DIVERSE
ASSET MANAGERS
INITIATIVE

Annual Investment Consultant Survey

2019

"... the choice or not by investment consulting firms to diversify their own senior staff is probative, so we measure and report that."

Foreward

Foreward.

A word from Robert Raben, DAMI Executive Director

The Diverse Asset Managers Initiative (DAMI) exists to improve allocations to asset management firms owned by people of color and women. The Initiative is working, albeit too slowly.

DAMI understands that asset management is driven by data. We have undertaken to unearth a surprisingly opaque data set; the number of minority and female employees at the nation's leading investment consulting firms.

While it is true, and required, that white people who own or manage investment consulting firms can allocate to minority owned firms, the choice or not by investment consulting firms to diversify their own senior staff is probative, so we measure and report that.

This is our second annual survey, and we thank the participating firms who gave their time, data and commitment. We value your partnership.

The data was clear, there is a noticeable change with respect to the concrete deployment of tactical efforts by firms to improve their allocation distribution to people of color and women. Our analysis outlines these important efforts to diversify this space.

But the most important finding is that the majority of significant firms declined to report their numbers at all, which makes investment consulting a noticeable outlier among American companies. It is normal, even standard procedure, for companies to make public their demographic numbers; that the majority of investment consulting firms decline to do so is troubling, and means our work is cut out for us.

We know that most of the firms track their numbers, and are reporting - either to the EEOC, or to the growing number of clients who are asking. It is only a matter of time before the firms just make the numbers public, we just aren't there yet.

Today we share with you the results of our second annual DAMI Investment Consultant Report, a visual representation of this year's survey results of diversity within America's top investment consulting firms.

In our first year, this instrument provided us with a much better picture of who actually manages the money that represents the endowments of major universities and foundations, as well as the hard earned pensions of the nation's retirees held as a promise by corporations and municipalities. The firms that participated in the survey both last and this year share our willingness to understand the level of diversity within their organizations and within the field as a whole. To that end, we have also seen these

firms take real strides towards a more inclusive culture over the past year:

- NEPC adopted an official diverse investment manager policy
- Verus hosted its dedicated emerging and diverse manager diligence days and created their own emerging and diverse manager survey to provide insight into various aspects of running a diverse owned firm
- Colonial and SEO held their annual Breakfast Connections event focusing on diverse asset managers
- Commonfund launched a dedicated MWBE Manager Portal
- Wilshire's "Diverse Owned Manager Initiative: Year in Review," which detailed their progress since issuing a requirement to include a diverse owned firm in every public securities manager search conducted for advisory clients.

In addition, NEPC, Verus Investments, Colonial Consulting LLC, Commonfund, and Wilshire Associates Incorporated, have sought to increase their own diversity with direct hires or the creation of positions focused on diversity showing that diversity is a growing priority to the firm.

This year's survey yielded nine responses, and we want to thank those investment consulting firms for their new or continued participation. We truly believe that understanding diversity internally is key to understanding the lack of diversity within the field of asset management, and these firms' willingness to participate shows a continued commitment to reversing that trend.

As always, the goals of DAMI are awareness and change. While we are pleased to see the field changing for the better, there is a great deal of work that still must be done in order to ensure the most deserving firms are receiving asset allocations reflective of their talent level in comparison to the field.

Thank you to each of you that takes the time to read this work. Your continued engagement is not only helpful but paramount in building the groundswell needed to change the field as a whole. We remain optimistic about the future of diversity in asset management and we are elated to be playing a small role in moving that future forward. We look forward to your feedback and partnership as we work together on these important issues.

Introduction.

As a result of consultations with a variety of industry stakeholders in the asset management industry, DAMI has come to understand the particularly important role that investment consultants (ICs) play within the industry. They are often the sole source of asset management firms interviewed by institutional investors and have an outsized impact on whom a university, foundation, public pension, or corporation chooses to manage their assets. With diverse-owned firms currently managing only approximately 1.1 percent of more than $71.4 trillion in assets in the U.S., there remains much to be done in order to address the issue of underutilization of managers of color.

Therefore, through this first-of-its-kind survey, DAMI hopes to gain a greater understanding of how diversity is incorporated into investment consulting practices. With this information, DAMI, institutional investors, and investment consultants will be better positioned to implement strategies and tactics to transform the culture of the asset management industry around the issue of diversity in order to reach optimal performance results.

This is DAMI's second time publishing the results of this survey and the beginning of the establishment of a baseline and recurring set of data to serve as a foundation for future progress. We thank the investment consultants who returned to participate in this second survey for their work and commitment to this cause, and we look forward to continuing to collaborate to the benefit of all actors in the asset management industry. We also thank the new participants and hope they can share the benefits of this self-inquiry with their greater cohort.

Like all nascent efforts, this survey instrument will require changes over time, as participants and others inform us of more precise or useful questions to ask, and as we discover improved methods for displaying the data. We welcome your input.

About the Diverse Asset Managers Initiative (DAMI).

About the Survey

The Diverse Asset Managers Initiative is a nonprofit campaign to increase the absolute number of, and assets under management (AUM) by, diverse-owned asset management firms for institutional investors, with specific focus on public, corporate, faith and labor union pension funds, as well as foundation and university endowments.

We advocate on behalf of financial services professionals, institutional investors, corporate and philanthropic board members and trade associations committed to raising awareness among institutional investors about the benefits and opportunities of investing funds with diverse-owned asset management firms. From the perspective of DAMI, the quest for diversity in asset management is, first and foremost, an issue of performance. Improved utilization of diverse-owned asset management firms also strengthens performance for investors.

DAMI

The Diverse Asset Managers Initiative (DAMI) is fundamentally committed to increasing the absolute number of, and assets under management by, diverse-owned asset management firms.

Diverse-owned firms perform just as well as non-minority firms and, in some cases, there are a number of top-performing diverse-owned funds that are top quartile. Despite their performance, the fact remains that diverse-owned firms are still seriously underutilized. The lack of utilization does not stem from performance measures. We know this is true because of research started by the Knight Foundation and Bella Research, and now echoed in other reports. However, of the $71.4 trillion in assets in the United States, less than 1.1 percent is managed by diverse-owned firms. Therefore, it is in the best fiduciary interest of trustees and those who manage funds to address this issue of diversity in asset management.

Executive Summary.

Getting Started

The second annual DAMI Investment Consultant Survey focused on more than 30 of the largest investment consulting firms (ICs) to gain deeper insight into the representation of women and racial or ethnic minorities at the largest ICs in the United States – not only in their leadership internally, but also in the inclusion of minority and women-owned asset management firms in their searches for clients. Additionally, the survey asked for information regarding the ICs record-keeping of diverse hires, both internally and in searches for clients. Specifically, the survey requested demographic data on each ICs staff (research and non-research), management, and search methodology.

Hiring Practices

We requested responses from more than 30 of the largest ICs in the U.S. and received responses from nine. We would like to thank the following firms for participating:

- Callan LLC
- Colonial Consulting, LLC
- Commonfund
- Marquette Associates
- Meketa Investment Group
- NEPC
- Perella Weinberg Partners Agility
- Verus
- Wilshire Associates Incorporated

The survey is voluntary and self-administered. Participating firms agreed to share their responses publicly through this report. We look forward to continuing to collaborate with the industry. Those who were invited but did not respond to the survey include:

- Ameriprise
- AndCo Consulting, LLC
- Aon Hewitt
- Asset Consulting Group
- Cambridge Associates
- Cammack LaRhette Advisors, LLC
- Captrust
- Cardinal Investment Advisors, LLC
- Financial Engines Advisors
- Hamilton Lane
- LCG Associates
- Mercer
- Morningstar Investment Management
- Northern Trust Investments
- Rocaton Investment Advisors, LLC
- Rock Creek Group
- Russell Investments
- RVK
- SageView Advisory Group, LLC
- Segal Marco Advisors
- SEI Institutional Group
- TorreyCove Capital Partners LLC
- The Townsend Group
- Wells Fargo Advisors LLC
- Willis Towers Watson

Key Findings.

The findings of the survey, in many ways, are microcosms of the struggles women and people of color continue to face in America. The lack of access for minority communities and the unwillingness of those in power to provide necessary transparency is directly juxtaposed with a growing minority who believes that issues of race matter, that talented people of color exist and should be utilized, and that these issues can be addressed without sacrificing performance.

Throughout the seventy plus questions on the survey we sought to discover not only the internal diversity demographics of participating firms, but implemented mandates and the active efforts to ensure that the lack of diversity in investment consulting is directly addressed. We understand that most firms are not starting from an ideal place but we wholeheartedly believe that transparency is the starting point, not perfection. Moreover, DAMI is an initiative built on partnership. Inherent in our charge is our commitment to work with you to achieve success.

While there is much work to be done, it is important to shine a light on the incredible progress being made by those consulting firms who continue to push the needle and move the space forward. These firms are pioneers and thought leaders in their approach to diversity and finding the best possible asset management firms for their clients. The findings reflect their strides. Moreover, these firms are best positioned to reap the benefits of a nation with changing demographics. This industry lives and dies by numbers. The greater investment community that places their trust in these firms seeks the best results on behalf of foundations, endowments, municipal workers, and many other hardworking communities. It therefore must reflect them.

A remarkable 100% of participating firms offer a diverse manager program.

Of the participating firms, 100% reported having a diverse manager program. A diverse manager program is one of the first steps in showing client's a firm's commitment to diversity. Diverse manager programs offer diverse firms a chance to work regularly with the same investment consultants, learning their diligence processes and how to make themselves competitive during the research phase. We also know that investment consultants often return to high performing firms. So inclusion in diverse manager programs is key to continued exposure and business.

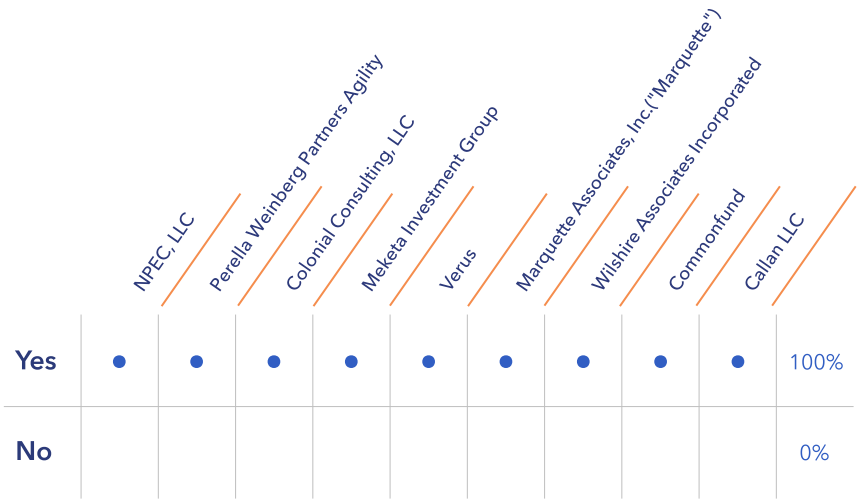
All of the participating firms regularly recommend diverse managers even when there is not a diverse mandate.

(See Figure 1)

Investment consulting firms are increasingly recommending diverse managers without a diverse mandate because diverse firms are

FIGURE 1
Does your firm have a diverse manager program?

FIGURE 2
Have you discussed diversity in asset management with your clients to educate, learn their viewpoint, seek direction?



performing at or above the level of their peers, while offering new approaches to investing. The increased number of recommendations comes on the heels of research from the Knight Foundation study with Harvard and the Stanford University study with Illumen Capital. Both studies identified underutilization of high performing women and people of color. Simply put, there is a real financial value to investing with diverse asset management firms. A small but growing cohort is starting to take action, indicating a real interest from clients and creating the opportunity to further cultivate the pool.

All of the firms who participated in the survey have clients with mandates for diverse asset manager allocations. (See Figure 2)

Client mandates for diversity show a level of institutional buy-in that is brand new in this field. Far too often investment consulting firms were allowed to make recommendations based on

their own criteria and the institutional partners were expected to rely on their expertise. These mandates show an increased level of savvy and awareness about what exactly investors want from their asset managers. Moreover, it demonstrates their willingness to demand that their investment consulting firms are doing everything possible to meet their fiduciary responsibility.

All of the respondents participate in conferences.

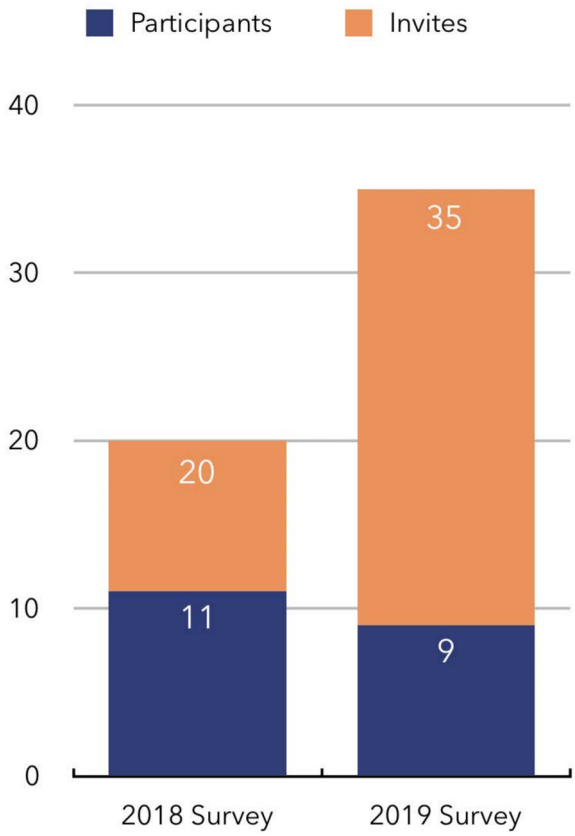
The firms who are working hard to find and include talent are investing in this process through attendance at diverse conferences around the nation. Of particular note, participants highlighted the following conferences: Toigo, NASP, NAIC, Opal, NAA, and Grosvenor. Their participation is a reminder that there is not an access problem, when prioritized. There are talented women and people of color throughout the country and investment consultants know where to find them.

Conferences Attended

100 Women in Finance
2020 Women on Boards National Conference
Accelerate Investors
Annual Conference
Association of Asian American Investment Managers
Beyond Talk
Bloomberg Equality Summit
CALPERS Diversity Summit
CFA Institute's Diversity and Inclusion Conference
Consortium 2019: Diverse and Women Managers Conference
Consulting Roundtable
Culture Shifting Weekend
Dallas Employee Retirement Fund Next Generation Manager Open House
DAMI
GCM Grosvenor Consortium (formerly RG + Associates)
High Water Women
KAYA
Kayo
MKE FELLOWS
NAA
NAIC
National Association of Securities Professionals
New America Alliance
New York State Common Retirement Fund (CRF) Emerging Manager & MWBE Conference
NYC Comptrollers
Omni Research
Opal Emerging Managers Summit
PEWIN
Robert Toigo Foundation
SBAI DAMI
SEO Alternative Investments
The Robert Toigo Foundation
Toigo
WAVE
WIIIN
WIP

Decrease in participation

With over 50% participation last year, we were excited to expand our database this year with more results, more participation, and more foundational numbers to build upon. Unfortunately, this was not the reality. Fewer than one-third of the firms invited to participate in the survey chose to do so. The unwillingness to make this information public continues to create questions around the investment consulting community and their commitment to allocating capital to high performing diverse managers.



What do the terms 'emerging' and 'diverse' really mean?

Of the nine firms that participated in the survey, we found nine definitions of the term emerging and seven definitions of the term diverse. These words have yet to gain consistent meaning throughout the industry and it means that diverse owned firms may struggle to get in the door consistently with investment consulting firms. It leads to confusion and frustration not only in the application process but also in the competition process. For instance, wholly diverse owned firms cannot be included in certain emerging programs if they exceed $1B, $2B, or $6B in AUM, while other firms can only be considered diverse if they are less than $2B in AUM even if they are wholly diverse owned. We see this as a tremendous low hanging fruit opportunity for the field.

It is our hope that the investment consultants start to provide some consensus around these terms moving forward to streamline the application process for all parties.

Examples of Emerging

- ✓ First or second institutional fund
- ✓ Registered Investment Advisors with less than $2 billion in AUM at the time of funding.
- ✓ Diverse and non-diverse managers who are raising Funds I-III and $2B or less AUM
- ✓ Public Mkts Mgr: Under $2bn in AUM, cant have exceeded $5 bn in firms life, and must not have been in business for more than 10 years. Private Markets: Under $5bn in Aum, raising its 1st, 2nd, or 3rd institutional fund.
- ✓ Firms with total AUM <=$3 billion
- ✓ Our definition is defined by client jurisdiction, the law and/or ownership
- ✓ AUM<$6B for fixed income, <$2B for equity, <$1B for alternatives
- ✓ Emerging managers have less than $1B AUM
- ✓ Firm's with less than $3 billion in assets under management

Examples of Diverse

- ✓ Firms wholly or partially owned by female, minority, veteran, disabled, or other diverse managers
- ✓ 50.1% or greater ownership by minorities or women.
- ✓ Women and ethnically diverse managers with $2B or less AUM
- ✓ Over 50% women or minority owned
- ✓ Firms that are at least 51% owned and controlled by women and/or minorities
- ✓ Our definition is defined by client jurisdiction, the law and/or ownership
- ✓ Women and minority ownership >50%
- ✓ Diverse managers have ownership of 33% or more and include EEOC definitions of diversity and women
- ✓ Firm's with less than $10 billion in asset under management that are majority owned by a minority, women or disabled person

Conclusion.

As the adage goes, progress is a slow process. While the asset management world is the epitome of that phrase, we are starting to see some progress. From diverse hires to client mandates to roundtable discussions with diverse firms, people are finding different ways to bridge the gap to diverse owned firms to start making allocations. Investment consulting firms are working harder to show their clients a more full slate of options. They're also getting to know the firms better through their own diligence days and educational conferences, building lasting relationships.

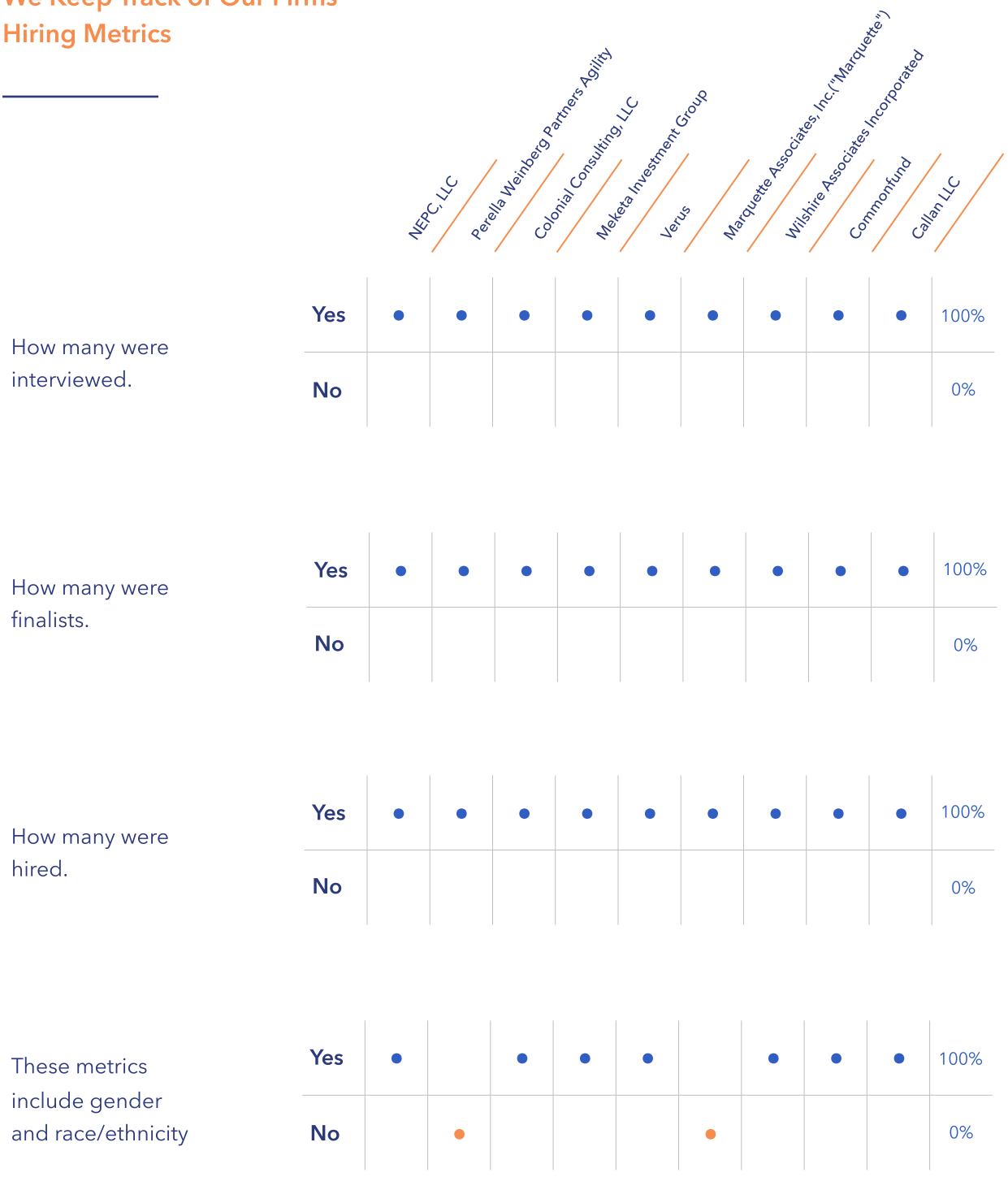
For firms that have yet to make diversity a priority, this progress is alarming, and evidenced by the increased reasons for not participating in the survey. Firms expressed concerns around privacy, use of the data, and the need for the survey at all. However, DAMI remains steadfast in our commitment to the need for transparency and data. We know that a numbers driven field will only move when the numbers dictate that they do so, which means we must create a baseline foundation and build, together, from that starting point.

2019 marked the first year of the House Financial Services Subcommittee on Diversity and Inclusion, a momentous occasion in our nation's financial history. Since its inception, this committee has shown a dogged determination to diversify America's wealthiest industry via hearings, roundtables, and direct discussion with firms and investors alike. We expect this pressure to continue to mount until the dam starts to crack for women and people of color. DAMI looks forward to continuing to work with the committee to both educate and move the needle on this very important work.

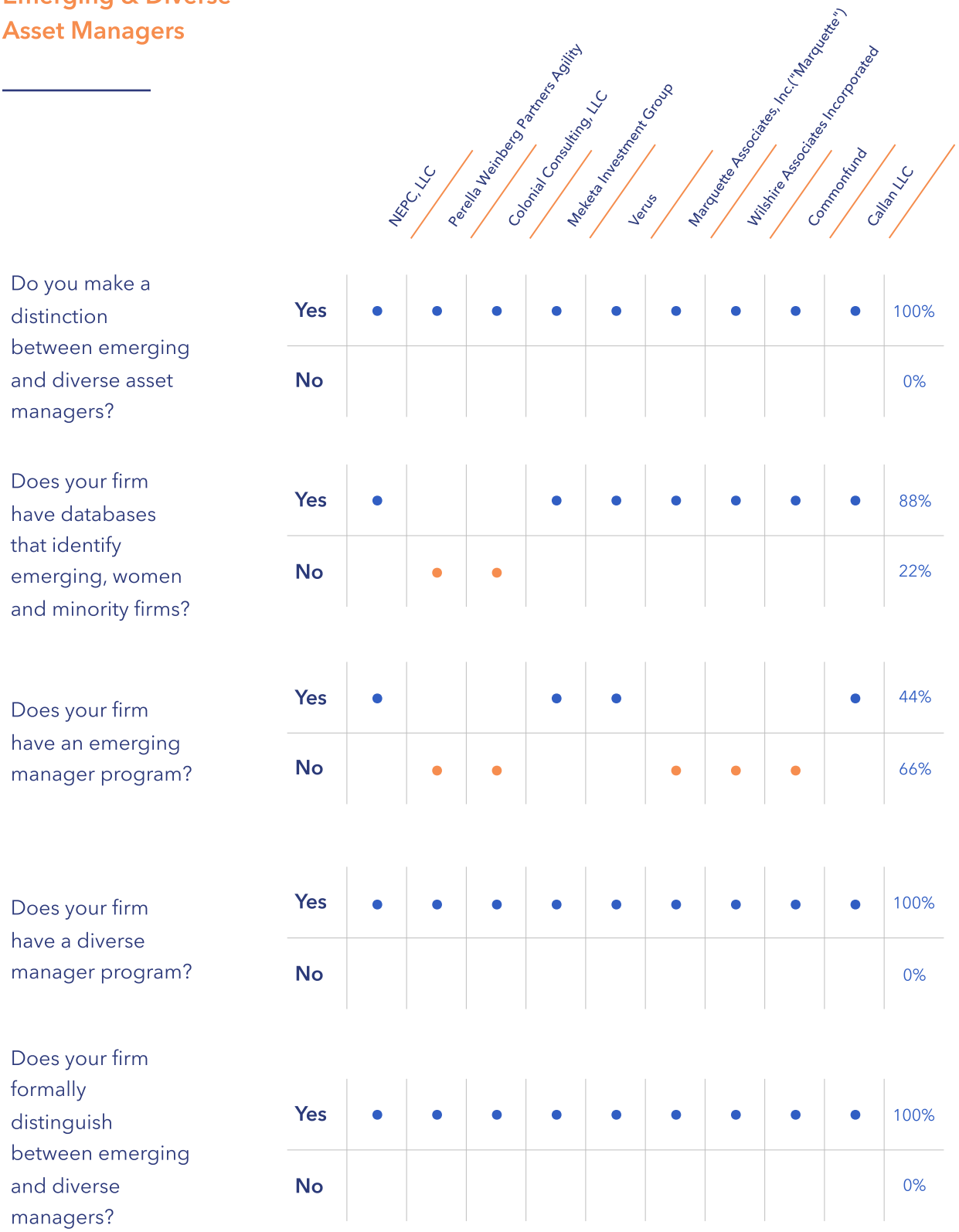
“Success will be achieved when there is common knowledge in the industry of the existence of numerous, high performing diverse-owned asset management firms and when they are valued and seamlessly considered by institutional investors.”

DAMI Fiduciary Guide

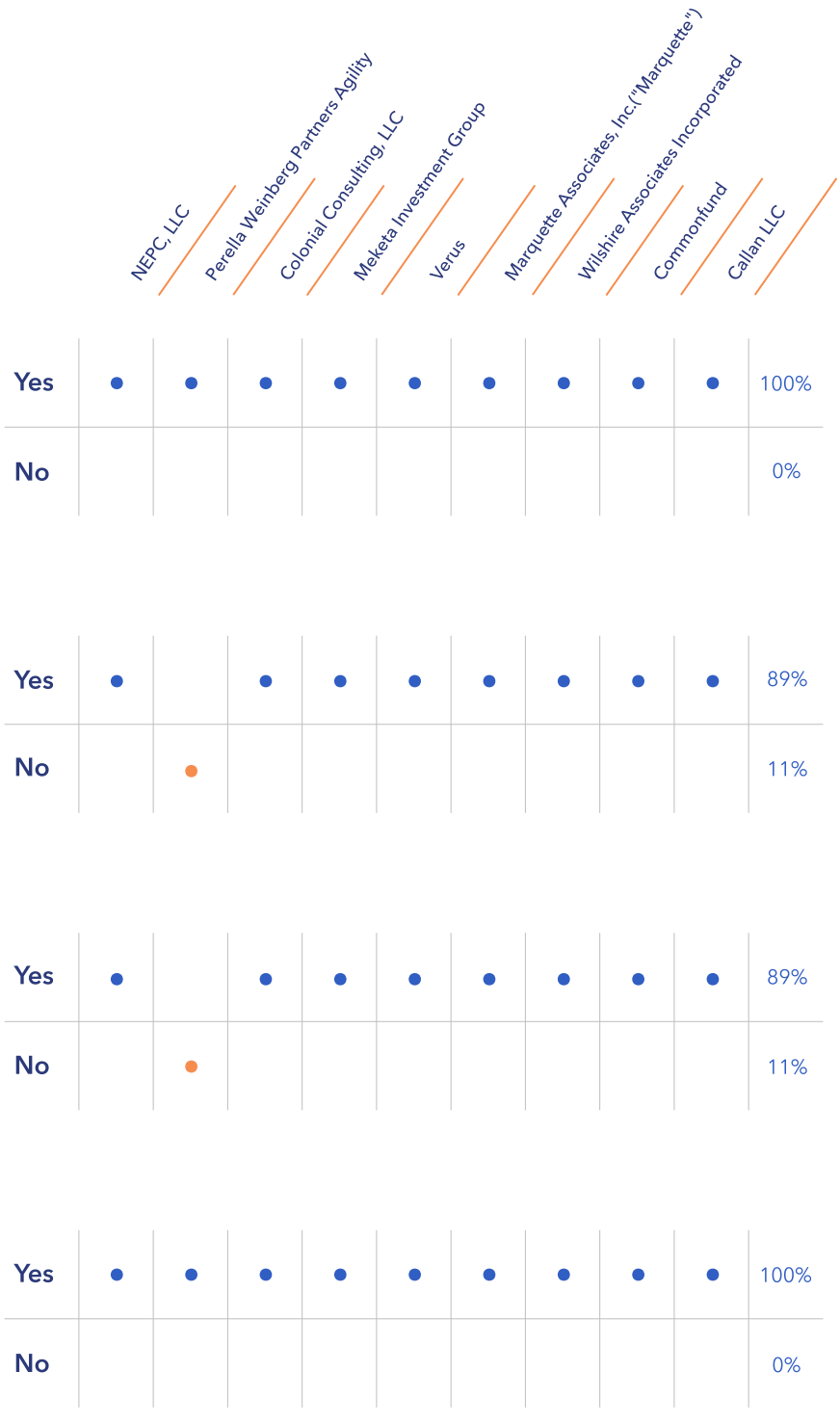
We Keep Track of Our Firms Hiring Metrics



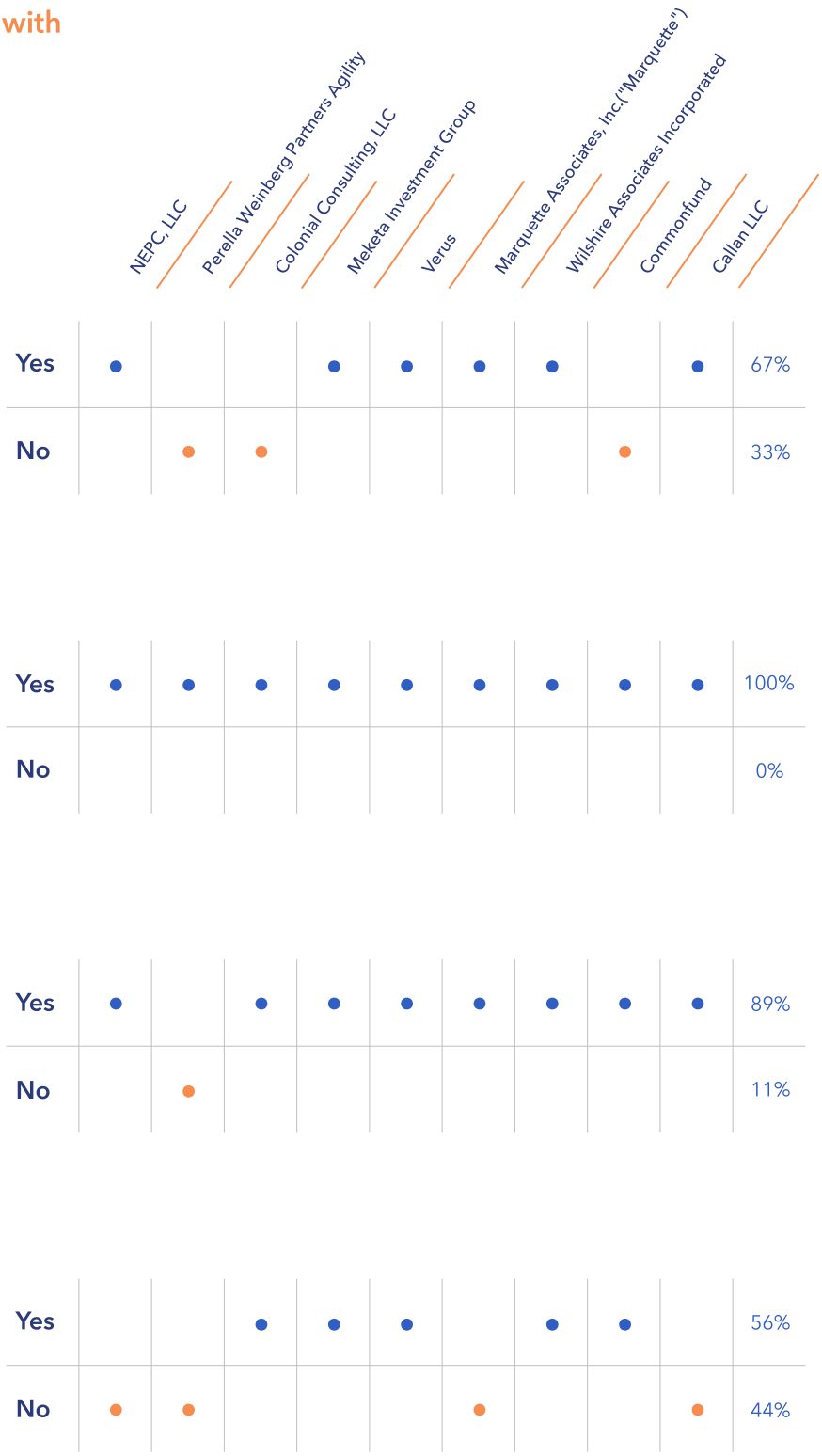
Emerging & Diverse Asset Managers



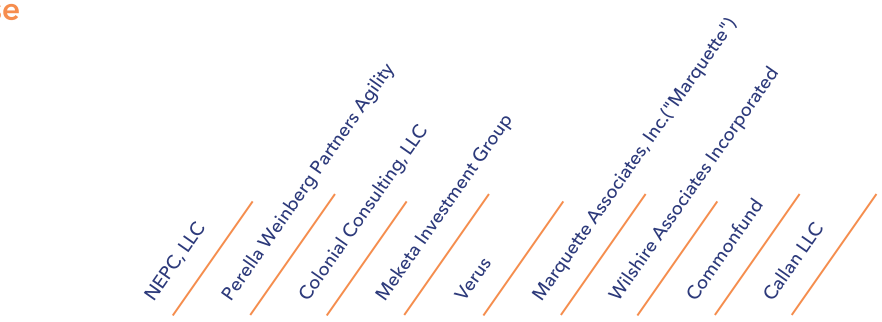
Emerging & Diverse Asset Managers



Discussion & Education with Clients



Events Targeting Diverse Managers

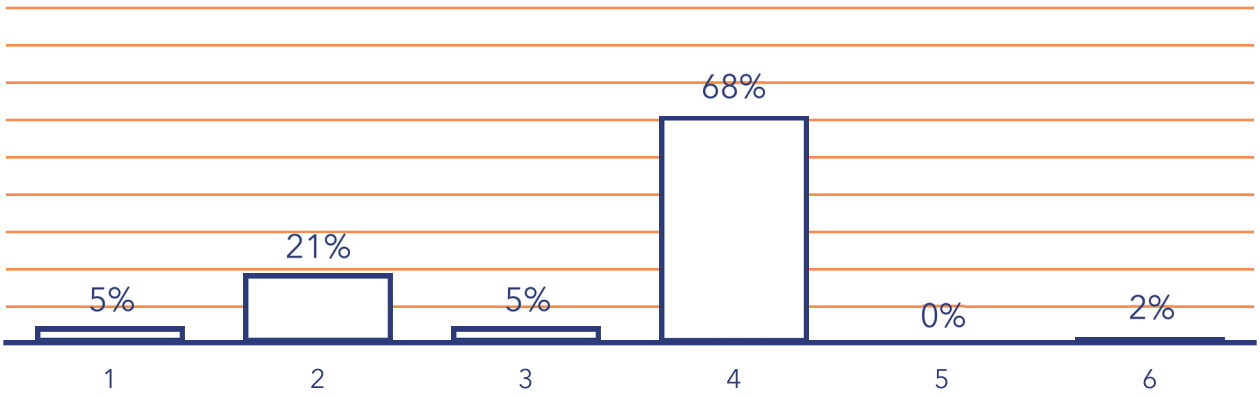


Does your firm annually host events specifically targeting diverse managers?	**Yes**			●	●	●	●	●	●	●	78%
	No	●	●								22%
Does your firm annually participate in events specifically targeted to diverse managers?	**Yes**	●		●	●	●	●	●	●	●	89%
	No		●								11%
Does your firm participate in conferences sponsored by trade associations/ organizations that work with women and minorities seeking to enter and/or advance in the investment industry?	**Yes**	●	●	●	●	●	●	●	●	●	100%
	No										0%

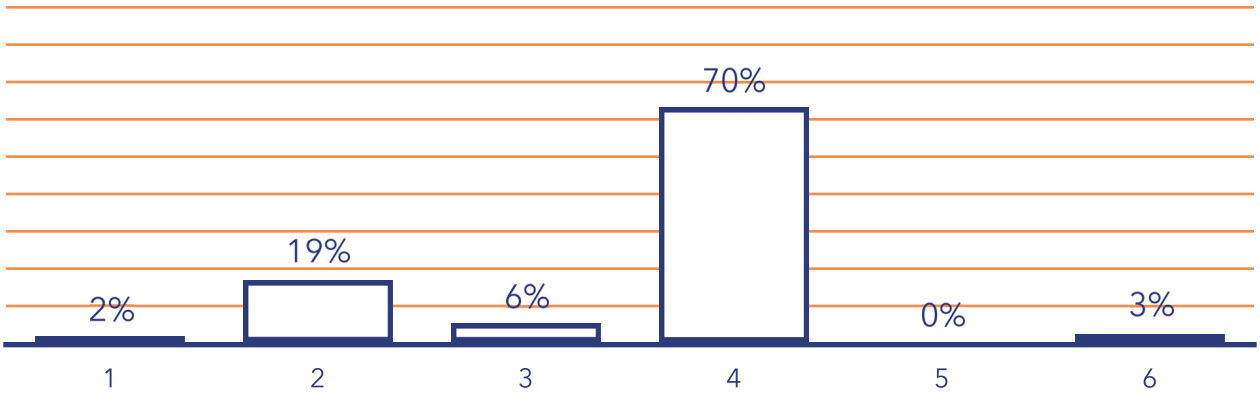
Comprehensive Findings.

Callan

Racial Representation in Entire Staff



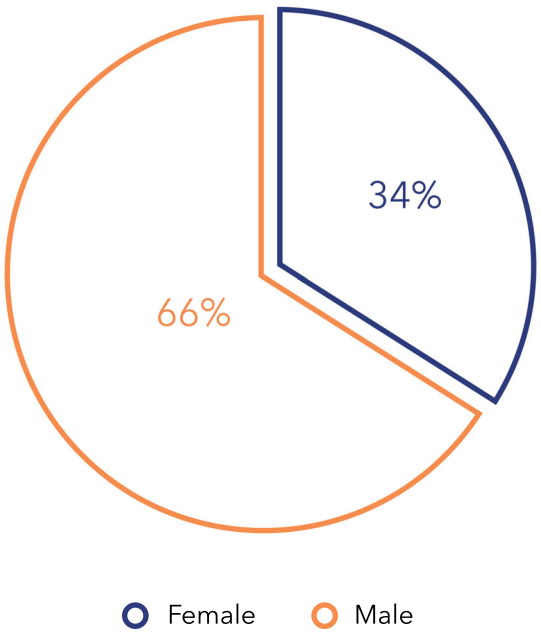
Racial Representation in Consulting + Research Staff



1 - African American/Black
2 - Asian/Hawaiian/Pacific Islander
3 - Latino/Hispanic
4 - White
5 - American Indian/Alaska Native
6 - Other

Callan

Gender Representation in Ownership



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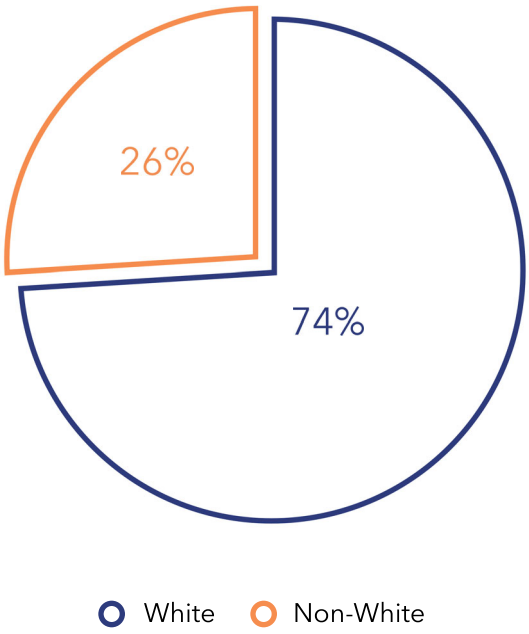

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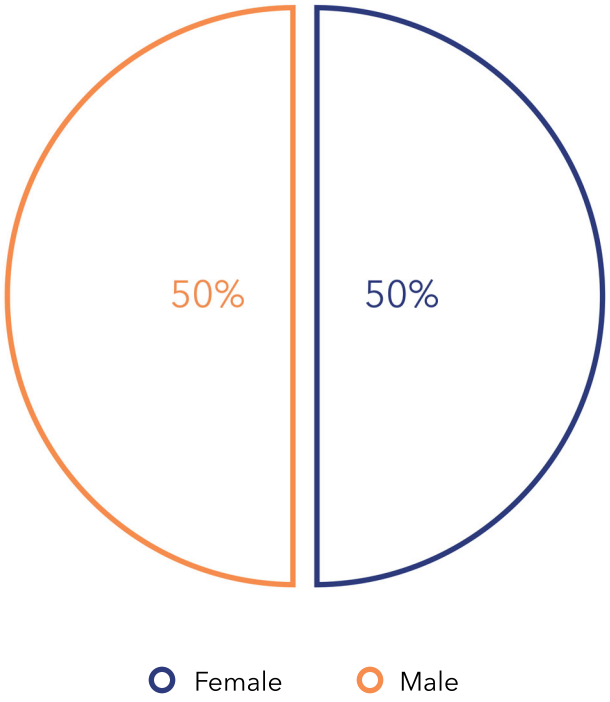
Gender Representation in Senior Management



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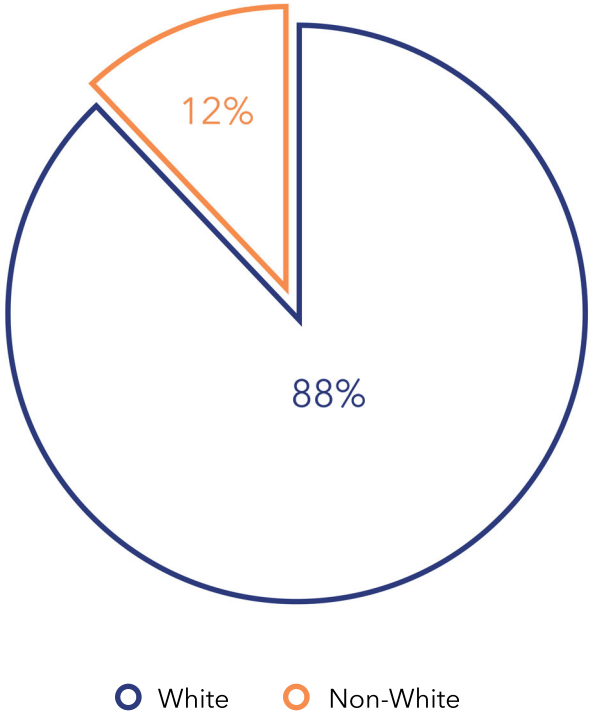

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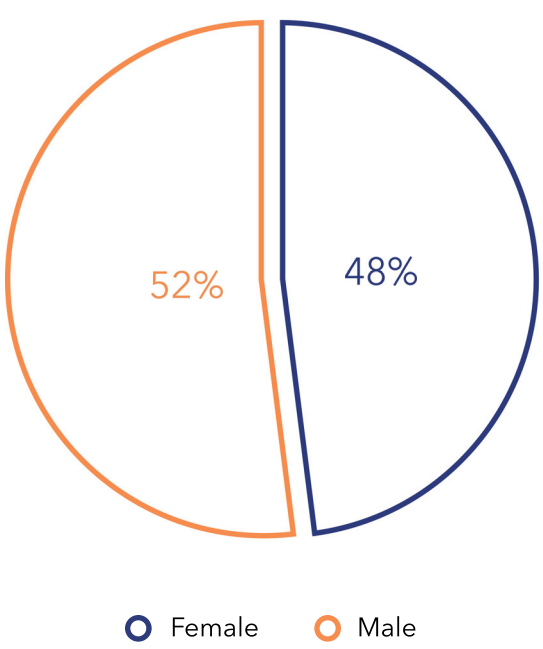
Gender Representation in Senior Consultants



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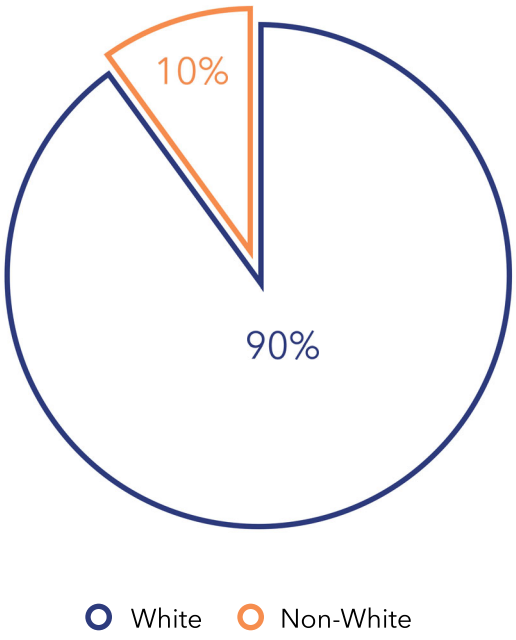
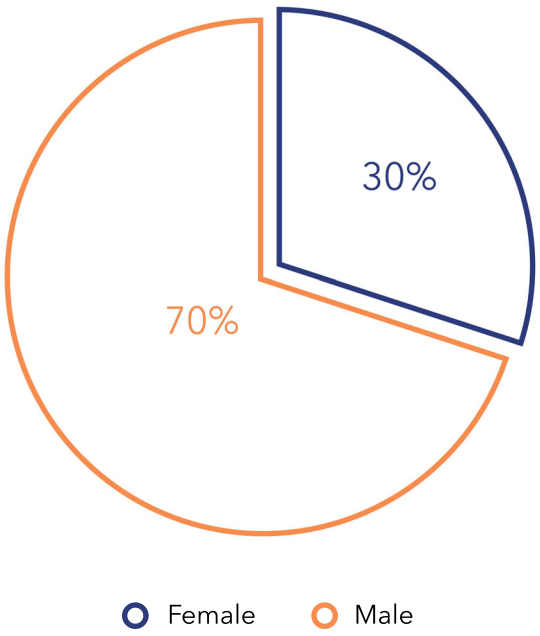


Callan

Gender Representation in Junior Consultants



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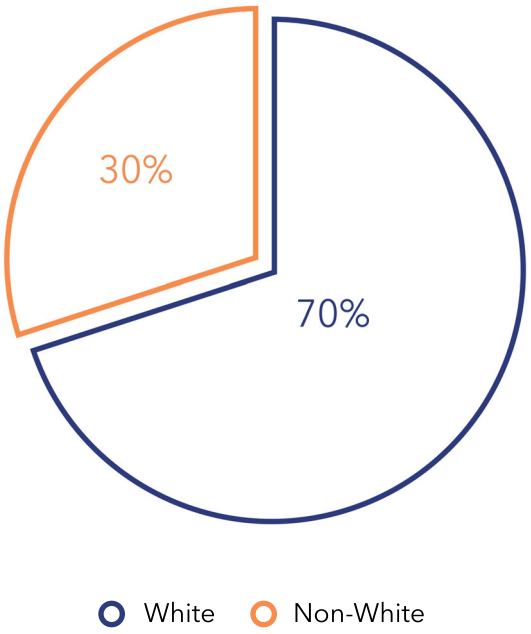
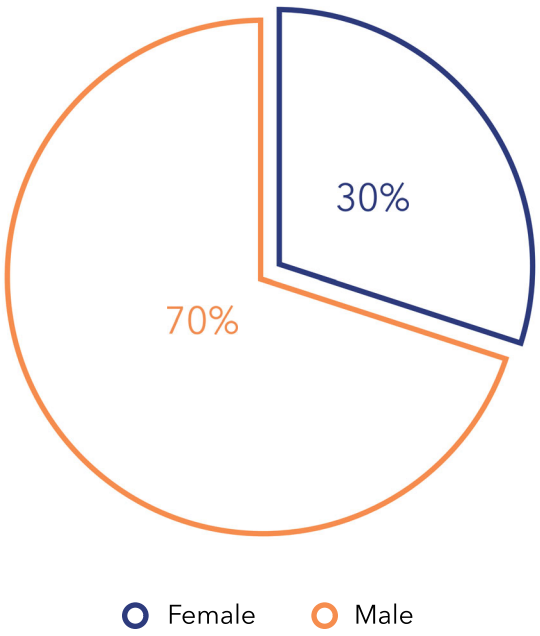


Callan

Gender Representation in Research Staff



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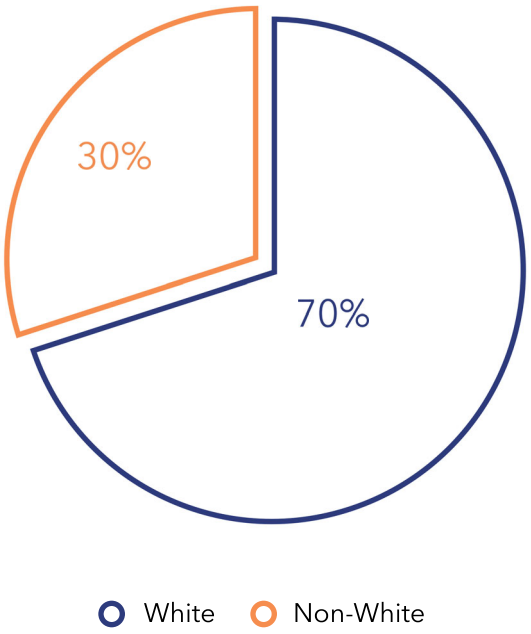


Callan

Research on diverse asset managers performance | • • •

The group has done research about historical performance metrics compared to benchmarks, peer groups and universes

The group has done research about portfolio diversification of the product compared to benchmarks and peer groups

The group has done research about simulated client portfolios with diverse managers, demonstrating risk/return metrics and holdings when one or several diverse managers are included in the portfolio.

Clients with policies in place regarding diversity | • • • • •

There is at least one client with a policy for diversity in a manager search.

There is at least one client with a policy for diversity in a manager selection.

There is no client with a policy for diversity regarding Rooney Rule adherence.

There is at least one client with a policy for an investment policy that addresses diversity policies.

There is at least one client with a long-term plan to diversify the portfolio with regard to the inclusion of diverse asset managers

Callan

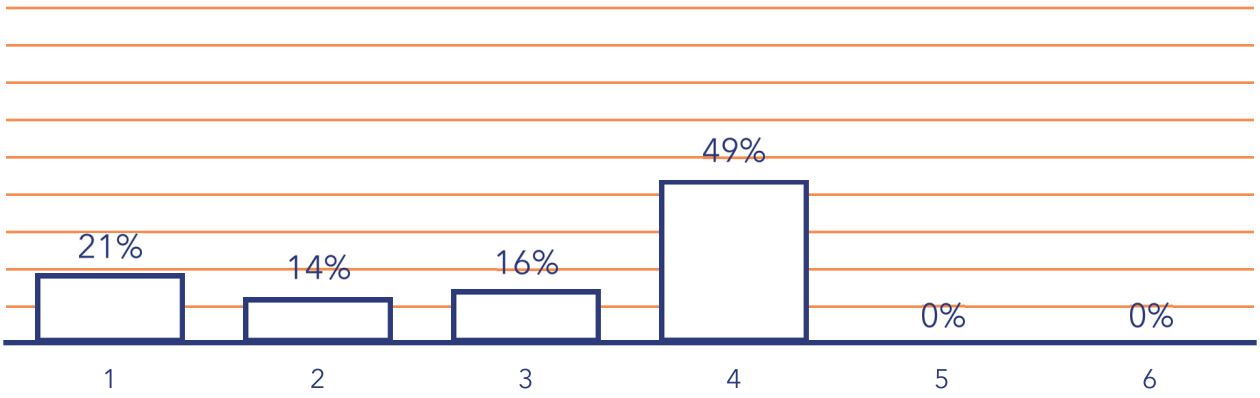
Promoting emerging and/or diverse manager programs | • • • •

- It is on the website.
- It is part of the "About Our Firm"
- It is included in all marketing and RFP responses as part of the description of the firm
- There is an identifiable contact.

Comprehensive Findings.

Colonial Consulting, LLC

Racial Representation in Entire Staff



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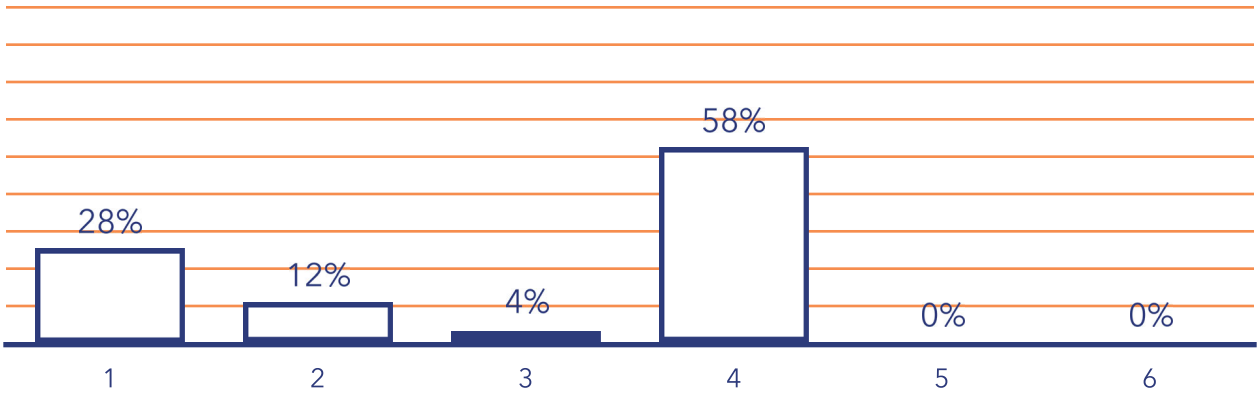

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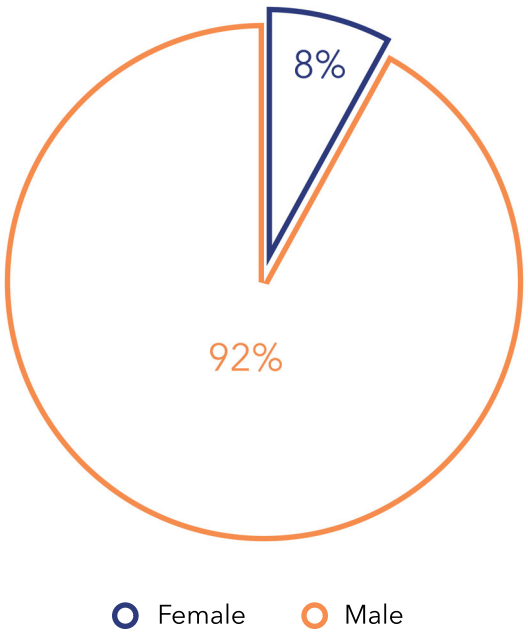
Colonial Consulting, LLC

Gender Representation in Ownership



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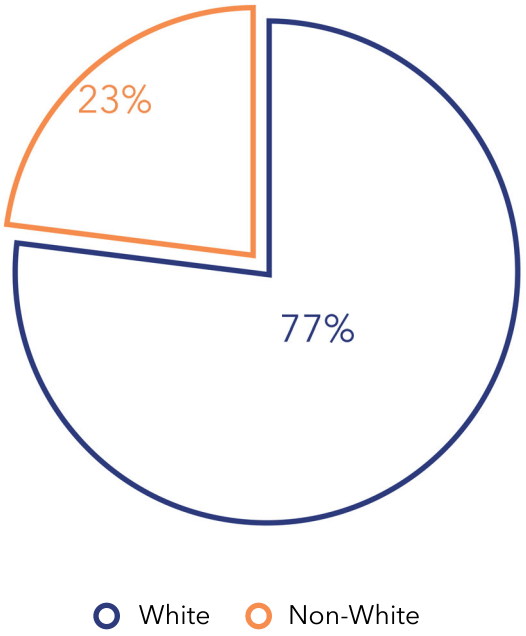
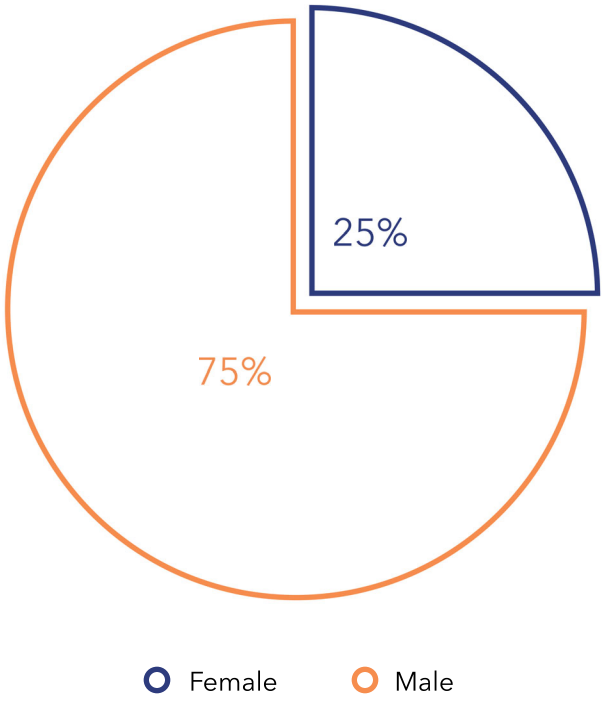


Colonial Consulting, LLC

Gender Representation in Senior Management



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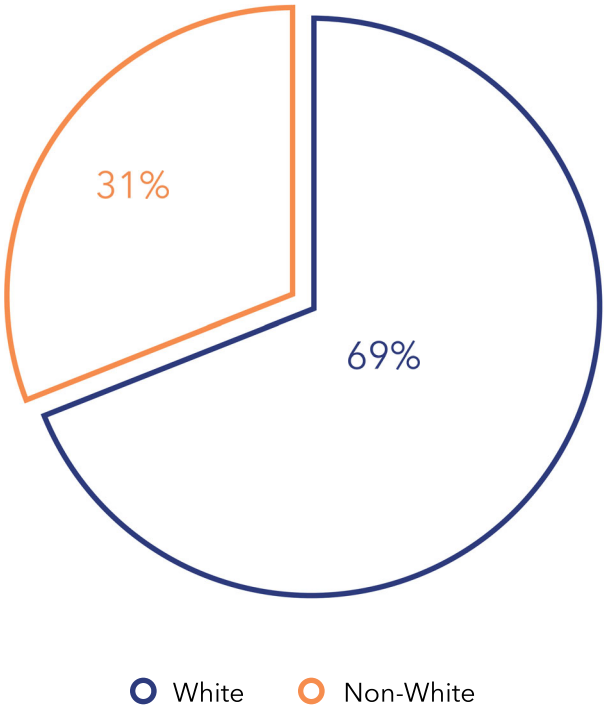

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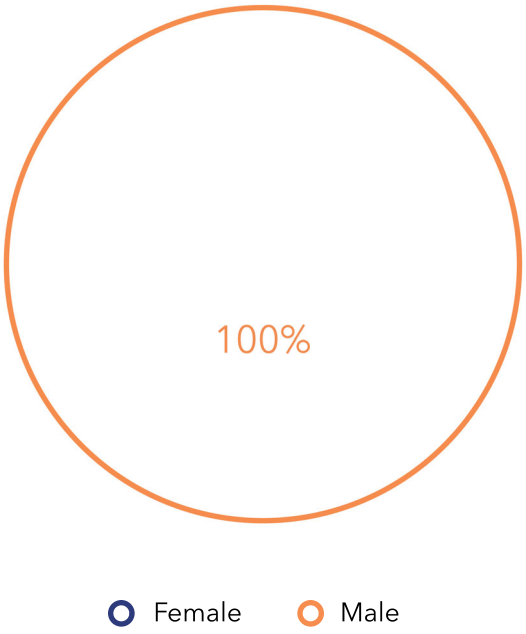

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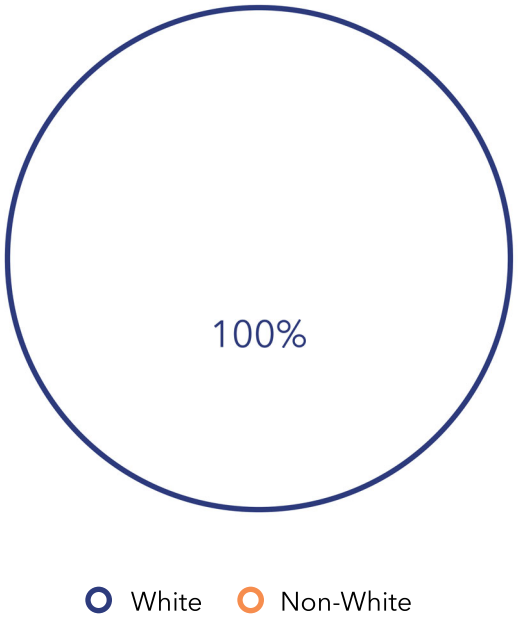

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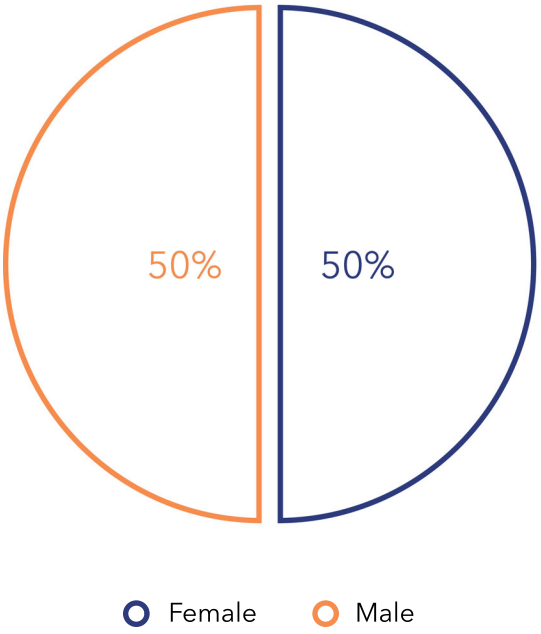

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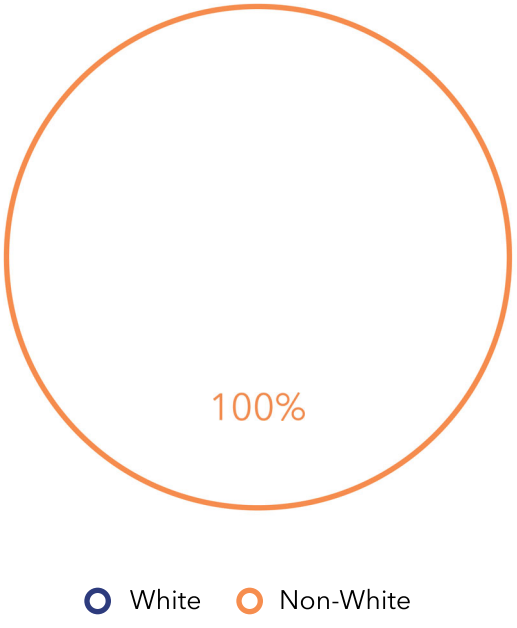
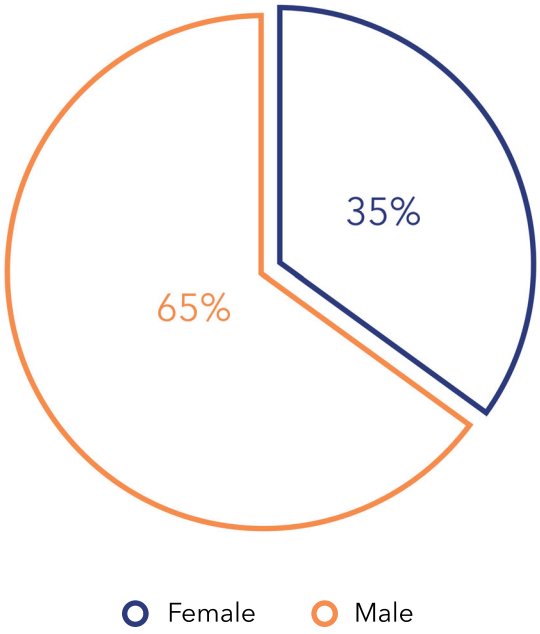
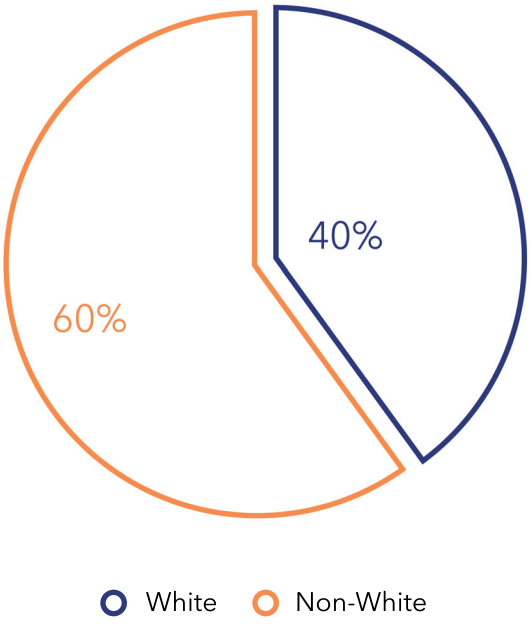


Colonial Consulting, LLC

Gender Representation in Research Staff



Racial Representation in Research Staff



Colonial Consulting, LLC

Research on diverse asset managers performance | • • •

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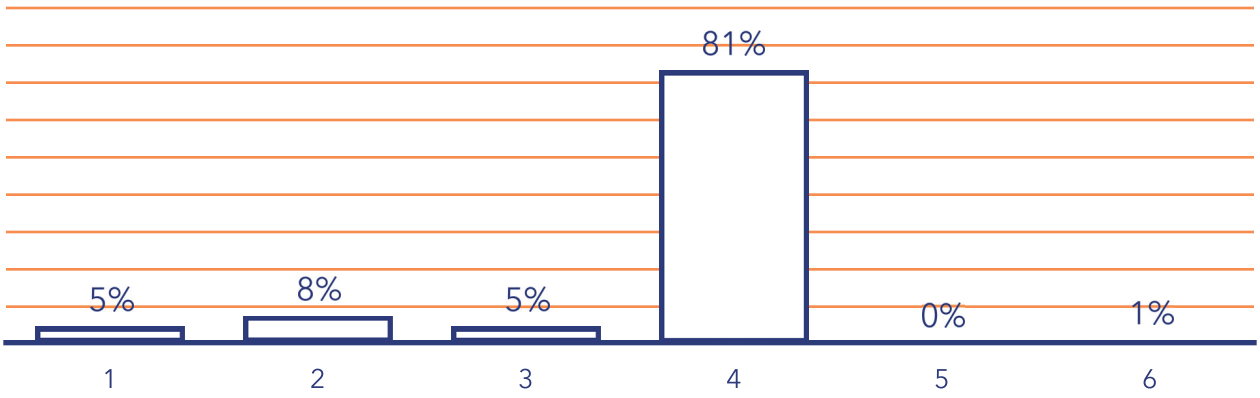
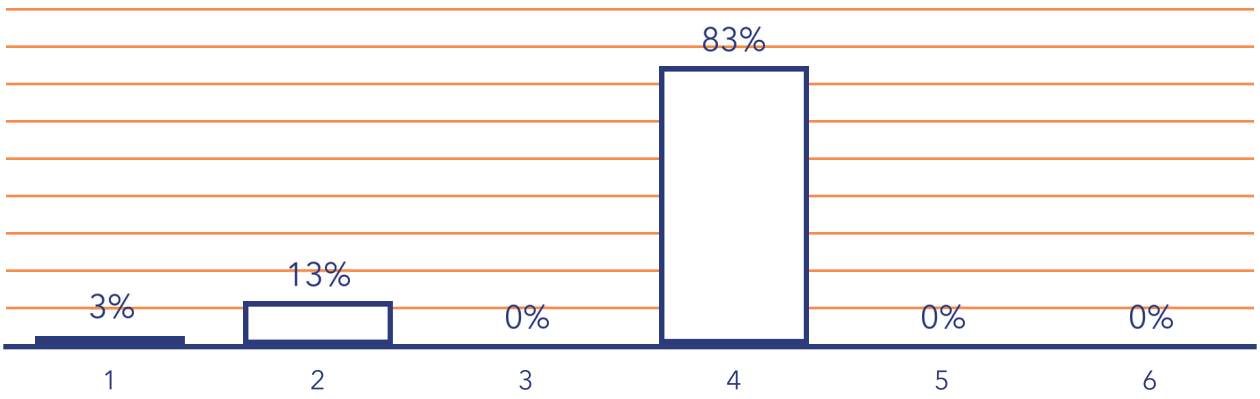
Comprehensive Findings.

Commonfund

Racial Representation in Entire Staff



Racial Representation in Consulting + Research Staff



1 - African American/Black
2 - Asian/Hawaiian/Pacific Islander
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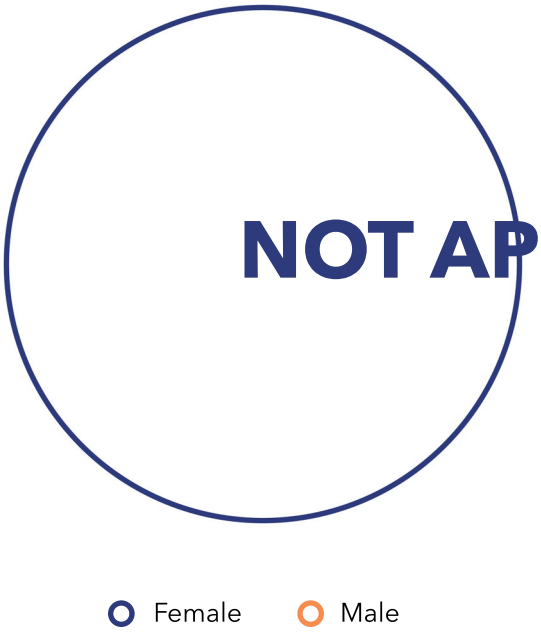
6 - Other

Commonfund

Gender Representation in Ownership



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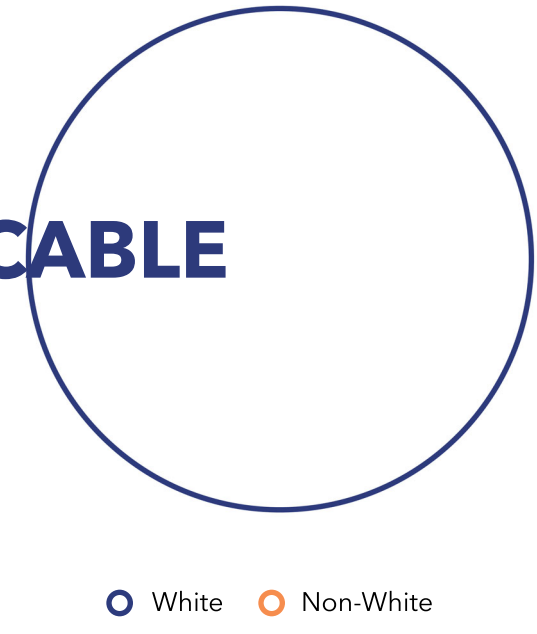
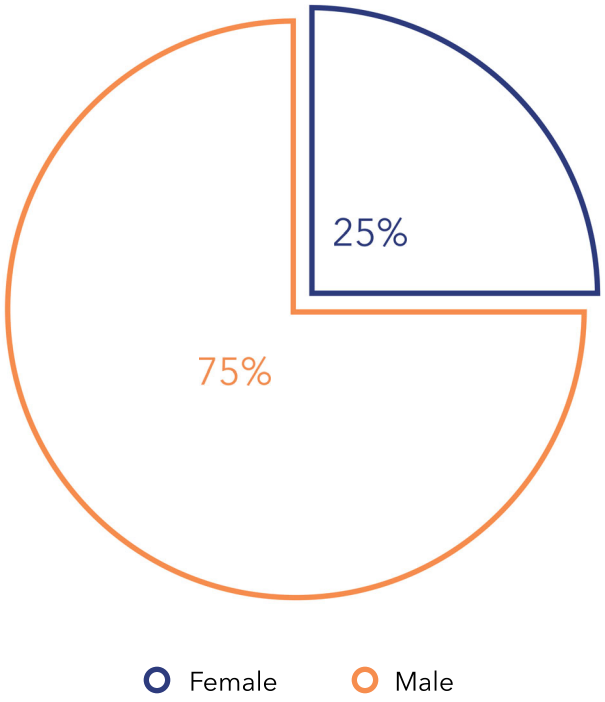


Commonfund

Gender Representation in Senior Management



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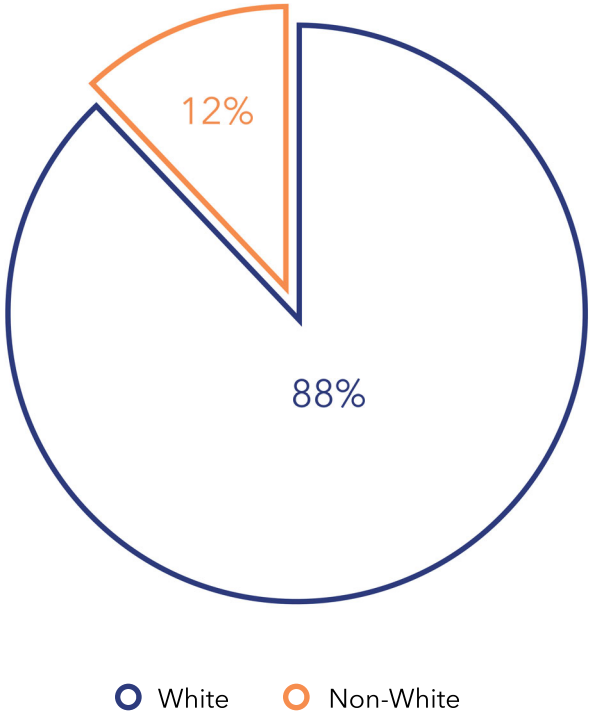
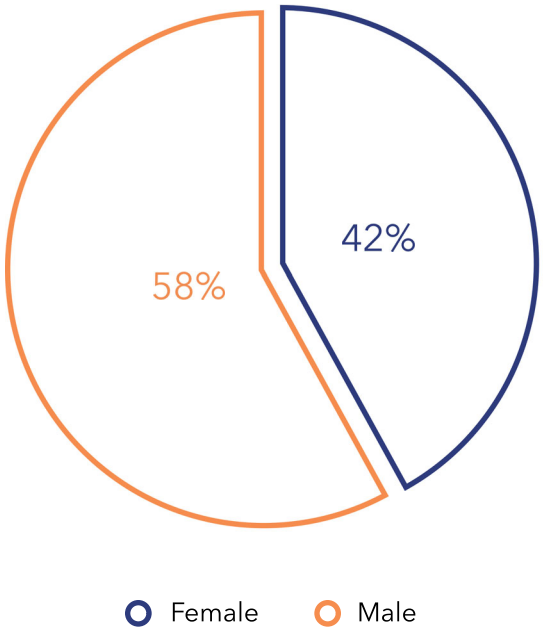


Commonfund

Gender Representation in Senior Consultants



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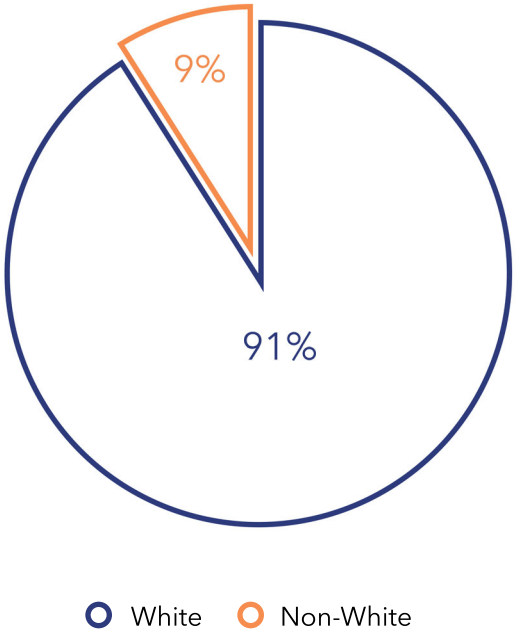

Commonfund

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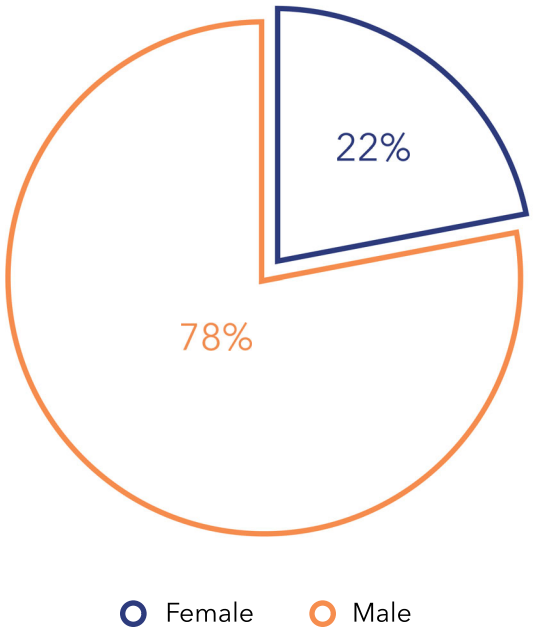

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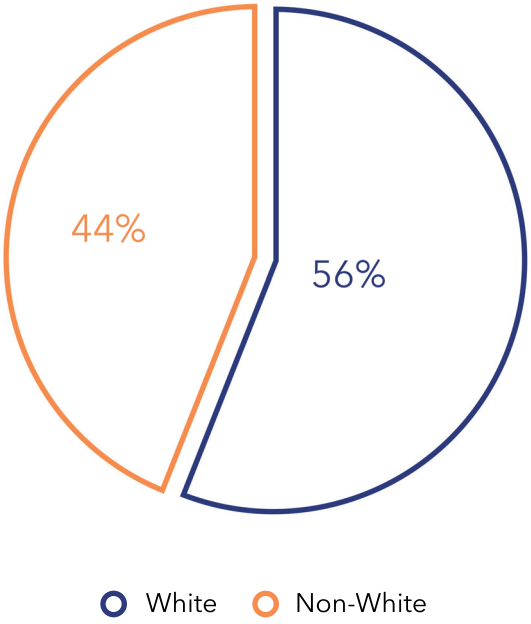
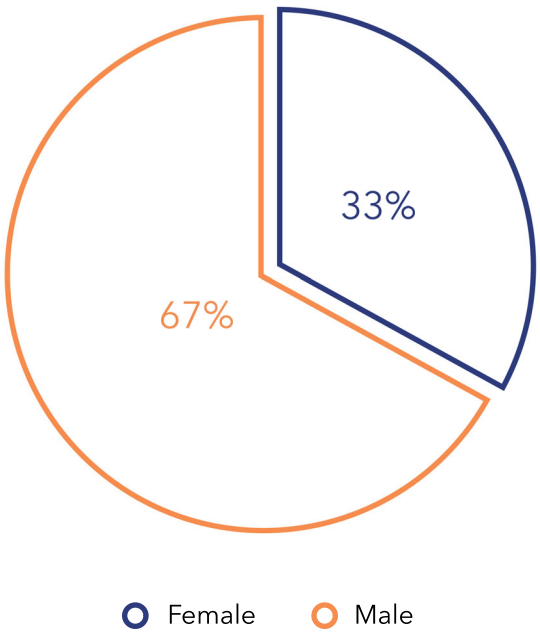


Commonfund

Gender Representation in Research Staff



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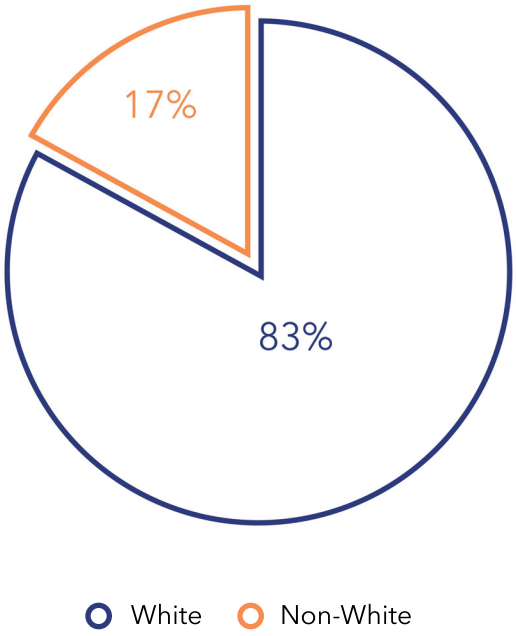

Commonfund

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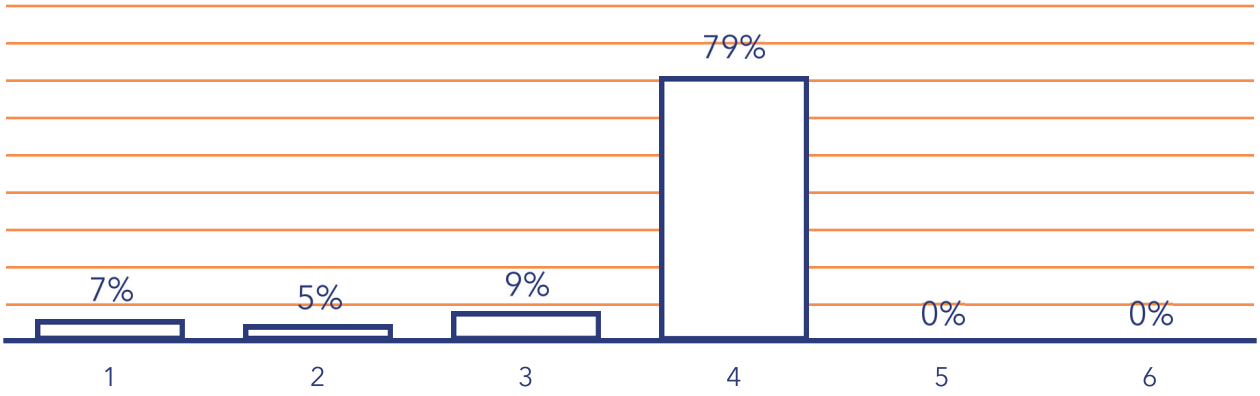
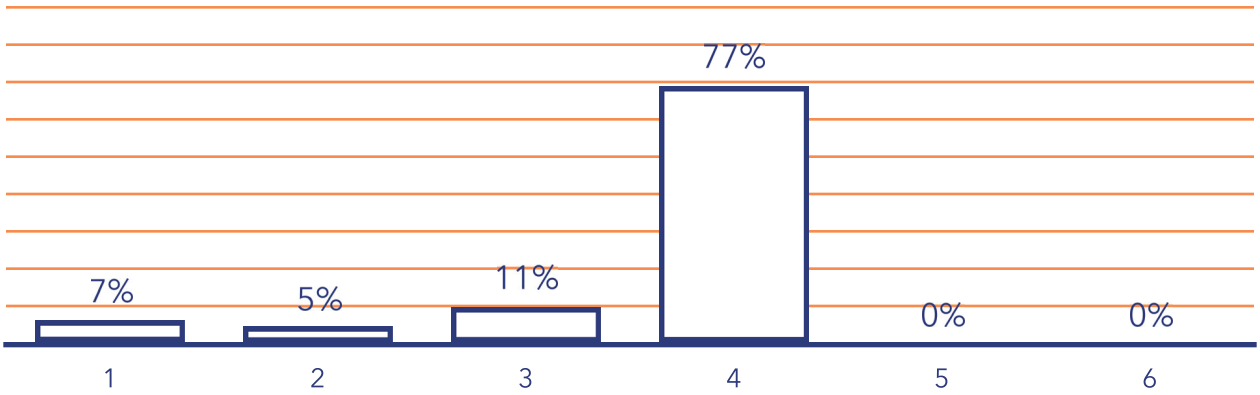
Comprehensive Findings.

Marquette Associates, Inc.

Racial Representation in Entire Staff



Racial Representation in Consulting + Research Staff



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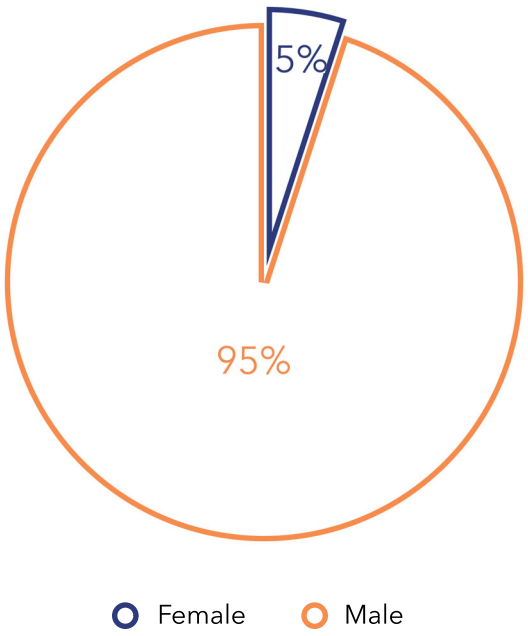
Marquette Associates, Inc.

Gender Representation in Ownership



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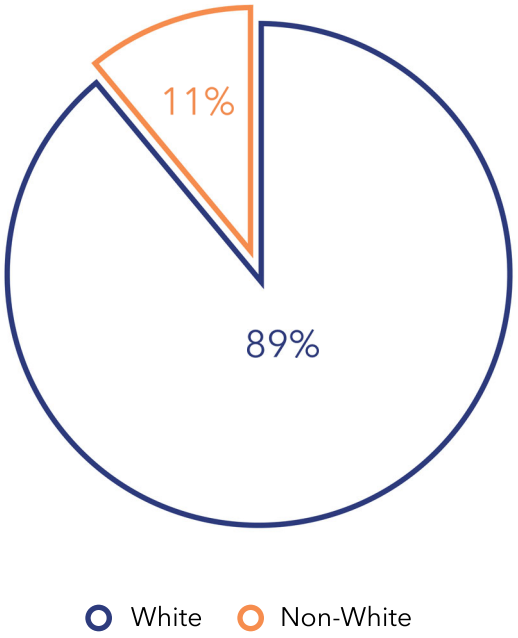
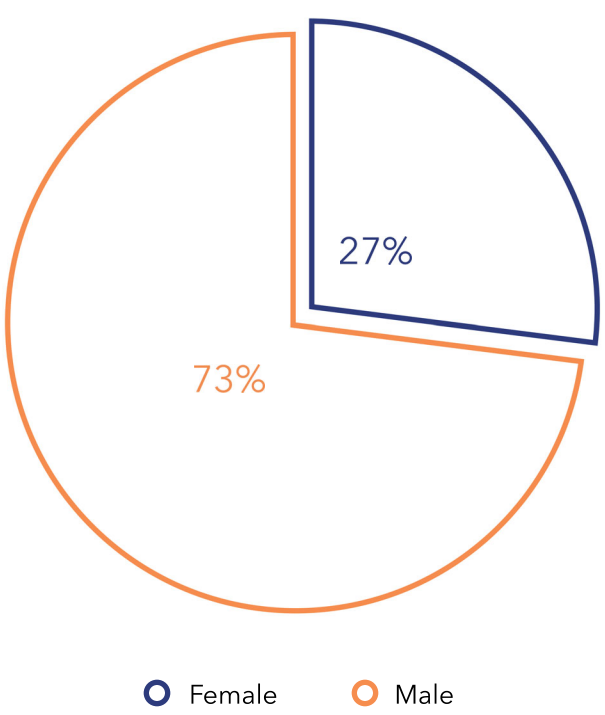


Marquette Associates, Inc.

Gender Representation in Senior Management



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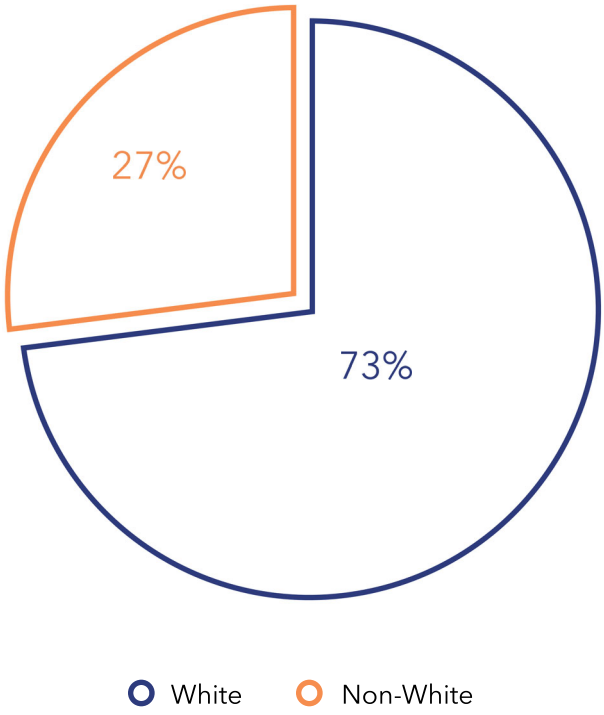

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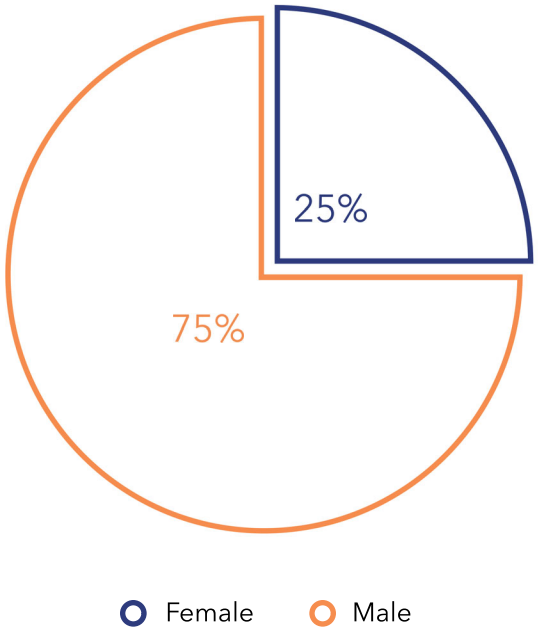
Gender Representation in Senior Consultants



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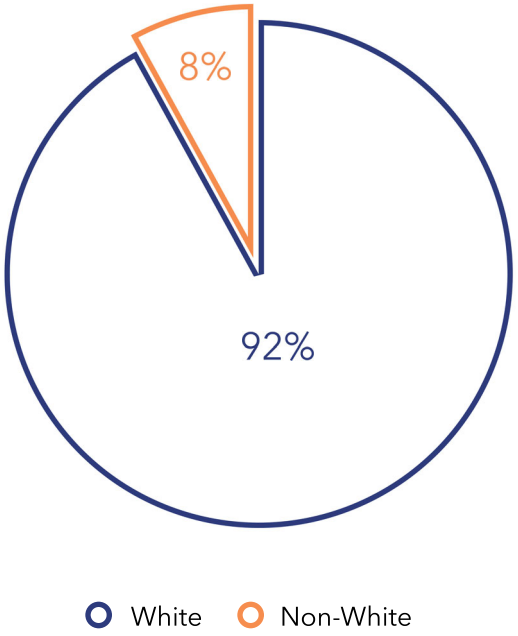

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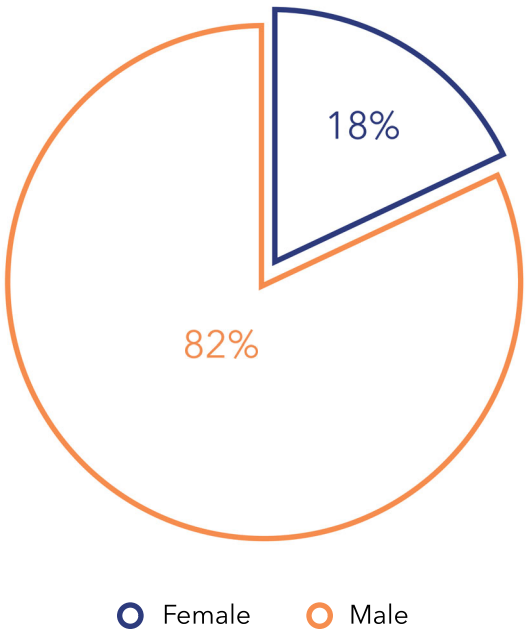

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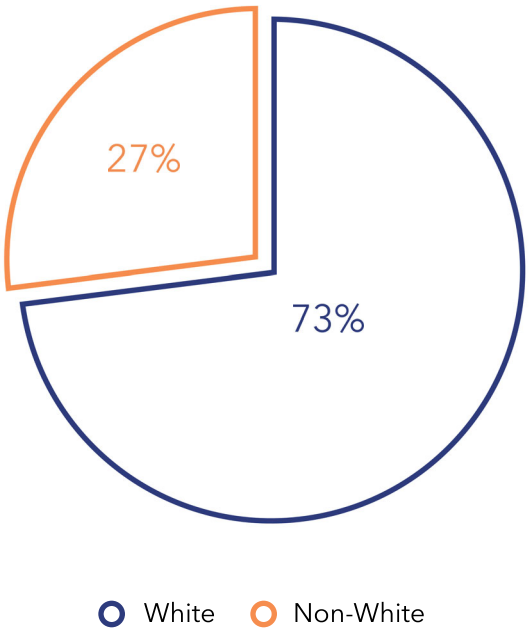

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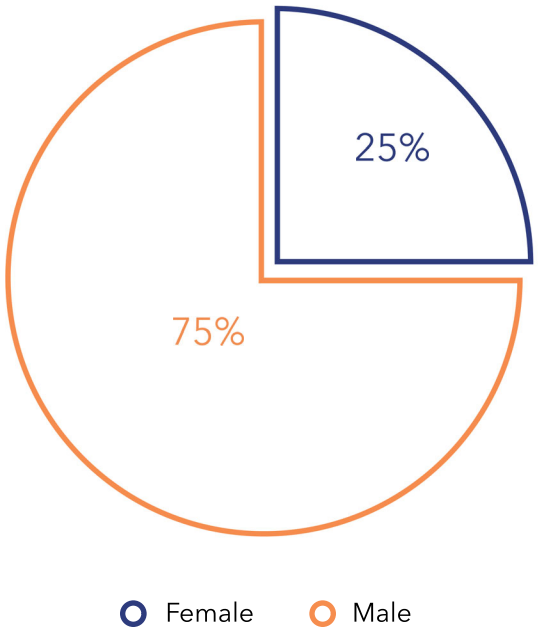
Gender Representation in Research Staff



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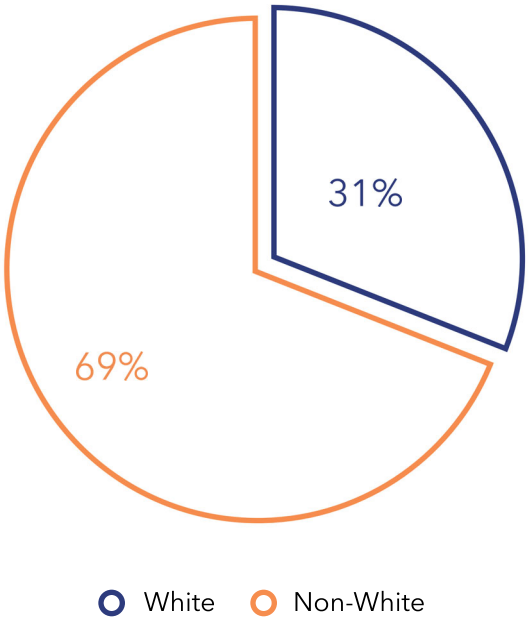

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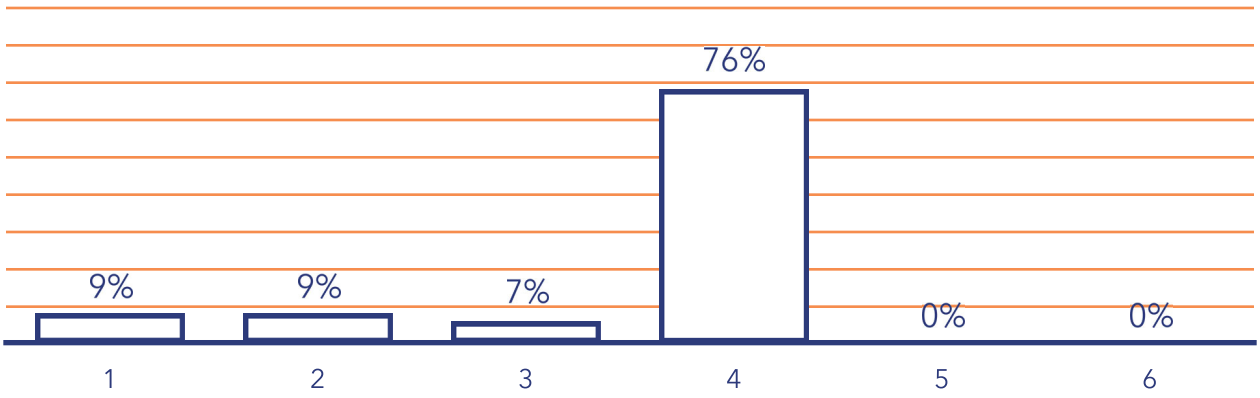
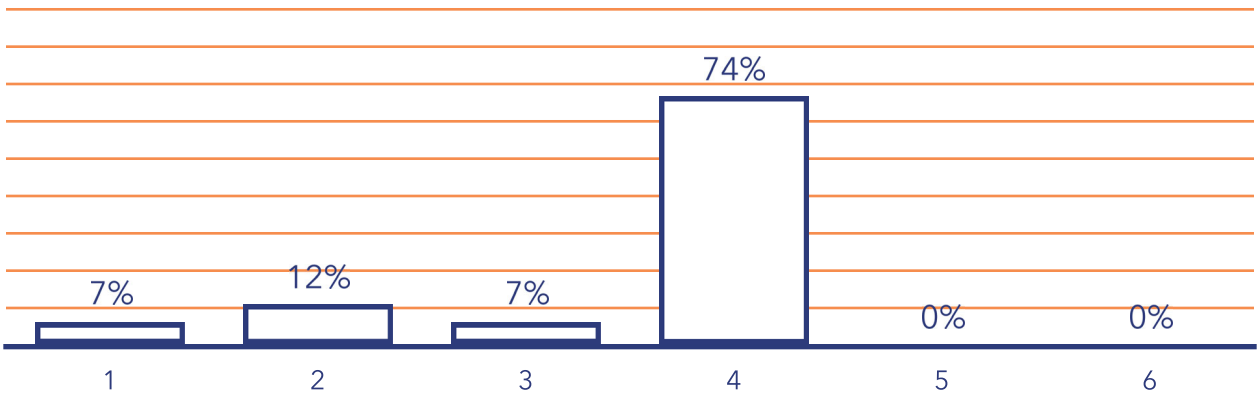
Comprehensive Findings.

Meketa Investment Group

Racial Representation in Entire Staff



Racial Representation in Consulting + Research Staff



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Meketa Investment Group

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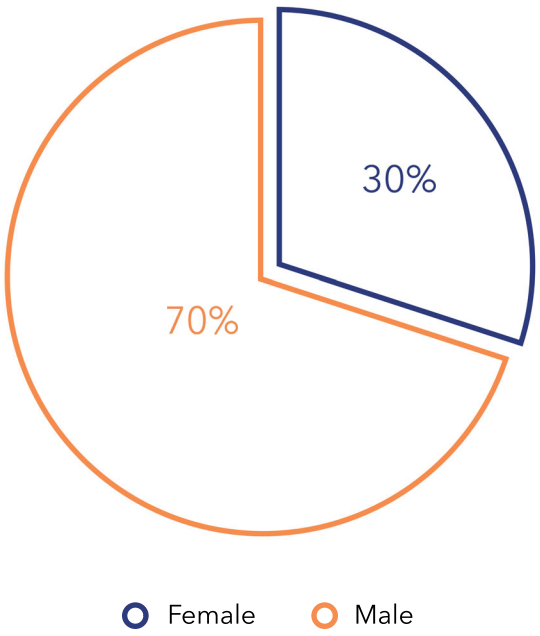

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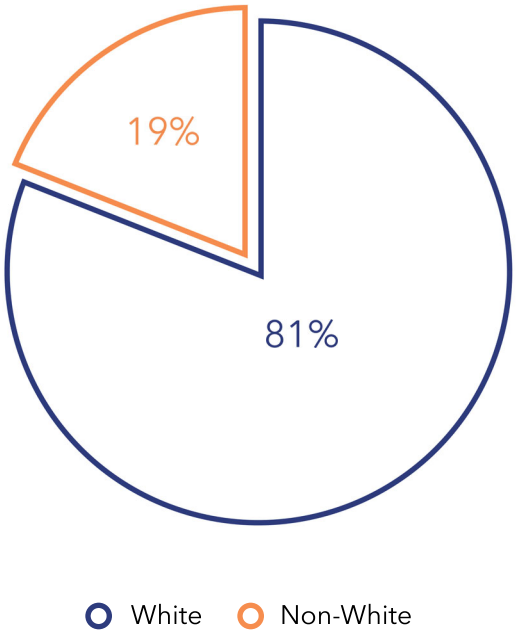
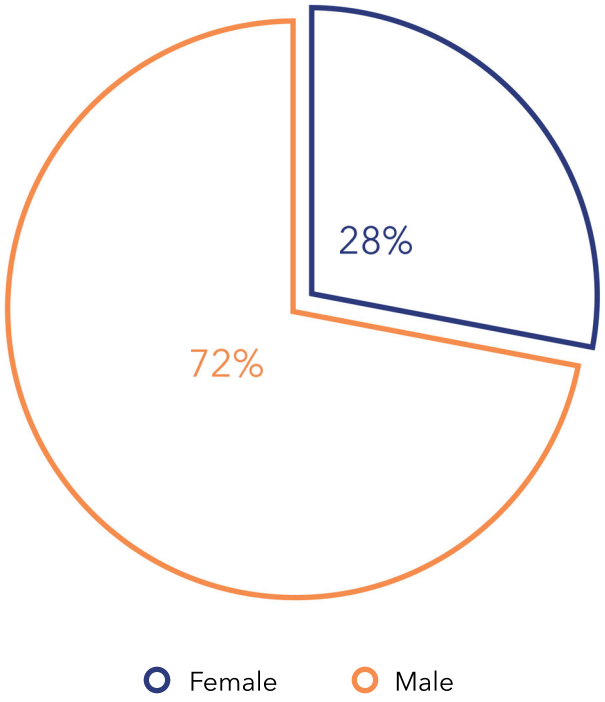


Meketa Investment Group

Gender Representation in Senior Management



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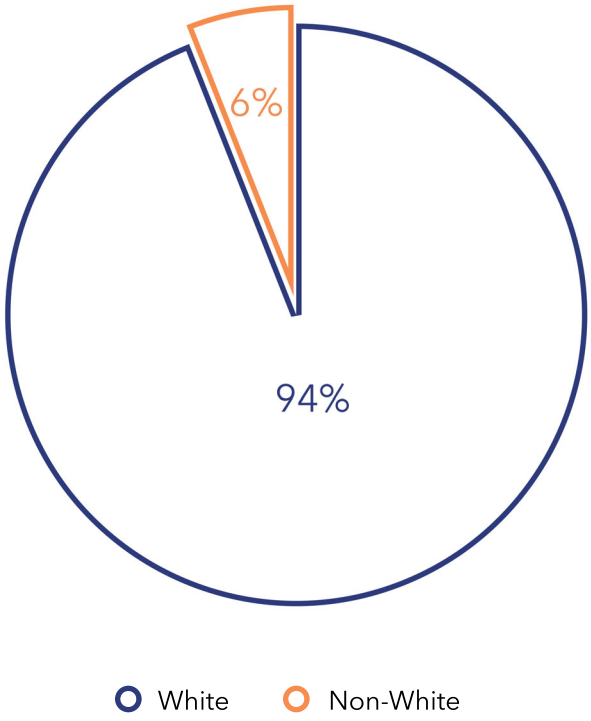
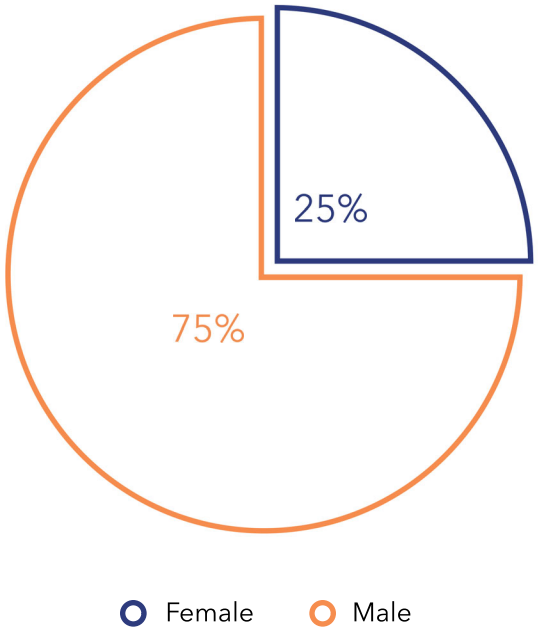
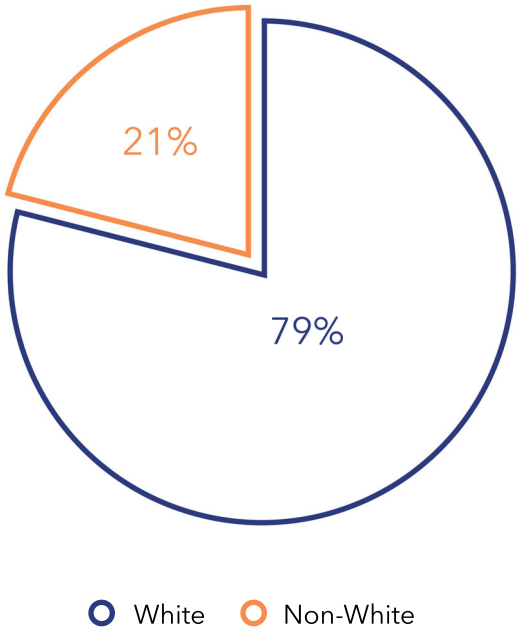


Meketa Investment Group

Gender Representation in Senior Consultants

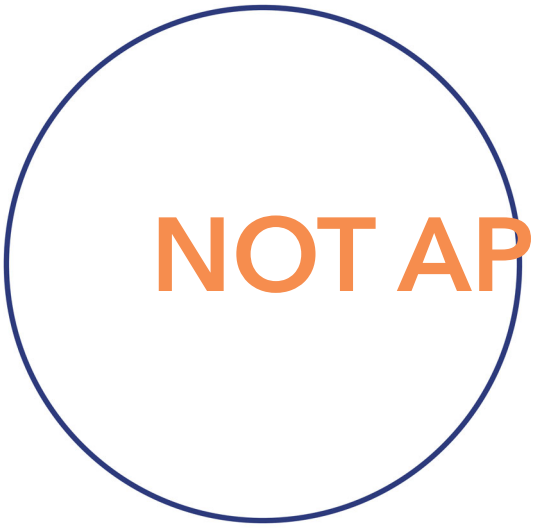


Racial Representation in Senior Consultants



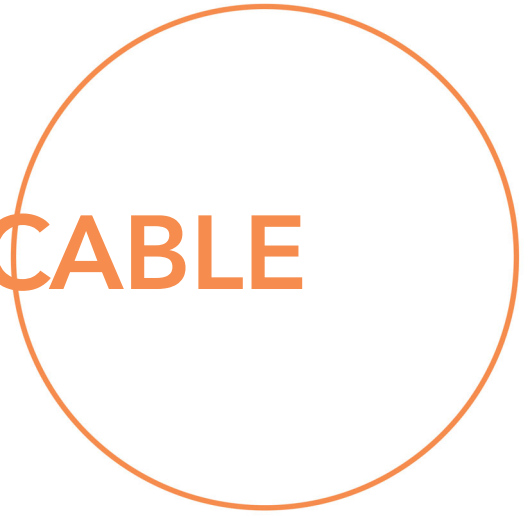
Meketa Investment Group

Gender Representation in Junior Consultants



Female Male

Racial Representation in Junior Consultants

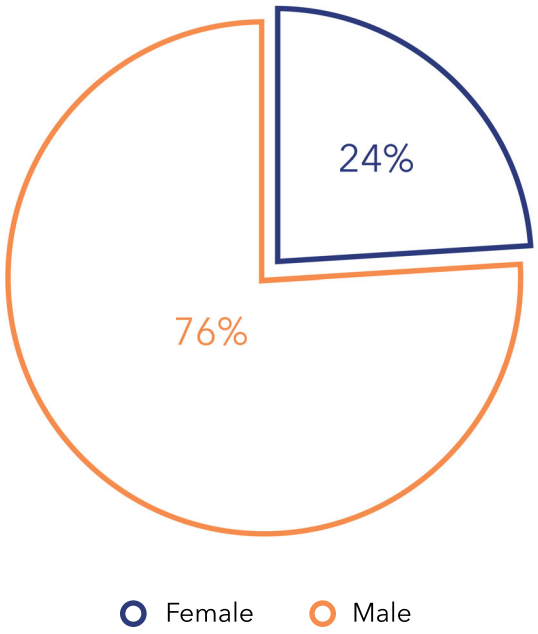


White Non-White

NOT APPLICABLE

Meketa Investment Group

Gender Representation in Research Staff



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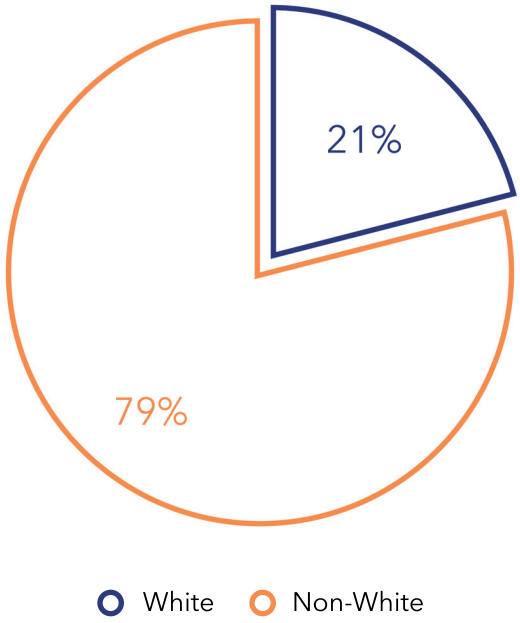

Meketa Investment Group

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Meketa Investment Group

Promoting emerging and/or diverse manager programs | • • • •

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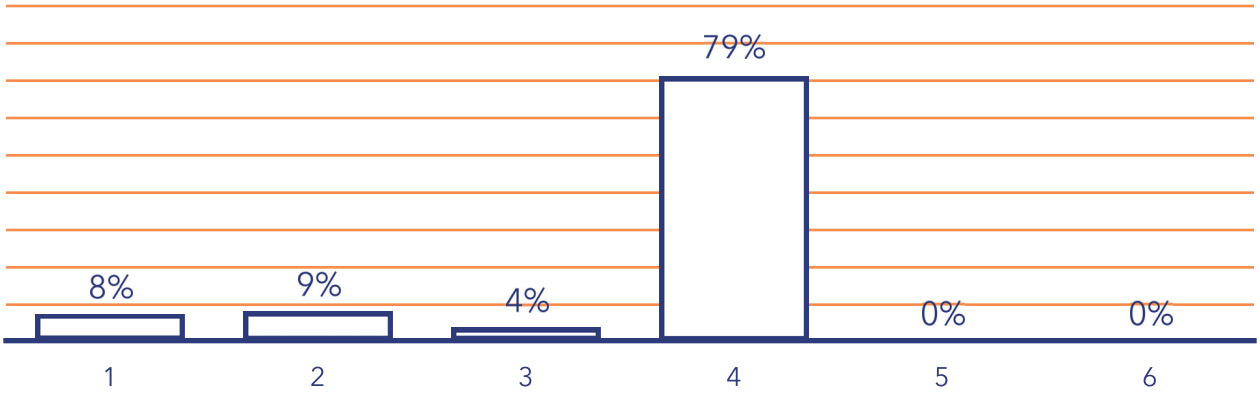
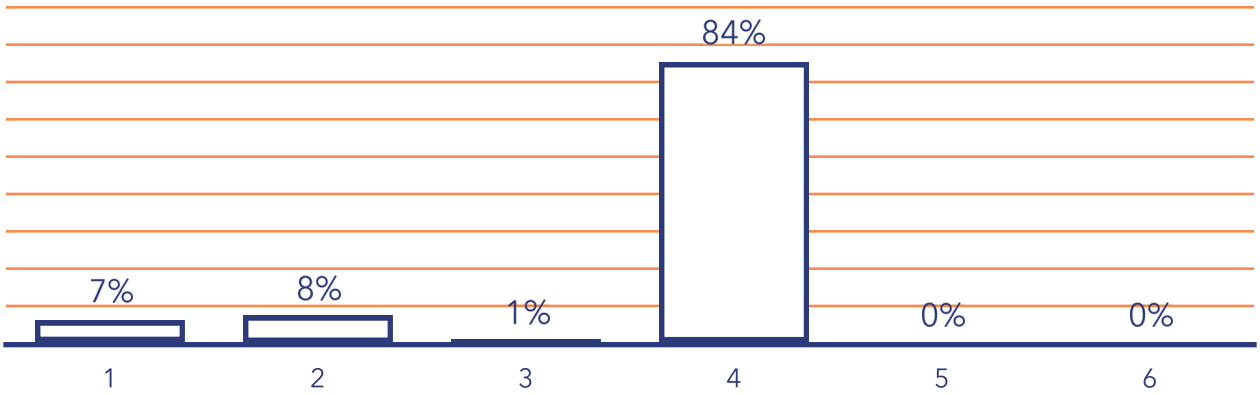
Comprehensive Findings.

NEPC, LLC

Racial Representation in Entire Staff



Racial Representation in Consulting + Research Staff



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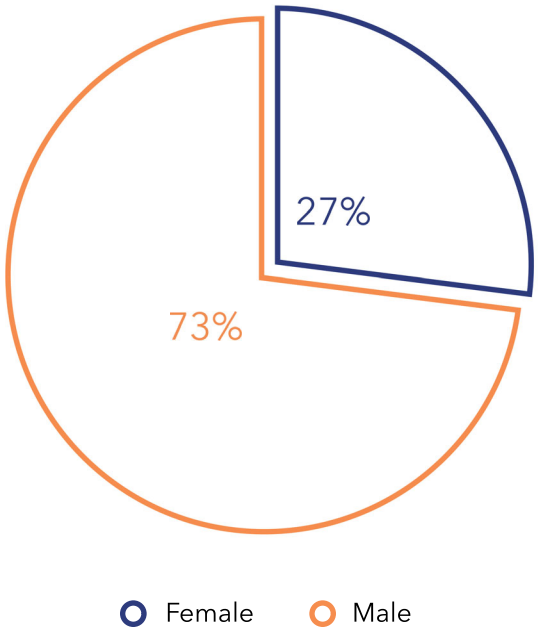
NEPC, LLC

Gender Representation in Ownership



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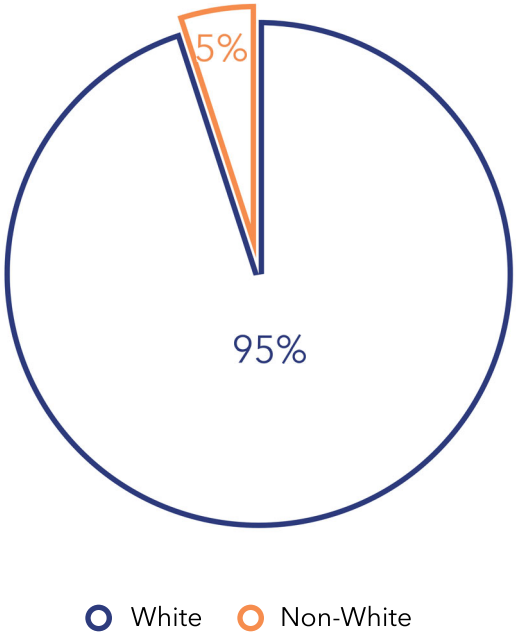
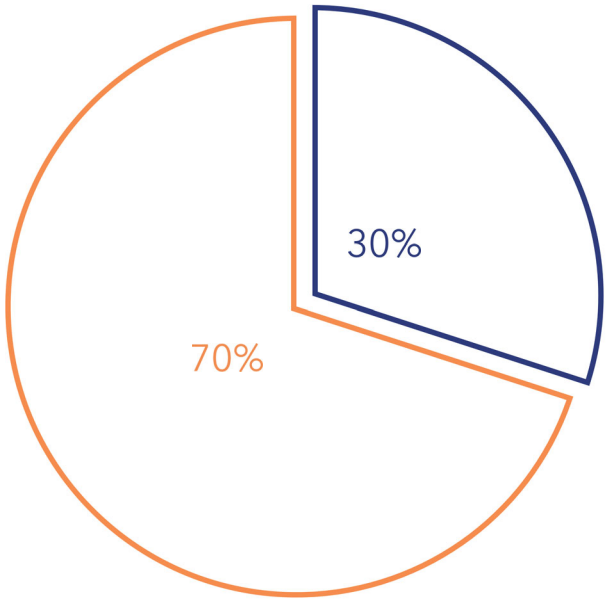


NEPC, LLC

Gender Representation in Senior Management



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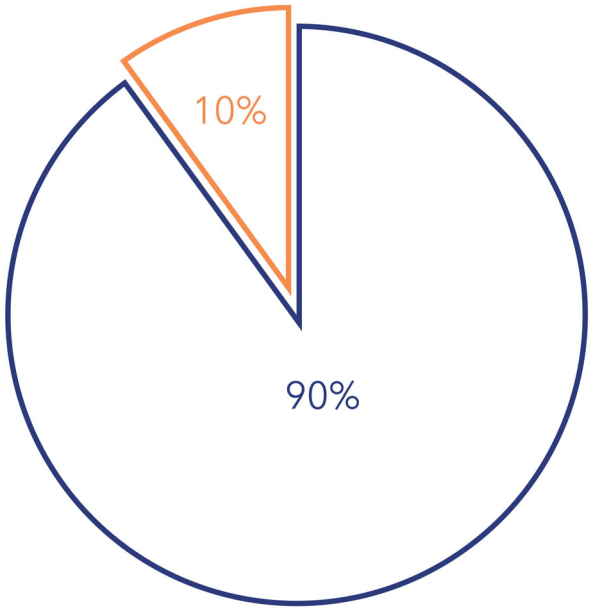

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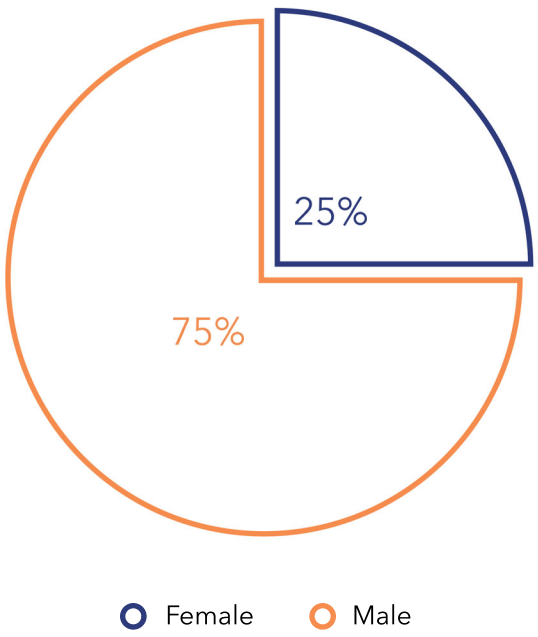

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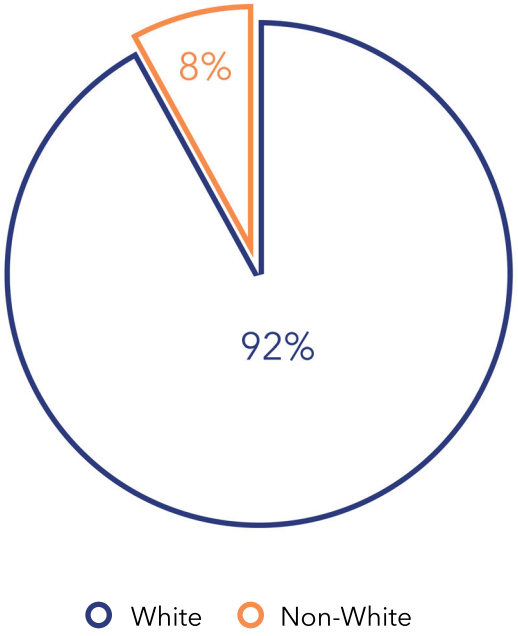

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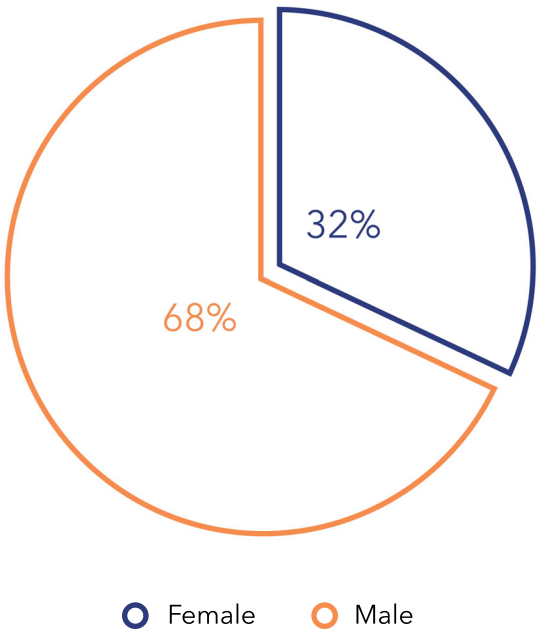

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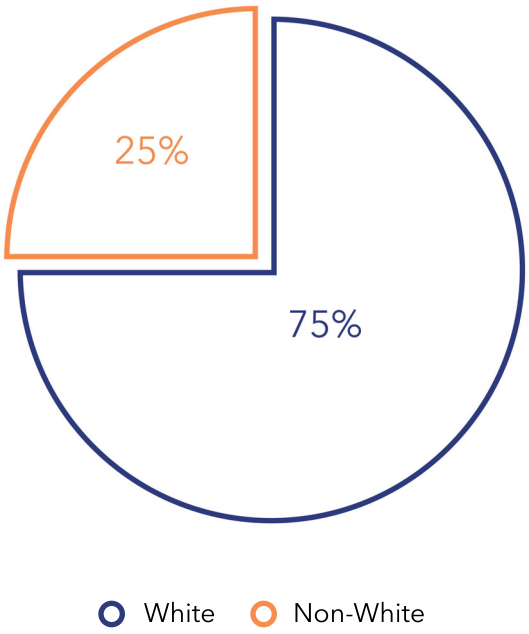
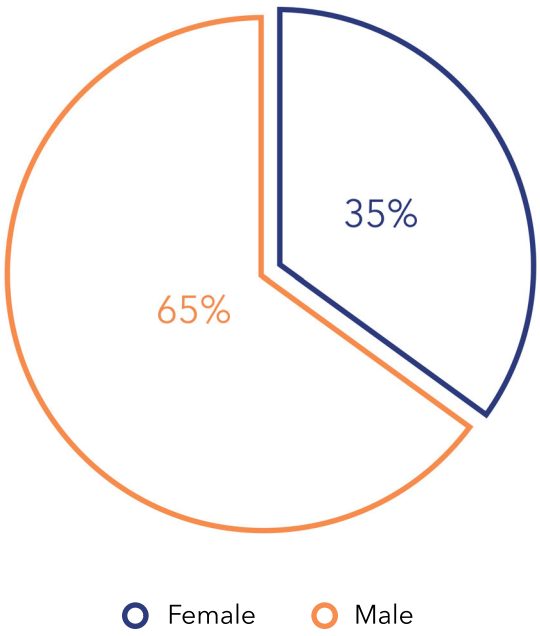


NEPC, LLC

Gender Representation in Research Staff



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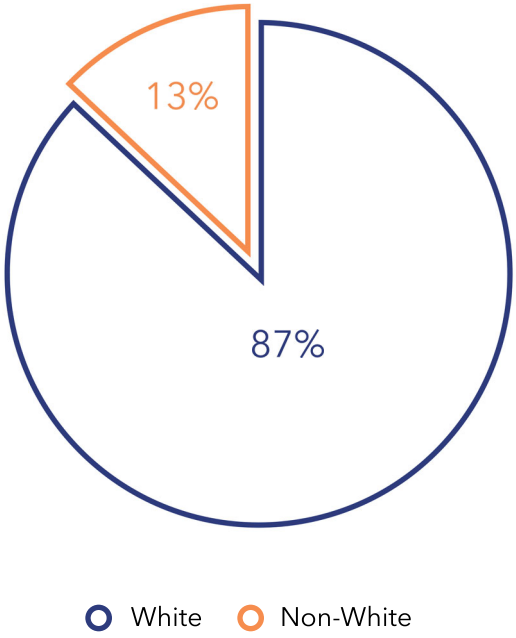

NEPC, LLC

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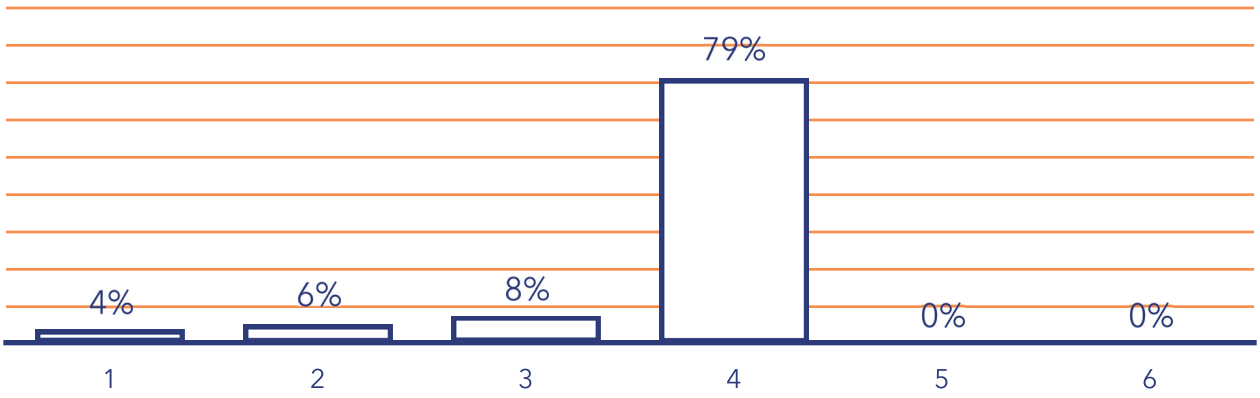
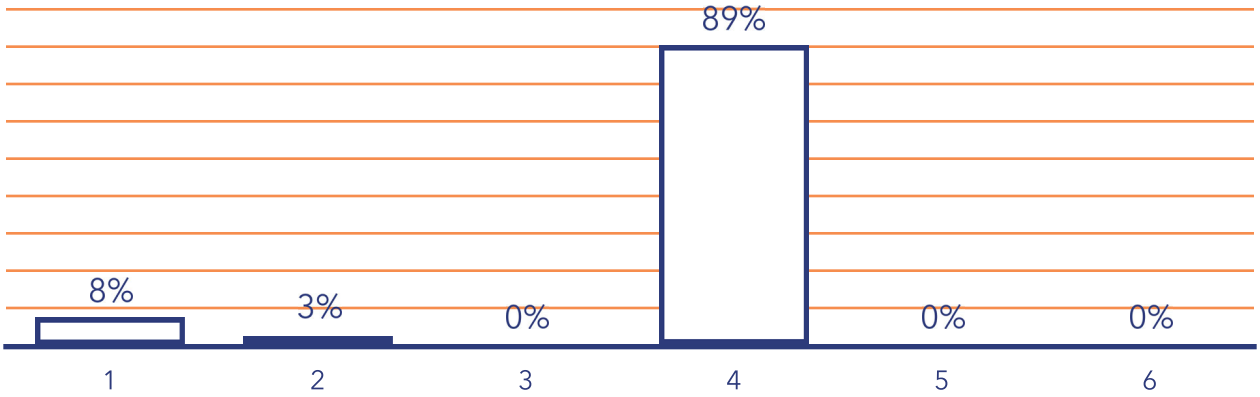
Comprehensive Findings.

Perella Weinberg Partners Agility

Racial Representation in Entire Staff



Racial Representation in Consulting + Research Staff



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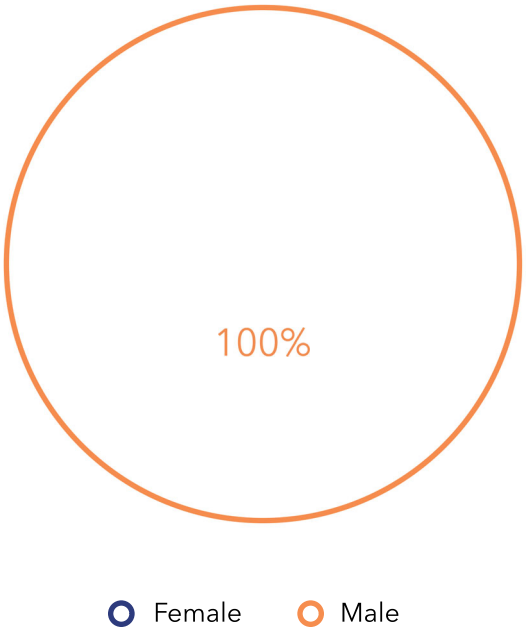
Perella Weinberg Partners Agility

Gender Representation in Ownership



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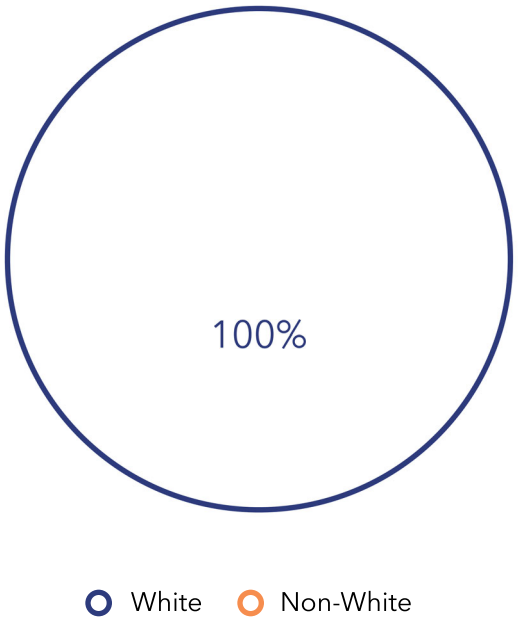

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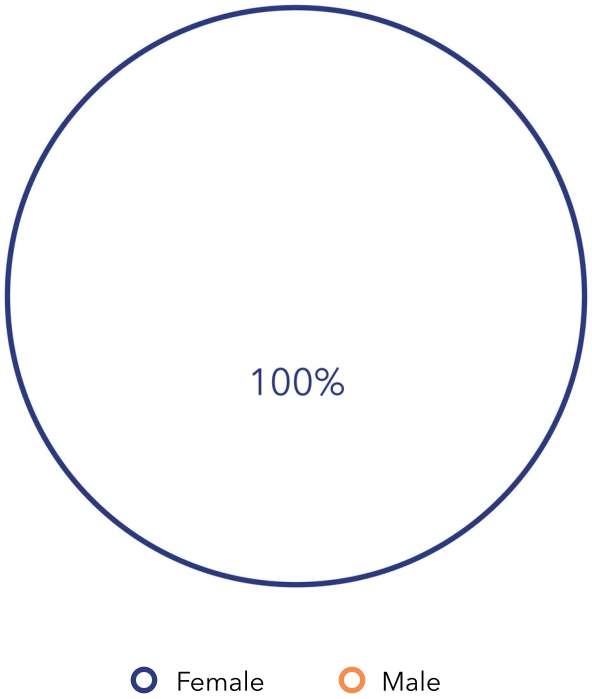
Gender Representation in Senior Management



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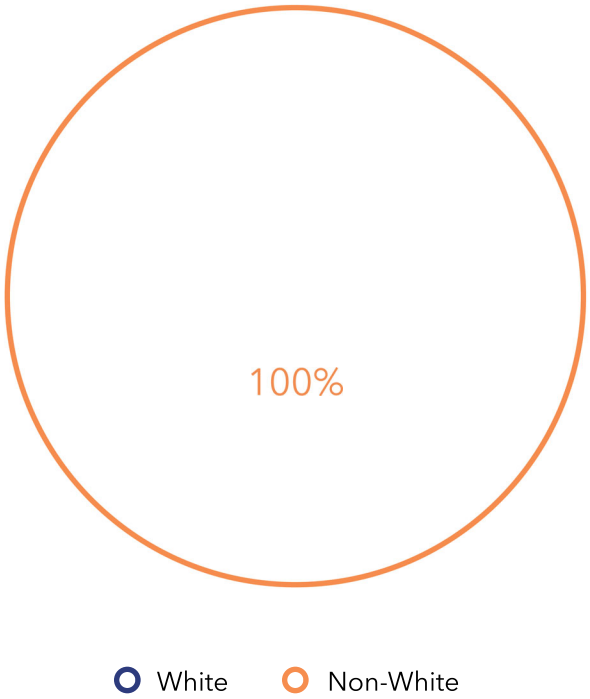
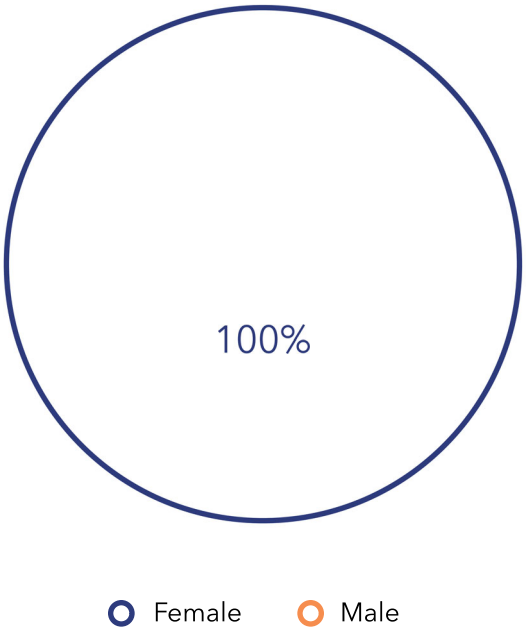


Perella Weinberg Partners Agility

Gender Representation in Senior Consultants



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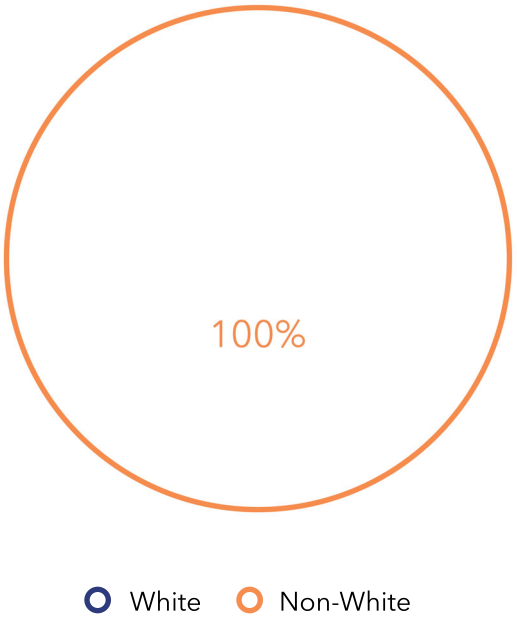

Perella Weinberg Partners Agility

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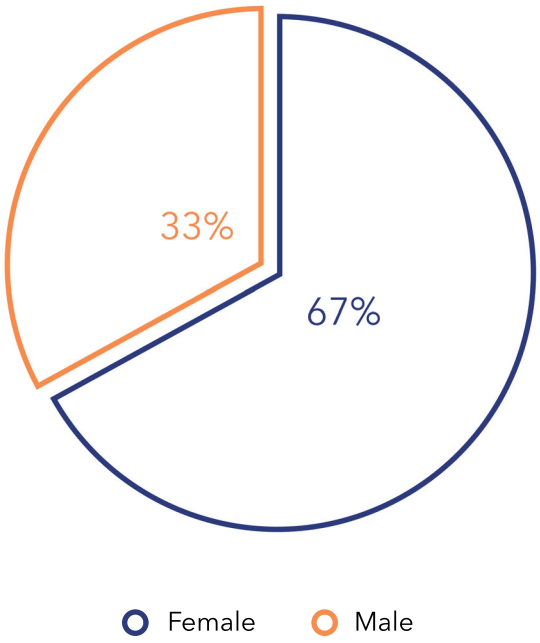

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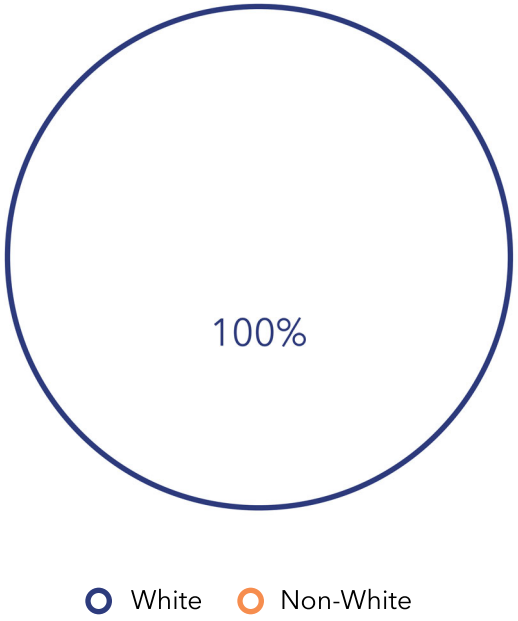
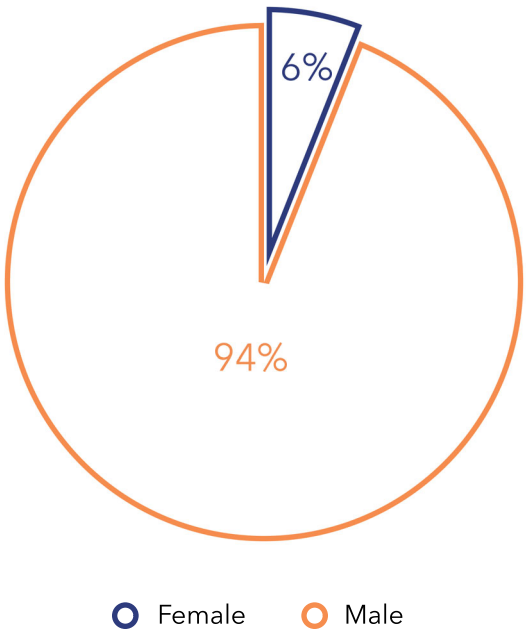


Perella Weinberg Partners Agility

Gender Representation in Research Staff



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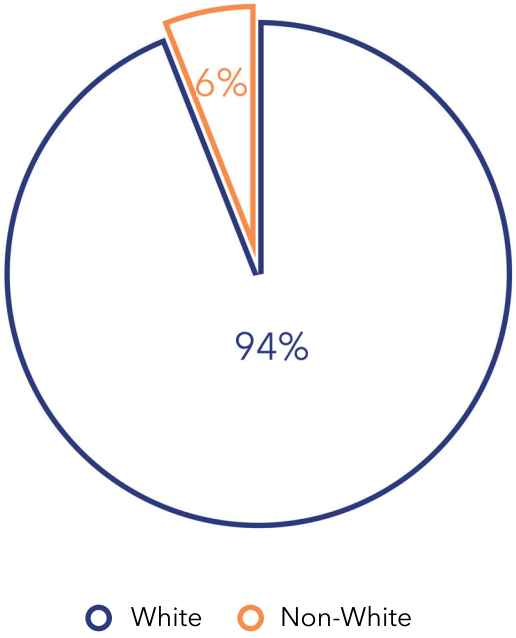

Perella Weinberg Partners Agility

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Comprehensive Findings.

Verus

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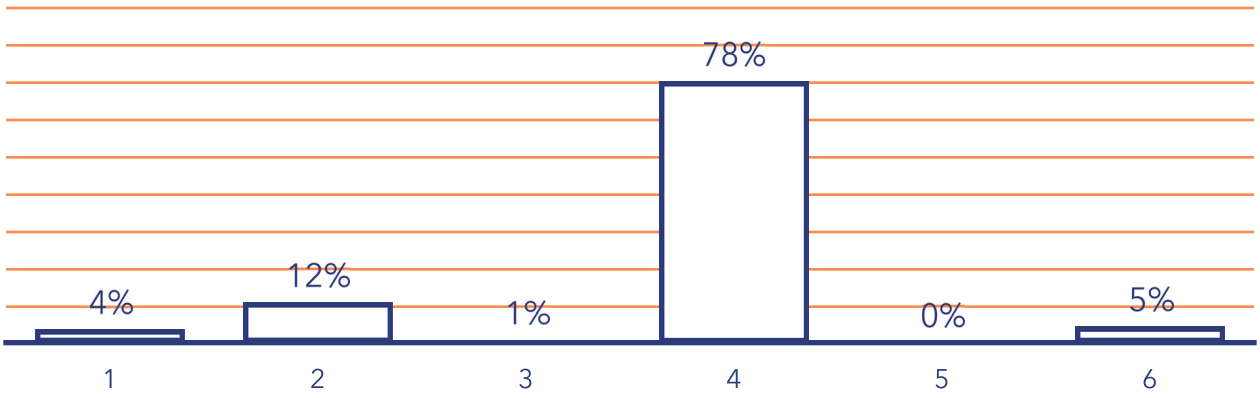

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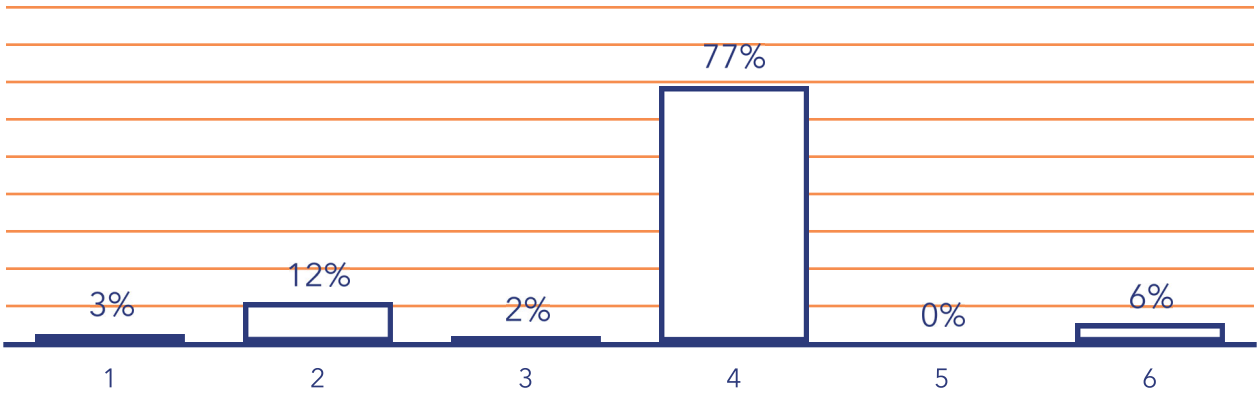

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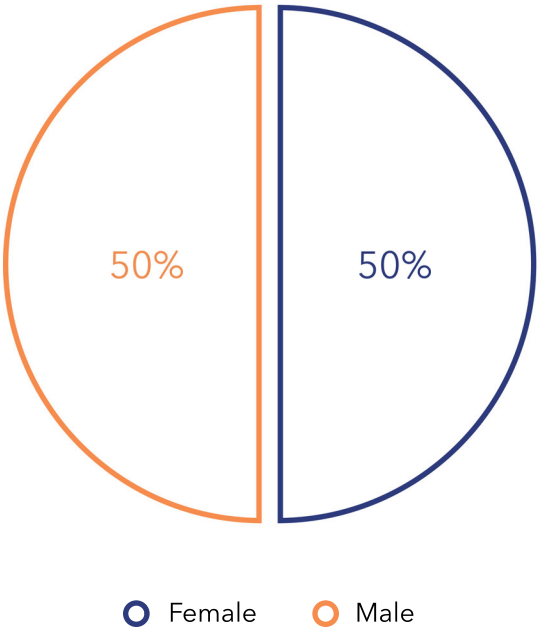
Verus

Gender Representation in Ownership



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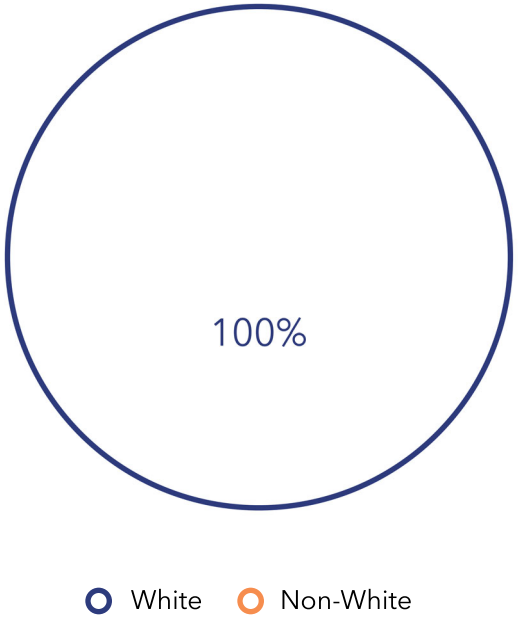
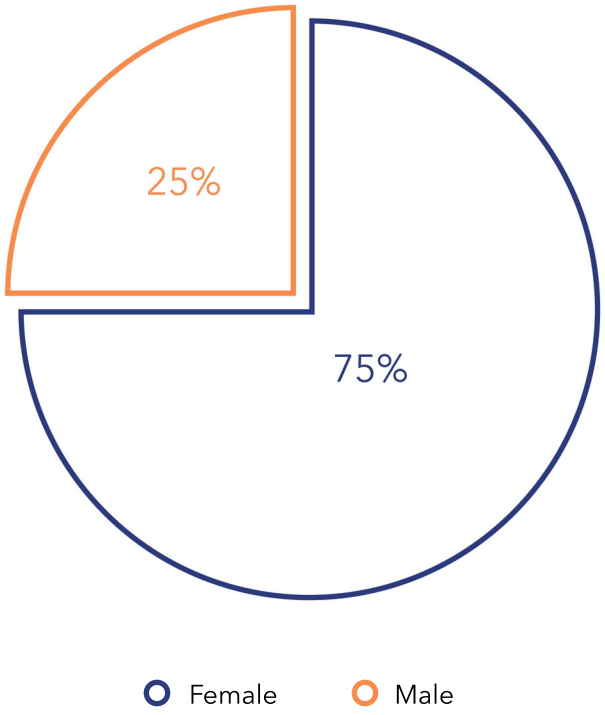


Verus

Gender Representation in Senior Management



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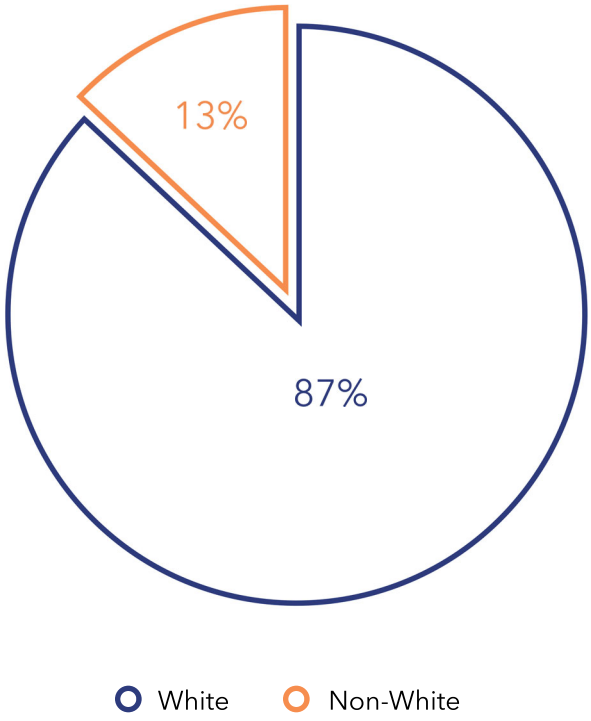
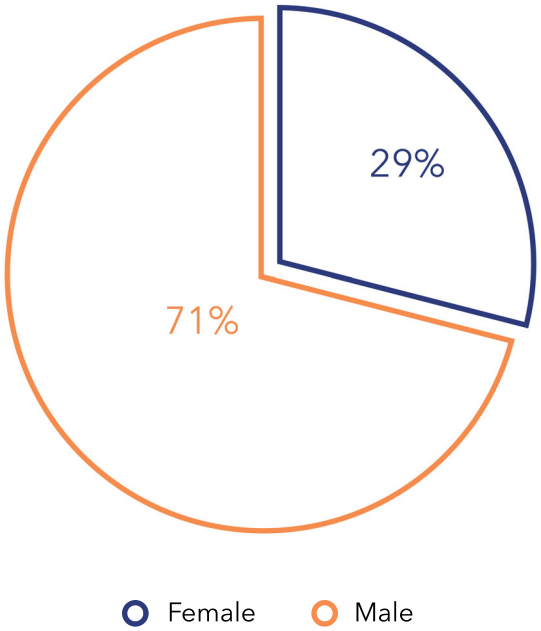


Verus

Gender Representation in Senior Consultants



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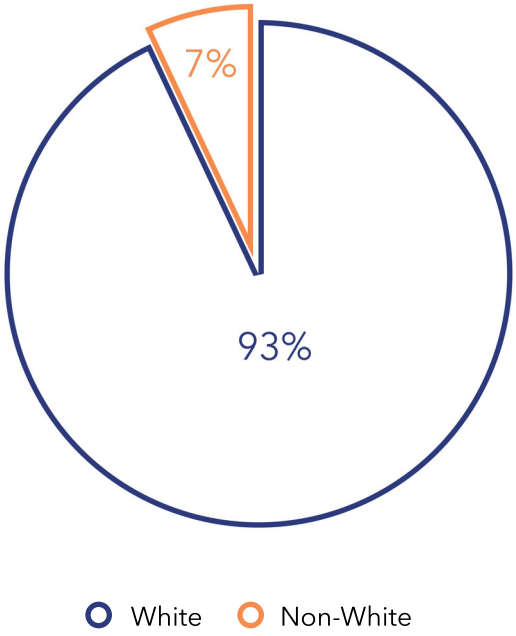
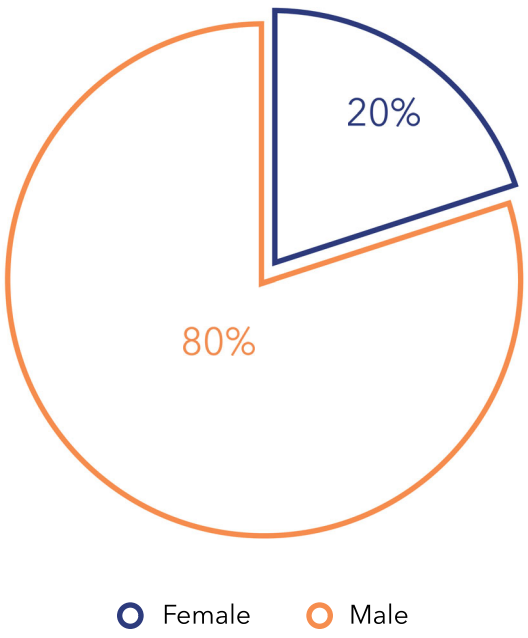


Verus

Gender Representation in Junior Consultants



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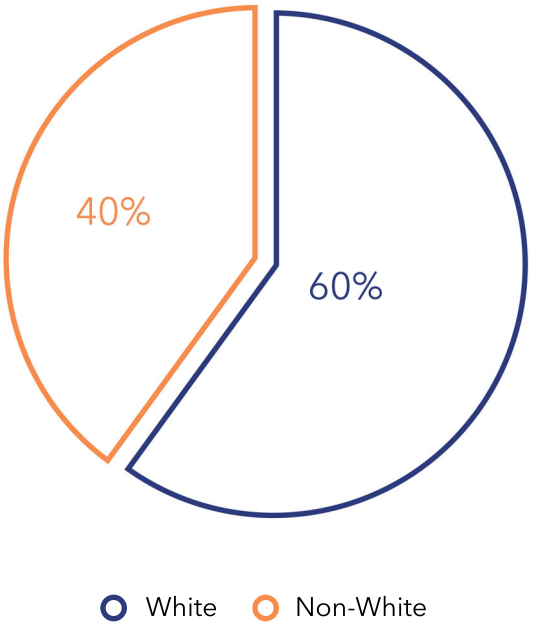
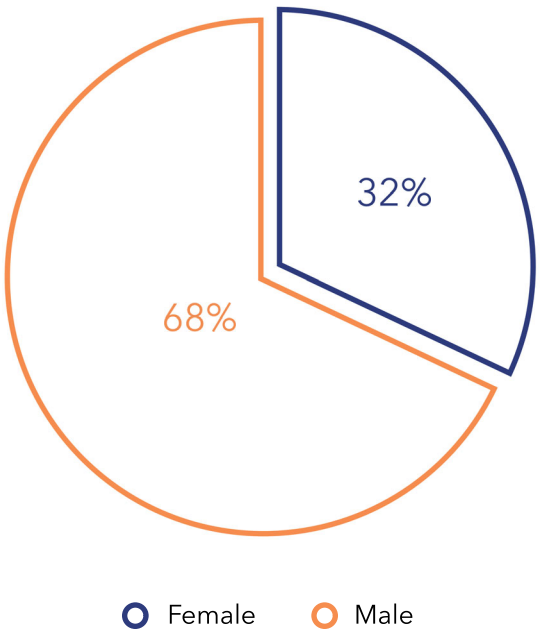


Verus

Gender Representation in Research Staff



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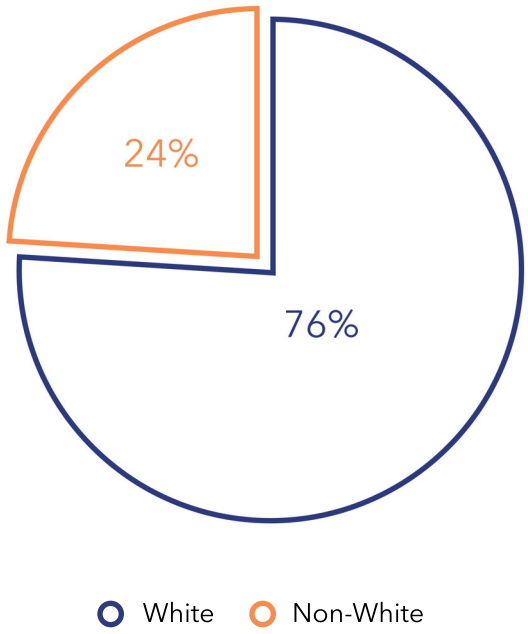

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Comprehensive Findings.

Wilshire Associates Incorporated

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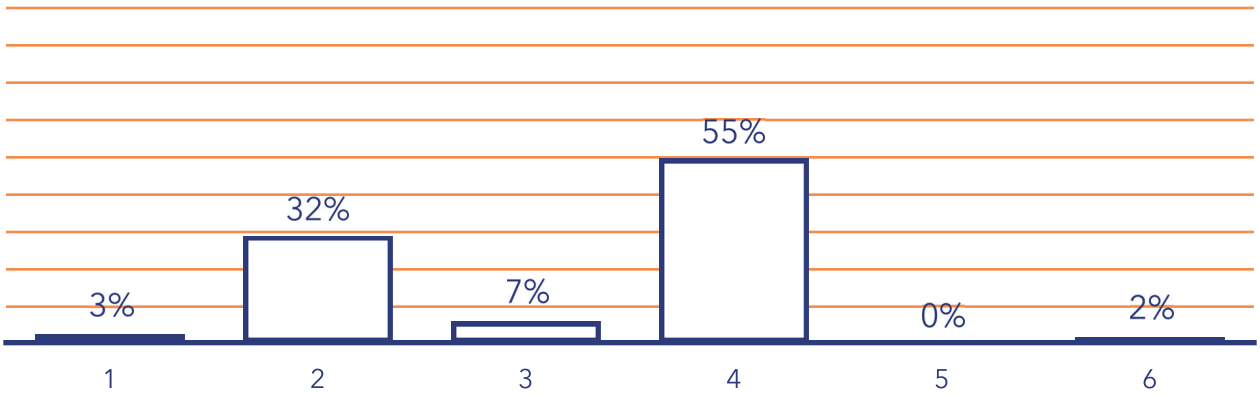

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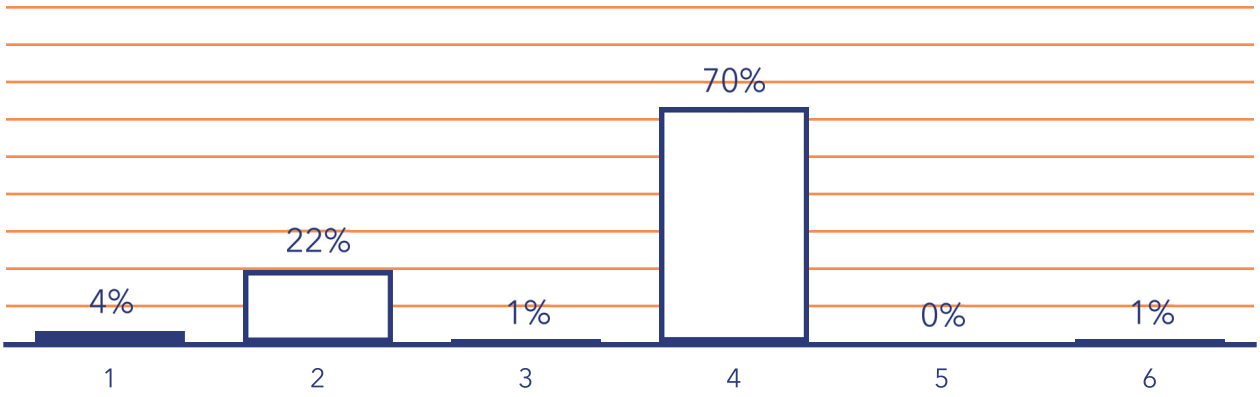

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Wilshire Associates Incorporated

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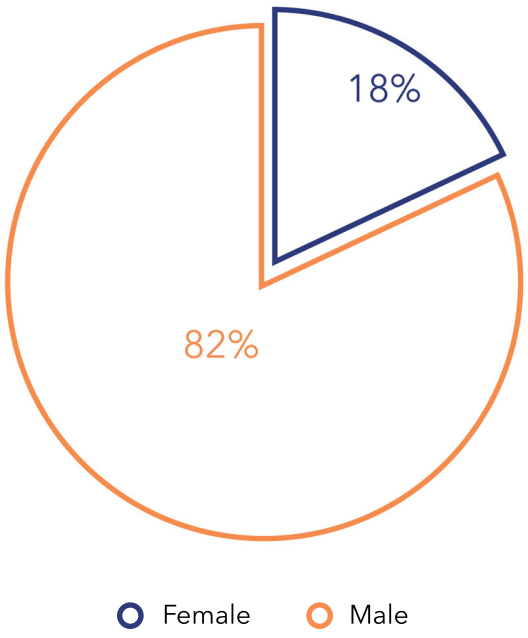

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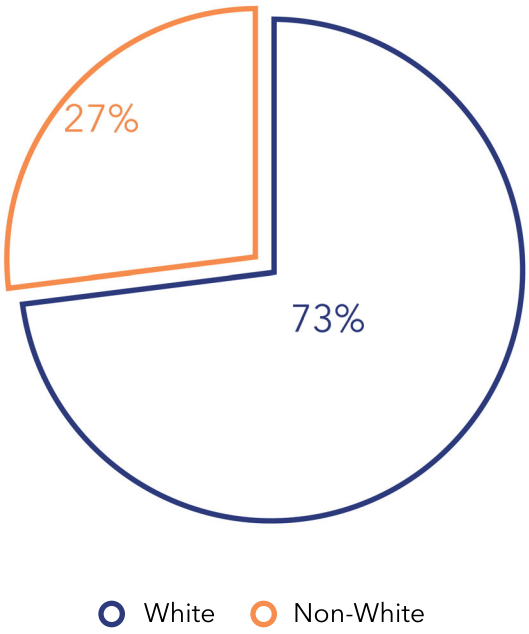
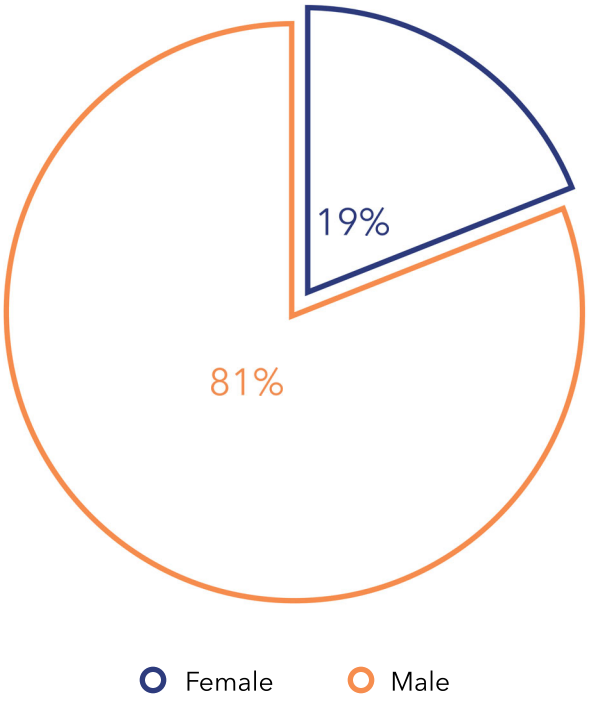


Wilshire Associates Incorporated

Gender Representation in Senior Management



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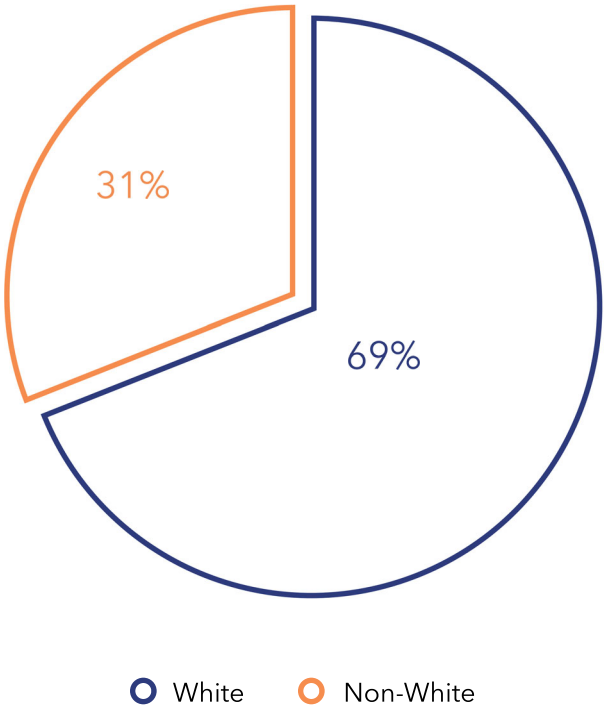
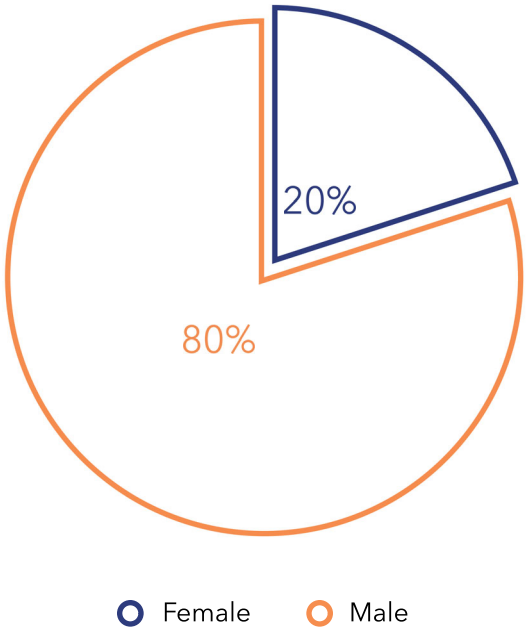


Wilshire Associates Incorporated

Gender Representation in Senior Consultants



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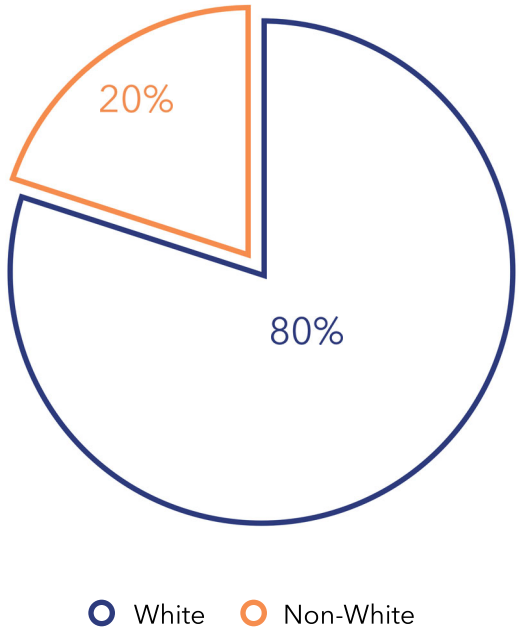
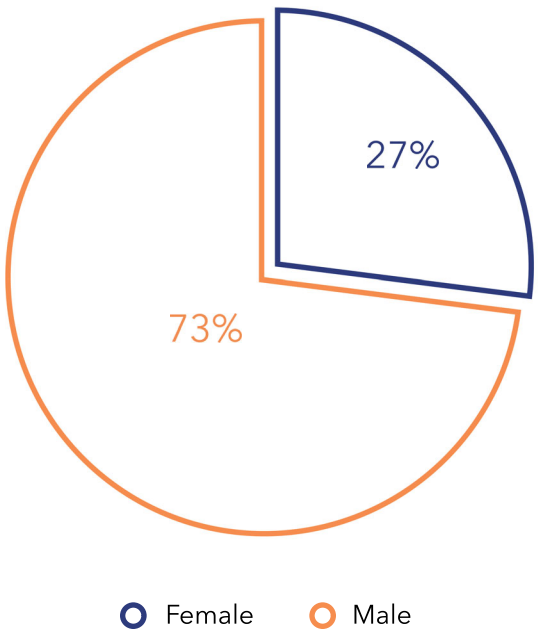
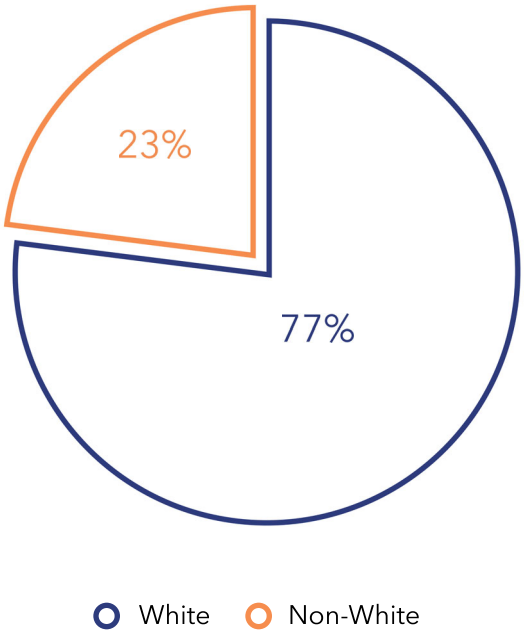


Wilshire Associates Incorporated

Gender Representation in Junior Consultants

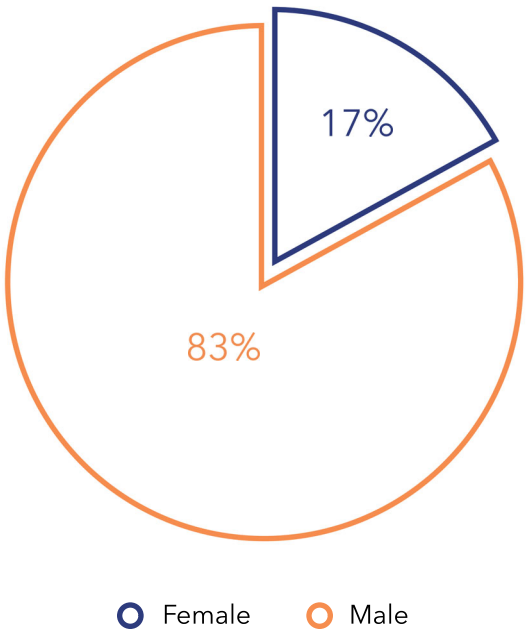


Racial Representation in Junior Consultants

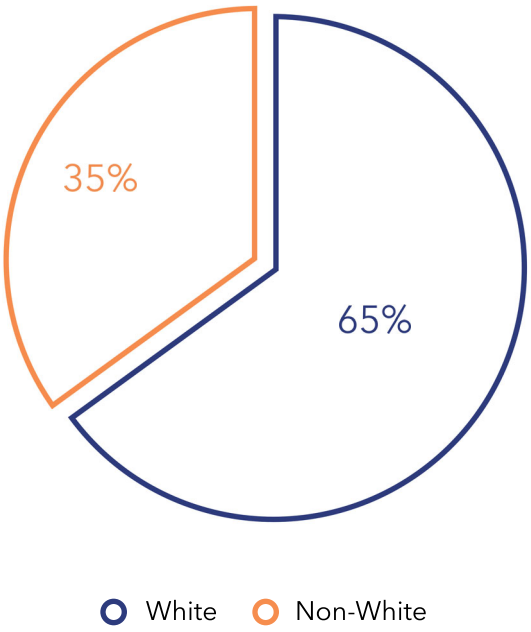


Wilshire Associates Incorporated

Gender Representation in Research Staff



Racial Representation in Research Staff



Wilshire Associates Incorporated

Research on diverse asset managers performance | • • •

The group has done research about historical performance metrics compared to benchmarks, peer groups and universes

The group has done research about portfolio diversification of the product compared to benchmarks and peer groups

The group has done research about simulated client portfolios with diverse managers, demonstrating risk/return metrics and holdings when one or several diverse managers are included in the portfolio.

Clients with policies in place regarding diversity | • • • • •

There is at least one client with a policy for diversity in a manager search.

There is at least one client with a policy for diversity in a manager selection.

There is at least one client with a policy for diversity regarding Rooney Rule adherence.

There is at least one client with a policy for an investment policy that addresses diversity policies.

There is at least one client with a long-term plan to diversify the portfolio with regard to the inclusion of diverse asset managers

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Promoting emerging and/or diverse manager programs | • • • •

It is not on the website.

It is not part of the "About Our Firm"

It is included in all marketing and RFP responses as part of the description of the firm

There is an identifiable contact.

Glossary.

DAMI

The Diverse Asset Managers Initiative (DAMI) is fundamentally committed to increasing the absolute number of, and assets under management by, diverse-owned asset management firms.

Diverse-owned

DAMI defines "diverse-owned" as majority-owned by diverse parties (women, African-American, Latinx, Asian-American).

Investment Consultants

An investment consultant provides investors with investment products, advice and/or planning. Investment consultants do in-depth work on formulating clients' investment strategies, helping them fulfill their needs and reach their financial goals. (https://www.investopedia.com/terms/i/investmentconsultant.asp)

Rooney Rule

The Rooney Rule is a policy requiring firms to interview women or minority candidates for vacancies with no quota or preference given to minorities in the hiring of candidates

Acknowledgements.

About the Survey

We would like to thank the nine participating firms for sharing their experience as a launching point from where they, and the industry, will grow. Since this survey, several of these firms have made additional announcements and policy changes that will result in greater accountability on the issue of diversity, with the intention of becoming more competitive through greater diversity within their ranks.

In an industry in which data rules, and everything is measured, it was telling to us that the basic question of who is leading these crucial firms wasn't being asked or answered. We are delighted that some firms worked with us to inform their minority and gender participation. But that two-thirds of firms would not even answer the question ought be concerning to clients.

Additionally, we thank our DAMI partners and supporters, whose help was instrumental in securing robust participation from ICs in this survey. We also owe a great deal of gratitude to the Knight Foundation, which helped fund the study.