

**Congress of the United States**  
**Washington, DC 20515**

October 10, 2019

Dr. Susan Johnston, Ph.D.  
President and Chief Executive Officer  
National Association of College and University Business Officers (NACUBO)  
1110 Vermont Ave, NW, Suite 800  
Washington, DC 20005

Dear Dr. Johnston:

According to 2019 Knight Foundation research, firms owned by women and minorities manage just 1.3 percent of assets in the \$69 trillion asset management industry – despite being overrepresented in the top quartile of all fund investment performance.<sup>1</sup> Diverse managers exhibit strong financial returns but are dramatically underrepresented in every asset class. The lack of utilization of women and minority-owned firms is indefensible given the findings on investment performance. We write today to both raise awareness and to ask for the support of college and university endowment managers in correcting this injustice.

A 2017 report by the Government Accountability Office (GAO) affirms the Knight Foundation’s findings and further estimates that women and minorities continue to represent a material subset of the industry.<sup>2</sup> In addition to the ability to generate upper quartile performance, these diverse firms provide differentiated teams and networks and offer cognitive and behavioral diversification that provides another portfolio tool to help mitigate volatile market behavior.<sup>3</sup> Evidence overwhelmingly suggests colleges and universities could do more to expand opportunities for woman and minority managers without negative concessionary return expectations. Further, we believe that taking affirmative steps to expand opportunities for women and minority asset managers, many of whom are outperforming, is a key component of fiduciary responsibility.

In identifying key practices that would provide more options for federal entities and opportunities for woman and minority-owned asset managers, the GAO endorsed four best practices.<sup>5</sup> Those include:

- **Top leadership commitment.** Demonstrate commitment to increasing opportunities for woman and minority-owned asset managers.
- **Remove potential barriers.** Review investment policies and practices to remove barriers that limit the participation of smaller, newer firms.
- **Outreach.** Conduct outreach to inform women and minority-owned asset managers about investment opportunities and selection processes.
- **Communicate priorities and expectations.** Explicitly communicate priorities and expectations about inclusive practices to investment staff and consultants and ensure expectations are met.

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<sup>1</sup> Lerner, Josh and Bella Private Markets, “2018 Diverse Asset Management Firm Assessment,” January 2019. <https://knight.app.box.com/s/512s2pi75b6qoip5uo47zsiawk133vud>

<sup>2</sup> United States Government Accountability Office, “Key Practices Could Provide More Options for Federal Entities and Opportunities for Minority- and Women- Owned Asset Managers,” September 2017. <https://www.gao.gov/assets/690/687140.pdf>

<sup>3</sup> National Association of Investment Companies, “The Financial Returns of Diverse Private Equity Firms,” 2017. <http://naicpe.com/wp-content/uploads/2017/10/2017-performance-report.pdf>

<sup>4</sup> Eckel, Catherine and Sascha Füllbrunn, American Economic Review, “Thar SHE Blows? Gender, Competition, and Bubbles in Experimental Asset Markets,” February 2015. <https://www.aeaweb.org/articles?id=10.1257/aer.20130683>

<sup>5</sup> United States Government Accountability Office, “Key Practices Could Provide More Options for Federal Entities and Opportunities for Minority- and Women- Owned Asset Managers,” September 2017. <https://www.gao.gov/assets/690/687140.pdf>

All these recommendations require time and investment commitments that pale in comparison to the potential investment returns and are equally applicable to endowments. We were shocked to review the 2018 NACUBO-TIAA study and learn that, of the 802 institutions that participated, only 4 percent affirmatively answered yes to whether their institution has “a diversity and inclusion policy for hiring managers”; none of the 104 institutions with endowments of \$1 billion or more answered yes to this question.<sup>6</sup> While lack of endowment commitment is impossible to attribute to any singular factor – fear and comfort surely play a role – without a central repository for information on endowment diversity, we are concerned that a lack of education about diversity’s impact on returns is also at play. We appreciate NACUBO’s inclusion of a diversity related question in its recent studies and respectfully request the following information to more fully assess the status of endowment management efforts:

- Would NACUBO consider including a voluntary question that reports actual investments in women and minority-owned asset management firms in future studies?
- Does NACUBO recommend diversity and inclusion best practices or distribute anecdotal information about member initiatives to other members?
- Does NACUBO have or plan to have additional initiatives to engage endowment managers on diversity and inclusion related matters?
- Would NACUBO consider leading a diversity and inclusion pledge among its members?
- What feedback has NACUBO collected on endowments that have chosen not to adopt diversity and inclusion policies and/or practices for investment managers?
- What steps could Congress take that would be useful to NACUBO’s existing efforts as they relate to diversity and inclusion?

We are appreciative of NACUBO’s engagement and the engagement of the Diverse Asset Managers Initiative who recently launched [endowmentwatch.org](http://endowmentwatch.org) to assist with endowment investment transparency. We believe in the power and leadership of this nation’s colleges and universities and believe that progress on this matter is both a fulfillment of this nation’s highest ideals of equal opportunity, and an extension of the strides colleges and universities have already taken to create opportunity for students, faculty, and those fulfilling core business needs. As highlighted by the New York University Center for Business and Human Rights, “the one glaring exception to [university diversity] commitments has been their failure to select outside firms owned by women or under-represented minorities to invest their endowment dollars”.<sup>7</sup> Colleges and universities lead the country towards progress and, in effect, create a world of greater opportunity in which to send their diverse graduates and alumni.

We respectfully request a response by 11/12/2019 and look forward to further dialogue on this important matter.

Sincerely,



Emanuel Cleaver, II  
Member of Congress



Joyce Beatty  
Member of Congress

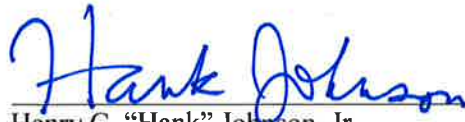
<sup>6</sup> NACUBO-TIAA, “Study of Endowments,” 2018. [http://products.nacubo.org/index.php/nacubo-research/2018-nacubo-tiaa-study-of-endowments.html?\\_ga=2.195214316.1959812505.1570548463-464397412.1570548463](http://products.nacubo.org/index.php/nacubo-research/2018-nacubo-tiaa-study-of-endowments.html?_ga=2.195214316.1959812505.1570548463-464397412.1570548463)

<sup>7</sup> NYU Center for Business and Human Rights, “Briefing Memo: Increasing Diversity in Asset Management Firms for University Endowments,” April 6, 2018. <https://bhr.stern.nyu.edu/blogs/2019/1/31/briefing-memo-increasing-diversity-in-asset-management-firms-for-university-endowments>



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