



WHY THE KNIGHT FOUNDATION PLACED DIVERSE ASSET MANAGER-FOCUSED ADS IN THE WALL STREET JOURNAL AND WASHINGTON POST

The Largest Network of Diverse- Owned Private Equity Firms and Hedge Funds

The John S. and James L. Knight Foundation placed two distinct full-page advertisements in the September 17 editions of the Washington Post and Wall Street Journal – the former praising transparency efforts of certain foundations and the latter lauding the 24 diverse asset managers that manage more than one-third of its endowment. And they did it for very specific reasons.

Both advertisements are part of the Knight Foundation's overall strategy to not only celebrate the work of the diverse firms it has engaged with but also encourage decision-makers at other foundations to engage in transparency efforts – often the first step toward diversity and inclusion initiatives – by applauding the foundations that disclosed their respective engagement levels with diverse firms for Knight Foundation's February 2020 study, "Diversity of Asset Managers in Philanthropy."

The Washington Post ad features a headline in a large, bold typeface that reads, "FOR FOUNDATIONS, INVESTING FOR EQUITY STARTS WITH TRANSPARENCY." The ensuing text reads in part, "*The multi-trillion-dollar asset management industry is an important source of wealth, opportunity and influence. Yet, at a time of heightened concern for equity and inclusion, only about 1% of U.S.-based assets are managed by firms owned by women or minorities. The John S. and James L. Knight Foundation is a customer of this industry. We are also committed to diversity, including in who manages our investments.*

Today, more than one-third of our endowment, over \$700 million, is successfully managed by diverse-owned firms. In our experience, the first step toward equity is meaningful transparency. So, we asked the 50 largest U.S. foundations what percentage of their endowments were entrusted to asset management firms substantially owned by women or minorities. We sincerely appreciate the 25 foundations that joined us in making adequate data available for public analysis."

The Wall Street Journal advertisement reads, "*As our nation focuses on equity and inclusion, the John S. and James L. Knight Foundation would like to thank the following firms, substantially owned by women or minorities, that successfully manage more than a third of our endowment, or more than \$700 million. The investment results of these high-quality managers help Knight Foundation fund programs that benefit all.*" The ad goes on to list the diverse-owned firms (which include NAIC members Ariel Investments, Brown Capital Management and GenNx360 Capital Partners) who collectively manage part of the foundation's endowment.

The Journal advertisement concludes, "*For foundations, universities and other fiscally responsible investors who are also committed to equity – there has never been a better time to make your money also promote diversity and inclusion.*"

The Knight Foundation's research showed that diverse firms performed as well as non-diverse firms and in some cases were overrepresented in the top quartile. "The financial press has been paying a lot more attention to our research in the months since the killing of George Floyd focused the nation's attention on structural racism," says Andrew Sherry, vice president of communications for Knight Foundation. "In that light, the lack of diversity in the asset management industry isn't just a fact of life, it's a structural issue."

To be clear, the intent of the ads is not about finger-pointing, says Alberto Ibargüen, president of Knight Foundation but rather lauding those foundations that engage in transparency and celebrating the diverse firms that have contributed to the performance of their respective endowments. “We could have all sorts of ads or stories or columns, but why don’t we just say these are the foundations who are actually willing to be transparent,” says Ibargüen. “And so, it’s meant to be provocative. It’s meant to have people ask questions. It’s not meant to say, ‘this is what you must do.’ Absolutely not.”

In the longer-term, the Knight Foundation hopes transparency will lead to a shift in the way foundations, universities and other mission-driven investors think about how they manage their endowments. “Hiring diverse managers is an opportunity,” says Sherry. “We can make our money work not just for the returns that finance our charitable activities, but also work for equity.”

Those also working to increase capital allocations to diverse firms praised the Knight Foundation’s efforts, including Robert Raben, Executive Director of the Diverse Asset Managers Initiative (DAMI). “It’s awesome. It’s another sign of what leadership looks like,” he says. “Knight Foundations talks the talk, walks the walk, pounds the pavement, bullies the pulpit. It’s just best-in-class in terms of drawing attention to not only the problem but more importantly, the solution.”

Robert L. Greene, NAIC’s President & CEO, echoed Raben’s sentiments. “We at the NAIC applaud the Knight Foundation’s leadership. Transparency is the best step before initiating the inclusive practices that must happen if endowment CIOs are going to fully meet their fiduciary responsibilities,” he says. “And today’s diverse asset managers have demonstrated over and over that they possess the investing acumen to compete with anyone in this industry.”