated to supporting the growth of AAPI investment managers. Our coalition of seasoned and rising investment managers is committed to mentorship, promoting access to capital, and educating the industry and public at large about prejudice experienced by AAPI.



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Bella Private Markets focuses exclusively on providing solutions to the challenges facing the private capital industry. Led by Dr. Josh Lerner, a senior faculty member and the Jacob H. Schiff Professor of Investment Banking at Harvard Business School, Bella combines rigorous academic approaches with real world industry expertise to provide actionable insights for its clients. Bella focuses on complex, customized projects that require thorough analysis, whether quantitative or qualitative in nature, to help its clients improve performance, optimize operations, and chart winning strategies for the future.

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