



Office of the Executive Vice President

CONFIDENTIAL

July 31, 2020

The Honorable Emanuel Cleaver, II
2335 Rayburn HOB
Washington, D. C. 20515

The Honorable Joseph P. Kennedy, III
304 Cannon HOB
Washington, D.C. 20515

Dear Congressman Cleaver and Congressman Kennedy,

Thank you for your letter of July 10, 2020 inquiring about diversity in the management of university endowments. The University of Pennsylvania is committed to policies and practices that address this important issue. In response to your specific questions, please be advised of the following:

Question 1

The Office of Investments is part of the University of Pennsylvania, and as such is subject to the University's policies and guidelines regarding equal opportunity:

The University of Pennsylvania prohibits unlawful discrimination based on race, color, sex, sexual orientation, gender identity, religion, creed, national or ethnic origin, citizenship status, age, disability, veteran status, or any other legally protected class.
<https://www.upenn.edu/affirm-action/eoaa.html>

Question 2

Penn's Office of Investments is committed to furthering opportunities for those historically underrepresented in the investment management industry. The Office approaches this through two broad channels: our internal hiring and our hiring of external investment management firms. We are also working to foster broader conversations about diversity within the investment management field.

The Office of Investments believes that diverse organizations have competitive advantages. Not only do they draw upon a broader talent pool when hiring, but they benefit from having a breadth of experiences, perspectives, and knowledge across team members. Over the past decade, Penn's Office of Investments has ramped up its efforts to improve the diversity of talent joining the investment management industry, starting with our own organization. Today, half of our total organization, including half of our investment team, consists of women and people of color.

Ongoing hiring efforts continue to diversify the organization. For example, our Office of Investments hires annually for analyst and intern programs. Since the inception of these roles in 2013, 80% of the team members hired as analysts are women or people of color. Similarly, 80% of interns hired are also women or people of color.

We hope that Penn's identification and development of diverse investment talent will have a meaningful impact on not only our own organization, but also on overall industry diversity. If Investments team members become interested in working at buy side investment firms or other institutional investment organizations, the Office actively assists their job searches and placement. By supporting and mentoring former team members as they rise through the investment industry, we hope that we are cultivating the leaders of the next generation of diverse investment managers.

Penn also seeks to partner with diverse investment managers. Our primary method for engaging with managers from historically underrepresented backgrounds is through the Office's outbound sourcing efforts, which include using diverse networks to identify talented investors, reviewing filings to identify new firms being formed, and connecting with individuals when they depart prior employers. The Office continuously tries to broaden Penn's sourcing networks, including recently engaging with an association of investment managers with diverse backgrounds to access their network of firms. The Office also gives priority to holding introductory meetings with diverse firms.

Finally, Penn's Office of Investments seeks to use its position as part of a university to elevate the dialogue about diversity in the investment management field. For example, this fall the Office is hosting a virtual speaker series about diversity in investment management. By fostering discussions about industry diversity, Penn hopes to increase awareness about obstacles facing women and minorities within the field, to be part of a constructive dialogue around efforts to improve the industry, and to encourage students from diverse backgrounds to pursue careers in investment management.

Question 3

Penn has no policies that limit the participation of smaller and/or newer firms. Over the past three years, over 60% of Penn's new investment manager hires were newer firms, generally with limited assets under management (in fact, half of those newer firms were raising their first external funds when Penn invested).

Question 4

In 2017 the Office of Investments developed a website to describe Penn's approach to the evaluation and selection of investment managers. The Office also uses a variety of sourcing techniques to identify and contact investment managers that Penn does not already know. We believe outbound sourcing efforts are consistent with the Office's mandate to generate attractive risk-adjusted investment returns for the university.

Question 5

The Office of Investments does not use investment consultants. We communicate our investment priorities and practices to staff through a variety of means, including formal training,

written descriptions of our investment approaches, and ongoing conversations and discussions to reinforce core principles.

Question 6

Penn does not conduct RFP processes when selecting investment managers. Rather, the Office is continuously identifying and speaking or meeting with investment management firms that we do not already know. The Office evaluates each firm individually. Because our portfolio is fully invested, new manager relationships generally must compete capital away from existing manager relationships. As a result, Penn tends to hire few new managers in any given year.

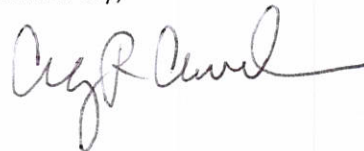
Question 7

Penn believes that it is important to understand both the diversity of senior decision-makers at investment organizations and the diversity of team members who receive a meaningful share of the firm's profits. We focus on these factors, rather than firm ownership alone, for two reasons. First, ownership is often separate from investment decision-making responsibility or profit participation (as is the case, for example, with publicly traded investment management firms). Second, because founders of new investment firms typically need to have decision-making experience, firms with diversity among senior team members can be important sources of talented and diverse founders of new investment organizations.

Of Penn's ongoing relationships with US-based active managers, approximately 29% are firms with at least one diverse senior professional who is a key investment decision-maker with meaningful economic participation in the firm's profits, and whose presence is a key part of our decision to partner with the firm. These firms manage over one quarter of the capital Penn has invested in ongoing relationships with US-based active managers.

Should you have additional questions or require additional information please contact Jeffrey Cooper, Vice President for Government and Community Affairs, jeffcoop@upenn.edu.

Sincerely,



Craig Carnaroli
Executive Vice President

cc: Amy Gutmann, President
Jeffrey Cooper, Vice President for Government and Community Affairs