Pledge for Success
Engaging Diverse Asset Managers
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with support from the Education Partner for the 2016 Endowments and Finance Summit
Pledge for Success: Engaging Diverse Asset Managers

**Moderator:** Stephanie McGencey  
Senior Director, Private Philanthropy | Council on Foundations

**Erika Seth Davies**  
VP for External Affairs  
ABFE

**Elaine Orr**  
Director, Investments  
Silicon Valley Community Foundation

**Bert Feuss**  
Senior Vice President, Investments  
Silicon Valley Community Foundation

**Jason Lamin**  
Founder & Managing Director  
Lenox Park Solutions
PLEDGE FOR SUCCESS: ENGAGING DIVERSE ASSET MANAGERS

JUNE 21, 2016
WHY DIVERSE MANAGERS?

- Alpha
- Diversification
- Diversity
- Capacity

SOURCE: WHITE, THURMAN. (2012). CASTING A WIDER NET: FOUNDATION AND ENDOWMENT MANAGER ROUNDUP
WHY DOES IT MATTER?

- DEI
- Build Wealth
- Leadership Pipelines
- Philanthropy
STATE OF THE FIELD
BARRIERS TO OPPORTUNITY

- Policies and practices prevent connection to qualified minority managers.
- Misperception among foundations and consultants of higher risk.
- Limited access to minority investment talent in different asset classes.
- Limited marketing resources among investment firms of color
- Long-term relationships
- Implicit bias
- Consultants as gatekeepers
WHAT WE ARE LEARNING

• Appetite for learning more about the opportunity to invest with diverse talent
• Start with the facts and use data
• Engage in respectful conversation in safe space
• Inequities are systemic but implicit bias effects individual decision making
• Identify your allies and preach to the choir
• Engage colleagues and peers with greatest level of influence
• Make it someone’s job to focus on inclusive practices
• Cultivate new leadership around the work
RECOMMENDATIONS FOR INCREASING OPPORTUNITY

• Intentional and explicit policies for inclusion
• Connect effort to performance appraisal for staff and/or consultants
• Explore platforms that offer exposure to minority and women managers
• Monitor relationships with consultants to ensure their process includes identifying and tracking minority and women managers for ALL clients
• Get to know the organizations that support minority and women managers, i.e., AAAIM, NASP, NAIC, New America Alliance, 100 Women in Hedge Funds, etc.
• Attend conferences and events that engage minority and women managers
• Encourage collaborative business models and partnerships between traditional consulting firms and managers
Engaging Diverse Asset Managers

Council on Foundations
June 21, 2016

Presented by:
Bert Feuss, Senior Vice President
bwfeuss@siliconvalleycf.org

Elaine Orr, CFA, Director
eorr@siliconvalleycf.org
SVCF Path to Engaging Diverse Managers

**2011**
- CEO begins dialogue with Staff and Investment Committee on the importance of diversity and inclusion as core values

**2012**
- Consultant asked to report annual diversity metrics

**2013**
- Consultant’s first report: “We clearly have some work to do.”

**2014**
- **NASP honours Emmett Carson with Pacesetter Award**
- **Investment Committee includes diversity as stated goal, modifies policy language**

**2015**
- **Press coverage**
- **Manager Introductions**
- **Ariel**
- **Standard General**
- **Lizard**
- **Kabouter**

**2016**
- **SVCF publishes progress report on website...**
  - **S...signs Diversity Pledge...**
  - **...posts blog**
- **ABFE honours Thurman White with Trailblazer Award**

**2011-2016**
- **Staff attend first diverse manager conference**
- **Consultant enhances manager tracking**
- **Consultant & Staff attend more diverse manager conferences, meet more like-minded investors, meet and engage with more diverse managers**
- **Kellogg Foundation case study published**
- **White Out published by CIO Magazine**
- **Kabouter**
Diverse Investment Managers

SVCF Definition:

• **51%** or more ownership by individuals who are Asian, Black, Hispanic American, Native American, Pacific Islander or Women

• We expect smaller, skilled managers with a differentiated point of view to generate **alpha** and diversified sources of return

Other Definitions:

• **MWBE:** Minority and Women owned Business Enterprise

• **Emerging Managers:** Investment manager that has **51%** employee ownership and $2 billion or less under management.*

*Progress Investment Management Company definition*
Accountability and Transparency

Our approach is four-fold:

1. Annually require SVCF’s investment consultant, Colonial Consulting, to report on the number of diverse managers they have met with throughout the year.

2. Annually require SVCF’s investment consultant to report on the number of diverse managers they have recommended to ALL of their clients.

3. Annually review how many diverse managers were considered for SVCF’s investment portfolio.

4. Annually review how many diverse managers were selected to manage SVCF’s investment portfolio.
Investment Consultant Engagement

Number of Meetings with Diverse Managers:

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>43</td>
<td>69</td>
<td>59</td>
</tr>
</tbody>
</table>

18% of First Time Manager Meetings in 2015 were with Diverse Managers
Investment Consultant Engagement

Number of Diverse Manager Recommendations:

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>11</td>
<td>23</td>
<td>25</td>
</tr>
</tbody>
</table>

Percent of Recommendations Hired by Clients:

- 2013: 78%
- 2014: 88%

Diversity of Manager Recommendations:

- Women: 39%
- Asian: 22%
- Hispanic: 13%
- African American: 17%
- 2 or More: 9%
Assets Deployed to Diverse Managers (millions):

- 2013: $150
- 2015: $700

Increase in Assets Deployed to Diverse Managers over 2 years: 367%
SVCF Investment Manager Diversity

**Diverse Managers at SVCF**

167% INCREASE

From 3 to 6 to 8 over 2013, 2014, 2015. More recommendations by our consultant resulted in more mandates to diverse managers at SVCF.

**SVCF Investment Strategies**

TOTAL $139 MILLION

- 33% Fixed Income
- 25% International Equities
- 16% U.S. Equities
- 14% Cash Deposits
- 7% Private Assets
- 5% Hedge Funds

Mandates have been awarded across multiple asset classes.

**SVCF Assets Managed**

167% INCREASE

$52 MILLION TO $139 MILLION

As a result of these efforts, diverse managers managed $139 million of SVCF’s assets in 2014, up 167 percent from 2013.
### SVCF Diverse Managers in 2016

<table>
<thead>
<tr>
<th>Manager</th>
<th>Asset Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ariel</td>
<td>U.S. Equities</td>
</tr>
<tr>
<td>Boston Common</td>
<td>International Equities</td>
</tr>
<tr>
<td>Garcia Hamilton</td>
<td>Fixed Income</td>
</tr>
<tr>
<td>Standard General</td>
<td>Hedge Fund</td>
</tr>
<tr>
<td>DBL Partners</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Lizard</td>
<td>International Equities</td>
</tr>
<tr>
<td>Brightwood</td>
<td>Private Credit</td>
</tr>
<tr>
<td>Weathergage</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Grain Capital</td>
<td>Private Equity</td>
</tr>
<tr>
<td>Kabouter</td>
<td>International Equities</td>
</tr>
</tbody>
</table>

*The table lists managers who invested $118 million with women and minority managers.*
Take Action!

1. **ASSESS** your current level of manager diversity

2. **DISCUSS** with board, investment committee, staff, consultant

3. **COMMIT** to increasing diversity and inclusive practices

Demonstrate your commitment by signing

**The Investment Manager Diversity Pledge**

www.abfe.org
Ask Your Investment Consultant to Report Three Key Metrics Annually:

1. Number of managers researched and the portion that were minority- or women-owned.

2. Number of managers recommended to all clients and the portion that were minority- or women-owned.

3. Number of managers hired by all clients and the portion that were minority- or women-owned.
Demonstrate Commitment, Sign the Diversity Pledge:

1. CEO/Board commitment to inclusive investment practices
2. Engage trustees, staff and consultant in importance of diversity and inclusive investment practices
3. Hold investment consultant accountability to annual reporting:
   - Number of managers researched and portion that were MWBE
   - Number of managers recommended and portion that were MWBE
   - Number of diverse managers hired and portion that were MWBE
4. Expand your manager network, actively engage with prospective managers and provide constructive feedback
5. Share your story with other foundations and investment professionals

MWBE = minority or woman owned business enterprise
Paul Velaski  
Chief Financial Officer  
- 20+ years in nonprofit management and accounting  
- BS Accounting, University of North Dakota  
- Arthur Andersen, First Bank System Inc.  
- Arizona Community Foundation, Make-A-Wish Foundation, Special Olympics

Bert Feuss  
Senior Vice President, Investments  
- 30+ years in investments and business administration  
- MBA, Golden Gate University  
- BS, University of California, Davis

Elaine Orr, CFA  
Director, Investments  
- Institutional asset management and product research and development  
- Bachelor of Commerce and Business Administration, Major in Finance, University of British Columbia

Lily Steinbach  
Investments Officer  
- Acquisition finance and debt origination  
- Strategy and operations consulting  
- BS Economics & Finance, New York University - Stern School of Business

Wern Chang,  
Investments Associate  
- Program marketing, project management  
- BS Marketing and Management, Upper Iowa University
Colonial Consulting, LLC is based in New York and registered with the Securities Exchange Commission as an investment advisor. The firm was founded in 1980 with the objective of providing investment consulting services primarily to the endowment and foundation community.

Colonial was retained by SVCF in 2007 and successfully rebid and extended the relationship in 2014.

Amita Schultes, Ph.D.
Managing Director
Colonial Consulting
Ph.D. in Finance/Applied Management
MS Financial Markets/Trading, MS in Economics
Walden University/ University of Illinois
18 years in investment industry

Mike Miller, CFA
Managing Director
Colonial Consulting
Masters in Statistics
Columbia University
28 years in investment industry
U.S. Foundations: Investing in Diverse Asset Managers
The Topic is Timely!
U.S. Foundations: Investing in Diverse Asset Managers
Emerging Themes from the Study

Here’s What We’re Finding:

- Leadership & Sponsorship at the highest levels of the organization, including the Investment Management Division
- An organization Culture that values and promotes Diversity & Inclusion, and holds itself accountable
  - Hiring Practices within the Investment Division that reflect this
  - Address the ‘clubby’ nature of Investment Management within Philanthropy
- Concerted effort to collaborate with other Foundations on sourcing Diverse Managers and being ‘Active’ in the industry
  - What does it mean to be ‘active’?
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2016 Endowments & Finance Summit
September 28-30TH
New York, NY

Registration open NOW at
www.cof.org/EFSummit
Summit Goals

• Engage in discussions about effective solutions to current foundation financial management challenges;
• Hear from financial services industry experts on key trends, important data and new and emerging best practices; and,
• Engage with their peers to share lessons learned regarding investment policy, strategy, risk management and governance.
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