



# Black Hedge Fund Professionals Network



## FROM AMBITION TO ACTION:

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Diverse Hedge Fund and  
Finance Professionals Weigh  
in on DEI Efforts and  
Where We Go from Here



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## LETTER FROM



prosek

**DEI, DEIA, DEIJ, DEIB – whatever acronym you use, Diversity, Equity, and Inclusion (DEI) has been through many evolutions since the concept was born out of civil rights movement in the 1960s.**

Today, as we witness the continued politicalization of DEI and resulting polarization across the U.S., understanding the sentiment of diverse voices is more important than ever. Despite increasing attacks on DEI – and the many figures calling for its elimination – good businesses still understand that looking where others don't to find employees, playing to their strengths, and creating positive environments puts their business in the best possible position to succeed. This is why organizations must not lose sight of their goal to create truly equitable and inclusive workplaces – where innovation is widespread, talent can thrive, and business objectives can be met.

As the saying goes, “words matter,” and a key factor in getting through this DEI downcycle will be effective communication. A function that's been overlooked in the past, this principle will now take center stage as senior leaders within the hedge fund industry and across financial services grapple with how to keep their various audiences engaged and committed. At Prosek Partners – an integrated communications firm with a strong client roster across financial services and the hedge fund industry – we pride ourselves not only on helping organizations find the right words to communicate with stakeholders, but in working to establish a framework where real action can be taken.

This report by the Black Hedge Fund Professionals Network (BHFPN) gives a unique glimpse into how DEI is being positioned and addressed in the industry, while also offering valuable takeaways that organizations can leverage as part of their DEI journeys. Prosek couldn't be more honored to have supported the BHFPN on this incredibly important project.

**Josette Thompson**, Prosek Partners  
Managing Director and Head of DEI Strategy



# FOREWORD

The Diversity, Equity, and Inclusion (DEI) landscape in the United States has experienced a number of shifts since George Floyd's murder in May of 2020. At the time, companies across industries committed to creating or further developing their DEI efforts. Many made bold public statements about their desire to make progress in the near future, some identified diversity focused causes to which they would donate, and others hired individuals into DEI roles to help drive progress. Today, we are in a different moment. Companies are facing post-pandemic economic realities, causing them to make difficult staffing and resource decisions. A recent Supreme Court decision – which held that race-based affirmative action programs in college admissions processes violate the Equal Protection Clause of the Fourteenth Amendment – has also led some companies to question their approach to diversity.

It is against this backdrop that, the Black Hedge Fund Professionals Network launched an important survey, gathering views on the state of diversity and inclusion in the hedge fund and financial services industries from their Black and brown members and allies. The survey focuses on recruiting, engaging, developing, and retaining diverse talent. The findings show that actions to date have not led to meaningful change. There is further work required to increase diversity and specifically to enhance inclusion. This report provides a unique perspective from Black and brown professionals in the industry and suggests answers to help create a framework for solutions and drive ongoing progress in this space. We believe organizations will find the information valuable and hope many will use the insights to drive the industry forward.

## Board of Directors

Black Hedge Fund Professionals Network



## ABOUT THIS REPORT



### Purpose

In an effort to shed light on the current state of diversity within the hedge fund and financial services industries, we embarked on a comprehensive survey to offer a nuanced understanding of the experiences and perspectives of individuals within these sectors. What sets this survey apart is its unique focus on the challenges of Black and brown individuals and their career journeys within the industry, using their experiences and insights to drive change.



### Sourcing and resources

In our study of the industry, we also met with diverse leaders, executives, and industry experts to go beyond data and gain first-hand accounts of how DEI is incorporated into the space. By engaging with a diverse group of professionals, we sought to gain a deeper understanding of their experiences, challenges, and aspirations, ultimately aiming to uncover actionable insights and strategies for fostering inclusivity and equity.



## Who we surveyed

The emphasis on the quality of our respondents is paramount – our 115 survey participants, as well as the leaders we interviewed – are highly-qualified employees at leading firms who represent the voices of Black and brown people and allies within the hedge fund and financial services industries. Most are long-tenured, adding to the depth of their perspective on how the industry has engaged on DEI over time. A notable majority of respondents hail from hedge funds, while a smaller group represent professionals working in private equity (PE) and venture capital (VC).

## Terms to know

### Diversity

The various human characteristics, identities, cultures, backgrounds, and experiences present within a group.

**Examples:**

Race, ethnicity, culture, gender & gender roles, gender identity, sexual orientation, education, geography, socioeconomic background, age, religion, political views, physical ability, working style, introversion/extroversion.

### Equity

Providing fair access to all, including the need to create an equal starting point for those from non-dominant groups and cultures, recognizing some are coming from a position of relative disadvantage.

### Inclusion

Creating an environment in which everyone feels respected and safe to contribute their true, authentic and diverse perspectives.

### Belonging

The feeling of trust and psychological safety experienced when one feels welcomed and comfortable to take risks without fear of punishment or isolation.

# EXECUTIVE SUMMARY

**Despite a flurry of DEI activity in the hedge fund and financial services industries after the death of George Floyd – including committees, programs, and public statements – the impact of these activities has fallen short of bringing about significant change within the sector. This report sheds light on the persistent challenges faced by diverse professionals, revealing a disparity between intention and tangible results.**

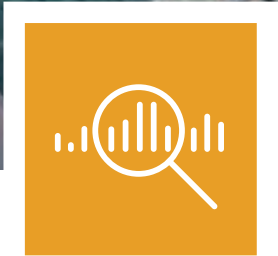
A meaningful number of diverse professionals still feel they are experiencing a workplace that isn't welcoming and does not offer an inclusive culture – prompting them to frequently seek out new roles that foster both personal growth and career advancement. A notable 35% of respondents expressed that their race/ethnicity has hindered their career, and a mere 8% indicated that it has helped. Additionally, the long tenures of diverse professionals in the industry have not translated into executive positions. Less than half of respondents (43%) stated that their firm had more than two diverse leaders in a C-suite or Managing Director role.

Given that many who launch their own firm typically spin out from existing firms, this discrepancy not only hinders career advancement but also poses challenges for those aspiring to branch out on their own. Ultimately, this scarcity of diverse senior leaders and individuals in investment roles remains a noteworthy concern as high-level investment experience is needed to launch a firm.

# 84%

of survey respondents stating that they were the **first in their family to work in the financial services industry**

With 84% of survey respondents stating that they were the first in their family to work in the financial services industry, it's clear that diverse professionals are disproportionately affected by the shortfall of senior leaders and role models who can help them navigate less familiar territory and take the next steps in their career journey. When looking at opportunities for upward growth, 31% of respondents stated that they hadn't had any mobility opportunities (advancement, stretch projects, or promotions) since entering the industry. Diverse employees also revealed a lack of access to key resources. Over 67% of respondents stated that their firm did not have any affinity networks or Employee Resource Groups (ERGs) offering bootcamps or exploration programs to connect employees with resources to help them learn, network and advance.



Our findings underscore the urgency for a strategic reevaluation of current DEI approaches. While companies express good intentions and allocate resources to make an impact, this alone is ineffective without a concurrent shift in organizational culture. We propose actionable recommendations for industry players:



**Cultural Focus:** Companies should prioritize cultivating an inclusive culture rather than solely relying on programs, affinity groups, and new recruiting pipelines. A cultural shift is essential to fostering an environment where diversity is not merely a box to check but an integral aspect of the workplace ethos.



**Integration into Business Operations:** Concrete steps should be taken to ensure diversity is seamlessly integrated into standard business practices. Focusing on “special programs” will not be enough to drive lasting change.



**Leadership Commitment:** Senior leaders must commit to advancing diverse talent that may differ from their own backgrounds. A top-down approach is crucial for developing a culture that embeds diversity into core business decisions.

## A STAGGERED HISTORY OF PROGRESS

The DEI landscape in the US has experienced key shifts in its history, with corporate interest in the space following a cycle of ebbs and flows that began in the 1960s. The Civil Rights Act of 1964 kickstarted the first wave of DEI initiatives, but this momentum – which was largely compliance-driven – was cut short as the national conversation coalesced around increased U.S. involvement in the Vietnam War.

This pattern repeated itself in the following decades. Major injustices – such as the beating

of Rodney King in 1991 and the killing of Trayvon Martin in 2012 – galvanized public support towards DEI initiatives and started to create a shift in awareness and calls for change.

Most recently, the public furor surrounding George Floyd's death contributed to a flurry of activity within the corporate space, leading to pledges, programs, and initiatives as companies sought to address racial inequality. While this activity continued for a time, the Covid-19 pandemic, as well as the Supreme Court's recent decision on affirmative action, caused the public to shift attention. DEI progress within the financial services and hedge fund industries has closely mirrored this broader pattern. Progress has thus occurred in spurts, rather than in sustained momentum.



## A GAP BETWEEN INTENT AND IMPACT

While the hedge fund and financial services industries have voiced a strong commitment to increasing diversity, the journey from rhetoric to tangible impact has proven challenging. The overarching theme of this report underscores the need for refinement in how these industries build diverse teams, leadership, and boards to see real results. While some smaller financial firms do not always have the resources to implement an array of individual DEI roles and committees, our data showed that the larger industry has not committed to implementing a DEI framework to make these goals a reality. Ultimately, despite the frequent discussion on why increasing diversity drives business results and improves financial performance, the results of DEI efforts are not always effective.

Our survey revealed that 70% of respondents agreed that diversity is valued at their firms. Yet many companies still lack even the basic infrastructure to help drive change. Fifty-five percent of those surveyed said that their firm does not have a dedicated DEI executive or individual program head focused specifically on diversity around recruitment, retention, and internal company culture. Additionally, more than one-third (37%) of respondents report that their firms do not have a diversity and inclusion committee, and 56% lack a diverse Employee Resource Group or Business Resource Group (BRG).

When looking more closely at the data, we found a significant gap between the intended effects of these policies and their actual results. Ultimately, the transition from average, lackluster programs to initiatives that create real change requires a fundamental shift in mindset, as well as the buy-in of senior leaders. As one participant highlighted, the jump from programs to a culture infused with DEI is crucial:



*Firms generally start out with a program-oriented approach, driven by the few and the willing. You get a chief diversity officer. You get some affinity groups. You get people who are inclined to support diversity, and they help drive a number of new initiatives, including things like recruiting efforts, and internal trainings. But it's all very programmatic. Leaders continue to run their business, and then on the side they may have programs they draw on to help advance DEI. To get to the next phase, those same leaders need to say, 'Wait a second. This is not just an "add-on". This is a core business issue for me, and it's critically important to my success.'*

**Alan Bowser, Board Chair of the Black Hedge Fund Professionals Network and former Chief Diversity Officer at Bridgewater Associates**

## WHY DIVERSITY MATTERS

Although growth around DEI hasn't been consistent, changing attitudes within the industry in recent years have created reasons for optimism. Firms now understand that diverse teams improve cognitive diversity – the inclusion of people who can offer unique perspectives on problem-solving because they think differently – and help reach clients and attract talent from every segment of the population. New data has also demonstrated that inclusion drives superior results as team members feel accepted and willing to contribute unique insights – leading to higher investment performance and increased returns. This has led some investors to prioritize a focus on DEI in their conversations with allocators. Acknowledging that inclusion drives superior results, most financial firms now openly advocate DEI policies and have taken steps to close the gender gap, as evidenced by increased levels of female representation in the workplace.

The disconnect between intent and impact becomes particularly apparent when examining the experiences of those who believe race has hindered their career progression.

**46%**

of respondents who perceive ethnicity as a hindrance felt they had faced **overt or covert racism/bigotry**

**44%**

felt they had **not been recognized for work due to their race**

It is crucial to emphasize that if individuals do not feel themselves to be integrated into a company's culture, then DEI initiatives have ultimately failed. Simply recruiting diverse talent is insufficient. While attracting individuals is a commendable step, it falls short if they do not feel included and compelled to stay. In the absence of a genuinely inclusive culture, all the press releases and programs, no matter how well-intentioned, fail to fulfill their fundamental purpose – fostering an environment where diverse professionals thrive and contribute to the success of an organization.

## TENURE VS PROGRESS

Despite the considerable tenures that diverse professionals have amassed within the hedge fund and financial services industries, our data reveals a complex landscape marked by retention challenges and missed opportunities. The survey findings draw attention to the reality that, although a majority of respondents (63%) have dedicated more than a decade to the industry, a significant portion are compelled to seek career advancement by jumping between firms. **Remarkably, half of respondents (50%) have been with their current firm for only 1-3 years, with only 32% having a tenure surpassing seven years. This trend suggests that long industry tenures do not necessarily translate into sustained career advancement opportunities or positions in the C-suite.**

Our data also reveals that less than half of respondents are currently in investing roles – a highly desirable subset of financial services jobs due to higher pay, direct contribution to revenue generation, specialized skills, and performance-based compensation. Individuals in investment roles gain the confidence, experience, and skills necessary to take more significant career leaps, such as a move to the C-suite, or branching out to start a firm.

Starting a fund is a formidable endeavor, requiring significant capital, connections, and a proven track-record. According to a report from Mergers & Acquisitions, the bare minimum required to start a fund is \$100 million, with the ideal figure reaching between \$500 million - \$1 billion. Without deep

connections to potential Limited Partners and an established track record over many years at an existing fund, raising capital becomes a daunting challenge, hindering the entrepreneurial aspirations of diverse professionals within the industry.

In a time when the industry is grappling with increased closures and capital is being concentrated in fewer and fewer hands, leveling the playing field for diverse professionals is not just a moral imperative but a strategic necessity.

## AN ABSENCE OF SUPPORT NETWORKS FOR DIVERSE EMPLOYEES

Navigating the finance and hedge fund industry can be a challenging endeavor for even the most seasoned professionals. But for diverse professionals entering the space the situation takes on added complexity. In these cases, more robust support networks are needed to aid these individuals in successfully navigating the intricacies of the industry.

Our data underscores the vital importance of mentorship and sponsorship in fostering the careers of diverse professionals. An overwhelming 84% of respondents stated that having a role model that looks like them in their organization is important. Additionally, 46% of respondents asserted that having more mentorship opportunities is an important factor in ensuring diverse professionals can have the careers they envision.

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*The importance of mentorship and sponsorship extends beyond guidance; these individuals play a crucial role in advocating for younger professionals, not only in meetings, but in environments they may not have otherwise had access to, and for projects they would not have had the opportunity to be involved in.*”

**Alexandria Farrell, Founder and Chief Talent Strategist at The Inclusive Executive**

Despite the recognized importance of having role models who look like them, respondents reveal a stark reality – there are very few C-suite executives matching their race or ethnicity within their firms. A notable 56% of respondents state that their firms have two or fewer diverse leaders in the C-suite. Although many firms openly advocate for DEI initiatives, women and people of color remain “dramatically underrepresented at the board and senior management levels within asset management firms and fund complexes.”





The net result of these discrepancies is that firms face a critical shortage of diverse sponsors. Nearly 60% of respondents stated they do not have a sponsor within their firm. This discrepancy has an outsized effect on mid-level and junior-level candidates, who are forced to look elsewhere for mentors and sponsors, such as external organizations like Black Women in Asset Management, our organization or other external networks.

**82%**

of our survey respondents actively **mentoring or supporting diverse colleagues**

**58%**

proactively **pursuing mentorship roles**

**70%**

of respondents state **“leadership/support commitment” is the most important factor**

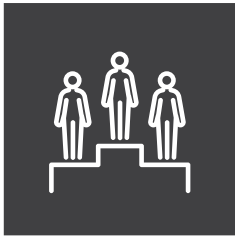
## **ACTIONABLE STEPS TO IMPLEMENT CHANGE: A TOP-DOWN APPROACH**

As firms consider today’s DEI landscape, they are increasingly asking a key question: how can we drive real progress within the industry? While firms have made efforts to instigate change, the limited returns underscore the need for a more intentional and sustained approach. To create lasting impact, companies must seek to understand where they are in their evolution, commit to key values, and build out their culture to both attract and develop diverse employees.

Many diverse employees within these firms are already striving to drive change themselves, with 82% of our survey respondents actively mentoring or supporting diverse colleagues, and 58% proactively pursuing mentorship roles. While these

efforts are commendable, the impact of early- and mid-level employees on a company’s culture is limited. Our data highlights the importance of executive and managerial involvement in these initiatives. Over 70% of respondents state “leadership/support commitment” is the most important factor for ensuring diverse professionals can have the careers they envision.

However, the survey reveals that internal leaders do not always pull their weight when it comes to DEI. Over half of respondents (53%) state that senior leadership sometimes or never comments on their company’s culture around diversity/engagement regarding retaining or recruiting diverse talent. With many finance and hedge fund firms lacking diverse leadership in the C-suite, it’s no surprise that vocal commitment to DEI is lacking. In addition to focusing on creating a pipeline of young talent, firms should focus on the top, prioritizing diverse hiring at the leadership and managerial levels. This approach not only signals a tangible commitment to DEI but produces leaders whose words and actions can trickle-down and permeate through the rest of the organization.



## ATTRACTING JUNIOR AND SENIOR TALENT

Earlier career action is vital to increasing diversity and creating long-term changes in the industry. Recruiting early- and mid-level candidates not only creates a strong candidate pipeline, but also enhances access for underrepresented individuals and ensures diversity is integrated into a culture. While firms understand the importance of attracting junior talent, they often fail to put concrete programs in place.

While 65% of survey respondents state that their firm makes an effort to recruit diverse candidates, 61% report that their firms did not have an internship program focused on diverse talent in place. Although smaller firms often don't have the capabilities to maintain an internship program, all companies have the ability to extend recruiting processes beyond traditional channels. This could involve partnerships with schools and other diverse organizations, such as Historically Black Colleges and Universities (HBCUs), the National Black MBA Association, Hispanic Serving Institutions (HSIs), the Asian American Professional Association, , BLK Capital Management, among others.



*Canyon's summer internship program aims to increase awareness, to educate, and to provide access to careers in finance to the broadest pool of talent available. Through engagement and outreach to a wide range of universities, student networks, and nonprofit organizations aligned with our mission, we have been successful in recruiting highly qualified candidates from diverse backgrounds, seeking to explore the various opportunities in the investment industry.*

Hanan Dakhil, SVP and Director of DEI at Canyon Partners

Although firms must act to expand access for underrepresented individuals, simply offering diversity exclusive internships is not enough to create an inclusive culture. Instead, companies should strive for a nuanced approach, working to create a diverse candidate pool that emphasizes merit and the unique skillset of every individual selected. This strategy ensures that individuals who land a job understand they were selected for their unique skillset, and not only because of their diverse background.

## UNDERSTANDING YOUR FIRM'S CURRENT STATE

In the pursuit of an effective DEI strategy, firms must begin by evaluating the current state of their culture. Companies generally fall under three main stages when it comes to DEI programs: **foundation**, **expansion**, and **embedded**, which are defined below. At the foundational stage, firms establish baseline initiatives, such as ERGs, bias training and recruiting strategies. While these programs mark the initial foray into DEI, they often lack a cohesive and continuous strategy.

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At the **foundational stage**, firms establish baseline initiatives, such as ERGs, bias training and recruiting strategies. While these programs mark the initial foray into DEI, they often lack a cohesive and continuous strategy.

2

In the **expansion phase**, firms establish concrete initiatives, albeit for a relatively short period. During this stage, firms have created a potential strategy and internal leaders are focused on implementing DEI initiatives across the organization.

3

In the final **embedded stage** of DEI progress, DEI is integrated into all talent practices across the employee life cycle. This comprehensive approach merges DEI and business practices, and spans recruiting, onboarding, development, promotion, engagement, advancement, succession planning, and DEI policies.



*Our engagement surveys, which include DEIB-specific questions, are broken down by different functions, regions, and various intersecting identities to help us understand which groups may be struggling and which areas we can improve upon. This data is reviewed with team leads and managers, allowing for a top-down approach whereby our leaders can champion the behaviors we're advocating – ultimately creating a culture where people can feel a genuine sense of belonging and show up as their true authentic selves.*

John Claisse, CEO at Albourne

To ensure that firms can reach the embedded stage of DEI culture, they must commit to transparency and leadership accountability throughout their cultural transformation. This means that companies must periodically update DEI pledges to set benchmarks and maintain transparency regarding successes and failures. Our data revealed that less than half of firms (42%) are transparent or very transparent about their diversity recruiting metrics and goals. Tracking the number of diverse professionals at the department level, and then sharing this information with managers can be an effective method to maintain transparency and keep the issue top of mind. A DEI resource group, which checks in regularly to track and measure progress on DEI goals, can also equip managers with the data, tools, and resources to manage diverse employees.



## LOOKING TO THE FUTURE OF THE INDUSTRY

The hedge fund and financial services industries stand at a critical juncture in their pursuit of a truly equitable workplace. While past commitments to progress have often fallen short, significant catalysts for change are on the horizon that will force companies to create real impact. Chief of these will be the prominence of Gen Z, which continues to enter the workforce and demand change.

As the most diverse generation in history, Gen Z represents the leading edge of the country's changing racial and ethnic makeup. Gen Z workers will choose companies that promote DEI initiatives: this group expects their employers to mirror their diversity, and they hold employers to a high standard. This unique outlook will push firms to emphasize diverse perspectives.

Ultimately, token gestures and assertions will not be enough to satisfy the next generation of workers. Companies must make good on their pledges, measure progress, and take concrete steps to help diverse individuals at every stage of their career journey. Organizations that translate commitments into meaningful actions will not only attract top talent but significantly improve their business functions. While true change in DEI will require a long-term approach, firms can be proactive now to meet goals and create a more equitable future.



# HOW CAN YOUR FIRM ACT NOW TO DRIVE CHANGE?

## BELOW ARE 4 STEPS TO ENSURE PROGRESS OVER THE LONG RUN.

Where are you on your DEI journey?	Data and Metrics	Transparency	Leadership Accountability
<p>Understanding where you are will help determine how to think about the necessary steps to help you along this journey.</p> <ul style="list-style-type: none"> <li>• <b>Foundation:</b> baseline initiatives – such as ERGs, bias training and recruiting strategies – are implemented, but an overall strategy is lacking.</li> <li>• <b>Expansion:</b> firms have created a potential strategy and internal leaders are focused on implementing DEI initiatives across the organization. However, DEI efforts are not fully integrated into people processes and business strategies.</li> <li>• <b>Embedded:</b> full integration into all people processes and business strategies with transparency and leadership accountability.</li> </ul>	<p>To understand if you are making progress, it is critical to have data and metrics. Tracking progress keeps the momentum and further drives accountability. It is important to track and report metrics to leadership and your broader employee population with a regular cadence, i.e. semi-annually or quarterly.</p> <ul style="list-style-type: none"> <li>• Organizations can track representation, attrition, retention, promotion, succession planning, engagement survey data, etc.</li> <li>• Set aspirational goals to drive progress.</li> <li>• DEI surveys should go beyond mere demographic data to capture the sentiments of diverse groups and areas where change is needed.</li> </ul>	<p>Ensuring clear and frequent communication with leaders, managers, and employees within your organization is essential to bring them along the journey and create buy in for their support.</p> <ul style="list-style-type: none"> <li>• Take steps to be transparent and communicate your DEI strategy and initiatives internally.</li> <li>• Share progress, milestones, and areas of opportunity to ensure alignment on strategy and future goals.</li> <li>• Leverage town halls, employee forums, department, or team meetings to communicate internally.</li> </ul>	<p>Leading from the top influences internal and external perceptions around the importance of DEI within your firm.</p> <ul style="list-style-type: none"> <li>• Include Diversity and inclusion as a part of the performance process to ensure leaders and managers are evaluated on their impact around this area.</li> <li>• Create goals around progressing your DEI efforts and hold leaders accountable for progress.</li> <li>• Disseminate information from engagement and DEI surveys to managers to create a top-down approach, and arm leaders with the data and resources to drive change.</li> </ul>