



Pledge for Success

Engaging Diverse Asset Managers

June 21, 2016

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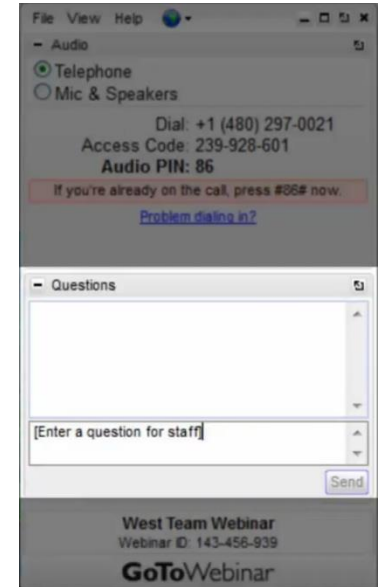
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Pledge for Success: Engaging Diverse Asset Managers



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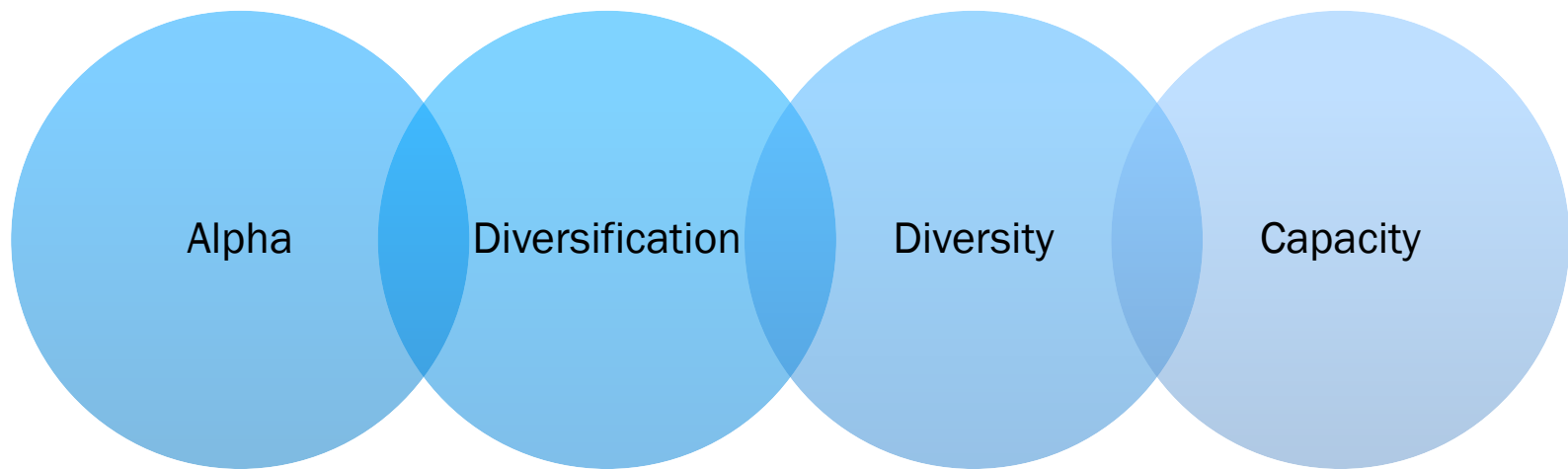




PLEDGE FOR SUCCESS: ENGAGING DIVERSE ASSET MANAGERS

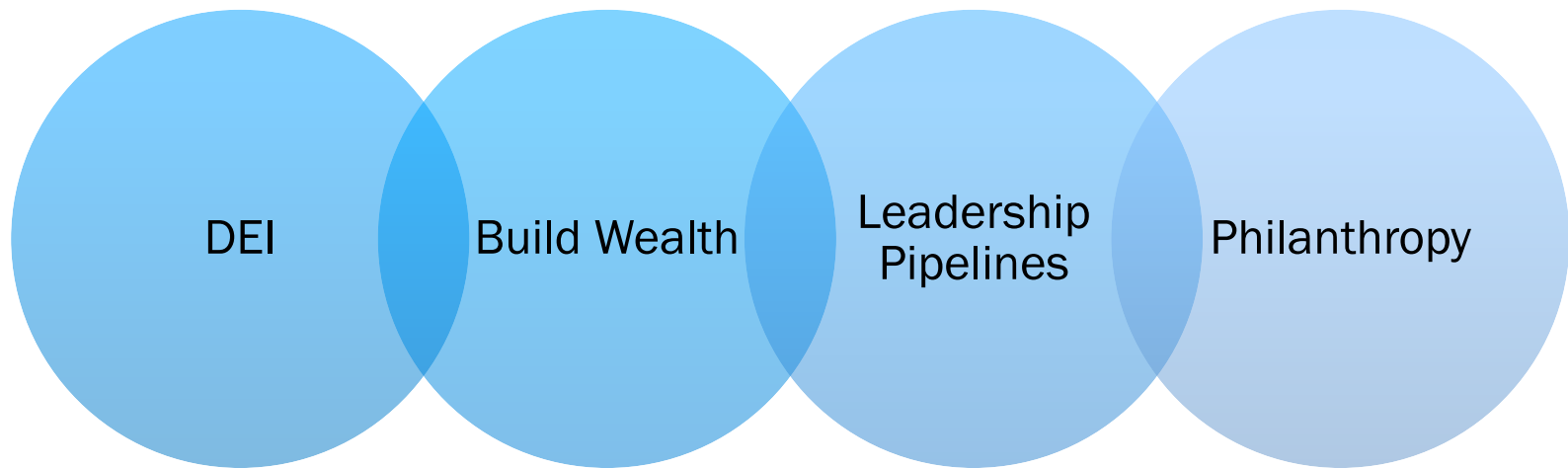
JUNE 21, 2016

WHY DIVERSE MANAGERS?



SOURCE: WHITE, THURMAN. (2012).
CASTING A WIDER NET: FOUNDATION
AND ENDOWMENT MANAGER ROUNDUP

WHY DOES IT MATTER?



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

RESOURCES




Foundation Investment Management Practices:
Thoughts on Alpha and Access for the Field

Investment Manager Diversity The Hardest Taboo to Break



February 2014


By Emmett D. Carson, Ph.D., Chief Executive Officer, Silicon Valley Community Foundation
& Michael Miller, Managing Director, Colonial Consulting, LLC



Who Manages The Money?

A case study of the W.K. Kellogg Foundation
By Thurman V. White, Jr. in cooperation with
ABFE: A Philanthropic Partnership for Black Communities
September 2014

PROGRESS INVESTMENT MANAGEMENT COMPANY




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

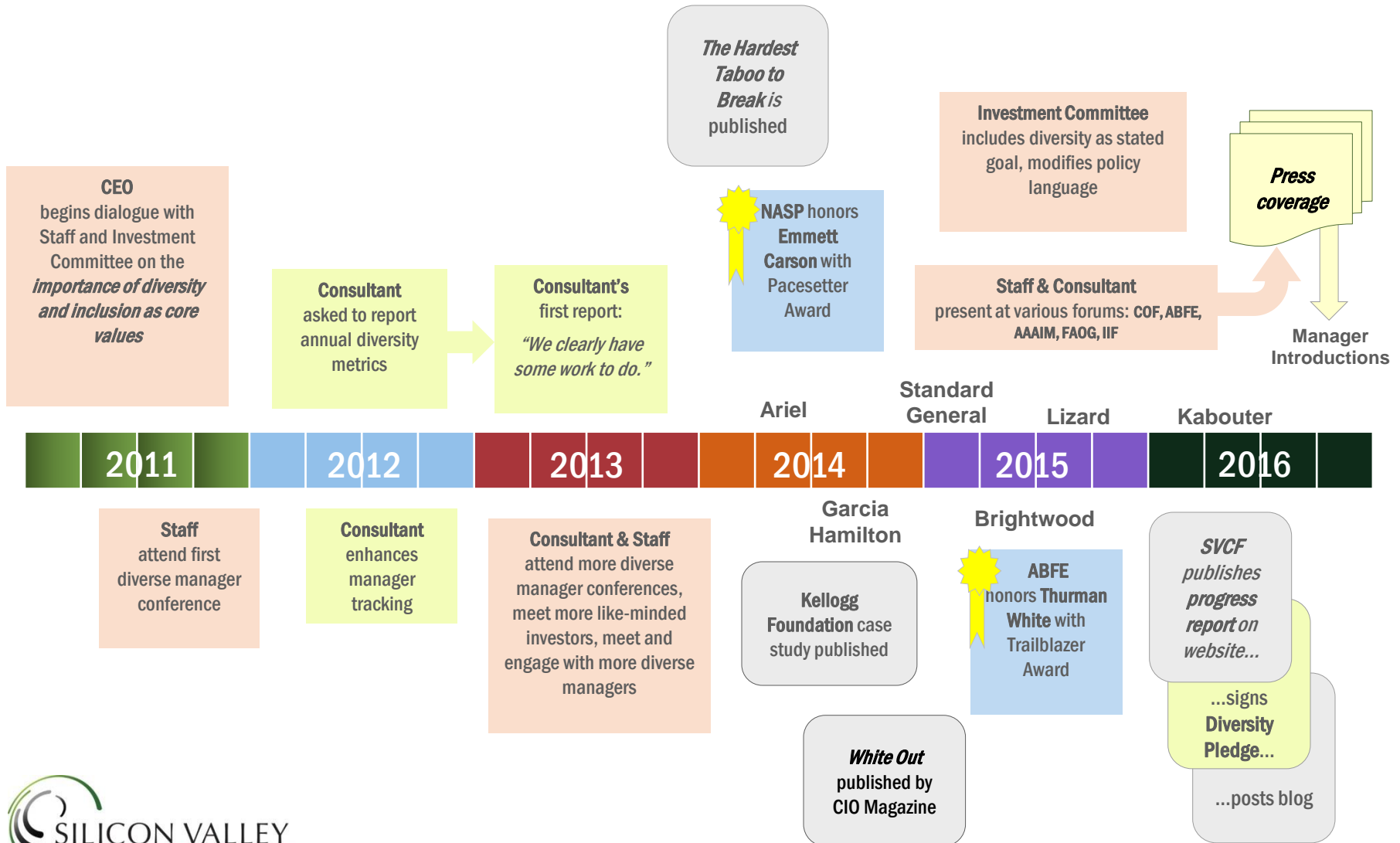
Council on Foundations
June 21, 2016

Presented by:
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Elaine Orr, CFA, Director
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SVCF Path to Engaging Diverse Managers



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.***

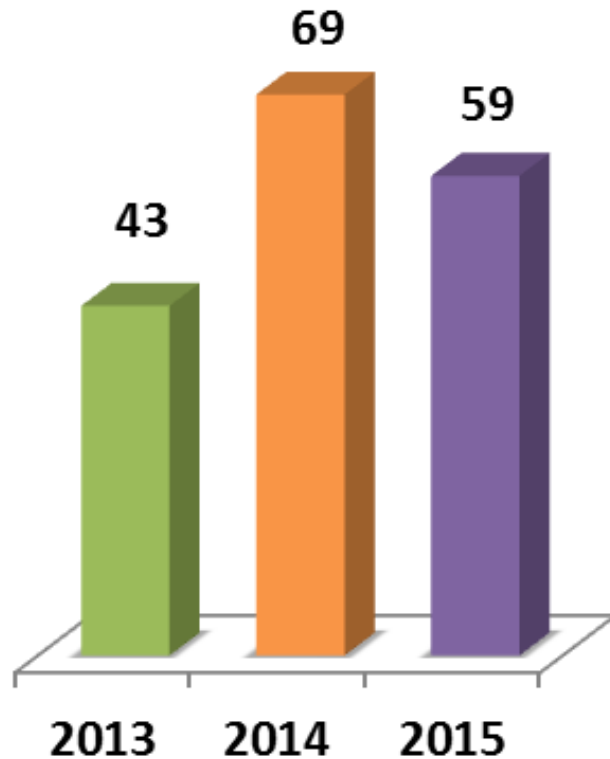
**Progress Investment Management Company definition*

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:

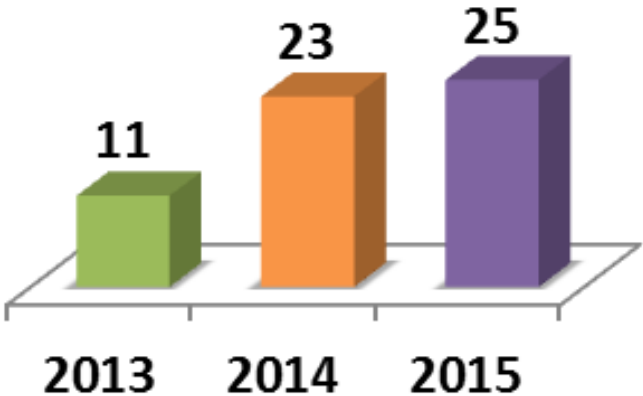


18%
of First Time
Manager Meetings in
2015 were with
Diverse Managers



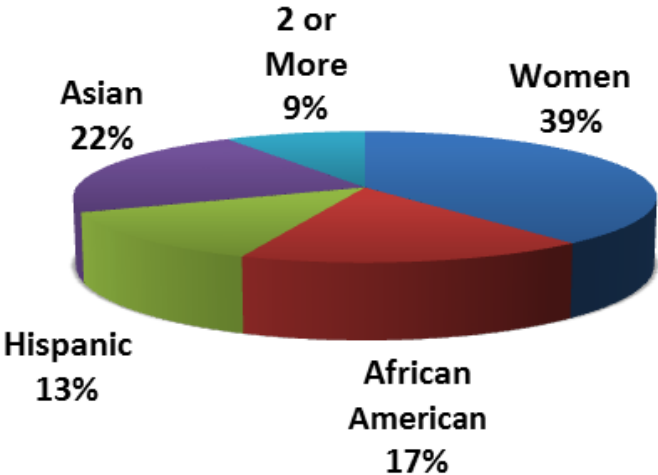
Investment Consultant Engagement

Number of Diverse Manager Recommendations:



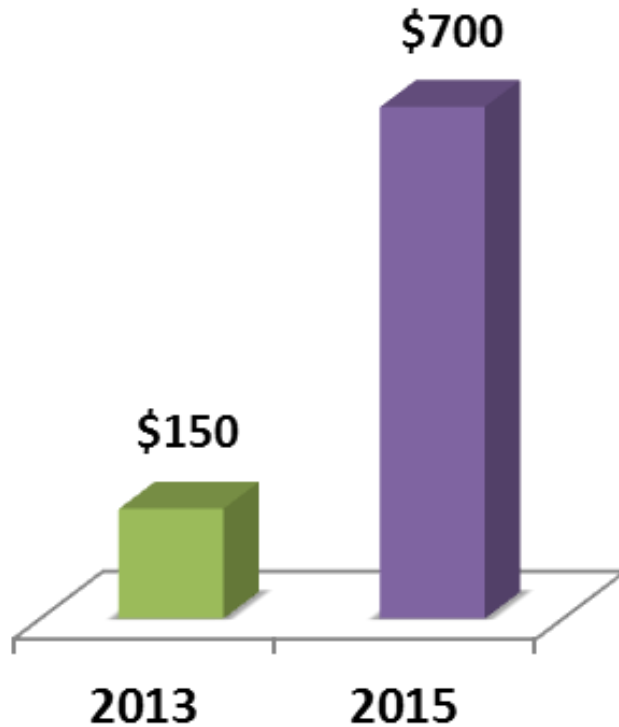
78% **88%**
Percent of Recommendations
Hired by Clients

Diversity of Manager Recommendations:



Investment Consultant Engagement

Assets Deployed to Diverse
Managers (millions):



367%
Increase in Assets
Deployed to Diverse
Managers over
2 years

SVCF Investment Manager Diversity

Diverse Managers at SVCF

167%
INCREASE

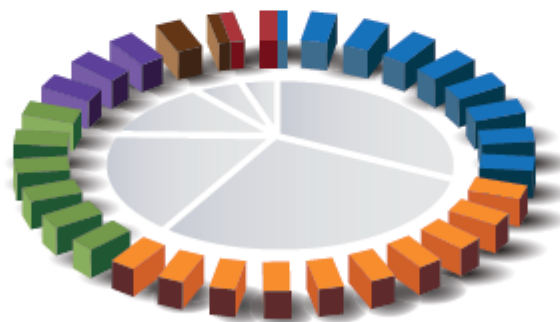


From 3 to 6 to 8 over 2013, 2014, 2015. More recommendations by our consultant resulted in more mandates awarded to investment managers at SVCF.

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

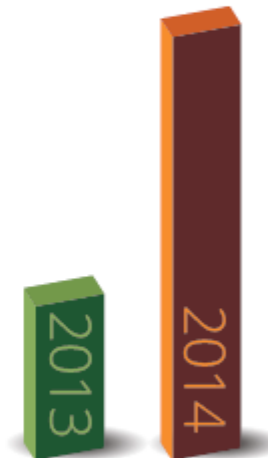


Mandates have been awarded across multiple asset classes.

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

Manager	Asset Class
Ariel	U.S. Equities
Boston Common	International Equities
Garcia Hamilton	Fixed Income
Standard General	Hedge Fund
DBL Partners	Private Equity
Lizard	International Equities
Brightwood	Private Credit
Weathergage	Private Equity
Grain Capital	Private Equity
Kahouter	International Equities

**\$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:

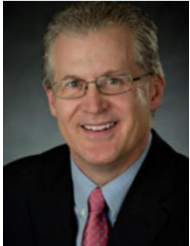
1. Number of managers researched and the portion that were minority- or women-owned.
2. Number of managers recommended to all clients and the portion that were minority- or women-owned.
3. Number of managers hired by all clients and the portion that were minority- or women-owned.

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

Investment Team



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

Investment Consultants

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

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U.S. Foundations: Investing in Diverse Asset Managers
June 2016



LP SOLUTIONS

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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COUNCIL *on* FOUNDATIONS

Questions?

*with support from the Education Partner for the
2016 Endowments and Finance Summit*

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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