

Tesi

# Diversity and Carry Allocation Review

Finnish VC & PE Industry and Tesi

2024

# Introduction

As the importance of diversity and inclusion continues to grow across industries, the venture capital and private equity sector also recognizes its critical role in driving innovation and achieving success. Research consistently shows that diverse teams bring new perspectives, which enhance decision-making and overall performance. While notable steps have been taken in recent years to promote diversity and inclusion, there is still considerable work to be done within the industry.

In this sixth Diversity Review of the Finnish VC & PE investment teams and Tesi, we analyze gender, age, educational, and professional backgrounds across 44 Finnish fund management companies in the market, 19 international fund management companies in Tesi's portfolio, as well as Tesi's own investment teams. This review offers an up-to-date snapshot of the diversity in the industry's investment teams in 2023, with insights into the progress made between 2019–2023.

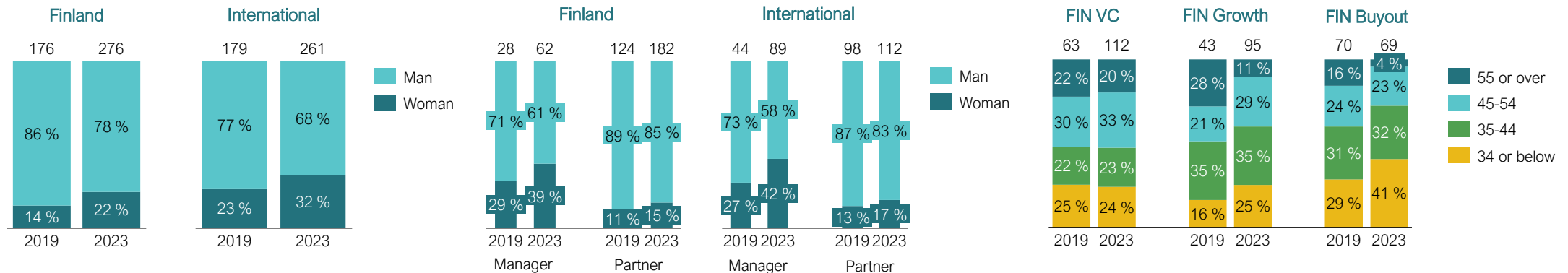
For the first time we have also included Carry Allocation Review to this report. A fair carry allocation within the management company ensures equal incentives for driving success, while also promoting diversity, which is essential for fostering innovation and creating a more inclusive and high-performing team. The Carry Allocation Review covers 32 Finnish management companies in Tesi's portfolio over the years 2016–2023. We have analyzed the carry allocation at the time of the investment decision. It is noteworthy, however, that the final carry allocation of the management company may differ from the allocation stated at the time of the investment.

For variables regarding diversity, we have primarily sourced data from the websites of fund management companies. Some classifications within the review were made using our own judgment and assumptions. For example, the gender of people included in the review was based on assumptions and treated as a binary variable. Additionally, the professional background variable was based on the most recent and/or longest experience, while the study background variable was based on the most recent or highest degree obtained.

Despite these limitations, the Diversity and Carry Allocation Review provides important insights into the state of diversity and carry allocation in the VC & PE sector. We hope that this review will encourage action in investment activities, supporting efforts to improve diversity and fair carry allocation within the industry. In the long run, having a diverse and inclusive workforce is not only the right thing to do but also beneficial for business. This should be reflected in the fair allocation of carry within management companies, ensuring that incentives are aligned and contribute to shared success.

# Summary of Diversity Review

- Over the past five years, as covered in this review, gender diversity in the VC and PE industry has shown positive development.
- While the number of people in the Finnish VC and PE industry has grown, the relative share of women has increased from 14 % to 22 %. In Tesi's international fund portfolio, the corresponding figure has increased from 23 % to 32 %.
- VC has experienced the greatest progress in gender diversity between 2019–2023 in Finland. Although it started with the lowest representation of women, recent improvements have brought it ahead of PE.
- In Finland, the proportion of women in manager and partner positions has increased over the past five years. A similar trend can also be observed in Tesi's international fund portfolio.
- Gender diversity has improved in the industry, yet there is still a long way to go to reach a 50/50 ratio, especially at the partner level.
- In Finland professional backgrounds vary across the sector, with VC being the most diverse, while buyout is the most concentrated in finance and consulting.
- The prevailing educational background in the Finnish VC and PE industry is business studies, followed by engineering studies.
- The age distribution in the Finnish growth and buyout segments has shifted towards younger professionals over the past five years. In VC, however, the age distribution has been relatively steady.



# Summary of Carry Allocation Review

- The Carry Allocation Review covers 32 Finnish management companies in Tesi's portfolio over the years 2016–2023. Carry allocation has been analyzed at the time of the investment decision and across multiple variables, such as age, gender and fund type, to gain insights into the current state of carry allocation within the industry.
- Carry allocation in Finland is relatively evenly distributed between genders, considering the roles to which carry is allocated. However, the number of women receiving carry is significantly lower than that of men.
- The average carry allocation in Finnish management companies decreases as the number of managed funds increases, and similarly as the size of the investment team grows, likely due to the carry allocation being distributed across more individuals.
- The greatest variability in carry allocation is seen in growth funds, with the distribution concentrated at lower values, but extending toward higher allocations, showing more variability at the upper range of values. The least variability is observed in buyout funds.
- The average carry allocation is highest in VC funds, at 16 %, and lowest in buyout funds, at 10 %.
- The carry allocation is highest for those aged 41 to 60, at 18 % on average. Within this age range, the average carry allocation is nearly equal between genders, with men having a slight edge of 1 percentage point.
- The distribution of carry recipients is skewed towards individuals aged 50 or less, with more observations in these age groups compared to those older than 50.

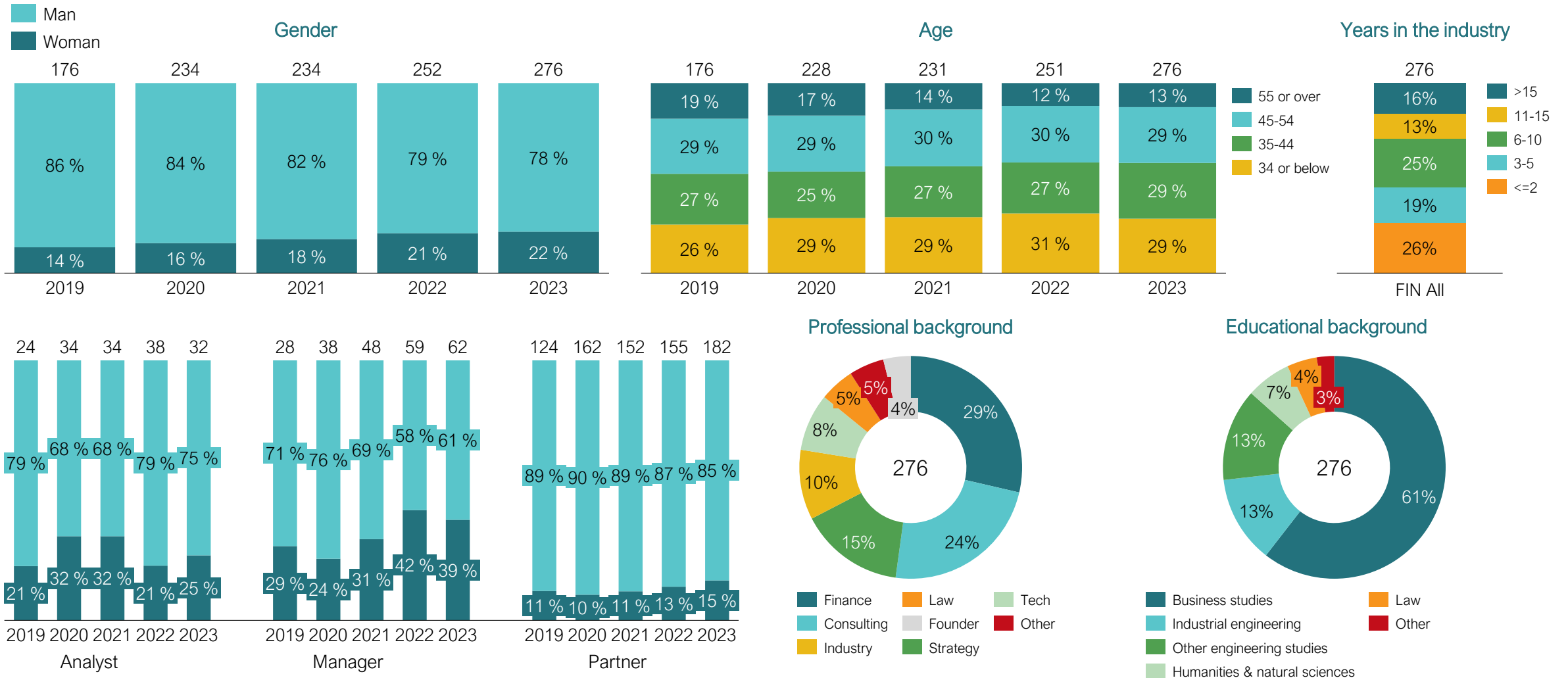


# Diversity Review

2023

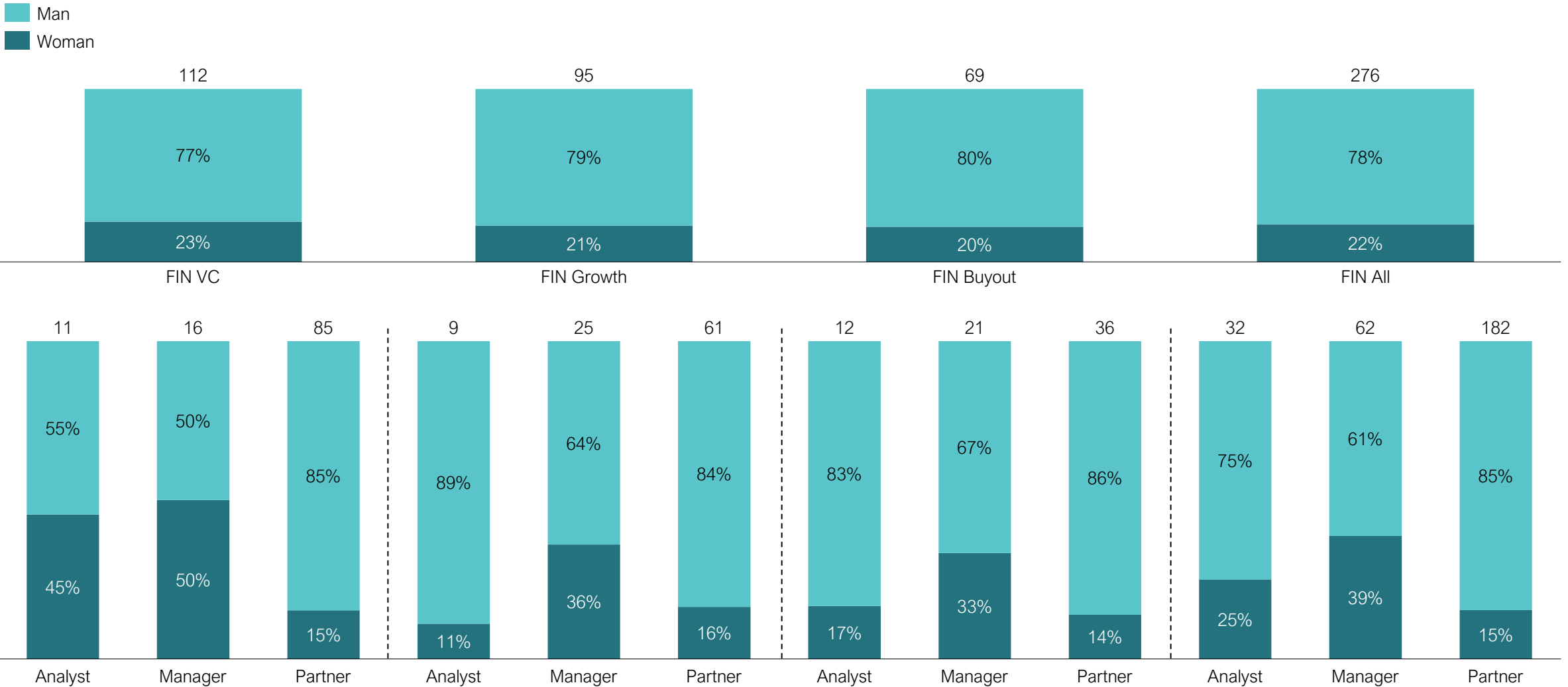
# Overview of the Finnish VC & PE industry

## FINNISH VC & PE INDUSTRY



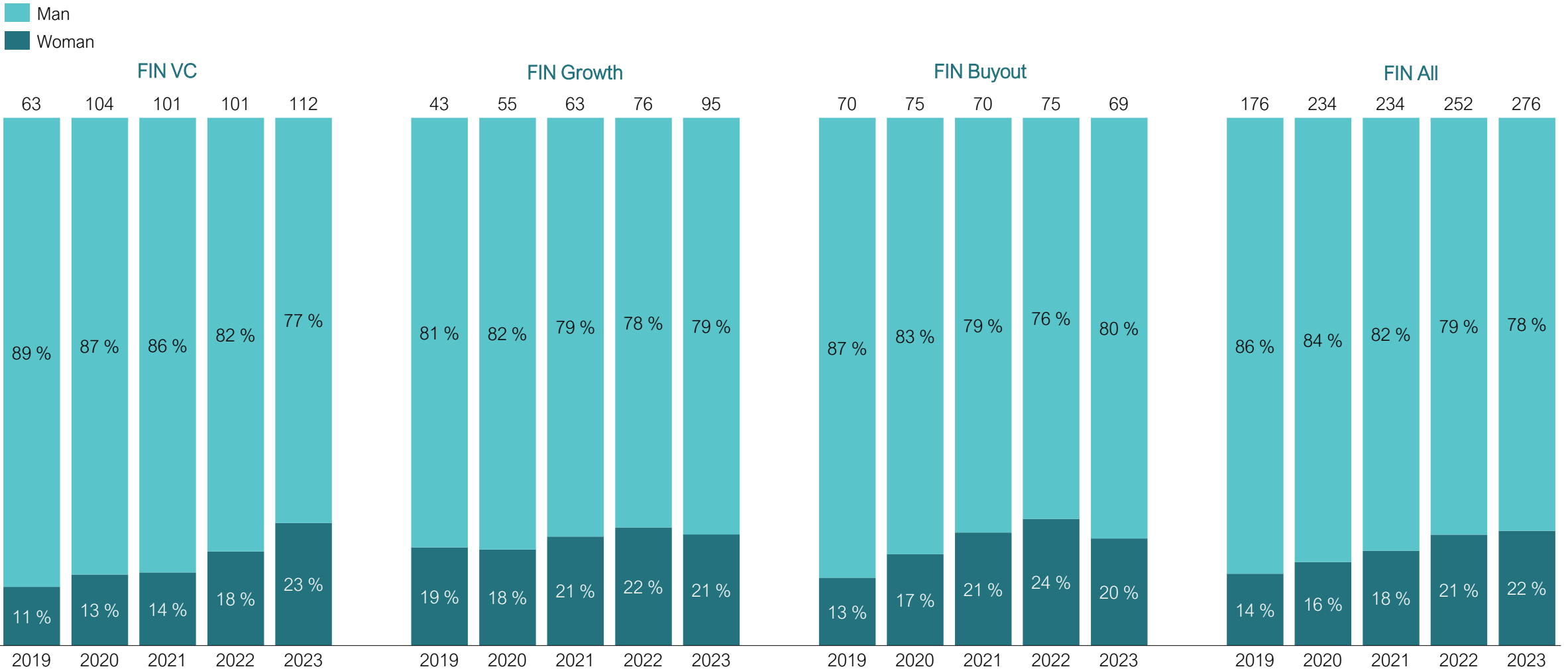
# Women are well represented at the manager level, but only 22% of the industry is still female

## GENDER DISTRIBUTION – 2023



# Gender diversity has continued to increase in VC, while PE has experienced a minor decrease

## GENDER – DEVELOPMENT 2019–2023





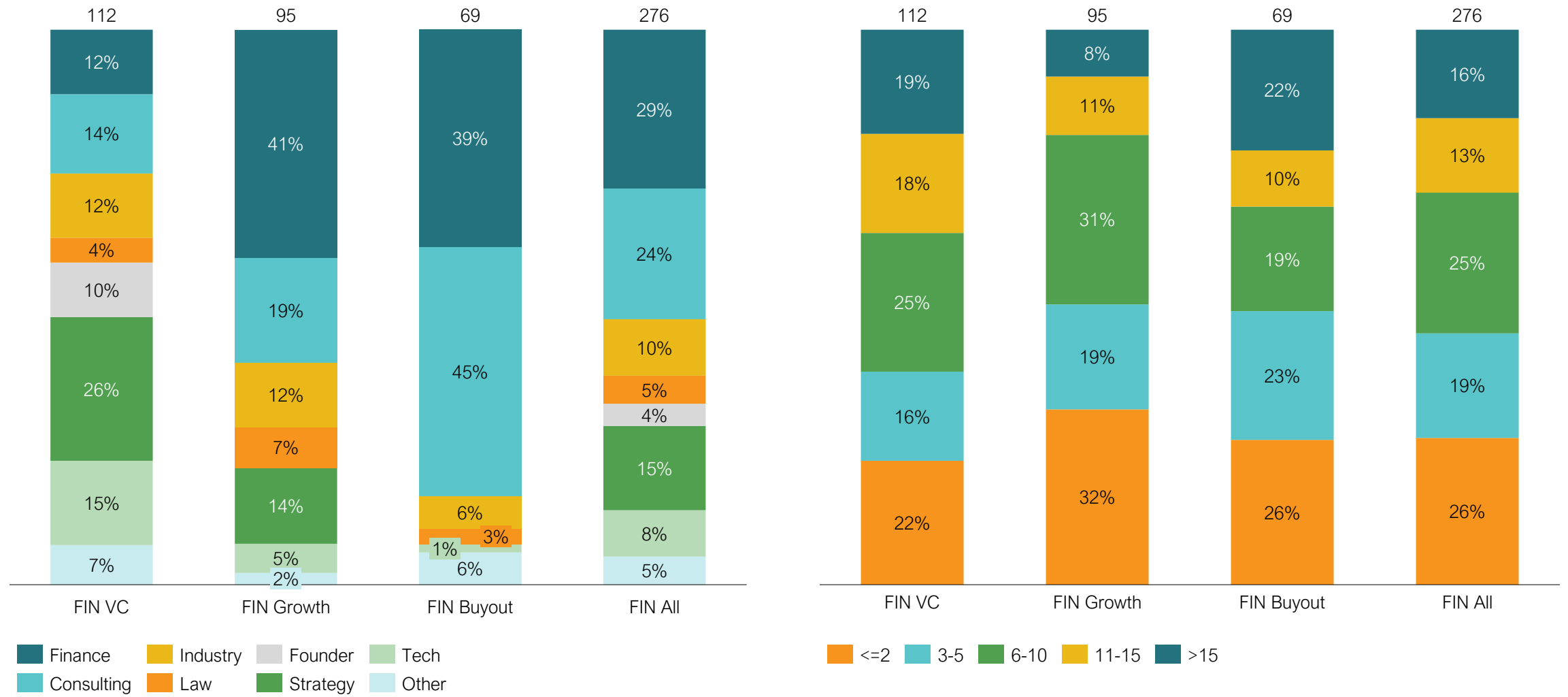
# The number of women is gradually increasing across all positions, yet there is still a long way to go to reach a 50/50 ratio in the industry

## GENDER – DEVELOPMENT BY TITLE 2019–2023



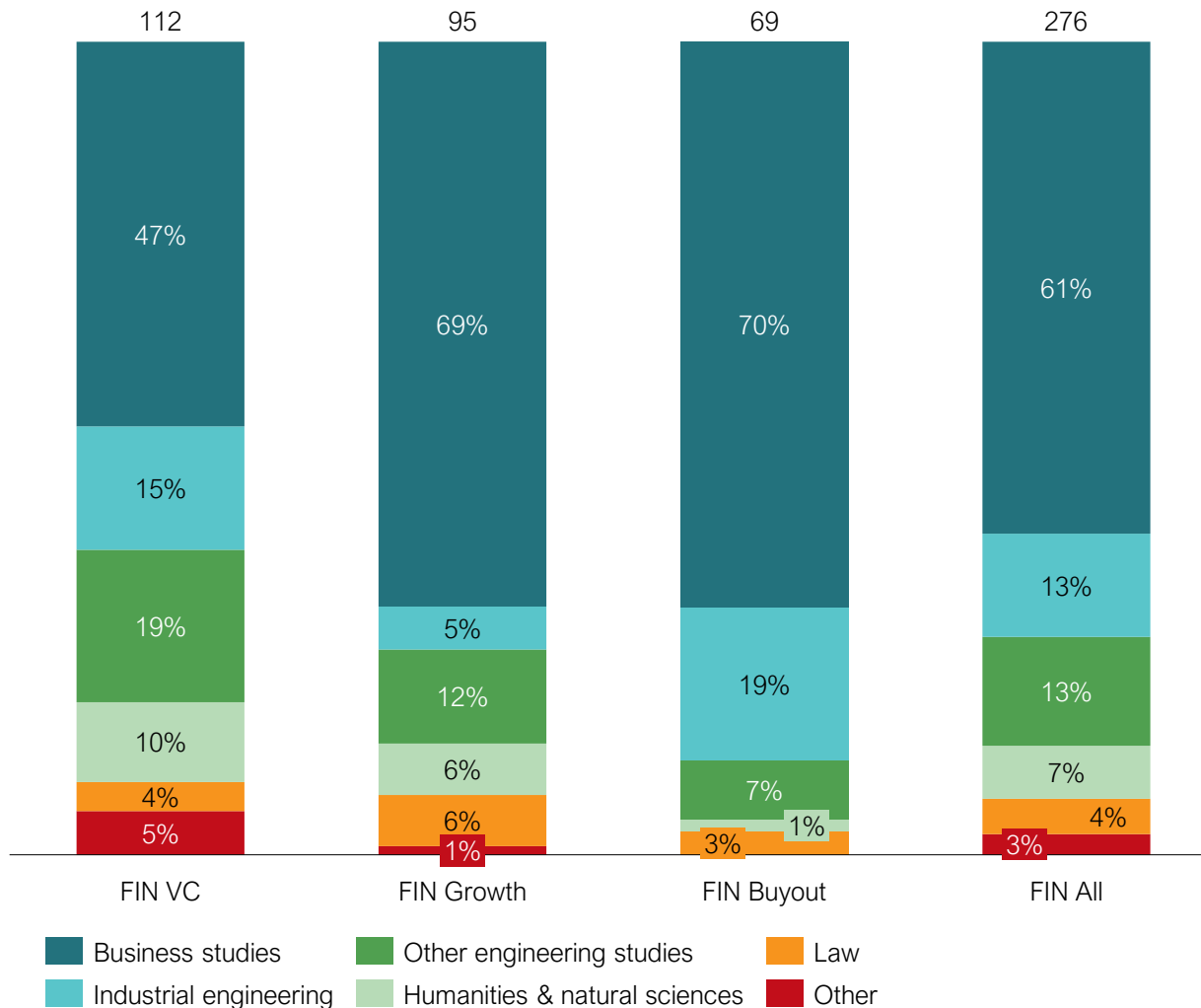
# VC is the most diverse when it comes to professional background and years in the industry

PROFESSIONAL BACKGROUND AND YEARS IN THE INDUSTRY – 2023



# Master's level degree in business or engineering most likely leads to career in VC and PE industry

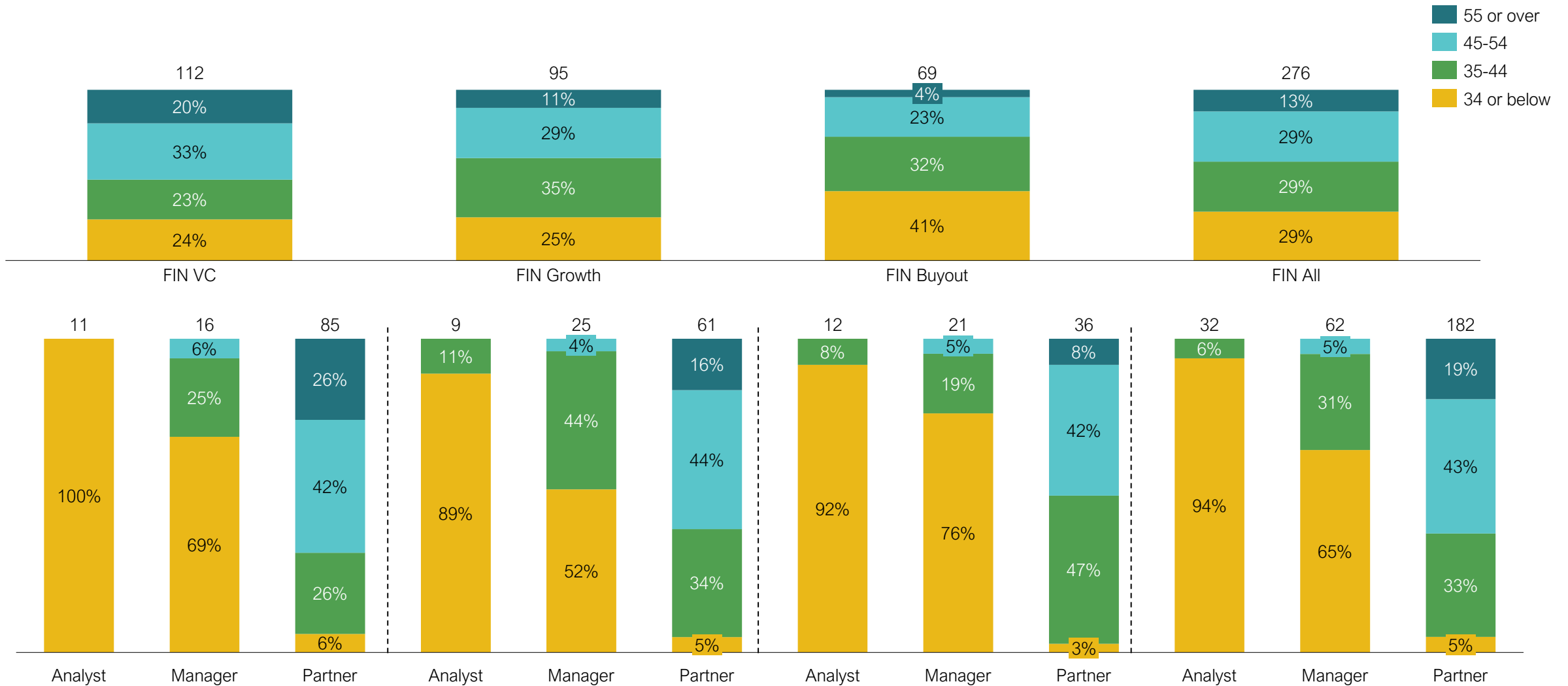
## EDUCATIONAL BACKGROUND – 2023



- Overall, the average person in the industry has completed one master's level degree.
- On average, women are more educated considering the level and number of degrees. 25 % of women (20 % of men) in the industry have more than one degree and 13 % of women (5 % of men) have PhD level degree.
- VC is the most diverse in terms of educational backgrounds.

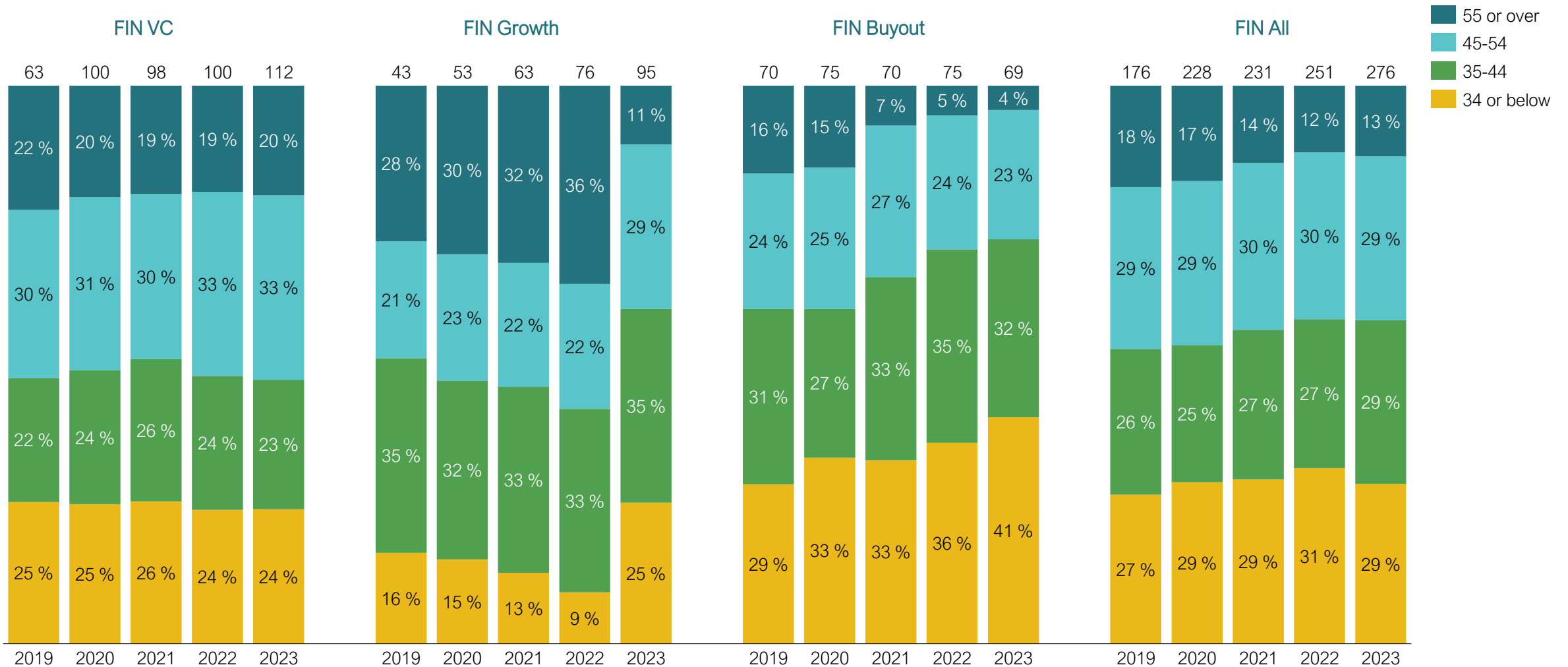
# Buyout has the most young professionals on average, although the age is well distributed throughout the industry

AGE – 2023



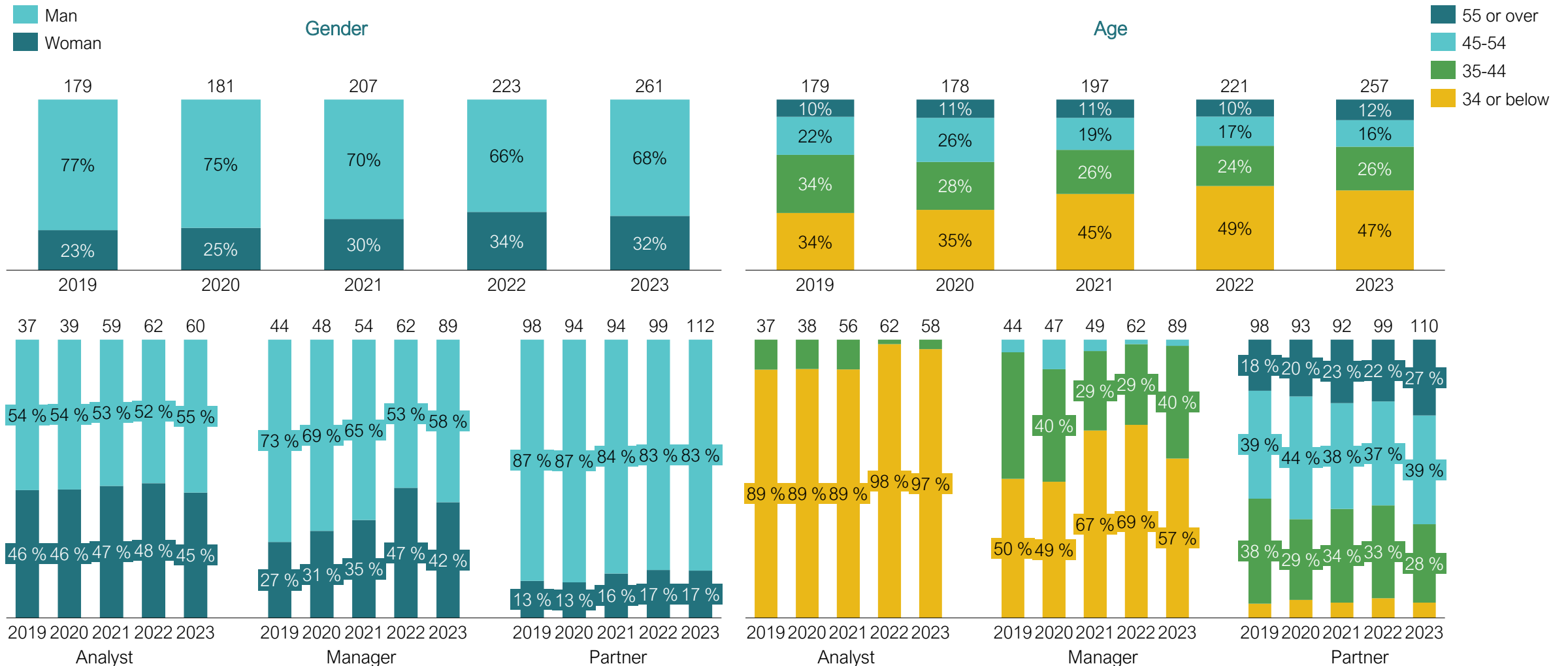
# Age distribution is shifting towards younger professionals in PE

AGE – DEVELOPMENT 2019–2023



# Women are most represented in analyst and manager level positions in the international fund portfolio

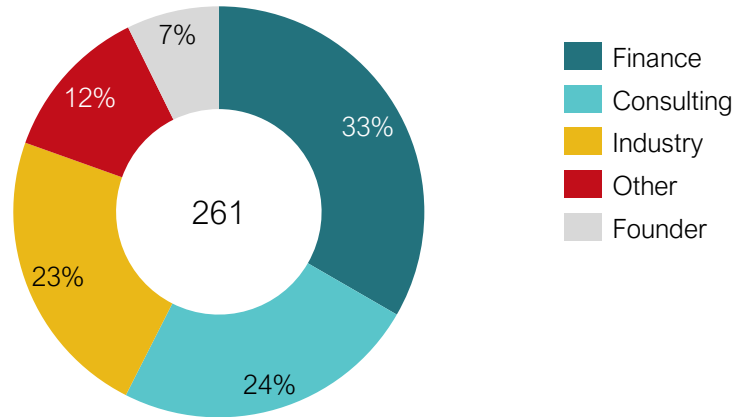
## TESI'S INTERNATIONAL FUND PORTFOLIO – GENDER AND AGE DEVELOPMENT 2019–2023



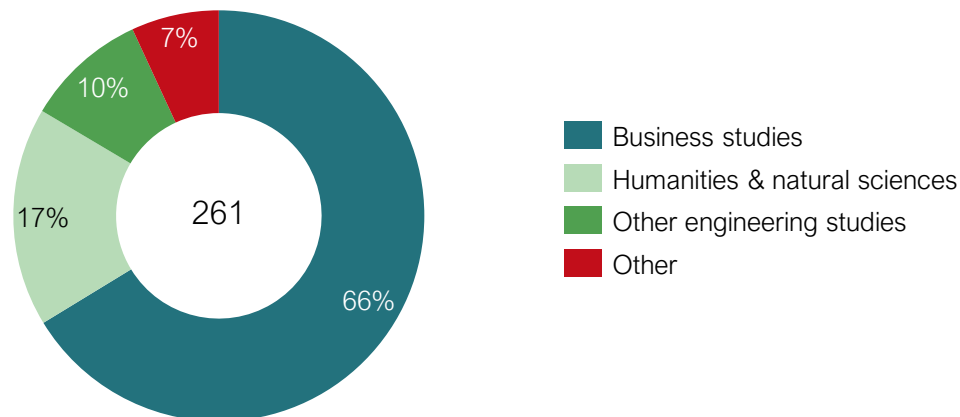
# Most in the international portfolio are business majors with a finance background, and over 30% have two years or less of industry experience

TESI'S INTERNATIONAL FUND PORTFOLIO –PROFESSIONAL & EDUCATIONAL BACKGROUND AND YEARS IN THE INDUSTRY – 2023

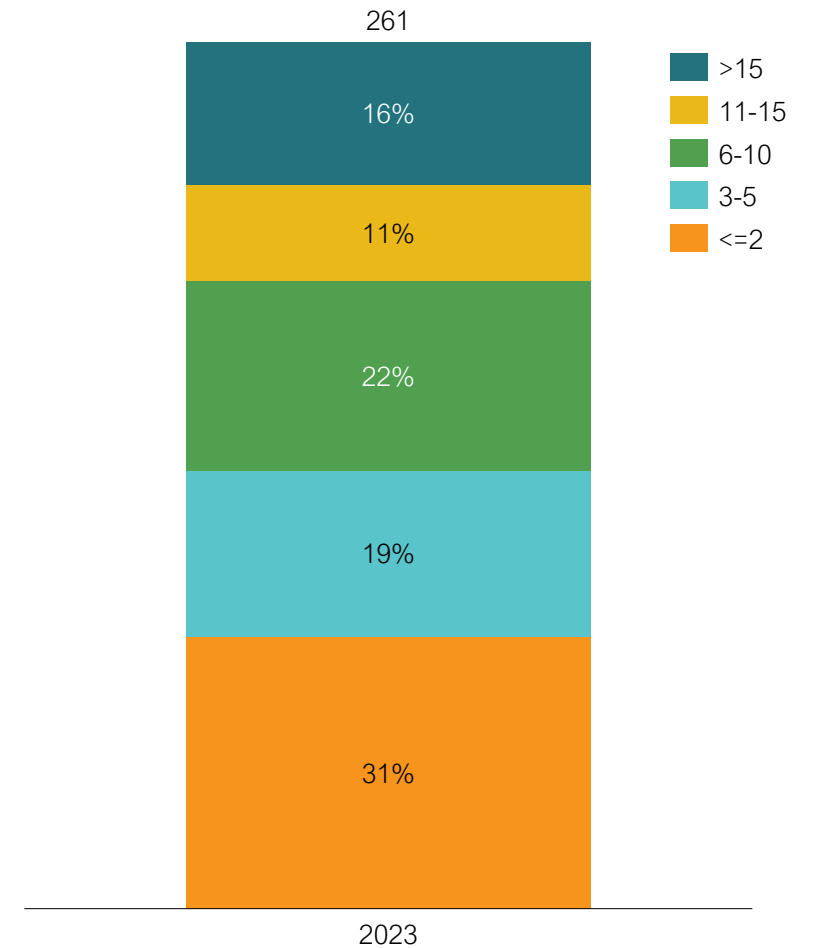
Professional background



Educational background

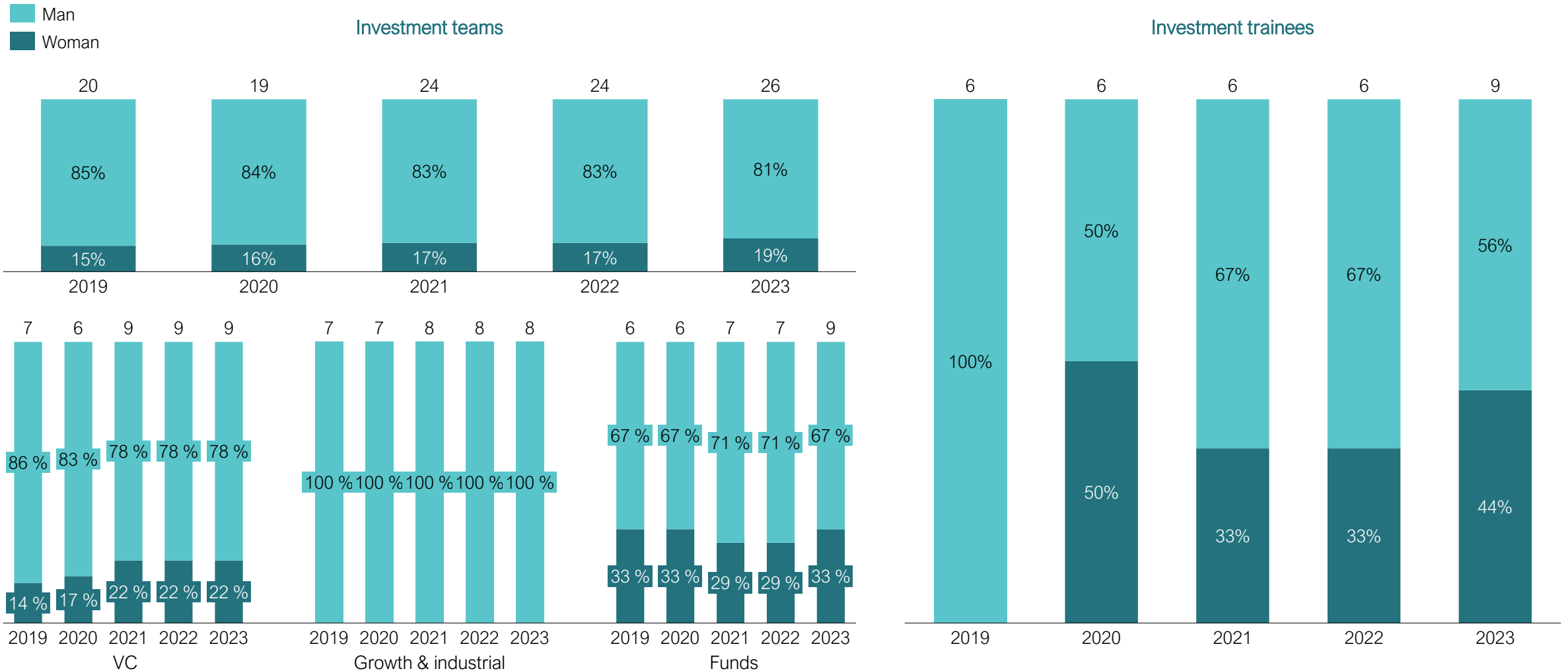


Years in the industry



# Tesi's gender diversity has increased through new hirings and internship program

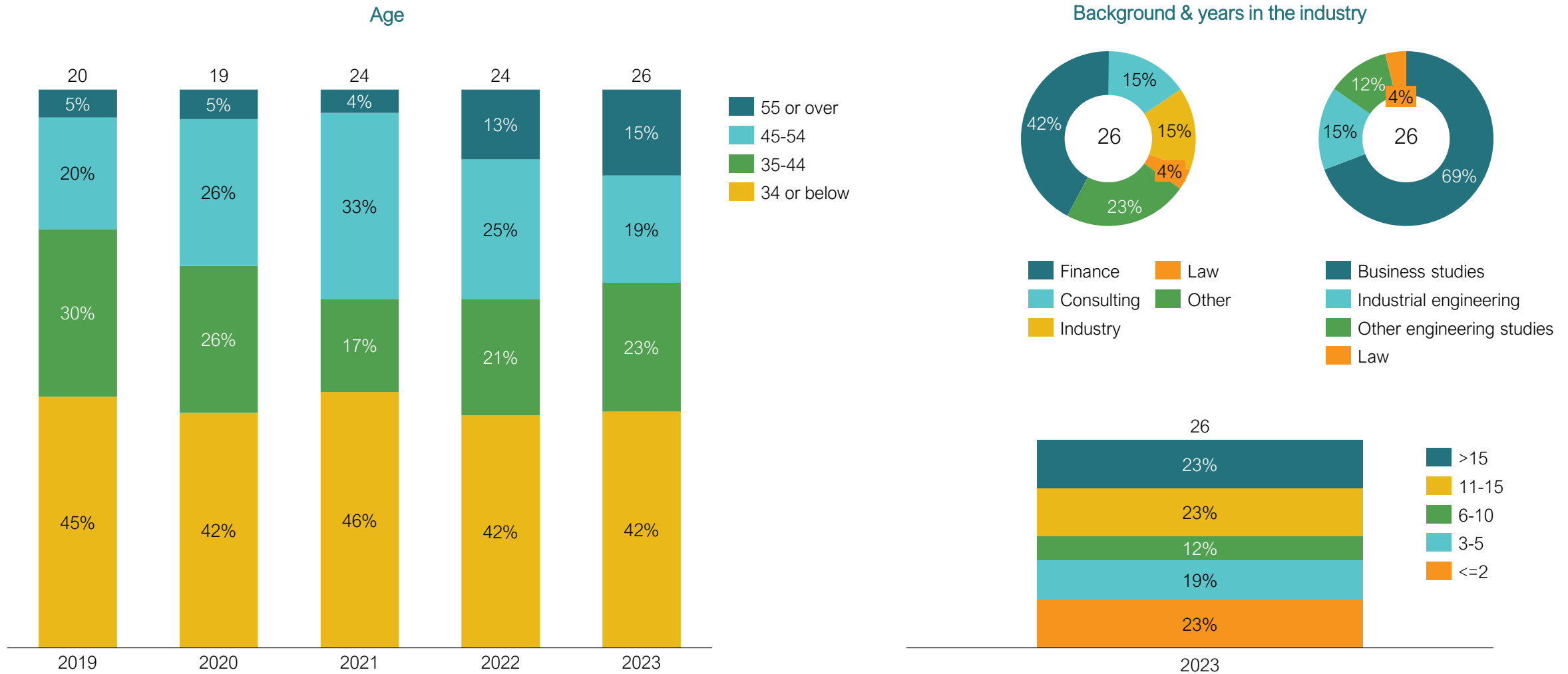
## TESI'S INVESTMENT TEAMS – GENDER DIVERSITY DEVELOPMENT 2019–2023





# Tesi's investment professionals have similar backgrounds compared to funds' investment teams

TESI'S INVESTMENT TEAMS – AGE, PROFESSIONAL & EDUCATIONAL BACKGROUND AND YEARS IN THE INDUSTRY





# Carry Allocation Review

2023

# Overview of carry allocation in Finnish funds 2016–2023

## MANAGED FUND NUMBER

Managed Fund Number	Average carry allocation per beneficiary* (%)	Fund count
1	21%	13
2	14%	10
3	15%	11
4	12%	7
5 or more	10%	7

## INVESTMENT TEAM SIZE

Investment team size	Average carry allocation per beneficiary* (%)	Fund count
Under 5	22%	16
5–9	14%	20
10 or more	10%	12

## YEARS IN THE TEAM

Years in the team by the vintage year	Average carry allocation per person (%)	Person count
5 or fewer	13%	143
6–10	16%	74
11–15	17%	26
Over 15	14%	11

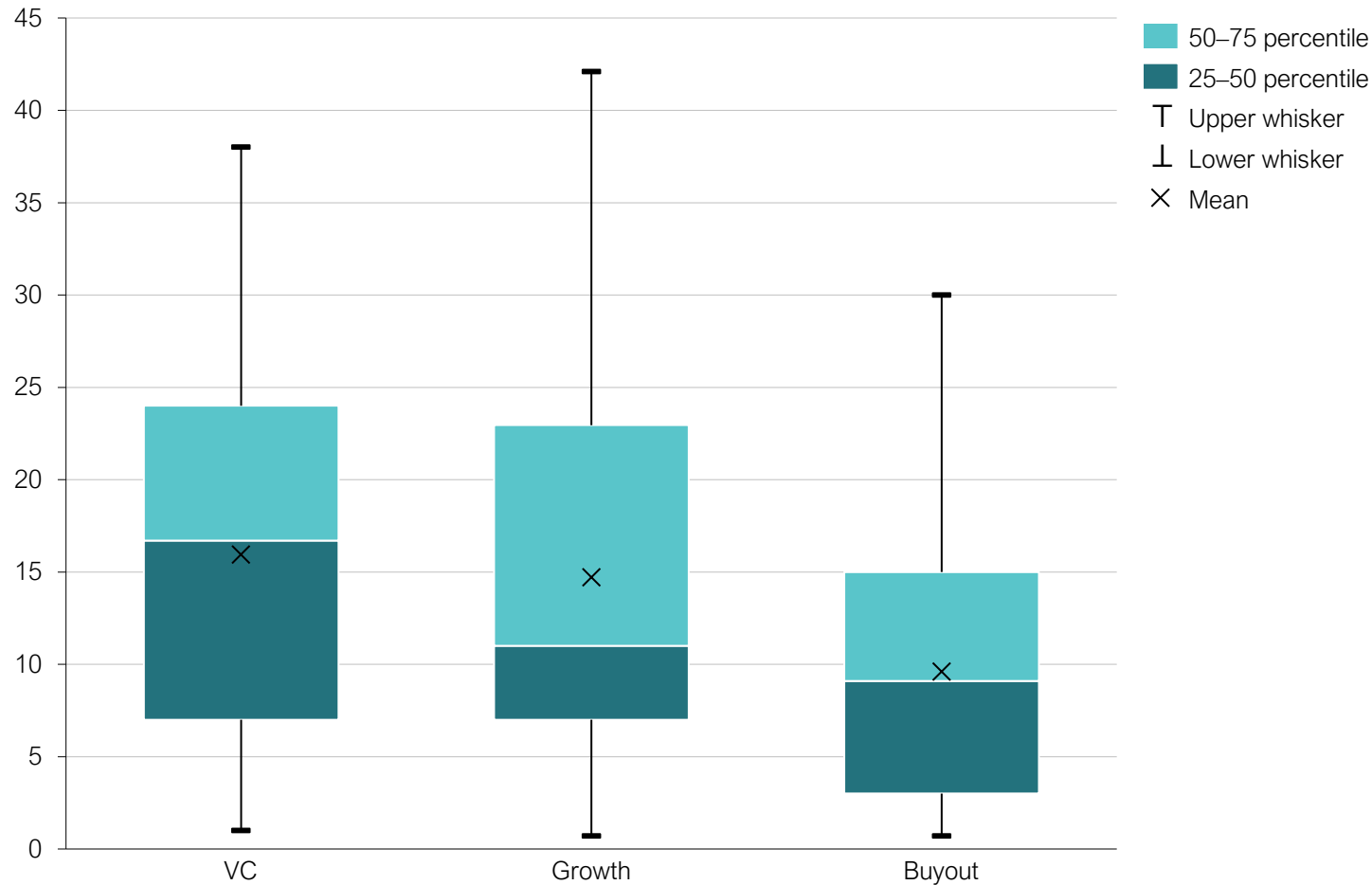
## VINTAGE

Vintage	Average carry allocation per beneficiary* (%)	Fund count
2016-2018	15%	10
2019-2021	15%	22
2022-2023	13%	16

- This overview covers carry allocation in Finnish funds in Tesi's portfolio across the 2016 to 2023 vintages. It includes all observations for which carry is allocated, including, for example, captive structures.
- The only exception to this is the “Years in the team” table, which includes only individuals as carry recipients, as the variable directly relates to individuals.
- The average carry allocation decreases with the increase in the number of managed funds. This is likely due to factors such as the growth of the team and the carry allocation being spread across more individuals.
- It can be clearly seen that as the investment team expands, the average carry allocation decreases accordingly.
- Years in the team does not seem to have a clear effect on the average carry allocation.
- The average carry allocation tends to be smaller in more recent vintages, while earlier vintages have slightly higher allocations.

# Distribution of carry allocation by fund type in Finland

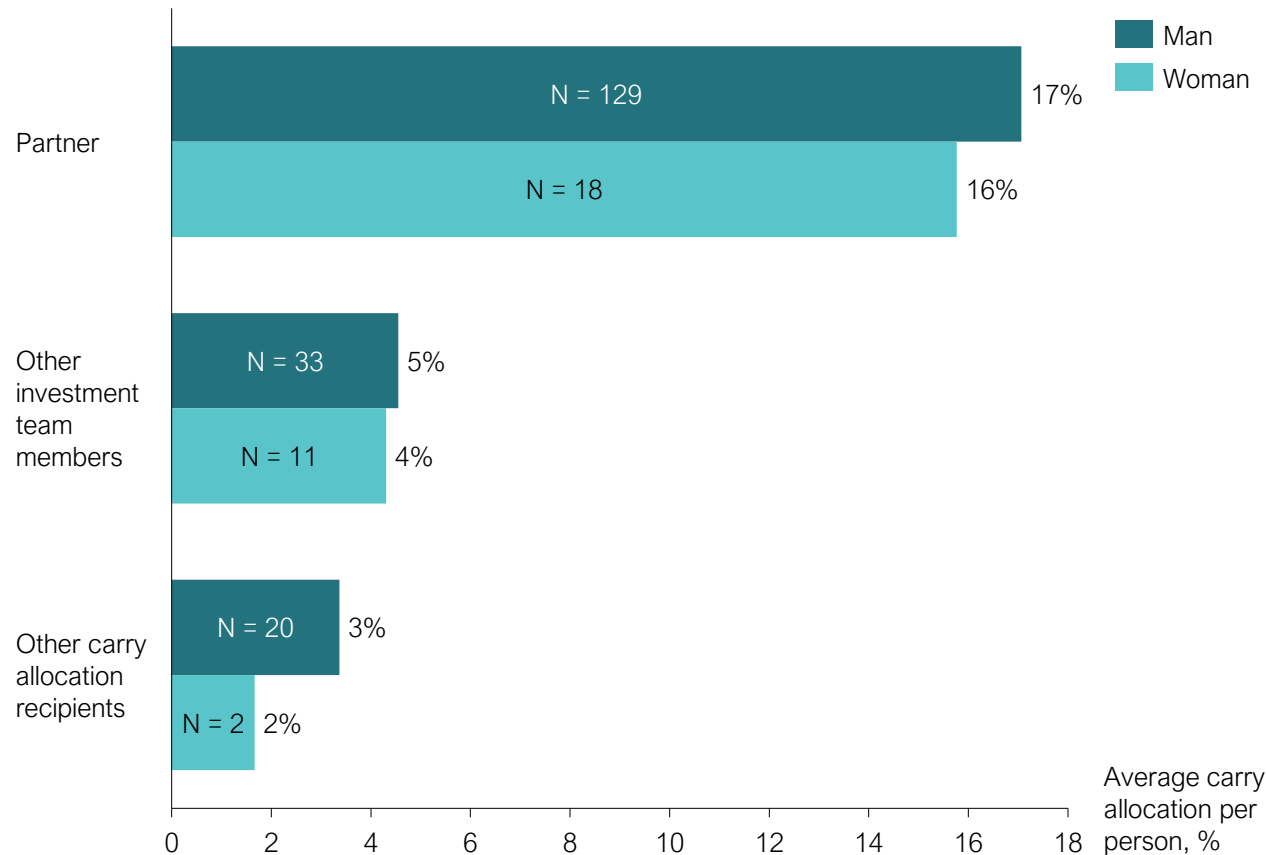
Carry allocation per beneficiary\*, %



- The accompanying chart includes observations from Finnish funds for the 2016–2023 vintages. If the general partner had multiple funds during this period, only the most recent fund has been considered.
- The chart illustrates distribution of carry allocation by fund type, excluding outliers to ensure anonymity. It includes all observations for which carry is allocated, including, for example, captive structures
- The greatest variability in carry allocation is seen in growth funds, with the distribution being positively skewed. The least variability is seen in buyout funds.
- The median carry allocation is highest for VC funds at 17 %. The median for growth funds is 11 %, and for buyout funds 9 %.
- When comparing the mean carry allocation by fund type, the differences narrow slightly, with the means being 16 % for VC, 15 % for growth and 10 % for buyout funds.

# Carry allocation in Finland is relatively evenly distributed between the genders

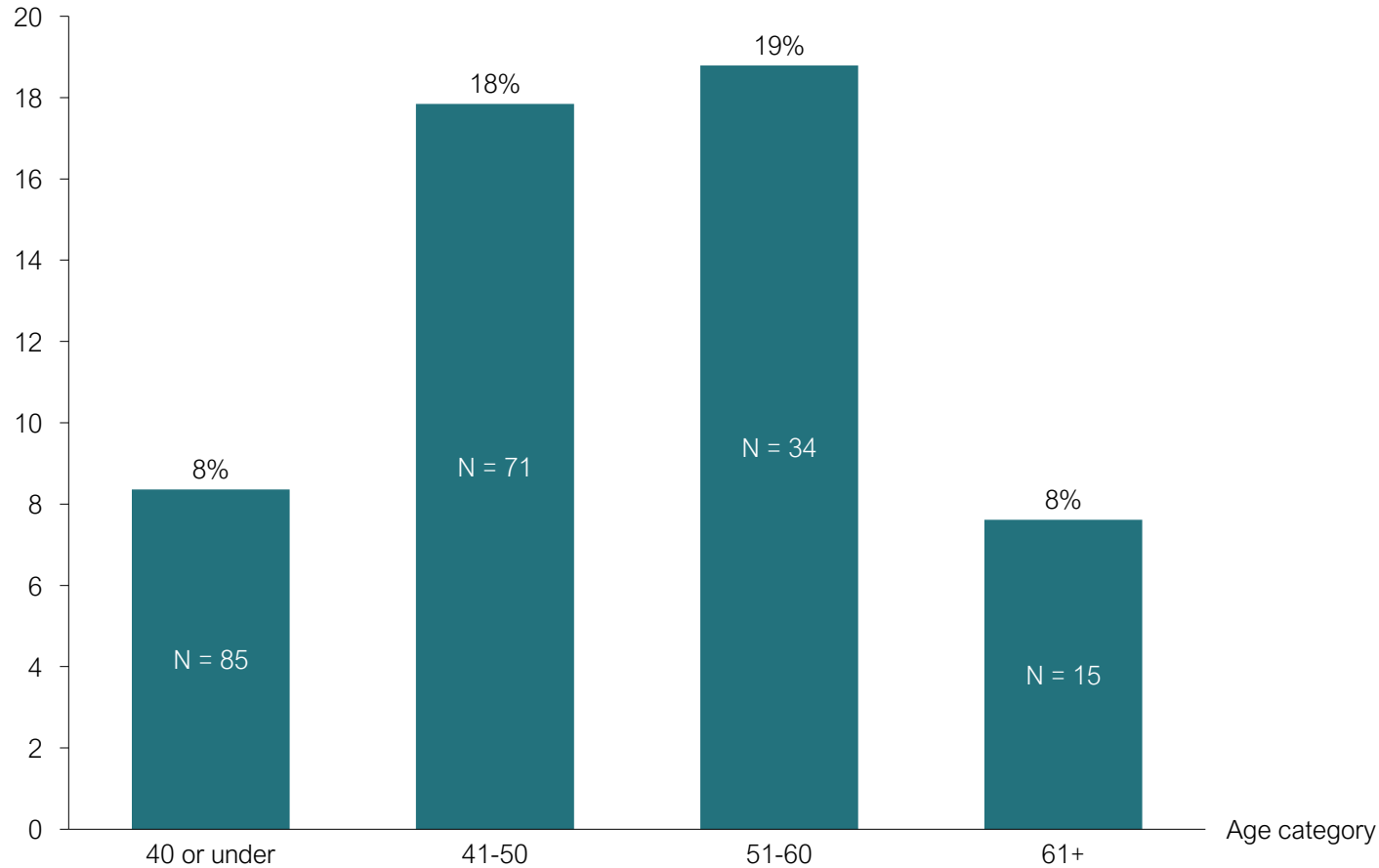
## CARRY ALLOCATION IN DIFFERENT ROLES 2016-2023



- The accompanying chart includes observations from Finnish funds for the 2016–2023 vintages. If the general partner had multiple funds during this period, only the most recent fund has been considered. The number of observations does not directly correspond to the number of individuals, as the same person may appear multiple times in the dataset across different funds.
- There are a few key aspects to consider regarding the presented role categories, which have been created due to the limited number of observations:
  - Partner category includes various partner titles, such as Founding Partner (active) and Managing Partner.
  - The category "Other investment team members" includes titles such as Director, Manager and Associate.
  - The category "Other carry allocation recipients" includes titles such as Advisor and Support Functions.
- As shown in the chart, the average carry allocation across different roles is relatively evenly distributed between the genders. However, it is noteworthy that the number of observations for women is significantly lower in all categories than for men.
- If Founding Partners (active) are considered as a separate group, the gender gap becomes more pronounced; the average carry allocation is 19 % for women, and 23 % for men. In contrast, among regular partners, the carry allocation is more balanced, with women receiving 14 % and men 15 %.
- The underlying data indicates that women at the Director level are well on their way to achieving partner-level compensation. At the Manager and Associate levels, differences in carry allocation appear to favor men; however, the number of female observations is relatively small compared to men.
- Support functions and Advisors receive similar carry allocations, despite the differences in their roles.

# Carry allocation peaks at ages 41–60

Average carry allocation per person, %



- The accompanying chart includes observations from Finnish funds for the 2016–2023 vintages. If the general partner had multiple funds during this period, only the most recent fund has been considered.
- Age refers to the person's age at the time of the investment (birth year compared to the vintage year).
- Due to the limited number of observations, the observations for men and women have been combined.
- According to the data, the average carry allocation is highest among individuals aged 41 to 60.
  - Within this age range, the average carry allocation is nearly equal between genders, with men having a slight edge of 1 percentage point.
- Men aged 40 or under tend to receive a larger share of carry compared to women in the same age group (by 3 percentage points).
- In the older age groups, the average carry allocation is more evenly distributed between genders.
- The distribution of carry recipients is skewed towards individuals aged 50 or less, with more observations in these age groups compared to those older than 50.

# Want to know more? Don't hesitate to contact



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The background of the image consists of several overlapping, semi-transparent, light orange arcs that create a sense of depth and movement. The arcs are of varying radii and are positioned to suggest a circular or spherical structure. The word "Tesi" is centered in the lower half of the image.

**Tesi**