July 10, 2020

Mr. Lawrence Bacow  
President  
Harvard University  
Massachusetts Hall  
Cambridge, MA 02138

Dear President Bacow:

We are writing to express our concerns with the lack of diversity among asset managers of university endowments. For years, members of Congress have expressed similar concerns, and have been provided with limited, if any, resolution and evidence of change. As an institute of higher education, your school receives significant federal resources and subsidies. However, the lack of diverse-owned asset management firms runs counter to the federal government’s interest in promoting equal opportunity. We are writing to seek additional information as to your school’s practice in providing equal opportunity to diverse-owned asset management firms seeking to do business with the school’s endowment.

The discrepancy between the performance of diverse-owned asset management firms and their utilization by asset funds is well-documented. Despite overrepresentation of diverse-owned firms in the top quartile of industry-wide performance, a study by the Knight Foundation found that firms owned by women and minorities manage just 1.3 percent of the assets in the $69 trillion asset management industry.¹ In 2020, women and minority-owned firms manage a penny for every dollar managed by firms owned by white men. Despite decades of advocacy, market forces have failed to correct the ugly legacy of systemic racism which continues to bear fruit.

As you may know, there is currently no central repository on college and university endowment utilization of diverse-owned asset management firms, or adoption of best practices, although anecdotal reporting has been less than favorable. The National Association of College and University Business Officers and some colleges and universities have resisted repeated calls to be more transparent with such information. The response of colleges and universities has only heightened suspicions, as was raised in testimony before the U.S. House of Representatives Committee on Financial Services on June 20, 2019, that most university endowments “have never spent a dollar with a minority [asset management] firm in the history of their institution even if they have hired one-hundred or more money managers.”²

We request answers responsive to our concerns in order to assess the status of your institution’s efforts:

1. Does your institution have a publicly available equal opportunity statement pertaining to the selection of external endowment managers?
   ○ If no, why not?

2. What commitments to increasing opportunities for women and minority-owned asset management firms have been made by senior institutional leadership? *(Please provide the specific dates of these actions and if they have resulted in tangible and measurable outcomes.)*
3. Has your institution conducted reviews to examine the efficacy of revising policies and practices that limit the participation of smaller and/or newer firms?
   - If no, why not?
   - If yes, please specify when and articulate the findings.
4. What outreach has your institution done to inform women and minority-owned asset management firms about investment opportunities and the selection process?
   - Do you believe such outreach is consistent with your fiduciary responsibility?
5. How has your institution communicated priorities and expectations about inclusive asset management practices to investment staff and/or consultants?
   - How does your institution ensure that those expectations are met?
6. Does your selection process for external asset managers require consideration of at least one diverse-owned firm?
   - If no, why not?
   - If yes, please articulate why this was done and if it has resulted in positive results?
7. How much of your institution’s endowment assets are under management with diverse-owned firms? *(Defined as women or minority ownership above 50%)*
   - What percent of total assets under management does this number represent?

We believe that affirmative steps toward expanding opportunity for diverse-owned firms upholds this nation’s ideals of equal opportunity and will support efforts to close persistent racial and gender wealth gaps. We urge endowments to consider how, in line with fiduciary responsibilities, they may continue to create greater opportunity for their communities and our country. As stated in a New York University briefing memo on diversity in asset management, the one glaring exception to college and university diversity commitments “has been their failure to select outside firms owned by women or under-represented minorities to invest their endowment dollars.”

We respectfully request your institution’s response by July 31, 2020.

Sincerely,

Emanuel Cleaver, II
Member of Congress

Joseph P. Kennedy, III
Member of Congress

cc: Association of Governing Boards of Universities and Colleges

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