



MAJOR COLLEGE AND UNIVERSITY ENDOWMENTS FAILING THE TRANSPARENCY TEST

The Largest Network of Diverse- Owned
Private Equity Firms and Hedge Funds

The Diverse Asset Managers Initiative (DAMI) and National Action Network (NAN) among other organizations are working together to call on major colleges and universities to report the number of diverse investment professionals involved in the management of their respective endowments. These efforts, however, are mostly met with reluctance from university leadership – even in the face of mounting pressure not only from external organizations but from their own student-run newspapers as well.

A March 19th letter from Rev. Al Sharpton, President & Founder of the National Action Network, to Lawrence Bacow, President of Harvard University, requested information as to whether any senior African American professionals were managing the endowment; whether the management of the endowment is outsourced; whether any of the assets are directly managed by asset management firms owned or significantly controlled by African American asset managers; and if not, whether there were African American professionals in senior leadership roles at the asset management firms with which the university works.

Similar letters were sent to leadership at Yale, Princeton, Cornell, Columbia, MIT, Stanford, University of Pennsylvania, University of Texas, and University of Michigan – all of which have endowments totaling billions of dollars. “The best starting point is to ask for the data because a lot of times nobody has ever looked at it to see if any people of color are managing money,” explains Carra Wallace, an Adviser for the Special Economic Justice Projects in the National Action Network. “We feel that all of that’s important because if you have an all-white, all-male staff, and they’ve been doing okay, they’ll keep doing what they’ve always done.”

The University of California appears to be the only major university taking a long, hard look at their diversity practices as it pertains to asset management. In December 2019, the university published the Office of the Chief Investment Officer Diversity Report, which provided in-depth information on its diversity practices. In the report, the public university admitted it needed to do more to engage diverse asset managers and announced plans for a program to address the issue.

“What you have at the University of California is leadership that now wants to look at the numbers and figure out what they’re missing, so that’s great,” says Robert Raben, Executive Director of DAMI, an effort to increase the absolute number of, and assets under management by, diverse-owned asset management firms for institutional investors. Raben added that Harvard Management Company (HMC), which oversees the university’s \$40.9 billion endowment, appears to be in the process of making some positive changes behind the scenes. HMC participated in an NAIC Institutional Investor Roadshow earlier this year and met with several NAIC member firms.

DAMI and NAN have a common interest but slightly different motivations and focuses. NAN looks at the exclusion of people of color from economic opportunities from a social justice/civil rights perspective. DAMI approaches it from a fiduciary perspective, citing studies such as NAIC’s 2019 biennial performance report, “Examining the Returns,” which once again showed that diverse-owned private equity firms tend to outperform established industry benchmarks.

So why are most universities seemingly reluctant to simply disclose who is managing endowment capital? “You’ll see what we consider to be specious argument after specious argument as to why the revelation of whether or not you’re working with people of color will somehow unravel all of your performance,” asserts Raben. “Imagine any other area in professional services where an executive at an institution could get away with saying, ‘I can’t tell you if we work with diverse lawyers, engineers, or architects.’”

On the heels of Sharpton’s letter, student-run newspapers for the University of Michigan, Princeton and Harvard have all written articles questioning their respective university leadership and the reluctance to demonstrate transparency. In the student-run Princetonian, Andrew Golden, President of the \$26.1 billion Princeton University Investment Company (PRINCO) extolled the university’s commitment to diversity, invoking John Rogers, Founder and Co-CEO of Ariel Investments, and a Princeton alumnus as a believer in the university’s commitment to diversity. However, Princeton has yet to release detailed demographic information for its endowment.

According to the Michigan Daily, the 130-year-old student-run paper for the University of Michigan, Robert Sellers, the university’s Vice Provost for Equity and Inclusion and Chief Diversity Officer, responded to Sharpton’s letter by reaffirming the University’s commitment to diversity, equity and inclusion. “The University is currently in the midst of a planning process where every school, college and campus unit created a diversity, equity, and inclusion strategic plan addressing its unique local needs and opportunities,” Sellers responded in the newspaper. However, similar to Princeton and others, no data was released detailing engagement with diverse asset managers for the \$12.4 billion endowment.

The Harvard Crimson reported on Sharpton’s letter to Harvard President Lawrence S. Bacow requesting disclosure on whether the university employs African American asset managers. While Bacow did not respond, Patrick S. McKiernan, spokesperson for HMC, wrote in an emailed statement that the management company has taken a three-pronged approach towards increasing diversity among its asset managers. According to McKiernan, HMC is “increasingly focused” on the diversity of investments of external managers, writing, “When considering the diversity of an external manager, we do not limit our view merely to the leadership level, but also try to consider their entire team.”

Paradoxically, these universities have made progress in other areas of diversity, equity and inclusion, and publicly share those demographics, but are tenacious in their reticence to share their manager data. So, what does success look like for this initiative? Initially, having a dedicated group of universities recognizing that the release of aggregate data will be helpful to them as well as DAMI, NAN and other interested organizations. “Once they do it, there will be a cascade of data released from other universities and foundations,” Raben explains. “A medium-term goal is to get a critical mass of asset allocators who recognize that having the data out there in some fashion helps the field. The long-term goal is the recognition that many institutions are missing out on great performance because they are not networking with all available talent.”

But for now, it is just about transparency – disclosing which diverse asset managers are engaged by university endowments. It is confounding that such revered institutions dedicated to higher learning are reluctant to provide vital information to those seeking knowledge.