



University Relations
Samuel Garrison
Interim Senior Vice President

July 31, 2020

The Honorable Emanuel Cleaver
2335 Rayburn House Office Building
U.S. House of Representative
Washington, DC 20515

The Honorable Joseph P. Kennedy
304 Cannon House Office Building
U.S. House of Representatives
Washington, DC 20515

Dear Honorable Representatives:

On behalf of the University of Southern California (USC), thank you for your commitment to fighting systems of racism and inequity. USC is advancing ongoing efforts to ensure equity, inclusion, and opportunity for all. This extends to every area of the university, including our finance and endowment management teams.

Under new leadership led by President Carol L. Folt, the university has redoubled its commitment as a global academic and medical research institution to boost access and affordability, provide world-class health care, and help solve the most pressing issues of our time. As USC's student population has grown and become more diverse over the years, so has the emphasis on representation. Nearly 30 percent of the university's first year students are under-represented minorities and 15 percent of undergraduates will be the first in their families to graduate from a four-year institution. Earlier this year, USC announced all entering first-year undergraduate students from U.S. families with an annual income of up to \$80,000 will attend tuition-free.

These and other achievements are just the beginning. The University of Southern California appreciates the opportunity to shed light upon our commitment to diversity. That commitment extends to our ongoing efforts regarding our finance and endowment asset management. Please find the enclosed responses to your inquiry.

If you have any questions, please contact me at sam.garrison@usc.edu.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Garrison".

Samuel Garrison
Interim Senior Vice President, University Relations

University of Southern California

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

The endowment's governing document, the Investment Policy Statement (IPS), recognizes the importance of diversity. The IPS expressly includes a Stewardship Policy that states that "social factors may impact economic stability and growth". The Stewardship Policy also recognizes the importance of diversity, and the "awareness of different perspectives and experiences inform our understanding of social issues".

All investment firms can and are encouraged to compete to manage endowment assets. Ultimately, all investment decisions are based on the university's fiduciary responsibility pursuant to the IPS.

2. What commitments to increasing opportunities for women and minority-owned asset management firms have been made by senior institutional leadership?

A woman chief investment officer has led the endowment for over nine years. She leads a diverse five-person senior team that is responsible for conducting investment manager due diligence. This team is comprised of three men and two women. This group represents two Latinx and one Asian.

The endowment team also established an internship program seven years ago. Almost 50 students have participated in this program. Over 40% of this group are either women or minorities. Besides providing students with industry experience, the program is intended to promote long-term diversity within the asset management industry.

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?

Smaller and newer firms with verifiable, demonstrated track records of success are considered during the manager due diligence process. Over the last ten years, 17% of endowment assets were allocated to investment management firms that were less than five years old when they were retained.

4. What outreach has your institution done to inform women and minority-owned asset management firms about investment and the selection process? Do you believe such outreach is consistent with your fiduciary responsibility?

As previously mentioned, the endowment team responsible for leading investment manager due diligence includes a diverse group of individuals who understand and appreciate diversity. Endowment team members regularly participate in industry events that are geared towards women and minority-owned investment firms. The review and selection of a globally and domestically diverse pool of asset management firms is consistent with and fulfills the endowment's highest priority in selecting a diverse range of investment managers that meet its fiduciary responsibility.

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

All priorities and expectations regarding endowment investment practices are identified in the IPS. The IPS includes a Stewardship Policy that recognizes the importance of diversity, as discussed above.

Investment managers are selected from a globally and domestically diverse pool of asset management firms based on various factors, including a firm's culture, and the firm's ability to generate returns and manage risk. The endowment's highest priority is funding investment managers consistent with the IPS that help ensure the university achieves its academic mission.

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

All investment firms can and are encouraged to compete to manage endowment assets. Investment manager decisions are based on individual manager qualifications and the fund's role within the investment program. Factors evaluated during the manager due diligence process include, diversity, firm history, culture, ownership, investment team, manager strategy, risk management, performance, and operations.

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

As previously mentioned, investment managers are hired based on numerous factors including firm culture, ownership and the portfolio managers. A decision to retain a firm may be based on factors that include the diversity of the organization or the portfolio manager.

As of June 30, 2020, firms that include women or diverse individuals in leadership roles represent approximately 50% of endowment assets. Firms with women or minorities as portfolio managers represent 15% of endowment assets. Firms with women or minority-ownership greater than 50%, represent 7% percent of endowment assets.