



Allison Kendrick Thacker  
President, Rice Management Co.  
VP for Investments and Treasurer

July 31, 2020

The Honorable Emanuel Cleaver, II  
2335 Rayburn House Office Building  
Washington, DC 20515

The Honorable Joseph P. Kennedy, III  
304 Cannon House Office Building  
Washington, DC 20515

Dear Congressmen Cleaver and Kennedy:


Thank you for the opportunity to share the following information with you regarding our endowment. It plays a vital role in our ability to provide a world class education, assists students with financial need and supports research that betters our world – and increasingly we strive to have it do so with diversity in mind. As I generally direct all of the Rice Endowment’s efforts on behalf of Rice University, President David Leebron asked me to respond to your inquiry regarding diversity among the asset managers utilized by our endowment.

I serve as the President of the Rice Management Company (RMC), a division of the university tasked with the oversight and stewardship of the Rice Endowment. Distributions from the endowment annually fund approximately 40 percent of Rice University’s operating revenues and contribute significantly to Rice’s ability to meet full financial need for enrolled undergraduate students. As an institution, Rice is deeply committed to equal opportunity, as our student body demographics bear out.

As you know, each endowment is unique. Here at the RMC, our team manages a portfolio of the Endowment’s assets internally as well as externally – employing several third-party asset managers – so it took us some time to compile information for a thorough response.

Our answers to your questions from the July 10 letter are below. I hope these provide important, helpful information and context as you explore this important topic.

Respectfully,

  
Allison Thacker (Jul 31, 2020 14:38 CDT)

Allison K. Thacker  
President  
Rice Management Company



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Rice University endowment diversity answers  
July 31, 2020

*1. Does your institution have a publicly available equal opportunity statement pertaining to the selection of external endowment managers?*

- o If no, why not?*
- o If yes, please provide that statement.*

The Rice Endowment is committed to the Rice University policy on affirmative action and equal opportunity, both for internal hiring of employees as well as for vendors. The University states that commitment in its general employment opportunity/non-discrimination/affirmative action policy [University Policy No. 815 <<https://policy.rice.edu/815>>] as well in its Procurement Policy [University Policy No. 814 <<https://policy.rice.edu/814>>]: “Rice, whenever possible, shall make a good faith effort to utilize small or historically under-utilized businesses (HUB), especially within the local community. In cases where quality, performance, and price are all relatively equal with all suppliers considered for an opportunity, Rice expects employees and students to make good faith efforts to utilize HUB-certified businesses in the purchase of goods and services for the University.”

*2. What commitments to increasing opportunities for women and minority-owned asset management firms have been made by senior institutional leadership? (Please provide the specific dates of these actions and if they have resulted in tangible and measurable outcomes.)*

For context, you should know that the RMC’s responsibilities include managing directly owned investment assets, overseeing asset allocation and the selection/termination of investment managers and consultants. Notably, our 36-person team manages 14 percent of the Endowment market value in-house.

The RMC team is diverse, with a woman Chief Investment Officer, more than half female employees – including half of the RMC leadership group – and 28 percent ethnically diverse team members. We believe – and research shows – that diverse teams make superior decisions (Hunt, Layton, Prince, 2015; Sommers, 2006). We seek managers with strong investment track records who also have diverse teams across their organizations.

As part of due diligence meetings with all of our third-party asset managers, we ask about team diversity at the manager level and we share best practices where there is interest in diverse hiring methodologies among those we choose as partners.

*3. Has your institution conducted reviews to examine the efficacy of revising policies and practices that limit the participation of smaller and/or newer firms?*

- o If no, why not?*
- o If yes, please specify when and articulate the findings.*

We already partner with smaller and/or newer firms. Over the past 5 years, we have partnered with several new firms led by women and ethnic minorities. When hiring new managers for the Endowment, we focus on investment track record, expected future investment returns, liquidity, manager skill, character and diversity, among other factors that we believe make asset managers both more effective and capable of superior decision-making.



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*4. What outreach has your institution done to inform women and minority-owned asset management firms about investment opportunities and the selection process?*

- o Do you believe such outreach is consistent with your fiduciary responsibility?*

We source new managers through inbound emails and calls, peer and network referrals, internet and media research and performance database queries. Our team members travel and attend conferences with investment managers – some of which are emerging/diverse asset manager conferences. We have a practice of proactively engaging with minority owned or led firms, and we reach out to them when colleagues and peers give good references. This allows us to increase the diversity of our asset manager “farm team” – potential future partners from which we draw upon consistently.

*5. How has your institution communicated priorities and expectations about inclusive asset management practices to investment staff and/or consultants?*

- o How does your institution ensure that those expectations are met?*

We have annual discussions with our third-party investment managers about their firm’s diversity goals. Over the past three years, we began formally tracking diversity metrics among our managers. We focused intentionally on growth in minorities and women in decision-making seats – Partner, Managing Director, C-level positions within asset manager partners. We believe in what the research shows, that such diversity on these teams leads to better overall decision making.

*6. Does your selection process for external asset managers require consideration of at least one diverse-owned firm?*

- o If no, why not?*
- o If yes, please articulate why this was done and if it has resulted in positive results?*

The RMC has a slow and thoughtful process for hiring new investment managers. We currently employ ~100 third-party managers to invest on behalf of the Endowment. Between 2016-2020 fiscal years, we hired fewer than 5 firms annually on average. In the past three years though, five of the firms we have hired were newer firms that were women- or minority-led.

*7. How much of your institution’s endowment assets are under management with diverse-owned firms? (Defined as women or minority ownership above 50%)*

There are three lenses through which to look at diversity of investment teams managing the Rice University Endowment (the Endowment).

- 1) The diversity of the Rice Management Company team that invests the Endowment, selects third-party managers on behalf of Rice, and directly manages 14 percent of the Endowment assets (\$827 million).
- 2) The diversity of the third-party teams managing assets on behalf of Rice. Because of our strong belief in diverse teams making better decisions, we have focused our primary tracking efforts on women and ethnic minorities in decision making positions. We think this metric is most critical to increasing diversity in the investment business over time and to driving strong investment performance.



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- 3) The diversity of the ownership of third-party firms managing assets on behalf of Rice. Due to limited disclosure for private investment firms, we do not have perfect transparency of such ownership information, but we made our best effort to estimate ownership of these firms based on our due diligence and understanding of the ownership of the firms.

When looking to investment manager diversity statistics, the data should be compared to the \$4.9 billion or 81 percent of the Endowment which is managed by third-party firms, not the entirety of the Endowment. We have also excluded the 5 percent of the endowment managed by international firms, which focus on international markets with locally based teams (e.g. our China-focused manager, based in Beijing, staffed with Chinese citizens). As of 6/30/2020:

Total Endowment Value	\$6,041,550,596	
3 <sup>rd</sup> Party Managed Value	\$4,917,586,107	81%
Directly Managed Value	\$826,886,195	14%
International Managed Value	\$297,078,293	5%

#### Rice Management Company team diversity

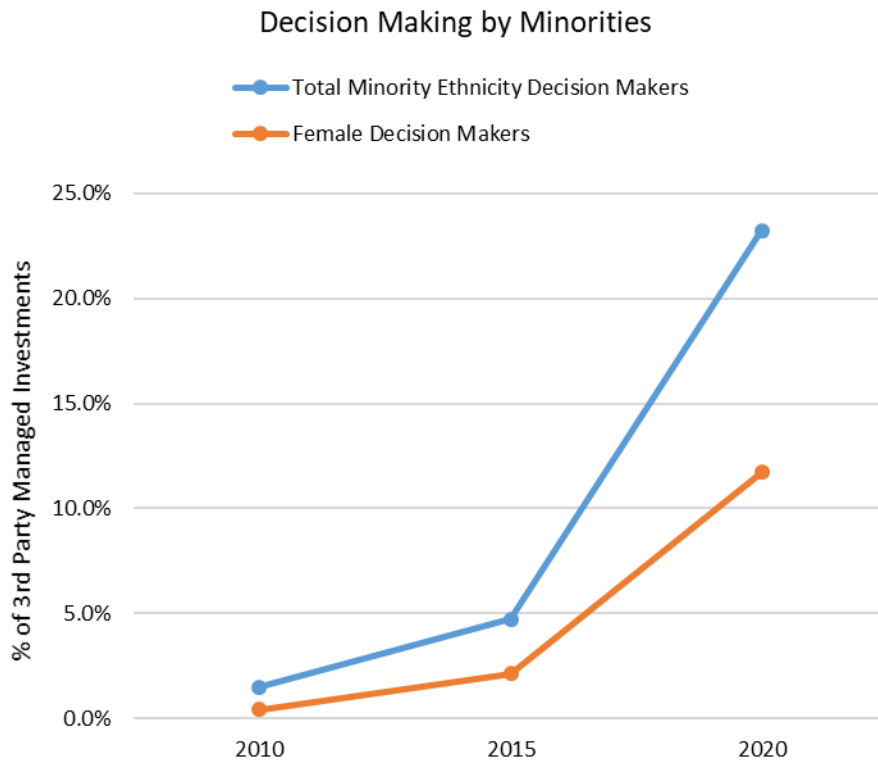
Gender and Race	2010		2015		2020	
	#	%	#	%	#	%
Female	9	60.0%	11	55.0%	19	52.8%
Male	6	40.0%	9	45.0%	17	47.2%
White	14	93.3%	16	80.0%	26	72.2%
Minority	1	6.7%	4	20.0%	10	27.8%
Total Employees	15		20		36	



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### Decision-maker diversity at third-party investment managers

Decision Makers	% of 3 <sup>rd</sup> Party Managed Investments		
	<u>2010</u>	<u>2015</u>	<u>2020</u>
Total Minority Ethnicity Decision Makers	1.5%	4.8%	23.2%
Female Decision Makers	0.4%	2.1%	11.7%

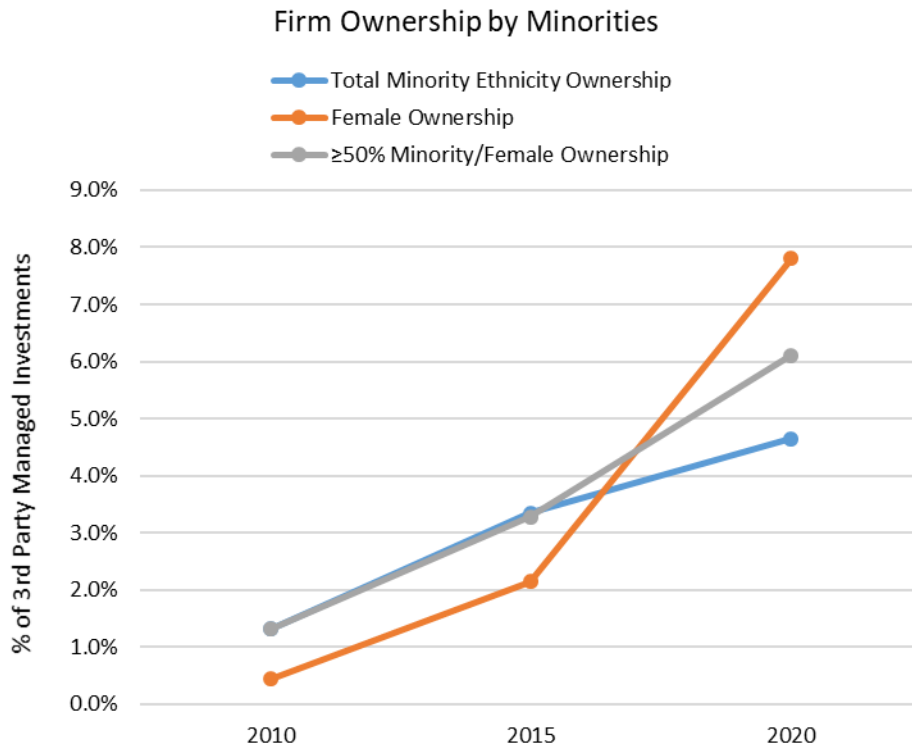




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**Ownership diversity at third-party investment managers**

Ownership	% of 3rd Party Managed Investments		
	2010	2015	2020
Total Minority Ethnicity Ownership	1.3%	3.3%	4.7%
Female Ownership	0.4%	2.1%	7.8%
≥50% Minority/Female Ownership	1.3%	3.3%	6.1%



Hunt, V., Layton, D., Prince, S. (2015). "Why Diversity Matters," McKinsey & Company.

Sommers, S. (2006). "On Racial Diversity and Group Decision Making: Identifying Multiple Effects of Racial Composition on Jury Deliberations," *Journal of Personality and Social Psychology*, 2006, Vol 90. No 4, 597-612.


# Rice University Response to Congressional Letter Seeking Endowment Asset Manager Diversity Answers 20200731


Final Audit Report


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