



July 31, 2020

The Honorable Emanuel Cleaver
U.S. House of Representatives
2335 Rayburn House Office Building
Washington, D.C. 20515-2505

The Honorable Joseph Kennedy, III
U.S. House of Representatives
304 Cannon House Office Building
Washington, D.C. 20515-2104

Dear Congressman Cleaver and Congressman Kennedy:

I appreciate your July 10 inquiry regarding the incorporation of diverse asset management companies and principles in the operation of the Johns Hopkins University endowment. This is an important issue in the higher education sector, and one that we have actively been working to address. First and foremost, I want to assure you that Johns Hopkins University is fully committed to addressing inequities and advancing and embedding a commitment to diversity and inclusion in the classroom, lab, board room, and elsewhere throughout our organization. As an institution, we understand and are deeply concerned about the role that systemic racism has played over decades in resource access and allocation, contributing significantly to the nation's enduring and vast racial and economic disparities. How we operate our endowment is just one aspect of our multi-faceted effort to address these critical issues.

As you will see in the attached response, more than 28 percent of our actively managed endowment portfolio is overseen by diverse-owned and diverse-influenced firms. We believe that is a positive indication of our effort, and we will continue to strive to deepen and expand that commitment. As you pointed out in your request, firms that embody and value diversity show strong performance, and our fiduciary obligation is to select managers that we believe are best suited to meet our investment performance goals. Indeed, the relationship between diversity and performance supports our selection decisions.

Our efforts in regards to asset management are but one part of our broader commitment to economic inclusion and equity. In 2015, we launched HopkinsLocal, an ambitious economic inclusion initiative. It was specifically designed to not only redress systemic inequities in the City of Baltimore, but also to change the way Johns Hopkins does business. At its onset, we focused on the areas of procurement, hiring, and design-construction with the specific outcome of increasing our local spending, local hiring, and our use of minority and women-owned firms for design-construction. Baltimore City is more than 60 percent African American/Black and nearly six percent Latinx; this initiative's local focus advances diversity and inclusion as an integral element of its work. Our intentional focus on local spending yielded results. For instance, in the first three years of this work, Johns Hopkins increased its Baltimore City spending by more than \$469 million over our 2015 baseline. We exceeded many of the goals we set for ourselves, but we knew it was not enough.

In fall 2019, we established the HopkinsLocal Advisory Council, comprised of members from Baltimore agencies, non-profit groups, local businesses, and several key areas within Johns Hopkins, to guide our strategy for economic inclusion. Our second iteration of HopkinsLocal, launched in January 2020, includes new goals for HopkinsLocal, with a more direct focus on diversity and inclusion. Among our new goals are:

- Increasing spending with Baltimore businesses by \$25 million, with an emphasis on minority-owned, women-owned, and veteran-owned companies;
- Increasing access to employment opportunities for citizens with criminal records;
- Committing 20 percent of addressable construction spending with certified minority-owned, women-owned, disadvantaged businesses; and
- Assigning at least \$75 million of additional capital from the Johns Hopkins endowment to be managed by a minority-owned firm.

While we have not published this, we have achieved our goal of assigning a portion of our endowment to be managed by a local minority-owned firm; moreover, as indicated earlier, we already use diverse firms in our endowment investment strategy. In an effort to exceed our initial objectives, we have set additional goals to diversify all of the firms that provide professional services to our organization, including those firms that provide legal, information technology, and banking support.

As stated, we are committed to this effort in every facet, division, and program of Johns Hopkins. We have made positive progress, but recognize that there remains more we can do as an institution. With respect to your specific questions, attached please find the University's response from Mr. Daniel G. Ennis, Senior Vice President for Finance and Administration. If you have any further inquiries, please contact Mr. Ennis, or Mr. A. Paul Pineau, Vice President and General Counsel.

Thank you once again for your inquiry and your consideration of our response.

Sincerely,



Ronald J. Daniels
President



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Dear Congressman Cleaver and Congressman Kennedy:

I am writing in response to your letter dated July 10, 2020, requesting information from Johns Hopkins University. The answers to each of your questions appear directly below the restated question.

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

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

We have focused on actively increasing opportunities to purchase from and partner with diverse-owned and influenced firms in our endowment, and the progress of these efforts are reflected in our endowment data presented later in this response. Although we do not currently have a formal equal opportunity statement, we are evaluating whether such a statement would increase the effectiveness of our current program.

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.)

Johns Hopkins University has made a significant and material systemic commitment to embracing diversity and inclusion principles throughout the University. In 2015, Johns Hopkins launched the HopkinsLocal economic inclusion initiative (<https://hopkinslocal.jhu.edu/>), specifically designed to increase our local purchasing, hiring and construction contracting. We exceeded our initial goals, and expanded on the program in a second iteration, begun in 2019 and announced in January 2020. One of the new goals includes assigning at least \$75 million additional capital from the Johns Hopkins endowment to be managed by minority-owned firms. We met this goal in September 2019, and we intend to build on this progress.

In addition, the Vice President of Investments and Chief Investment Officer initiated and led the implementation of a successful internship program within the Johns Hopkins Investment Office,

in which more than 75 percent of the interns are of diverse backgrounds. This program cultivates a pipeline of women and minority investment professionals who can grow into the future leadership of investment institutions. The Investment Office recruits candidates from within Johns Hopkins, and recently partnered with Girls Who Invest (www.girlswhoinvest.org) to sponsor an intern into the program. Interns include both investment analyst and quantitative analyst interns. Johns Hopkins' involvement includes mentorship of the students during and after the internship program, while Girls Who Invest provides additional mentorship, and promotion and placement of graduates in prominent investment roles post-graduation.

Additionally, the Investment Office is committed to the career development of women and minorities working in finance by having staff actively participate as mentors in the Johns Hopkins University Finance Diversity Mentoring Program.

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?

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

Our investment strategy and policies do not limit or restrict the University from employing small or new investment firms. The Johns Hopkins Investment Office, in coordination with University leadership and the Johns Hopkins Board of Trustees Committee on Investments, reviews the policies and practices that guide our investment practices on an annual basis. The University and Investment Office remain committed to an open and inclusive policy, inviting new and small firms into the process of investment manager selection.

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

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

The primary fiduciary responsibility of the University trustees in investing and managing the endowment is to maximize financial return, taking into account the appropriate amount of risk for the University. In executing on this responsibility, the Investment Office under the direction of its Chief Investment Officer has actively invited women and minority-owned investment managers into the diligence and selection process where possible, over time leading to a meaningful portion of the endowment being managed by firms of diverse backgrounds, as evidenced by the data presented below. Johns Hopkins is committed to reviewing its outreach policies and seeking ways to improve its selection process, consistent with its fiduciary responsibility to maximize returns within risk limits.

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

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

Johns Hopkins has communicated its priorities and expectations regarding inclusive asset management practices to investment staff through its most senior leaders, including President Ronald J. Daniels. President Daniels has also written and presented to all faculty, staff, and

students supporting [HopkinsLocal's new goals in 2020](#). Even in the midst of a global pandemic that has negatively affected the University's financial outlook, President Daniels again reinforced [Johns Hopkins' commitments to economic inclusion](#).

The University's Chief Investment Officer is primarily responsible for achieving the goal of locating and partnering with diverse asset management firms while conducting standard due diligence reviews during the manager selection process. The Investment Office has communicated and reinforced these initiatives to investment staff, consultants and professional service advisors. To ensure expectations are met, the Investment Office works closely with University's Office of Economic Development and other members of University leadership to establish metrics and measurement of progress against expectations, which are shared with the entire investment staff.

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

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

As a general rule, the Investment Office does engage women and minority-owned asset management firms to participate in the investment process. The primary responsibility of the Investment Office when hiring external asset managers is in establishing long-term partnerships with managers who show strong likelihood of delivering sustained, exceptional returns, while upholding the values of the institution. In many instances, the asset manager selection process is focused on unique investment strategies in which few comparable firms exist. While it would be preferable to invite and consider diverse-owned firms in all instances, this is not always possible. The Investment Office has begun exploratory discussions with a group of external asset managers on how to further increase awareness of and access to diverse-owned firms, and expects to see near to medium-term progress in inclusionary asset allocation from these efforts.

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

- **What percent of total assets under management does this number represent?**

Firms owned or substantially influenced by women and minorities direct more than 28 percent of our actively managed portfolio and nearly one-quarter (23 percent) of our total portfolio of U.S. based firms. Details are provided below.

Using the concepts from the Knight Foundation study, the data below include "Diverse-Owned Firms" (defined as women or minority ownership at or above 50 percent). The data below also include "Diverse-Influenced Firms" (defined as firms in which at least 33 percent of the senior investment decision makers are women or minorities). The data below are shown for the total Johns Hopkins portfolio inclusive of cash and passively managed index funds ("Total Portfolio"), and for the portion of the portfolio actively managed by outside investment managers ("Total Actively Managed Portfolio"), and include only U.S. based firms. Data and portfolio values estimated as of June 30, 2020:

- *Total Percentage of Portfolio managed by “Diverse-Owned and Diverse-Influenced Firms”:*
 - Total Portfolio: 23.0%
 - Total Actively Managed Portfolio: 28.6%

- *Percentage of Portfolio managed by “Diverse-Owned Firms”:*
 - Total Portfolio: 9.6%
 - Total Actively Managed Portfolio: 12.0%

- *Percentage of Portfolio managed by “Diverse-Influenced Firms”:*
 - Total Portfolio: 13.4%
 - Total Actively Managed Portfolio: 16.6%

I am pleased to provide clarification on any of the answers provided herein, if needed. Please feel free to follow up with me if you have additional questions or would like more information on Johns Hopkins University’s endowment or its endowment-related practices and policies.

Sincerely,



Daniel G. Ennis
Senior Vice President
for Finance and Administration