

July 31, 2020

The Honorable Representative Emanuel Cleaver, II
The Honorable Representative Joseph P. Kennedy, III
Congress of the United States
Washington, DC 20515
Via Email: Alex.Ndikum@mail.house.gov

Dear Representative Cleaver and Representative Kennedy,

Thank you for your inquiry concerning diversity in the investment management industry. As an institution of higher education, we believe deeply in the centrality of our mission in the context of racial justice. We are committed to educating the most promising students and preparing them for a lifetime of learning and responsible leadership, and to taking advantage of our excellence in the liberal arts and our unique constellation of graduate and professional schools to develop leaders committed to addressing the world's challenges, including the creation of more just and civil societies. We know that providing an equal opportunity environment diverse in thoughts, opinions, beliefs, and viewpoints enriches Dartmouth and benefits society.

I share your concern more broadly regarding racial and gender inequality and the current challenges facing our nation. As recently shared with the Dartmouth Community on July 1, 2020, the Board of Trustees and I recognize that outrage is not enough to combat systemic racial injustice. If we want to see change in the nation, and at Dartmouth, we must act as well as speak. As such, the Board of Trustees has identified diversity, inclusion, and campus climate as one of two major priorities for the 2020-2021 academic year, and we are renewing our institutional commitment to meaningful and long-lasting change through the following actions:

1. We will soon launch a national search for a Senior Vice President and Chief Diversity Officer who will lead the Office of Institutional Diversity and Equity (IDE), reporting directly to me and joining my senior leadership group.
2. We have appointed [Matthew Delmont](#), the Sherman Fairchild Distinguished Professor of History, as a special advisor, also reporting directly to me. Professor Delmont will collaborate with Dartmouth's academic leadership on matters involving faculty equity, diversity, and inclusivity. He will help develop a long-term vision for the recruitment and retention of Black faculty specifically and of faculty of color more generally, and he will advise on the creation and implementation of curricular and co-curricular changes.

3. Dartmouth will continue the initiatives launched as part of Inclusive Excellence (<https://inclusive.dartmouth.edu/>), including funding for the recruitment and retention of faculty and staff of color.
4. Implicit bias training will be mandatory for all students, faculty, and staff. The Board of Trustees has committed to participate in the training, as well.
5. We will review and update all trainings and policies, as necessary, to ensure empathetic, equitable, and just operating procedures.

Dartmouth's focus on diversity directly ties to its educational mission of providing an environment that combines rigorous study with the excitement of discovery rooted in a multiplicity of values, interests, experiences, and cultural viewpoints. Beyond this, the case for embracing diversity can be made across all realms of human endeavor. Researchers are finding that diverse groups outperform individual experts at solving problems. Gender diversity has improved research in fields from economics to medicine. Increasingly, business organizations are leveraging diversity with effective management to improve company performance and boost innovation. On these latter points, we share more information in regard to your specific areas of inquiry.

Dartmouth is an equal opportunity employer ("EEO"). Dartmouth's EEO policy extends to all departments at Dartmouth and to all work conducted by Dartmouth employees. We prohibit discrimination on the basis of race, color, religion, sex, age, national origin, sexual orientation, gender identity or expression, disability, veteran status, marital status, or any other legally protected status. All Investment Office staff are required to comply with this policy in selecting external investment managers. More on Dartmouth's EEO policy can be found here: https://www.dartmouth.edu/hrs/pdfs/Equal_Opportunity_Grievance_Procedure.pdf.

Dartmouth's Board of Trustees is represented equally by men and women, and the current chair is a Black woman. Additionally, the Chief Executive Officer of the Investment Office is a woman, as was her predecessor. Our Investment Office team is 60% women and 40% men. The investment team at Dartmouth has directly supported diversity through participation in industry events. Specifically, during 2020, Dartmouth's Investment Office CEO was selected as a keynote sponsor for the 13th Annual Women's Private Equity Summit with more than 500 participants. In addition, she co-chaired the 2019 NMS Investment Fall Forum conference and played a lead role in setting the agenda at the 3-day event which included numerous panels on diversity.

Our Investment Office's due diligence process is a robust, comprehensive, and bottom-up evaluation of an investment opportunity rooted in the duties of loyalty, good faith, and prudent care as described under the New Hampshire version of the Uniform Prudent Management of Institutional Funds Act (See Appendix), relevant state organizational and governance requirements, and federal and state statutes addressing non-profit governance and the extent to which we may consider race, national origin, and gender in our policies and practices. Our process includes 1) an evaluation of environmental, social, and governance ("ESG") factors, 2) an analysis of traditional quantitative measures (e.g. investment performance, AUM growth, and risk measures), and 3) a qualitative assessment of the investment offering (e.g. team, skill sets, the opportunity set and strategy, fund terms, alignment of incentives, and firm compliance and operational risks). Dartmouth recognizes the role that ESG factors play in creating or potentially limiting value for

investors. Dartmouth's ESG Investment Policy, was recently enhanced in 2019, after being in place for four years, and is posted publicly on our Investment Office website:

<https://www.dartmouth.edu/investments/esg.html>

The team continues to evolve our ESG investment diligence practices as we become more informed on ways to further engage and advocate in consideration of various issues. Specific to diversity, these efforts have led us to seek constructive conversations with firms that are proactively expanding the diversity of their own organizations as well as within the investment management industry. Specific examples include:

- Dartmouth is an investor in a seed-stage venture capital firm that provides capital to entrepreneurs/founders. The firm has a dedicated forum for female founders to connect, share stories, and encourage the next generation of female entrepreneurs.
- Dartmouth is a long-time investor in a hedge fund firm that participates in the Girls Who Invest internship program, which most recently resulted in the firm hiring two full-time analysts. Additionally, this same firm has engaged Declare, a search firm specializing in the placement of women in senior-level positions.
- Dartmouth invests in a BIPOC¹-owned venture capital firm that prioritizes diversity and in which over 60% of Fund I portfolio companies were founded by BIPOC individuals.
- Dartmouth is an investor in a woman-led firm specializing in technology and education companies.
- Dartmouth is an investor with a firm that has formed a dedicated partnership to advance Black representation in the technology industry, with all fees from the fund being donated to non-profit organizations that support that cause

The publication and sharing of the annual report on the endowment each year is another example of proactive outreach efforts our Investment Office team undertakes to encourage diversity within the portfolio. The report intentionally includes a description of the investment selection criteria, specifically encouraging consideration of firms of all sizes and operating history:

“We look for firms with a great team, a unique investment approach, an attractive opportunity set, and the will to engage in a true spirit of partnership. We have built strong relationships with firms of all shapes and sizes, investing with brand new firms as well as long-established ones.”

Dartmouth does not have minimum investment thresholds, either in AUM or length of operating history. Supporting and partnering with the next generation of investment management talent is at the very heart of managing institutional capital that is perennial in nature. Dartmouth has invested with new firms across almost all asset classes and is committed to continuing this practice to ensure Dartmouth's endowment portfolio is diversified not only across investment type but also by investment perspective. The 2019 Endowment Report is available here:

<https://www.dartmouth.edu/investments/docs/report2019.pdf>

¹ Black, Indigenous and people of color


Regarding investment management firm ownership, Dartmouth prefers to partner with firms where ownership is diversified and economics are distributed across the team commensurate with level of contribution. Within that context, we invest with 21 firms with majority women or BIPOC ownership or economic stakes consistent with ownership. These firms represent over 23% of Dartmouth's investment assets. In addition, we invest with 56 firms, representing over 60% of assets, that have one or more women or BIPOC persons who are in leadership roles within the firm and who have economic stakes consistent with ownership. Additional actions taken by our Investment Office which directly support diversity in the industry include:

- Our first investment in 37 firms occurred when the firm managed under \$250MM, and 28 of these were in newly launched groups. These firms represent >25% of managers.
- Over the past two years, we have taken meetings with 157 smaller firms (under \$250MM) of which 94 were newly launched groups.
- We have taken leadership roles at conferences such as Women in Private Equity and participate at similar events for women in investment management.
- Several of our industry service providers are represented by women and/or BIPOC persons in leadership roles, including as partners and/or founders in their respective firms.

As the Knight Foundation study acknowledges, women- or minority-owned firms are under-represented in the investment management industry. Furthermore, reporting of race, ethnicity, and gender is also not widely accessible or standardized for the industry. Recognizing that Dartmouth may be able to play a greater and more proactive role in expanding opportunities for these types of firms, our Investment Office will work with the new Senior Vice President and Chief Diversity Officer and others to explore new best practices so that we can better evaluate diversity policies and practices of investment managers through our own actions and efforts to further promote diversity, equality, and inclusion within the investment management industry more broadly. We also support a uniform reporting requirement for asset managers to disclose diversity statistics as another mechanism to bring more attention to this important issue.

We are aligned with you in our support of combatting racial injustice and gender inequality, and we will continue to evolve our practices and policies to ensure we are creating opportunities for all and advocating for greater inclusion and diversity outcomes.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Hanlon". The signature is fluid and cursive, with the first name "Phil" being larger and more prominent than the last name "Hanlon".

Philip J. Hanlon

APPENDIX: Uniform Prudent Management of Institutional Funds Act

Under the Uniform Prudent Management of Institutional Funds Act ([UPMIFA](#)), each person responsible for managing and investing an institutional fund must “invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.” Per Section 3(e)(1), a list of factors which must be considered such as general economic conditions and expected tax consequences, an investment’s role within the overall investment portfolio. Section 3(e)(2) provides that “Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund’s portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.