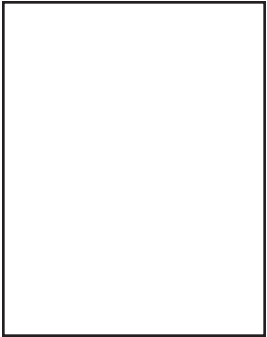
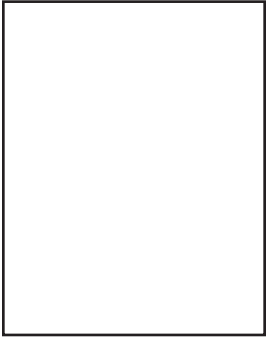


# THE NMS EXCHANGE



*Nancy M. Szigethy  
Founder, President and  
Chief Executive Officer*

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# Exploring and Supporting the Diverse Manager Landscape



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Tragic events in 2020, such as the death of George Floyd, and the disproportionate impacts of Covid-19 on communities of color, have sparked a cultural reckoning on racial injustice in the United States. Among other organizations taking action to address structural inequalities in education, finance, housing, health, and other areas, academic communities are re-examining structures and policies that perpetuate these inequalities, such as hiring policies for faculty, staff, and external vendors and contractors. University Investment Offices have an opportunity to support positive social changes while also furthering their investment objectives by actively seeking to invest in firms managed by women and people of color.

The stark lack of racial and gender diversity in asset management has become a focal point for research, discussion, and calls for change in recent years. A 2019 study by the Knight Foundation found that less than 1.3% of global AUM across mutual funds, hedge funds, real estate, and private equity is managed by women and people of color<sup>1</sup>. Another study conducted by Illumen Capital and Stanford SPARQ in 2018 presented evidence that implicit racial bias impacts investment decisions made by asset allocators, and that investment managers of color experience greater allocator bias after they have established strong performance track records.<sup>2</sup>

This problem is compounded by the many systemic obstacles to career advancement that racial minorities face along the professional pipeline. People of color are less likely to have access to educational programs, mentorships, and wealth networks that are often critical to success in the investment industry.

There are numerous advantages to successfully implementing diversity, equity, and inclusion (“DEI”) objectives within an institutional portfolio, the most tangible of which is the potential to achieve higher returns. A 2019 article in this publication by Kim Lew and Alisa Mall (then of the Carnegie Corporation) argued that generating alpha in traditional asset classes is more difficult than ever. The authors asserted that outperformance in today’s environment requires identifying new areas of opportunity, and that investors who represent a broader portion of the population will have a competitive advantage due to their diverse perspectives. Beyond the “business case” for diversity, many organizations

are also sensing a growing moral imperative to address issues surrounding DEI. There is a clear social impact motivation to seek out and invest in diverse managers: increased capital flowing to minority-led firms and businesses will, over time, lead to greater generational wealth in underrepresented communities. For university endowments, improving DEI metrics also promotes closer alignment with stakeholders, and may also encourage greater donations from socially-conscious donors. A number of foundations and endowments have led the industry’s efforts to improve in the areas of diversity, equity, and inclusion.<sup>3</sup>

At Rochester, we are preparing to take action on DEI issues using a three-pronged approach: 1) engaging more deeply with our current managers on these topics and tracking their progress over time, with the results to factor into our portfolio management decisions; 2) making new investments in firms led by women and underrepresented minorities, and sharing information about diverse investment firms with institutional peers; and 3) supporting initiatives that empower women and minority professionals in the investment industry pipeline.

We will focus here on the second initiative above, though we plan to continue engaging actively with our peers and other market participants on the other two topics. Over the last several months, we have been working on a project to survey peers and other contacts to learn of diverse-led firms across asset classes, and we have created a spreadsheet of over 500 women and minority-led firms, as well as funds that focus on DEI as part of the investment strategy. Because Rochester’s direct financial impact on these firms will be limited (as our portfolio construction will not allow for significant new illiquid investments in the near term), we have “open sourced” this list to our peers and other interested parties, in hopes of doing our part to help these firms get more attention (and investment) from allocators, and to help our peers access these under-appreciated opportunities. The current version of the list is shown as Figure 1 (one page shown as an example; the entire list is available upon request). We recognize that the landscape is changing quickly, and our list is far from complete; corrections/additions are welcome.<sup>4</sup>

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**“For university endowments, improving DEI metrics also promotes closer alignment with stakeholders, and may also encourage greater donations from socially-conscious donors.”**

Manager	Type	Asset Class	Stage/Sector/Strategy	DEI		
				FOCUS	Woman/Minority status	Key People
Reach Capital	Private	Venture Capital	Ed Tech		Woman; African American	ShaunteI Garvey, Jennifer Carolan,
Renegade Partners	Private	Venture Capital			Woman	Roseanne Wincek, Renata Quintini
Rethink Impact	Private	Venture Capital		YES	Woman	Jenny Abramson, Heidi Patel
Scale Venture Partners	Private	Venture Capital			Woman	Kate Mitchell, Co-Founder
Scribble Ventures	Private	Venture Capital			Woman	Elizabeth Weil
SemperVirens Venture	Private	Venture Capital			Woman	Allison Baum
Share Ventures	Private	Venture Capital	Venture Studio	YES	African American	Hamet Watt
SKU'D Ventures	Private	Venture Capital	Pre-seed, consumer products	YES	African American	Kofi Ampadu
SteelSky Ventures	Private	Venture Capital	Early-stage - Women's health tech		Woman; African American	Maria Velissaris, Buffy Alegria
Storm Ventures	Private	Venture Capital	Early-stage; B2B		Diverse Leadership	Ryan Floyd, Alex Mendez, Tae Hea Nahm
Syncom Venture Partners	Private	Venture Capital	Media/Communications		African American	Duane McKnight
TenOneTen (10110) Ventures	Private	Venture Capital			Woman partner	Minnie Ingersoll
The Engine	Private	Venture Capital			Woman	Katie Rae
TI Platform Management	Private	Venture Capital	Venture Platform backing emerging & div	YES	Woman; Minority	Alex Bangash, Trang Nguyen
Trail Mix Ventures (TMV)	Private	Venture Capital	Early Stage		Woman	Soraya Darabi, Marina Hadjipateras, Suzette Dutch
Triathlon Medical Ventures	Private	Venture Capital	Healthcare & IT		Woman	Marcus Stroud, Brandon Allen
TXV Partners	Private	Venture Capital	Early/Mid; health, fitness, wellness		Minority	

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Ulu Ventures	Private	Venture Capital	Seed-stage; actively seeks diverse & wom	YES	Woman; Hispanic American/	Miriam Rivera, Clint Korver
Valmo Ventures	Private	Venture Capital		YES	Woman; African American	Valerie Mosley
VamosVentures	Private	Venture Capital	Early-stage tech, impact	YES	Hispanic American/Latinx	Marcos C. Gonzalez
Wing	Private	Venture Capital	Enterprise Tech		Woman; Minority	Sara Choi, Gaurav Garg
WOCstar Fund	Private	Venture Capital	Early-stage, Women of Color	YES	Woman; African American	Gayle Jennings O'Byrne
WomensVCFund	Private	Venture Capital	Series A/B, Enterprise SaaS/Consumer Int	YES	Woman	Edith Dorsen
Zeal Capital	Private	Venture Capital			African American	Nasir Qadree
Zetta Venture Partners	Private	Venture Capital			Woman	Jocelyn Goldfein
DigitalDx Ventures	Private	Venture/Growth	Healthcare & AI		Woman	Michele Colucci
Fenwick Partners	Private	Venture/Growth	Consumer brands		Woman	Melissa Baker, Elizabeth Stewart
Goldman Sachs Launch Fund	Private	Venture/Growth		YES	Woman	Jemma Wolfe
Pacific Community	Private	Venture/Growth	West Coast U.S.	YES	Woman; Diverse Team	Bulbul Gupta
Parker Global Strategies	Public	Energy	MLP		Woman	Virginia Parker
Bluebay Asset Management	Public	Fixed Income			Woman	Polina Kurdyavko
New Century	Public	Fixed Income	Inflation-linked securities		Woman	Ellen Safir
Payden & Rygel	Public	Fixed Income			Woman	Joan Payden
Quadratic Capital	Public	Fixed Income	Interest Rate Vol and Inflation Hedge ETF (IVOL)		Woman	Nancy Davis
Semper Capital Management LP	Public	Fixed Income	Structured Products		African American	Greg Parsons
Academy Investment Management	Public	Hedge Fund	Statistical Arbitrage		Woman; Asian American	Ellen Tang
Addend Capital Management	Public	Hedge Fund	L/S Equity; Market Neutral; TMT		African American	Jethro Townsend
Advent Capital Management	Public	Hedge Fund	Convertible Arbitrage		African American; Diverse Te	Tracy Maitland
AHL Partners	Public	Hedge Fund	Macro - CTA / Managed Futures		Woman	Giuliana Bordigoni, Matthew Sargaison
Alba Capital	Public	Hedge Fund	L/S Equity; Consumer		Woman	Laura Cheng
Ally Bridge Group	Public	Hedge Fund	L/S Equity		Woman	Anna Yaeger
Alpine Peaks Capital	Public	Hedge Fund	L/S Equity; Corporate Social Responsibility		Woman	Jennifer Ralph Oppold
Altum	Public	Hedge Fund	Credit Opportunities; Structured Credit		Woman	Marjorie Hogan
Alua Capital Management	Public	Hedge Fund			Hispanic American/Latinx	Marco Tablada

As enthusiasm around DEI has gained momentum in recent months, there is a growing network of endowment and foundation investment professionals, in the U.S. and internationally, who are collaborating to address the challenges of defining, measuring, and prioritizing these attributes. Initiatives are underway to create a standardized DEI survey for investment managers, and industry organizations including NACUBO are working with a group of endowment CIOs to formulate a set of DEI principles that endowments can adopt. Following an innovative suggestion from Harisha Haigh at Northwestern, the University of Rochester hosted a “pitch session” in early December to introduce

select women- and minority-led venture firms to a group of endowment and foundation LPs.<sup>5</sup> This event was well-attended, and planning for additional sessions focusing on managers in other asset classes is already underway. Sessions will also be held to discuss topics such as best practices for communicating with Investment Committees about DEI, and a Slack channel is being developed to facilitate discussions on related topics. Please contact us with any interest in these initiatives, or others you may be working on that we could join. We look forward to continuing momentum in this area, with positive social change and enhanced alpha generation to follow.

1. For an executive report on the study, see Josh Lerner and Bella Research Group, “Diversifying Investments: A Study of Ownership Diversity and Performance in the Asset Management Industry,” Knight Foundation (January 2019).

2. Sarah Lyons-Padilla, et al., “Race Influences Professional Investors’ Financial Judgments,” Proceedings of the National Academy of Sciences 116, no. 35 (August 2019). <https://doi.org/10.1073/pnas.1822052116>

3. We recognize the insights and advice provided by contributors such as Ana Marshall of the Hewlett Foundation (in this issue), John Hall of the Mellon Foundation, Bhakti Mirchandani and Sophia Tsai of Trinity Church, Michael Billings of Vanderbilt, Elise McDonald of Harvard, and the teams at the Kellogg Foundation and Robert Wood Johnson Foundation, University of Chicago, Cambridge Associates, and many others.

4. Updating our list will be a continual process, with input from peers and other market participants, as well as industry sources such as the recently-published Diverse Manager Directory from Financial Investment News.

5. We do not mean to assert that this was our original idea; for example, as noted in their article referenced above, the Carnegie Corporation used to hold similar sessions.