Connecting with your portfolio

Woman to woman

Second in a series: Lifecycle investing for women

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Woman to woman

Editorial

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Women represent half of the world's population. At a financial institution like Credit Suisse, they make up 40% of wealth management clients and own around 30% of (financial) assets. Many factors explain the broadly documented global gender wealth gap. A meaningful one is women's complex relationship to investing, which leads to what I call the "gender investment gap."

But it does not have to be this way. By following a lifecycle investing framework and building a connection to their investments as they do with everything else in their lives, women can make their money work harder for them – a necessity considering their longer life expectancy.

Women engage with their money less than men do. This has been my experience as a financial professional over the last 25 years – a view also echoed in recent surveys and research. For example, a survey of 3,000 people by U.S. Bank reported the following findings: 52% of women talk about finances with their friends (compared to 61% of men); 36% use apps to track their finances (vs. 48% of men); less than 20% listen to money-related podcasts (vs. 30% of men); and 28% watch money-related TV shows (vs. 46% of men). Relatedly, women remain a minority in investment-related jobs. Just 11% of fund managers were female in 2020, up from 10.3% in 2016, according to Citywire's Alpha Female Report 2020. Considering this pace of change, the report estimates that women will account for 50% of fund managers in only 195 years!

Looking more closely at women as investors, they tend to hold most of their assets in cash and fixed income, and avoid equities or alternative assets. This more conservative approach is perhaps linked to a certain unease when it comes to investing. The U.S. Bank survey found that the top three emotions associated with financial planning for men are self-confidence, excitement and happiness, while women list self-confidence, stress and anxiety. In short, women seemingly dislike money matters.

However, engaging with their money could not be more pivotal for women. Women's average life expectancy, which exceeds that of men by 4–6 years on average, is above 84 years in some of the member states of the Organisation for Economic Co-operation and Development (OECD).

Wealth is typically built through a combination of non-financial and financial assets. Women, especially in Europe, have a great affinity with non-financial assets, in particular real estate. Non-financial assets have certainly represented a steady source of wealth growth since the beginning of the century according to the Credit Suisse Research Institute's Global Wealth Report 2021. Nevertheless, financial assets account for the biggest difference in wealth between the population groups that hold relatively more of those assets and those that do not.

It is hence paramount that financial institutions support women in engaging with their money. I believe that by following a lifecycle investing framework that uses practical and understandable language instead of financial jargon, and by developing the same connection to their investments as with everything else in their lives, women can successfully build wealth and strive for their current and future financial security. In the following pages, I will explain our approach, which I hope our clients will find both useful and inspiring.

Watch the video

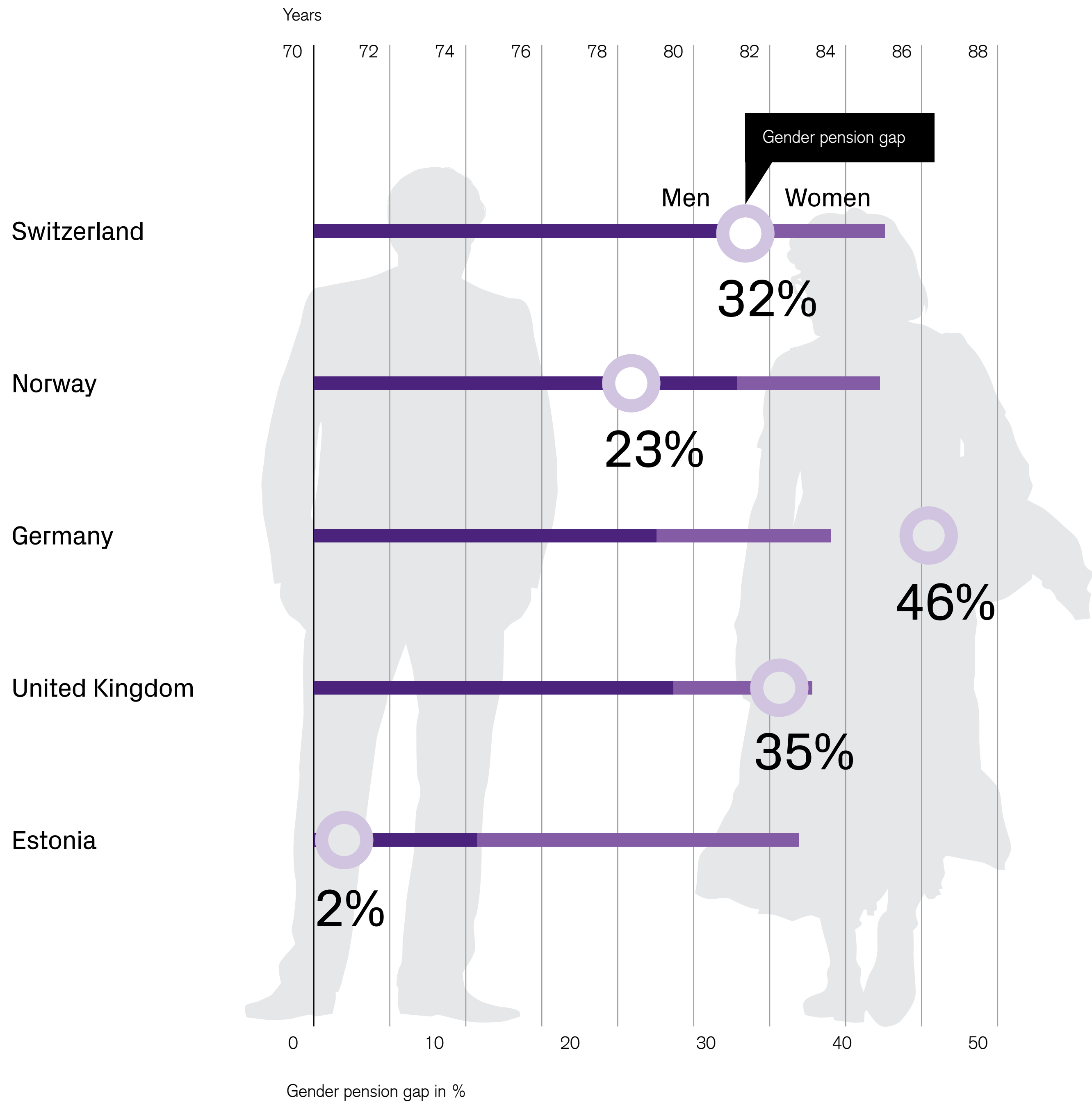
Building wealth: Why it matters

Women have some unique considerations when it comes to investing and securing their financial independence. The first is that they typically live longer than men do. Across OECD countries, women have an average life expectancy (at birth) of 83.4 years, compared to 78.1 years for men. Additionally, more and more people are choosing to stay single, which can hold back their ability to build wealth versus their married counterparts.

Single person households now represent 10%–30% of all OECD households depending on the age category. The share is even higher when accounting for single parent households. And the trend is upward. In a number of countries (Estonia, Finland and Norway), single-person households accounted for around 40% of households, according to a 2016 OECD report.

Adding to the financial pressures that women face is the pension gap. In European countries within the OECD, women aged 65 and older receive pension payments that are 25% lower on average than that of men, with differences of more than 40% for women in Germany, Luxembourg and the Netherlands, according to the OECD (Figure 1). There is hence a demographic and financial need for women to make their money and savings work harder for their future financial security.

Figure 1: Life expectancy at birth and the gender pension gap in OECD countries



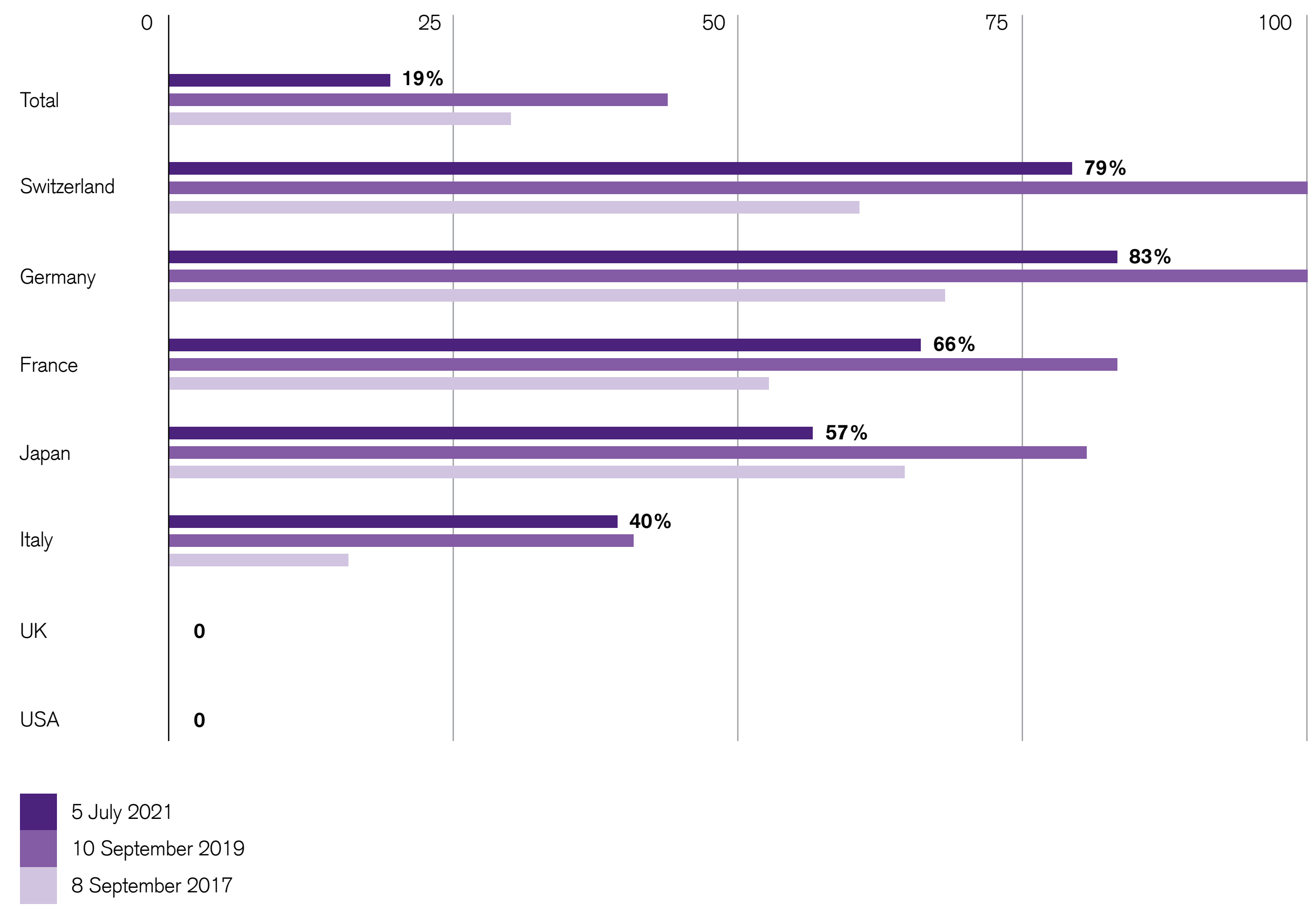
Source: Pensions at a Glance 2019, OECD, 2021; Life expectancy at birth (indicator). (Accessed on 12 August 2021), OECD (2021); Credit Suisse.

Note: The gender gap in pensions for persons age 65 and over is calculated using the following formula: 1 – women's average pension / men's average pension. It includes persons who obtain old-age benefit (public or private), survival pension or disability benefit.

The challenge is that in the zero interest rate world in which we have landed since the global financial crisis, putting cash into a savings account to build wealth no longer suffices. Interest rates in most OECD countries are at or close to zero. Investing in "safe" treasury bills or other government bonds is not a very attractive alternative either. Globally, one in five government bonds had negative yields as of July 2021 (see Figure 2). In Switzerland and Germany, the share of negative yielding government bonds is around 80%.

Negative yields mean that if women hold these bonds until they mature (i.e. the payback period), they would end up paying for the opportunity to lend their money to governments instead of having earned a yield (see Box 1 to better understand negative yield mechanics). In other words, women would have been sure of only one thing: losing money at maturity if they chose to hold the bonds until expiry – so much for a "safe" investment! Women need to be prepared to take on more risk and expand into multi-asset investing, and equities in particular.

Figure 2: Percentage of negative yielding government bonds



Last data point: 5 July 2021
Source: Bloomberg, Credit Suisse

Historical performance indications and financial market scenarios are not reliable indicators of current or future performance

All about bonds

While negative yields have been prevalent in countries like Germany or Switzerland since 2014 and 2015, respectively, many people are still not sure how they come about. The following is a short explanation of how bonds work.

Bonds are essentially market-traded debt issued by a company, a country or an agency. Instead of taking a loan, a bond is issued on the debt capital market.

The bond is divided into portions (called denominations). Just like with a loan, the issuer pays an interest rate (called the coupon) to investors who buy the bond in order to compensate them for lending their money. Bonds issued by companies of good credit quality (investment grade) that are currently trading on the CHF bond market have coupons between 0% and 4.7%, for example. The range reflects the general interest rate level at the time of the bond's launch.

Between the time of launch and the maturity date, the bond has a market price. Let us assume, for example, that company X issued a bond worth CHF 1 bn in 2015 on the CHF debt capital market, which can be purchased in denominations of CHF 1,000. The price is said to be at par when it trades at 100% of the value when it was launched, which in this example would imply a market value of CHF 1 bn. When a bond trades higher or lower than 100%, it is said to be above or below par. In other words, the market value of the bond can be below or above the initial launch value.

This is the result of fluctuating demand for the bond. Much like equities, investors can buy bonds to make a profit and then resell them into the market before the maturity date. Any profit generated comes from the price appreciation since the time of purchase, as well as the coupons earned. Alternatively, investors can buy bonds and hold them until maturity, when the issuer will repay them at par.

Private investors make up the majority of buy-and-hold bond investors. By purchasing bonds and holding them to maturity, investors have (in theory) complete visibility in terms of what they earn from the moment they buy the bond. While there is always the possibility that the issuer may not be able to fully repay the bond, there is no other uncertainty for the investor. This is why bonds of issuers of good quality are considered low risk investments. The investor earns the annual coupon, in addition to the difference between the purchase price and the par value that the bond will be repaid at. This is known as the yield to maturity (YTM).

Investors lose money if the bond has a negative YTM. When a bond has a coupon of 2.5% and a negative YTM of –0.25%, for example, the market price of that bond is so far above the par value that investors will lose money when they are repaid the par value at maturity.

Where the returns are

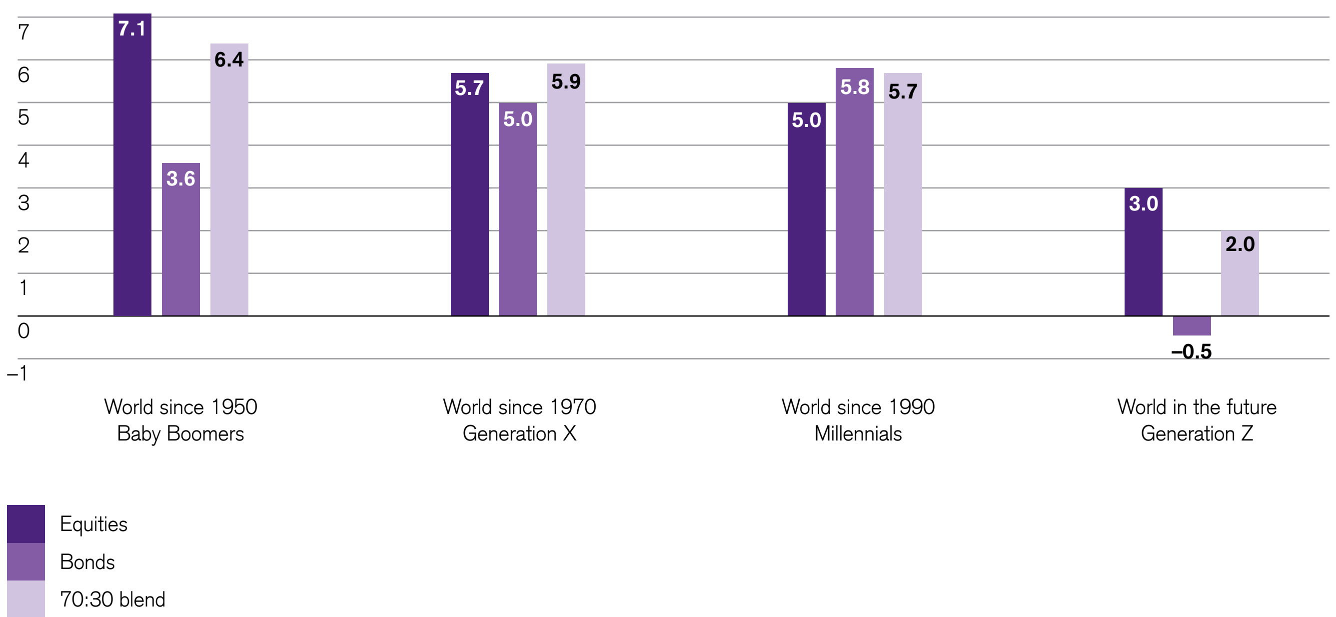
Diving deeper into the post-global financial crisis investing landscape, Figure 3 shows equity and bond returns over the last decades from a generational perspective and the prospects for returns in coming years.

Whereas bonds have delivered real returns of between 3.6% and 5.8% (i.e. when correcting for inflation) for three generations of investors from 1950 until the present, a recent Credit Suisse Research Institute report forecast that bonds will earn at best zero and most likely slightly negative returns going forward after correcting for inflation. Equities will also return less than before with expected real returns of 3% in the future instead of the 5%–7.1% returns of the past. This would still be significantly more than for bonds and cash.

To better understand the remarkable difference that investing can make, we have calculated possible wealth trajectories for women of different generations in Switzerland if they had invested in a multi-asset strategy in 2009 versus if they had kept their money in a savings account. It is important to note that in the charts on pages 12–13, the initial investments are followed by annual investments of CHF 5,000 for each age category. Moreover, the forecasts for 2021–2025 are based on our Capital Market Assumptions (CMAs) and should therefore be viewed as possible projections of wealth accumulation.

Figure 3: Return experiences across generations

Annualized real USD returns on equities and bonds (%)



Historical and/or projected performance indications and financial market scenarios are not reliable indicators of current or future performance.

Source: Elroy Dimson, Paul Marsh, and Mike Staunton, Global Investment Returns Yearbook 2021, Credit Suisse, 2021.
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The power of investing
The woman in our first example is part of the Millennial generation. We assume that she is now in her 30s and could have invested CHF 10,000 of her wealth in a multi-asset growth strategy (75% in equities and the rest in bonds and alternatives) in 2009. By the end of 2020, her investment portfolio would have grown to CHF 95,000 (vs. CHF 65,000 with a savings account), and she could expect to have CHF 148,000 instead of CHF 90,000 by 2025, according to our projection (see Figure 4).

Our second example (Figure 5) is a woman aged 30–45 in 2009. We assume that she would have accumulated CHF 50,000 in savings and wealth to invest in a balanced payout strategy (50% equities and 50% bonds and alternatives). She would have grown her capital to CHF 147,000 by the end of 2020 (vs. CHF 105,000 with a savings account), and she could expect to have CHF 205,000 by the end of 2025 instead of CHF 130,000 in a savings account, according to our projections.

We conduct the same exercise for a woman in her 40s to 50s in 2009, assuming that she could have invested CHF 150,000 in savings in a balanced investment strategy with about 50% equities and 50% bonds and alternatives (see Figure 6). She would have grown her capital to CHF 320,000 by the end of 2020 (vs. CHF 205,000 with a savings account), which would increase to CHF 410,000 in 2025 instead of CHF 230,000, according to our projections.

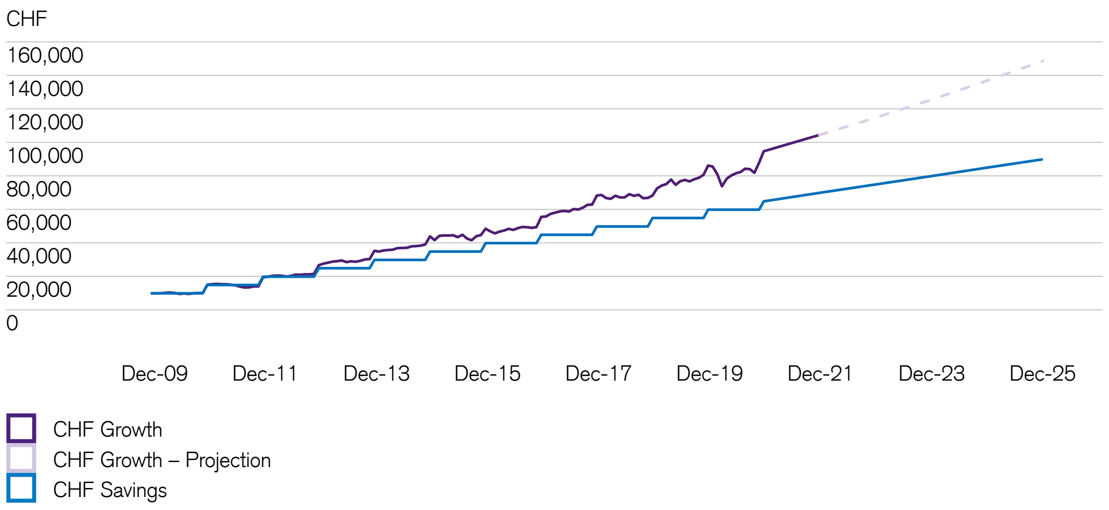
Turning to the Baby Boomers, we take a woman now in her 70s who initially invested CHF 250,000 in 2009 in a conservative yield strategy (25% equities and 75% cash and bonds). Her capital would have grown to CHF 430,000 (vs. CHF 305,000 with the savings account) by the end of 2020 (Figure 7), while she could expect to have CHF 505,000 instead of CHF 330,000 by the end of 2025 – a difference of 53%, according to our projections.

In conclusion, savings accounts, cash and fixed income will no longer suffice to cover a woman's financial needs over the course of her life, but there is a way to correct course.

Women can find the right investment solution that will put them on the path to a secure financial future. Lifecycle investing provides a useful roadmap to investing.

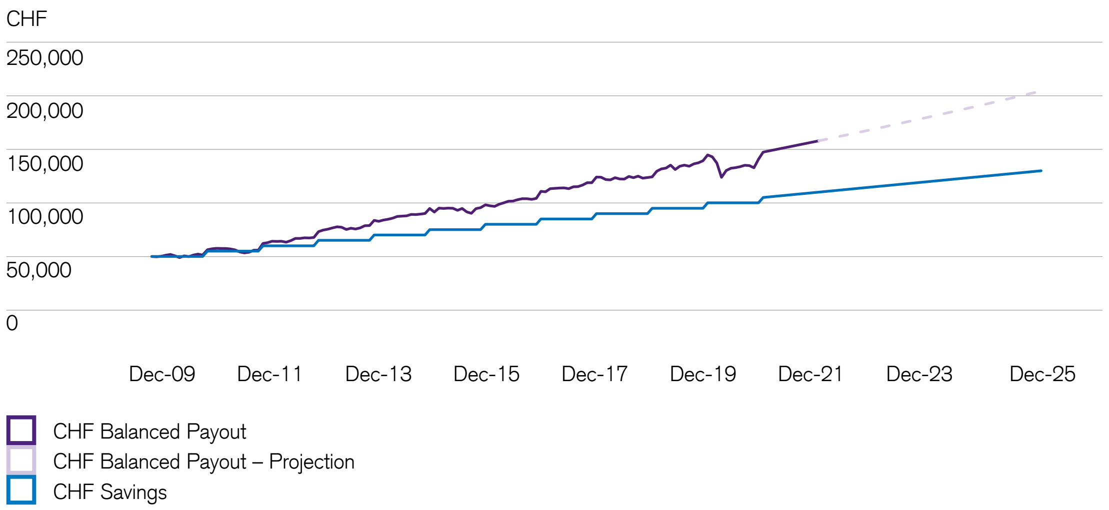
Four different wealth outcomes

Figure 4: Aged 20–30 in 2009 – CHF 10,000 initial investment, followed by CHF 5,000 annual investments



Source: Bloomberg, Credit Suisse.
Last data point: 31 December 2020. Forecasts: 2021–2025

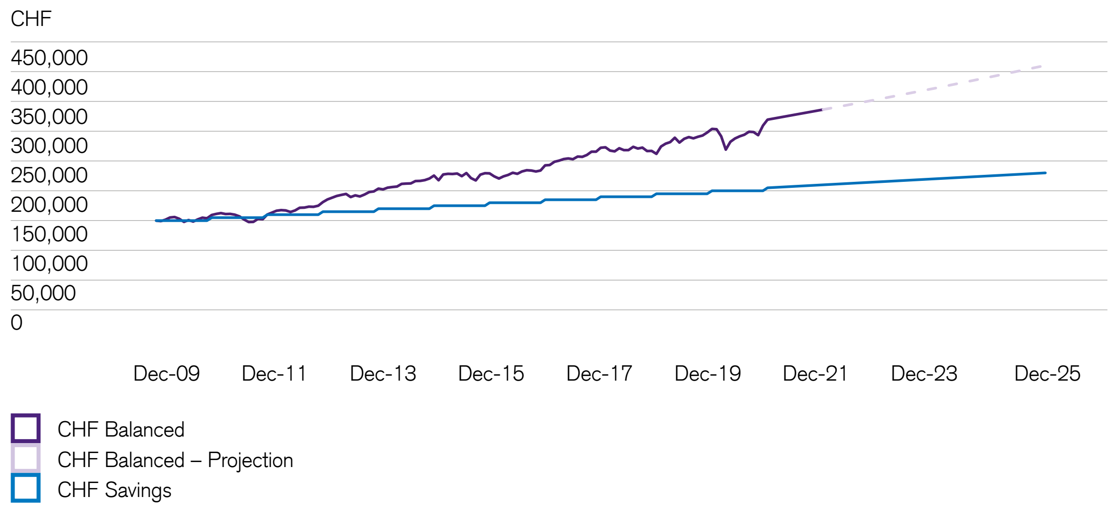
Figure 5: Aged 30–45 in 2009 – CHF 50,000 initial investment, followed by CHF 5,000 annual investments



Source: Bloomberg, Credit Suisse.
Last data point: 31 December 2020. Forecasts: 2021–2025

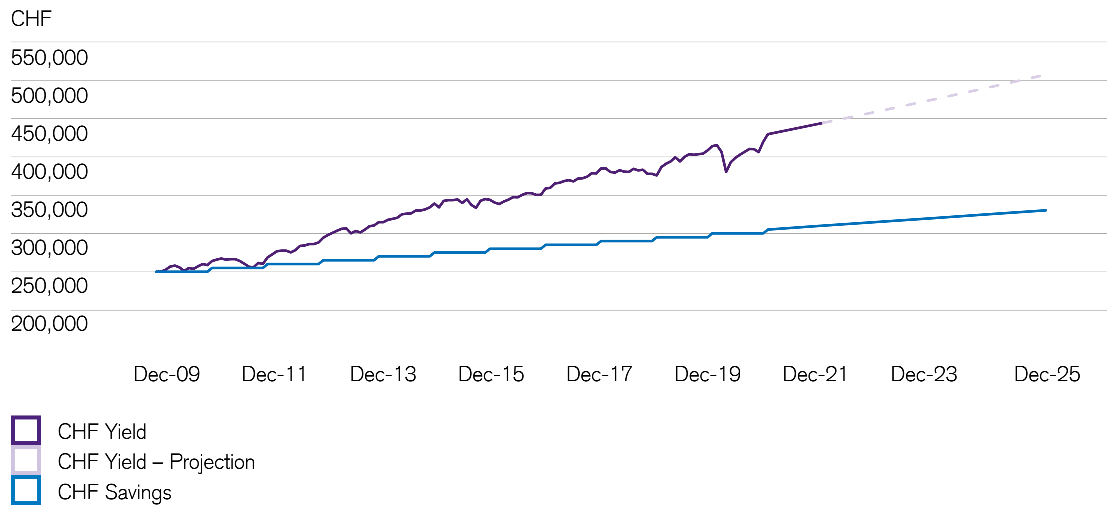
Historical and/or projected performance indications and financial market scenarios are not reliable indicators of current or future performance.

Figure 6: Aged 45–60 in 2009 – CHF 150,000 initial investment, followed by CHF 5,000 annual investments



Source: Bloomberg, Credit Suisse.
Last data point: 31 December 2020. Forecasts: 2021–2025

Figure 7: Aged 60 in 2009 – CHF 250,000 initial investment, followed by CHF 5,000 annual investments



Source: Bloomberg, Credit Suisse.
Last data point: 31 December 2020. Forecasts: 2021–2025

Historical and/or projected performance indications and financial market scenarios are not reliable indicators of current or future performance.

Lifecycle investing

Women often have different life stages shaped by education, family, work and aging. During each phase, women have distinct needs and preferences that call for an investment approach that supports them in building their wealth and securing their long-term financial independence.

We believe lifecycle investing is a great starting point for women to fully engage with managing their money to make it work harder for its key purpose: retirement savings, paying for healthcare and long-term care and taking care of the next generation. For a detailed description, please see our 2020 report, Woman to woman. The goal is to build up more capital over the long term and narrow the investment gap with men, which they can achieve by putting cash to work early and ensuring there is sufficient exposure to equities as part of a multi-asset investment strategy.

Women need not wait until they have a big sum to invest: they can start with a few hundred dollars (or Swiss francs, euros or pounds) and watch it grow. They should also note a few important ground rules. The first is that investments should be spread throughout the year to avoid exposure to one single point of entry. Second, it is important to stay invested instead of making withdrawals from core investments. Furthermore, women should understand the value proposition of their investments and avoid those that they do not understand. Finally, all women should have an emergency cash fund covering 6–12 months (depending on their age) of living expenses in case of unemployment.

1 Starting out (typical age range: 20–30 years)

No time to lose – build retirement capital

- Within core investments, the focus should be on capital growth strategies with an emphasis on low-cost funds.
- For satellite investments, choose stocks from sectors or themes with which you have an affinity.

This lifecycle stage is defined by a relatively low savings rate combined with minimal investment activity, a reflection of the fact that young women tend not to have a steady income as they complete their education or training, and their income tends to be at the lower end of the salary scale when they enter the workforce in their respective fields. This does not mean, however, that it is too early for women to start planning for a secure financial future far down the road. On the contrary, as in other areas of their lives – physical and mental health, education and friendships – young women should take good care of their finances in order to enjoy the benefits throughout their life. Beyond the basic state pension, women should in particular begin building personal retirement savings as soon as possible after they enter the labor market.

Women's first self-directed investment steps are likely to be putting away money in voluntary retirement schemes (in Switzerland, this would be the third pillar), as these are in general tax-incentivized. While women will be constrained in withdrawing money from these vehicles since they are meant to fund retirement, they do serve as an excellent way to build long-term capital. Women can select from a range of investment strategies to find the approach that best meets their risk tolerance and investment goals. It is important to note, however, that young women have a long investment horizon and should thus have a relatively high risk tolerance. As such, a strategy tilted toward equities is a suitable solution for this lifecycle stage. Women who want more flexibility in their investments, especially with respect to withdrawals, than those offered by retirement schemes, can choose low-cost investment funds tilted toward equity, for example built with exchange-traded funds (ETFs), though these will not bring the tax rebates that voluntary retirement schemes generally do.

If their career should progress rapidly, leading to sharp growth in their salaries, young women may also need to familiarize themselves with so-called "1e plans" in Switzerland – similar to defined contribution plans in other countries – as part of their occupational retirement schemes. With 1e plans (salaries must be above CHF 129,060), women must select an investment strategy for the pension savings co-funded by their employer, and the approach that they choose should reflect both their risk tolerance and investment goals. It is important to note that women will earn the full return but also carry the full risk of their investment. Again, an investment strategy that is tilted toward equities is a suitable solution for this lifecycle stage.

Investing vs. trading

Investing typically focuses more on the long term and takes different factors into consideration, such as a person's age and risk profile. The goal is to grow wealth over decades by investing gradually and holding investments for an extended period. A big advantage to investors is that they do not have to worry about day-to-day moves in their investment portfolio. Investing is about time – the more, the better – in the market.

Trading, in contrast, is all about timing the market with the aim of achieving superior returns. Traders use technical analysis and other factors to find the right asset as well as entry point that will enable them to buy low and sell high. The number of transactions that they undertake is much higher than that of a typical buy-and-hold investor, which can lead to higher costs. It is also more opportunistic and sometimes speculative in its approach.

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Investing is about time – the more, the better – in the market.

2 New responsibilities (typical age range: 30–45 years)

Scenario 1: Maternity break

- Switch core investments to multi-asset strategies in line with your possibly lower risk tolerance, with a focus on payout strategies.
- For your equity investments, focus on dividend stocks as a more defensive equity investment approach.

Scenario 2: Full-time track

- Continue to focus on capital growth at low cost (funds).

As they move beyond the first phase of their career, women tend to have a medium savings rate. Their financial investment activity may really kick off during this period, as they may still have savings even after contributing to occupational and voluntary retirement schemes. Women can still accept a high level of risk (i.e. exposure to equities) during this phase in light of their long investment horizon, especially if they stay on the full-time employment track and thus continue to add to their savings. Their focus will continue to be on growing their capital at low cost. The most effective way of doing this is via funds managed by professional asset managers, along with ETFs or passively invested funds that track selected reference indices. Actively managed funds with a thematic focus, like our Supertrends equity investment solutions, enable consistent capital growth opportunities. At this stage, some women may have enough financial assets to delegate the management of their investment portfolio to a wealth manager based on pre-defined guidelines.

For women who decide to take a break in order to take care of children or other dependents, they may need to reduce their earnings and pension contributions, which can lead to wealth setbacks later down the road. Women should ensure that their planning reflects their reduced ability to take risks during this period in order to counteract some of these effects. For example, there are actions that women can take to address their pension contribution gaps. In Switzerland, the state pension allows for contributions for missing years to be paid within five years of a specific gap if no Old Age and Survivors' Insurance (AHV) contributions were paid during those periods. If the contribution gap is longer than five years, women can close it through parenting credits, credits for time spent caring for relatives, credits for youth years, or creditable additional years. In terms of the second (occupational) pillar, women may be able to purchase pension benefits depending on their individual coverage shortfall. Turning to their private investments, women in these circumstances should consider a more balanced investment strategy with less emphasis on equities than in the previous phase and greater diversification. In such a scenario, women can tilt their portfolio toward investments that generate a regular income (payout strategies) to compensate for lower revenues. Finally, as women tend to be very busy in this period, it may be the time to consider delegating their finances to professionals through fund investments or a wealth management mandate.

3 Shifting priorities (typical age range: 45–60 years)

Seize opportunities to enhance your investment strategy

- Increase diversification within your core portfolio with new asset classes (private equity, hedge funds) and continue to learn about different structured products.
- Look at thematic equity funds to express your convictions.

As their careers advance and/or they return to work as their children grow up, women look toward a phase in their lives in which they can generate higher income and therefore savings. Some also carry a mortgage for their primary home or secondary residence. Women at this stage tend to be more sophisticated investors – a reflection of their experience accumulated over two decades of investing, combined with new financial obligations (e.g. saving for their child's university tuition). They may have developed specific investment interests or convictions, be able to devote more time to their finances, or seek to engage more directly in their investment decisions.

This is the time when women's investment portfolios can become more diverse and strategic. For example, they may be willing to consider more speculative trading activities or alternative investments, such as hedge funds or private equity. However, investments such as these may require women to seek professional advice if they do not have the skills to select their own products.

F.I.R.E. – A faster path to financial freedom?

There is a growing movement known as F.I.R.E. or Financial Independence Retire Early. Followers use the 4% rule to determine how much money they will need to retire: annual expenses x 25, which is the amount they would need in order to withdraw 4% from their retirement account each year.

But is F.I.R.E. a realistic plan for most people? One challenge is that retiring early means living very frugally from a young age and making all the sacrifices that go along with such an aggressive savings plan. A further challenge is that F.I.R.E. "retirees" may need to plan for a number of expenses that would not typically occur during retirement, such as children's university fees or care for aging parents. Another important consideration is that these retirees are reducing the amount of state and occupational pensions that they would have earned if they had worked until retirement age. In general, F.I.R.E. would thus be more suitable for adults without dependents and people who accumulate sufficient capital in the early years of their career.

While early retirement is a dream for many people in Switzerland, only a minority actually achieve it. The prospect of early retirement will likely become even more distant in the future as replacement rates (i.e. the pension benefits from the state and occupational pillars in relation to an individual's last income) are set to deteriorate, according to a 2020 Credit Suisse report, Early retirement: The path is becoming more difficult.

Anyone who is considering early retirement should carefully examine the possible financial consequences. They can reduce pension gaps by voluntarily purchasing additional benefits from the pension fund or through a bridging pension. It is also advisable to start building a solid private pension provision early on.

4 Planning beyond work (typical age range: 60+ years)

Taking care of yourself – and the next generation

- Shift your core portfolio to an income-oriented investment strategy.

At this stage, women's risk tolerance declines as they rely more directly on capital income and predictable cash streams to fund their activities and living costs during their pre-retirement or retirement phase. Hence, the focus now shifts to low-risk investments. Many investors want their portfolios to tilt heavily toward direct bond investments (fixed income) or other income investments with reliable annual cash streams and low volatility on the capital invested.

Women who inherit money later in life may need to review their existing investment portfolio and adjust it accordingly. Relatedly, women in this lifecycle stage are thinking about how they would like to pass on their wealth eventually.

> "The focus now shifts to low-risk investments.

Key questions from women investors

An interview with Nannette Hechler-Fayd'herbe

Chief Investment Officer of International Wealth Management and Global Head of Economics & Research at Credit Suisse

Why is the case for women and investing so urgent?

Women have been affected relatively more than men during the COVID-19 crisis, as there tends to be more women employed in sectors most affected by the lockdowns, including retail, restaurants, hotels and personal services. As they return to the labor market, it is essential that they close any retirement gaps stemming from the crisis and resume building their wealth as soon as possible – all the more so as interest rates remain unattractively low. This is not to say that a woman who has not previously invested should do so at this exact moment; the timing of investments is a very different discussion and decision. I would generally advise investors to spread their investments over several periods so that they do not expose themselves to a single point of entry.

How much cash do you need to start investing?

You can start investing with any amount these days. You can begin with very little and accumulate some experience with equity investing. A couple of thousand dollars a year for someone with a regular income stream would be a decent amount to start with. If you look at stock prices, for example, some are relatively cheap in the range of USD 10–15 a share. Women should also keep in mind that there are tax incentives when you invest in retirement savings. In Switzerland, for example, you can put around CHF 6,000 into a third pillar retirement savings plan each year, which can be deducted from taxable income.

What are the three most important questions every woman should ask her financial advisor?

First, based on my age and risk profile/tolerance, what is the optimal asset mix for my investment portfolio? As a follow-up question, I would ask how much of an annual return should I expect, on average, from such a portfolio? Finally, list the top three equity and bond funds in terms of performance and diversification, and their costs.

Looking at lifecycle investing, if you did not start investing in the first stage, how much of a disadvantage are you at when you invest at 45?

Women often ask me this question. My most important message is that it is never too late to start investing. That said, it is important to have a realistic plan that reflects their age and risk profile. I would strongly caution a new investor against taking on too much risk now because she has not invested for the last 10 years. This will not work. You have to take your current starting point and assess your current risk tolerance in order to set up a plan for your future investments. The bottom line is that you cannot make up for investments you did not make a decade ago. Since the global financial crisis in 2008, financial assets have had this extraordinary ascent, triggered by central banks' liquidity injections. When you compare the capital of those who invested 10 years ago versus those who stayed in cash, the difference is stark (see pages 10–13). So think about your investing objectives over the next few years and plan accordingly.

When women come into money, the first thing many want to do is pay off their mortgage. Should they be investing instead?

Women in certain cultures tend not to like debt and prefer to think of their wealth in net terms. The issue with such a view is that holding debt is incentivized at the moment – at least in developed markets. The costs for debt are very low because of the low interest rates. By paying off your mortgage, you are actually foregoing a better use of your cash. It would be a very different situation if interest rates and mortgage costs were high, as they are in certain emerging markets. But this is not currently the case for many women around the world. You instead have the opportunity, especially when there is a fiscal incentive to do so, to lower your tax bill by saving and investing for your retirement.

Should we mix money and love?

In many partnerships, one partner is often responsible for the finances while the other retreats from these decisions. This often creates a distance between women and investment activity, which can be a drawback if family situations change. To be in a situation where you have no clue about your investment portfolio and have never participated in the decision-making process can put a woman in an inferior position during a divorce, for example. It is therefore good practice to share responsibility for investing even if you are not the main investor. Being interested in your investments will force you to always be connected with them.

> “It is never too late to start investing.

Investment gallery: Connecting with your portfolio

Feeling connected is an important factor for happiness in relationships, as it is for success in education, sports or the workforce. So why would it be any different with investments? However, many women tend not to feel connected to their finances and investment portfolios, or worse, to associate the management of their financial matters with negative feelings such as anxiety and stress, which impacts their ability to build wealth.

We believe there are several ways in which women can create a connection with their investment portfolio, enabling them to become more actively involved in steering their wealth. The first is to understand and take an active role in shaping their overall investment plan, ensuring that it reflects their financial objectives. The second is to explore their interests as an investor: a woman may want to invest in particular sectors or direct her capital toward issues that are important to her, for example supporting measures to address climate change or making an impact in terms of social issues.

The starting point is always a well-diversified investment portfolio and an understanding that building wealth is an endeavor with a long-term horizon. There is room, however, for women to be creative, innovative and purposeful in shaping their investments. Indeed, we would encourage women to think of their investment portfolio as their personal art gallery, where they have carefully chosen and placed each investment. This connection will help make the journey to financial freedom more engaging and rewarding. In the next few pages, we describe one possible example of an "investment gallery." As many women feel a sense of purpose connects them more closely to their investments, this example has a sustainability tilt. Just like an art gallery that has assembled a collection of paintings, sculptures and photos from certain artists or movements, our investment gallery does not feature all of the possible investments within each asset class. It instead provides a starting point for "new collectors" in order to become more familiar with the world of investments, and to spark a conversation with their financial advisor.

> "It is important that we have a connection to our investments, as we do to other things in our lives.

Equities:
Supertrends make intuitive and compelling investments

As a rule, women tend to be underinvested in equities. While equities are easier for most people to understand than bonds, their inherent volatility makes them feel less "safe" and scares off some female investors. However, a lack of equities within an investment portfolio is a big obstacle in terms of building wealth. Consider that global equities have outperformed Treasury bills (cash) by 4.3% per year since 1900, with stocks generating terminal wealth that is 165 times larger than from bills, according to the Credit Suisse Global Investment Returns Yearbook 2020.

As a shareholder in equities, women stand to benefit twofold: first, from an increase in the share price; and second, from the dividends paid out to shareholders. A shareholder also has certain rights, including the right to vote and participate in stock splits. In short, as shareholders, women become the co-owners of businesses listed on stock exchanges.

When women who are not financial specialists start thinking of themselves as investors in a business through their equity participation, their next thought may be whether they like the company's products or purpose. This approach is exactly the way we have built our long-term thematic equity investing framework, the Supertrends. These stocks are not selected purely on the basis of financial ratios with which it is admittedly difficult to build much of a rapport (except for those who are comfortable with trading stocks frequently and monitoring stock market fluctuations closely). We select these stocks primarily because we believe the companies should benefit from a number of multi-year trends that we all see and experience in our daily lives. It is important to note, however, that our research analysts also consider classical equity analysis and financial performance expectations when selecting these stocks.

Our six Supertrends

1

Anxious societies: Inclusive capitalism

2

Infrastructure: Closing the gap

3

Technology: At the service of humans

4

Millennials' values

5

Silver economy: Investing for population aging

6

Climate change: Decarbonizing the economy

Each Supertrend is made up of "building blocks," making them easy to understand. Take the Silver economy Supertrend: the growing share of elderly people will mean greater demand for healthcare products and devices associated with chronic medical conditions linked to age, such as coronary dysfunction, cancer and dementia, fueling demand for biotechnology products. We believe that longer lifespans will increasingly require individual life and health insurance and asset management solutions, and care options and facilities for seniors will become more widespread and diverse. Together, these "building blocks" create a mix of companies, not only from a defensive sector like healthcare, but also from more cyclical industries like financials and consumer goods and services that are popular with the elderly, thus providing a well-diversified solution for investors.

Our Technology Supertrend focuses on how technological advances are making many goods and services more affordable, accessible, precise or easier to use, not to mention opening up new fields and applications. Examples include health-tech, artificial intelligence and virtual reality. Technology is a key growth sector and can therefore be combined with the more defensive Silver economy to create a well-balanced investment mix.

Women interested in investing in the circular economy can do so via Millennials' values. The Millennials are the first truly global and digital native generation, and are united by a deep concern about the health of our planet. Turning to the Climate change and Infrastructure Supertrends, the focus here is on investing in the world of tomorrow, as governments and companies invest in efforts to decarbonize the economy, as well as strengthen telecom, power and transport systems and build smart cities.

The Anxious societies Supertrend provides an avenue for private investors to deploy their capital toward listed companies that make basic necessities such as quality education, housing and healthcare more affordable, in addition to providing effective re- and up-skilling for workers and personal safety solutions in a world of heightened insecurity.

In our latest Supertrends update, we mapped how some of the sub-themes contribute to the United Nations' Sustainable Development Goals (SDGs). This transparent framework enables women to direct their capital toward solutions to these SDGs, while also helping them to build the wealth that they will need for their life. In summary, the Supertrends provide a way to diversify and add purpose to an investment portfolio's equities allocation. Additionally, Credit Suisse has developed many interesting equity investment solutions on the back of the Supertrends and sustainability themes, for example around ocean engagement as life under water is a heavily underinvested SDG or around responsible consumption, which reflects the transformation of our modern consumer society.

Supertrends video

Bonds: ESG fixed maturity funds to maximize yield and mitigate risks

Many people struggle to understand, let alone build a rapport with, bonds. As bonds are essentially traded debt, the simplest approach for female investors is to treat bonds like money they lend to somebody. As such, the rapport that women have with bonds is one built on trust: the focus here is ensuring they get repaid. In that sense, they should only buy bonds from trustworthy issuers, be it companies or governments, with good credit quality and credit ratings.

Women should also seek out bonds that pay interest, as this is the point of making an investment in bonds rather than deploying their cash elsewhere. Therein lies the challenge. Bonds of issuers with good credit quality today barely pay any interest. Moreover, so-called green bonds, which get issued by companies to fund environmentally-friendly corporate investments and activities, have even lower yields than normal corporate bonds.

This means that in the current environment, women need to take a bit of risk (i.e. investing in the lowest of investment grade quality: BBB; and the highest for high yield bonds: BB), which they should mitigate through diversification and good environmental, social and governance (ESG) ratings for the bonds in which they invest. They can do so with the help of managed bond funds, where the funds should be of a fixed maturity. Much like standard bonds, fixed maturity bond funds are redeemed after a predetermined period so that women earn their capital and the interest distribution if they hold the fund until that time – regardless of whether yields have risen (or not) in the meantime and bond prices have declined. This provides a great sense of visibility and security. Women know exactly what returns to expect the moment they purchase the fund – provided that they hold it until it matures. Of course, women can sell their fixed maturity bond fund at any time, but they will then be exposed to the bond fund net asset value (NAV) or price fluctuations, just like with other funds and bonds.

For women who prefer to have individual bonds in their portfolios, they should treat these bonds like their savings accounts at a bank. Each bond pays a coupon – in general, twice a year. This is like the interest rate that they would receive on the cash in their bank account. However, women should be aware that when they purchase a bond, the bond comes at a price: either above par (the bond is more expensive than when it was issued); or below par (the bond is cheaper than when it was issued). These price fluctuations are mostly due to how general levels of interest rates and bond yields have evolved since the bond's issuance. For more information on bonds, please see page 9.

Alternative investments: Deepening diversification in your investment portfolio

The universe of alternative investments is broad and diverse, covering real estate securities, commodities, private equity and hedge funds, along with microfinance. These asset classes make up a small share of an investment portfolio, but are important in order to further diversify a portfolio and improve the risk/reward ratio. I have found that two alternative investments resonate in particular with women: real estate and microfinance.

Why is this the case? The other alternative investments are more complex and it is therefore more difficult to build a connection, which is the stated goal of our approach. Hedge funds, commodities or private equity, for example, are generally not popular with women. That said, venture capital within private equity, which entails investing in selected start-ups through a private equity firm, has an entrepreneurial aspect that will resonate with some women. However, it requires a certain degree of investor sophistication, as well as a certain level of investment and risk tolerance.

Another area in the alternative investment universe that could be of interest to female investors is microfinance. This area started out providing small loans to micro entrepreneurs in emerging markets (EM), but has since expanded to include savings, insurance, money transfers and other financial services that are accessible for people in EM.

This kind of investment speaks to many women as they can empower other women and benefit overall society by providing access to credit and financial services. This is achieved through microfinance mutual and private equity funds that let investors participate in microenterprises and microfinance institutions. In general, microfinance investments have the characteristics of money market funds, albeit with less liquidity.

Real estate tends to be an area of interest for many women from an investment perspective. Women can choose from a range of options, including direct purchases and real estate equities and funds. The current low interest rate environment is supportive for real estate, as it boosts demand for properties since mortgage financing costs are relatively low.

As properties are expensive in Switzerland, not every woman can finance a direct purchase of property. Those who can afford to buy real estate can either occupy it themselves or rent it out to generate an income. Over the long term, investors can also make a profit if they sell the property for more than they paid. But there are a few risks to keep in mind before taking this step: a large amount of money is tied up; the real estate market can be illiquid; and managing real estate for investment purposes can require a lot of time and money.

For women who cannot afford to enter the real estate market directly, they can instead choose to invest in real estate funds. These funds combine investors' capital to invest in real estate portfolios, which helps to diversify the risk. There are two kinds of real estate funds: open-end and closed-end. Investors can easily invest and withdraw their capital in open-end real estate funds, which makes them suitable for small-scale investors. In contrast, closed-end funds tend to have a higher minimum investment and focus on a few selected properties. After the capital is collected, the fund is closed and the money tied up until maturity.

Another alternative is to invest in the real estate sector on the stock market. Such stocks can be traded easily and offer a further opportunity to diversify an investment portfolio. However, volatility can be high, and real estate equities tend to be more closely linked to the trajectory of the overall equity market compared with other real estate investments.

“By helping women forge a connection with their investments, financial institutions can play a positive role in closing the financial asset gap that is holding women back from building financial independence and security for their future.

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