



MEMORANDUM

To: NAIC Members
From: Robert L. Greene, President & CEO
Date: February 11, 2020
Subject: NAIC Institutional Roadshow to Harvard Management Company

On February 5th, NAIC, in partnership with the Diverse Asset Managers Initiative (DAMI), made its first NAIC Institutional Roadshow stop of the year to meet with senior staff from Harvard Management Company (HMC), an endowment with \$41 billion in assets under management. The roadshow included private, one-on-one meetings with NAIC members. The HMC roadshow participants and relevant contacts, with email addresses, are included below:

Harvard Management Company Staff

Kate Murtagh, Managing Director for Sustainable Investing & Chief Compliance Officer -
murtaghk@hmc.harvard.edu

Patrick McKiernan, Director of Communications - mckiernanp@hmc.harvard.edu

Michael Capucci, Legal and Compliance - Senior Vice President, Sustainable Investing and Compliance

Private Meetings (Group 1)

Elise McDonald, Managing Director - mcdonalde@hmc.harvard.edu

David Kim, Director of Due Diligence - kimd@hmc.harvard.edu

Kerr Mone, Director - monek@hmc.harvard.edu

Hong Tran, Analyst - tranh@hmc.harvard.edu

Private Meetings (Group 2)

Adam Goldstein, Managing Director (originally scheduled to attend) - goldsteina@hmc.harvard.edu

Elaine Chan, Director - chane@hmc.harvard.edu

Allison Daury, Director - daurya@hmc.harvard.edu

Nick Sertl, Analyst - sertln@hmc.harvard.edu

Robert Raben, Executive Director of DAMI, kicked off the meeting. To set the tone, he established that it has “not been a secret that it has been difficult for women and people of color to access pools of capital managed by institutional investors.” He thanked Kate Murtagh, Managing Director for Sustainable Investing & Chief Compliance Officer, for hosting NAIC and DAMI. Murtagh then welcomed everyone and thanked each of the managers for traveling to Boston to meet with the HMC team.

Raben offered his hope that everyone would get a lot out of the session. He noted his observation that most people are comfortable offering passive-aggressive rhetoric as to why institutional investors have made few to no allocations to top-performing diverse managers and continued that Murtagh is demonstrating something different at Harvard with the tactical changes she is implementing. Raben said the roadshow meeting culminated with his early discussions with Murtagh, whom he thanked for the steps she is taking and said he expects her to become a leader in the field.



Raben then acknowledged that DAMI has many supporters but highlighted that NAIC has been “singular in teaching where the diverse talent is and how to talk about their performance in a way that resonates.” Bob Greene then introduced himself and continued that NAIC has been working with Robert Raben, President and Founder of The Raben Group, for his leadership of the DAMI initiative. Greene said he was delighted to be there and shared his appreciation to HMC board member, Bill Lewis, for making the introduction.

Greene discussed NAIC’s history and described its roughly 80 members who together manage approximately \$160 billion in assets. Greene said that it was beneficial for the investment team to hold meetings with the participating members, who were selected based on HMC’s investment strategy. David Smith, NAIC’s Programs and Initiatives Manager, then introduced himself followed by DAMI staff members Justin Wilson, Director; along with Brandi Colander and Laura Morley.

Kate Murtagh later provided more information on Harvard Management Company. She shared her 14-year tenure under the leadership of six different CEOs. Murtagh described her role, overseeing legal, compliance, and sustainable investing. She said it is important for their endowment to expand its narrow networks and build new connections. Murtagh explained how the HMC investment team is committed to the one-one-one meetings with managers, because they believe the sessions provide the direct, meaningful access the managers want.

Murtagh said that Harvard Management Company’s CEO and CIO, N.P. “Narv” Narvekar and Rick Slocum, respectively, sent their regrets as they were unable to attend the meeting. She said that the CIO role was created when Rick Slocum joined. Murtagh said each person on the investment team is now a generalist. HMC no longer has teams classified by asset class. She said while there are broad portfolio goals established by Narvekar and Slocum, the full team discusses all new managers and participates in all pipeline meetings.

We moved on to brief NAIC member introductions. Ten NAIC members participated: Runa Alum, DPI; Avinash Amin, Madryn Asset Management; Xavier Gutierrez, Clearlake Capital; Adrian Mendoza, Mendoza Ventures; Dale Pescatore, Palladium Equity Partners; Howard Sanders, Auldbrass Partners; James Tieng, Lumos Capital; Nia White, Astra Capital Management; Willie Woods, ICV Partners; and Joanne Yoo, DPI.

Bob Greene provided additional remarks. He said whenever he is in the city, he reflects on a 2016 NAIC Institutional Investor Roadshow to Boston, when members met individually with a large plan sponsor and three consulting firms over two days. He noted the common misperception that arose at each consulting meeting: that diverse managers are focused on social impact investing. He emphasized how this flawed classification too often precludes diverse managers from obtaining access to potential LPs.

Greene previewed the upcoming biennial survey NAIC commissioned to report on diverse manager performance, noting that NAIC member firms consistently beat the benchmarks, which he said is an



underknown fact and statistic. He also highlighted several member firms, such as ICV Partners and Palladium Equity Partners, who were present and had successfully raised multiple funds over numerous vintages.

Robert Raben followed Greene's comments, expressing that he is constantly taken aback by the asset management industry's position as the only field where people ask the question of why inclusion matters and the universal lack of transparency about what is actually going on is accepted. He commented that not one U.S. university currently publishes its allocations to diverse managers. Raben said that DAMI will be supportive of HMC and watch their efforts closely. Greene agreed and added that during NAIC member dinners with consulting firm CEOs, it has become clear that most institutional advisors do not understand the diverse manager marketplace in the same way they seek to approach and figure out other segments of the market.

Greene then asked any willing members to share any of their experiences with consultants. A brief conversation ensued, where several members shared firsthand perspective on the challenges they face when interfacing with consultants.

Kate Murtagh said that HMC does not rely on consultants and instead prefers to curate relationships directly. HMC does not have an emerging managers mandate. She said that everyone goes through the same screening and manager selection process. Murtagh also touched on how the word "emerging" can have different meanings. She said the HMC investment team has tried to cast a wider net and begun unconscious bias training. She added that they are also working to address gender diversity at earlier stages in collaboration with organizations like Girls Who Invest.

When asked what has been HMC's challenge to date with hiring diverse managers, Murtagh replied that she doesn't believe they are looking hard enough. She also said that the significant leadership challenges at the top of the house have not helped and that she expects better success expanding their allocations to diverse managers under the steady management and initiatives of Narvekar and Slocum. She also offered to field calls from members who have not received responses from the investment team.

Runa Alum of DPI said she is not seeing significant outreach for gender diversity and recommended that HMC connect with additional organizations to access women-led funds, such as PEWIN, and All Raise for women in venture, which was suggested by Adrian Mendoza of Mendoza Ventures. Dale Pescatore of Palladium Equity Partners mentioned that her firm joined The 30% Club to identify more female board members. Murtagh noted the recent Goldman Sachs initiative to only take companies public with at least one diverse board member.

Greene closed out his commentary with a testimony about his time with the Virginia Retirement System (VRS). He mentioned that VRS had \$50 billion in assets and had only committed \$100 million to two diverse managers over the twenty years prior to his role as a trustee. He shared that every asset class head was asked to come up with a diversity plan, research the marketplace, reach high conviction, and invest. He said the VRS diversity plans, along with the outperformance of diverse managers, led to an increase in commitments to diverse managers to \$4 billion from the base of \$100 million. Greene said that he hopes to tell a similar story about HMC. He then asked the representatives from HMC what



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success with diverse managers will look like. Murtagh responded that broader representation of thought and ability in the management teams. She said if they do their jobs right, then then the numbers will take care of themselves.

Joanne Yoo of DPI asked about the HMC decision-making process. Murtagh stated that Narvekar and Slocum drive the funding and allocation strategies but that a group of generalists is always looking for new opportunities and has the ability to source a new idea. She said the generalist team meets every Monday for pipeline and “living document (LD)” meetings to review existing managers. The selection process for new managers requires a sense of certainty and a full review of the team, track record, etc. For established funds, a summary of the relationship and performance numbers are presented. Michael Capucci summarized the process, simply stating that you need a managing director or director to champion a manager but that Narvekar and Slocum make the ultimate decisions.

Willie Woods of ICV Partners stated the importance of having someone within senior leadership of any organization, who decides they want to prioritize having a diverse set of investment managers and knows they are missing out by not investing with diverse-led funds. He continued that it would good to know HMC’s baseline to understand the amount of commitments the endowment has to diverse managers today. Woods shared his expectation of a place like Harvard, where he believes that figure should be measured, then tracked, and reported on.

Robert Raben concluded the session, thanking HMC for hosting again. Private 20-minute meetings with each of the managers were then held through mid-afternoon.