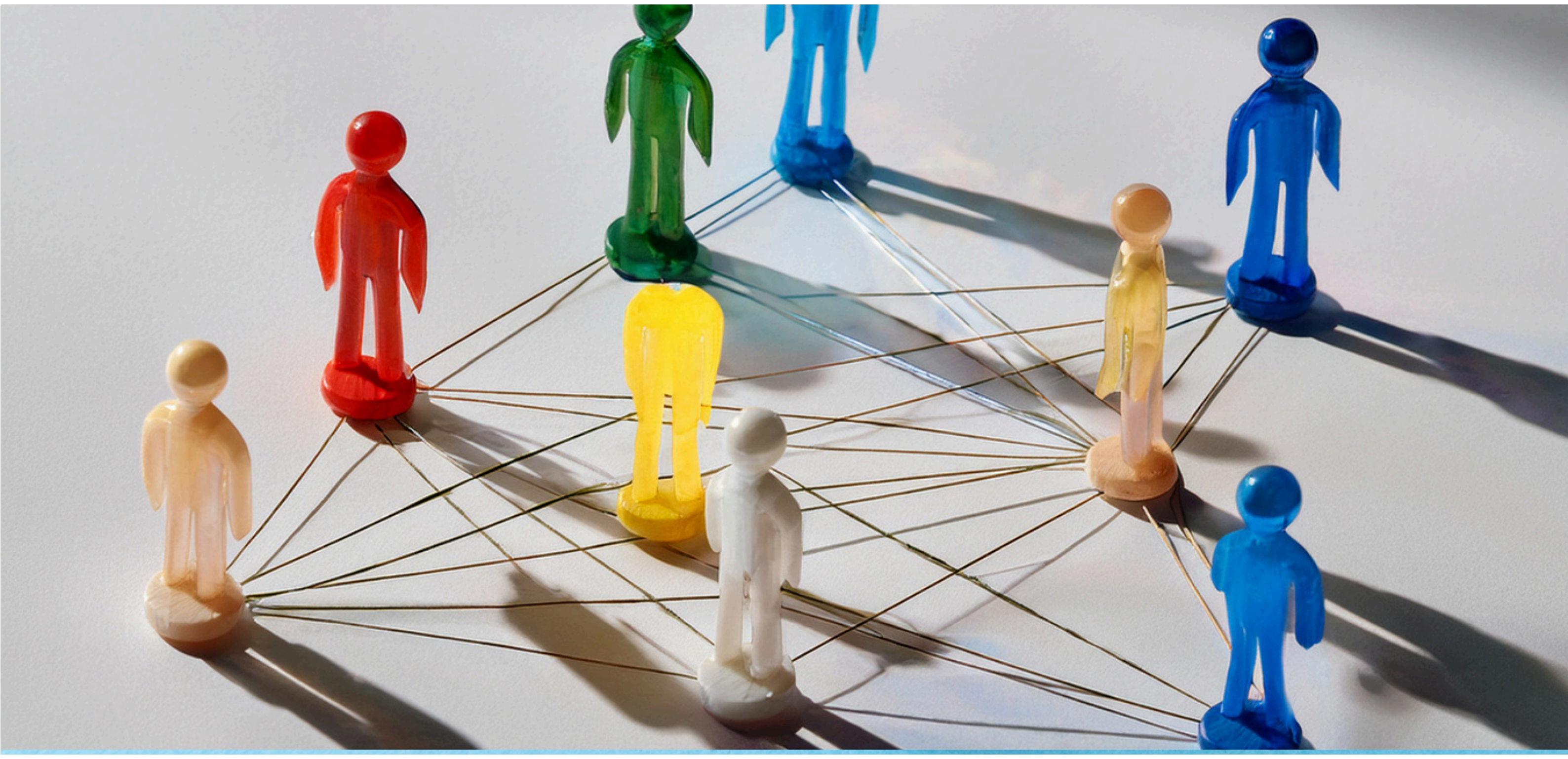
# 1. Gender-focused investment strategy

*Does your organization consider gender diversity when making investment decisions? Do you understand and address how gender biases may shape your investment pipeline and selection? Does your organization actively seek funding from LPs or other funders that see your gender equity commitment as distinctive? Does your organization have gender-specific investment targets, which you report transparently on?*



## What do we mean by gender-focused investment strategy?

A gender-focused investment strategy integrates gender considerations at multiple levels, such as the design of investment vehicles, investment team's diversity, investment-related decisions, portfolio composition, and impact created with end users of portfolio companies, so as to better promote gender inclusion and equality among one's own team, investees, and the populations they serve. Notably, such strategy may prioritize enterprises that create positive outcomes for clients, employees and/or suppliers of all genders in a balanced and inclusive fashion. Investors adopting this approach may do so out of compliance requirements, so as to access specific pockets of funding, and/or based on the conviction that a more diverse portfolio brings better returns and helps spread risk. Indeed, research shows that more inclusive and diverse investees typically yield better financial performance, more resilient growth, and drive greater innovation. Lastly, embedding gender considerations into the investment thesis also shapes the fundraising strategy, and the pool of potential LPs/sources of funding available.

Rather than focusing solely on women, gender-focused investing emphasizes gender inclusion in general, reflecting a broad understanding of how diversity benefits both businesses and society as a whole. Hence, it contrasts slightly with traditional "gender lens investing (GLI)", which focuses on women-specific investments, such as funding women-led businesses, and/or investing in companies that target women as users or beneficiaries.

## Why does gender-blind investing happen?

Despite clear evidence that gender diversity enhances financial performance and innovation, many investors still overlook or dismiss its importance, leading to most funding being channeled toward men-led companies. This situation stems from long-standing biases, fueling a perception that women-led businesses are riskier or less scalable, despite factual evidence of their competitive returns. As a result, some investors fear that applying a gender lens might limit their investment opportunities or reduce their financial returns. Other factors also explain the disparity, such as the reliance on traditional, male-dominated networks for pipeline building, possibly limiting opportunities for women entrepreneurs. The underrepresentation of women in decision-making roles within investing organizations further contributes to the imbalance. Women represent only 28% of professionals within LPs and 11% in PE and VC firms. As a result, investment decisions are often shaped by male-dominated perspectives and preferences, especially since little effort is made to train these professionals in understanding and addressing how gender biases affect their daily work [1]. In addition, these biases are perpetuated when investment analysis relies on narrow datasets and traditional methods that exclude gender-specific data, reinforcing the perception that gender is irrelevant in assessing risks, performance, and long-term success. Key gender inclusion indicators, such as workforce composition, pay equity, and gender-disaggregated promotion rates, are often missing from investment analysis, despite their relevance in assessing talent retention, leadership effectiveness, and overall business resilience. Even among 2X Challenge signatories, only 6 out of 14 leading DFIs publicly disclose portfolio-level gender data, suggesting the transparency gap remains significant [2]. Beyond team composition, gender-disaggregated data on customer demographics and supplier diversity would provide insights into how investees engage and serve diverse markets; yet, these metrics remain underutilized.

## Why are gender-focused investment strategies important?

One can look at this question from the angle of both the portfolio and the investor. At portfolio level, only an estimated 7% of the number of PE/VC investments in emerging markets go to women-led companies. In addition, these deals often have lower individual values, with median funding amount at just 65% of that received by male-led businesses. Additionally, disparities continue over time as only 13% of women-led businesses receive follow-on investments, compared to 17% among their male counterparts. This situation culminates in a USD 1.5 trillion financing gap for women-led companies in emerging economies, stifling their potential for economic growth and innovation. This gap fuels massive inequality, but also destroys financial and social value, as gender-diverse teams demonstrate higher innovation, better risk management, and stronger financial performance [3]. For instance, McKinsey projected that closing the gender financing gap could increase the GDP of Latin America and the Caribbean by USD 2.6 trillion by 2025 [4].

[1] https://www.ifc.org/content/dam/ifc/doc/mgrt/moving-toward-gender-balance-final-3-22.pdf

[2] https://www.publishwhatyoufund.org/app/uploads/dlm_uploads/2023/09/Taking-stock-of-the-2X-Challenge-The-transparency-of-gender-lens-investments.pdf

[3] https://www.spf.org/en/global-data/user47/GLILandscapeReport.pdf

[4] hhttps://www.idbinvest.org/en/download/9349

At investor level, a 2019 study [5] found that gender-diverse investment teams generate 20% higher IRR compared to all-male teams.

That said, the tide is turning: in 2023, private gender lens investing (GLI) funds reached USD 7.9 billion in aggregate capital – a 30% increase from the previous year. This growth signals increasing investor appetite for gender-lens vehicles, especially those offering both financial and impact returns [6].

## How does one implement a gender-focused investment strategy?

Even without setting up a dedicated gender-lens investment vehicle, which would for instance prioritize women-led companies, there are practical and powerful steps that any investor can take to ensure its investment vehicle design, thesis and approach are more inclusive and aligned with gender diversity and equality goals. These include:

**Investment thesis**

- **Screen your current investment thesis:** Identify any elements of your investment thesis (e.g., sector focus, ticket size, investment thresholds) that may unintentionally exclude or disadvantage ventures led by or serving women, and which could be somewhat adapted to fit a more diverse set of ventures. For instance, this could involve being more flexible on ticket size to accommodate ventures that may not yet meet traditional thresholds but show strong gender inclusion potential, or creating a dedicated funding pool for high-potential, gender-diverse ventures with limited track record or collateral.
- **Identify where a gender lens adds strategic value:** Identify specific ways gender considerations can strengthen your investment vehicle's value proposition and success. This includes targeting companies serving underserved female consumer segments in health, fintech, or education; backing gender-diverse teams that outperform on innovation and risk management; or investing in care economy ventures addressing structural market gaps. These choices can open new deal flows, unlock differentiated impact, and appeal to LPs with inclusive mandates. Use this approach to frame gender not as an add-on, but as a lever for returns and relevance.
- **Drive consistent positioning and communication:** Clearly reflect your gender focus in your investment thesis, communication material, and internal documents and processes. Avoid vague or conflicting language. This helps LPs understand your approach, signals seriousness to founders, and builds alignment across your team.
- **Test your thesis with strategic audiences:** Share your gender approach early with LPs, advisors, and pipeline partners. Use their feedback to refine your positioning, adjust your level of ambition if needed, and ensure your thesis is both credible and aligned with the capital you are trying to raise.
- **Establish clear targets and metrics:** Use frameworks like the 2X Criteria (if you seek broadly recognized standards) to set measurable targets across, for example, governance & accountability, entrepreneurship & ownership, leadership, employment, supply chain, products & services, and portfolio. Focus on those that you can track and report on consistently, but also act upon and improve. Ensure these targets are reflected in your investment thesis and aligned with your fund's overall performance goals/metrics framework. For guidance on appropriate metrics and tools, please see our resource #2. Gender metrics tracking and target setting.

[5] https://www.ifc.org/content/dam/ifc/doc/mgrt/moving-toward-gender-balance-final-3-22.pdf

[6] https://www.2xglobal.org/news-media-stories/findings-show-private-markets-investment-in-gender-lens-funds-grew-more-than-30

**Fundraising**

- **Reassess and expand your fundraising pool:** Review your current list of potential investors and identify LPs, DFIs, and fund-of-funds that are actively backing GLI strategies. Use networks and directories like 2X Criteria to find aligned capital providers.
- **Strengthen reporting and accountability mechanisms:** Reliably track gender-related KPIs, and ensure regular reporting to your team, investment committee, and LPs. Document your progress, and clearly outline how you plan to meet your stated targets. Transparency and consistency will help build long-term credibility with funders.
- **Re-engage current investors with a gender-aware lens:** Take a closer look at your existing investors: you may find that some already prioritize gender equity in their mandates. If so, you can reposition your fundraising narrative to show that your organization is now intentionally integrating gender considerations, opening the door for better aligned follow-on funding.

**Investment and post-investment policies and processes**

- **Ensure you have the right capabilities and profiles' mix to deliver on your strategy:** Ensure that the teams involved across the various stages of the investment process are diverse and include individuals with gender expertise. Consider providing training to help team members recognize and mitigate unconscious biases.
- **Remove possibly gender biases from your investment process:** Analyze the profile of ventures across each stage of the investee selection process (from pipeline building, screening, due diligence, selection, to actual deal structuring), in order to assess whether gender-diverse ventures are disproportionately filtered out at one stage or another. Adjust your processes and criteria where needed to remove or mitigate hidden biases that may be driving the imbalance. For guidance on concrete measures that can applied here, see our resource #3. Gender-inclusive investment management.
- **Be more intentional in the type of support provided to portfolio companies, post investment:** Position gender inclusion as an important element of your value proposition toward investees. Bring gender considerations into your strategic conversations with the ventures, ensure that any TA they receive as part of your investment is delivered in a gender-sensitive way, and/or provide dedicated support to help them on their gender inclusion efforts. For more detailed guidance on how to do this, see our resource #4. Gender-sensitive portfolio management.

# Case study

## Investing in gender-inclusive entrepreneurship by Viwala

### Viwala restructured its product as well as pipeline management processes to enhance women entrepreneurs' access to capital.

Viwala is a debt fund offering loans to SMEs in Mexico across a variety of instruments, each aligned with a specific sector or theme (e.g. renewable energy, LGBTQ inclusion, etc.). It serves both impact-oriented and traditional companies, offering guidance on how to become more diverse and inclusive. As of 2024, they have completed 107 transactions, with 80% supporting small businesses and 20% supporting medium-sized enterprises. 96% of funds were allocated to impact-first SMEs and 76% of the businesses Viwala supports are first-time borrowers.

Despite having had a clear mission from the start towards better serving women entrepreneurs and addressing imbalances in accessing capital, Viwala did initially struggle in getting a balanced pipeline from women-led vs. men-led SMEs. Realizing this, the team investigated the key barriers that women applicants were encountering. One of the main obstacles identified was that their financial products were not well aligned with their needs, as women found traditional products too complex or intimidating. Essentially, Viwala realized that simply stating its commitment to investing in women was not enough and decided to take a more intentional approach. To do so, Viwala:

- simplified its loan product and introducing fixed-payment loans, replacing revenue-based models that were often complex and difficult to navigate
- developed clear, transparent contracts and an easy-to-follow application process
- trained its team to ensure effective communication about gender-inclusive financing solutions to entrepreneurs
- expanded its portfolio to traditional businesses while integrating impact- and gender-related goals into investment deals, as well as introducing incentives to encourage borrowers to improve impact/ gender performance.

As a result, many borrowing companies that initially had no gender equity strategies have made meaningful progress towards gender-related goals. Viwala's portfolio also became more balanced: 55% of the businesses it funds are women-led or benefit women, while 20% are LGBTQ+-led or support LGBTQ+ communities. Collectively, these businesses have empowered nearly 75,000 women. Additionally, Viwala secured USD10 million in additional funding to grow its assets under management, thanks to its gender commitments. Despite these achievements, Viwala recognizes that measuring the gender-specific impact of its investments remains a challenge. Therefore, it continues to explore scalable tools for impact assessment and aims to share gender-mainstreaming best practices more widely through online courses/ digital resources available to its investees.

By taking a hands-on, adaptive approach, Viwala is paving the way for a more equitable investment landscape–one where gender inclusion is not just a statement, but a fundamental part of financial decision-making.