

## DIVERSIFYING INVESTMENT MANAGERS

*Updated January 2023*

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The trustees and staff of the Rockefeller Brothers Fund (the “Fund”) express their commitment to the values of diversity and equity in the Fund’s [Diversity, Equity, and Inclusion Statement adopted in 2010](#). This commitment recognizes the Fund’s moral obligation to do its part to address past and current injustices to groups that have been historically disadvantaged and socially, politically, and economically marginalized. Our commitment is shaped by our values, our work, and the philanthropic traditions of the Rockefeller family.

We seek to integrate this commitment to diversity, equity, and inclusion into our management of the Fund’s endowment. Over the last decade, we have sought to align the Fund’s investment capital and practices with its mission. The Fund’s [Mission-Aligned Investment efforts](#) include divestment from fossil fuels; impact investments; screening for environmental, social, and governance (ESG) criteria; and leveraging shareholder voting rights. The Fund is committed to deepening the alignment of its investments with our mission by advancing opportunities for investment with firms run by women and people of color.

Advancing diversity in our asset management upholds our fiduciary duty to preserve our endowment in perpetuity. Research shows that investment return performance, in general, is statistically indistinguishable between people of color and women-owned funds and others.<sup>1</sup> Despite this, firms with racially diverse or female ownership account for only 1.4 percent of the financial industry’s \$82.24 trillion assets under management.<sup>2</sup> Theories suggest that investors underestimate the value of funds managed by people of color and women, a dynamic that may be contributing to the allocation disparities.<sup>3</sup>

In 2019, the Fund embarked on efforts to diversify its endowment holdings by confronting any bias in our investment process and exploring how to increase the gender, racial, and ethnic diversity of the managers in our investment portfolio. As of December 31, 2019, the Fund had invested \$155.8 million, representing 12.3 percent of its endowment assets,<sup>4</sup> with firms that are majority-owned by women and/or people of color. Going forward, the Fund will work with our outsourced chief investment officer to identify prospective firms owned by women and/or people of color, with a special emphasis on people of color under-represented in the investments sector (defined as African American/Black, Hispanic/Latin American/Latinx, American Indian/Alaska Native, and Middle Eastern/North African). The Fund will seek firms that qualify under a range of metrics that will support increased opportunities for women and/or people of color in the investment sector:

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<sup>1</sup> National Association of Investment Companies. <http://naicpe.com/wp-content/uploads/2017/10/2017-performance-report.pdf>; Bella Private Markets and Harvard Business School, “2018 Diverse Asset Management Enhanced Performance Analysis.” <https://static1.squarespace.com/static/5c194ef4506f81692524d6/t/5c6de3ecf9619a0e554a60f8/1550705644987/Enhanced+Performance+FINAL.pdf>. Accessed 24 October 2019.

<sup>2</sup> Knight Foundation “Knight Diversity of Asset Managers Research Series: Industry”, December 7, 2021; <https://knightfoundation.org/reports/knight-diversity-of-asset-managers-research-series-industry/>. Accessed 5 January 2023.

<sup>3</sup> S. Lyons-Padilla, *et al.* Race Influences Professional Investor’s Financial Judgments, PNAS August 27, 2019 116 (35) 17225-17230; first published August 12, 2019; [https://docs.wixstatic.com/ugd/34f020\\_5dafb0523d8740d3a2c3cef497be5fcc.pdf](https://docs.wixstatic.com/ugd/34f020_5dafb0523d8740d3a2c3cef497be5fcc.pdf). Accessed 24 October 2019.

<sup>4</sup> Includes commitments for private investments that are still in the investment period.

- **Metric #1/Ownership:** Women and/or people of color hold “Majority Equity Ownership” in the firm (defined as greater than 50%).
- **Metric #2/Leadership:** Women and/or people of color hold leadership roles (defined as those who establish policies, set strategy, and provide overall direction) at the firm.
- **Metric #3/Next Generation Pipeline:** Women and/or people of color are represented in the staff of the firm, contributing to its diversity. Special emphasis is placed on firms that make intentional efforts to transition women and/or people of color to more senior roles.
- **Metric #4/Diverse-Led Portfolio Companies:** Venture Capital & Private Equity fund commits to a minimum of 30% portfolio companies led by women and/or people of color.

In an effort to foster increased opportunities at the highest levels of the investment sector structure, the RBF has set an ambitious goal to increase its investments with firms in which women and/or people of color hold majority ownership (Metric #1 above.) The RBF’s goal is for 25 percent of equity ownership across its portfolio to be held by women and/or people of color.<sup>5</sup> We recognize the need for advancement in the remaining metrics above to support the longer-term goal of majority ownership and will also seek to measure and increase our investments supporting these objectives.

To meet these commitments, the Fund and its outsourced chief investment officer will:

- Proactively source firms that qualify under the metrics above.
- Engage with industry organizations that foster a supportive ecosystem for firms owned and led by diverse teams.
- Collaborate with other investors and organizations who are interested in promoting greater diversity, equity, and inclusion within the asset management industry.
- Share our learnings and progress publicly on a regular basis.

In all of our efforts to align our endowment investments with our mission, we continue to adhere to the longstanding mandate of our board of trustees that our assets be invested with the goal of achieving financial returns that will enable the foundation to meet its annual philanthropic obligations while maintaining the purchasing power of the endowment so that future generations will also benefit from the foundation’s charitable giving. In uncertain and volatile markets, these financial goals are not easy to achieve. Therefore, mission-aligned investment efforts, including diversity of asset management, will be accomplished through a financially prudent process.

We hope that this work will be of interest to other asset owners and investment managers and will encourage others to strive toward more inclusive investment practices. We also expect to learn from the experience of others.

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<sup>5</sup> The RBF will identify its endowment investment managers who meet the majority ownership metric and average the percent equity owned by women and/or people of color in these firms across the entire portfolio, with a goal of reaching 25 percent.