

October 2, 2020

Over the years, my colleagues and I have had opportunities to discuss diversity and inclusion with you. From those conversations, I know you care about this topic. I write now to enlist your cooperation in taking a more systematic approach to the problem of the lack of women and minorities in the asset management industry.

Our goal is a level of diversity in investment management firms that reflects the diversity in the world in which we live. Genuine diversity remains elusive, giving investors like Yale and your firm an opportunity to drive change. Success will be measured by hiring, training, mentoring and retaining women and minorities for positions on the investment teams at Yale and in your firm.

As a starting point, I would like to emphasize the importance of entry-level positions. By and large, the number of experienced investment professionals is fixed. We do not solve the larger problem of underrepresentation by recruiting diverse candidates from other investment organizations. Such position shuffling is a zero sum game, doing nothing to improve diversity of the overall industry. Yet, if we hire and train diverse individuals early in their careers, we can expand the numbers of talented, diverse investment management professionals.

Many of you report that the pools from which you recruit are not diverse. In response, I suggest a rethinking of how you recruit and train your junior analysts. Why not hire directly from college campuses? Colleges and universities are richly diverse. Many students have little knowledge of career options outside of investment banking and consulting. You would be doing a great service by introducing them to the fascinating profession of investment management.

At first glance, it might appear difficult to train recent college graduates, instead of outsourcing the training to investment banks or consulting firms. Yet, since much of your work is specific to your firm's approach to managing assets, you are already doing much of the training for individuals who you hire.

One of the most effective ways to learn about investing is through an old-fashioned apprenticeship. Shadowing experienced colleagues and absorbing their approach to analyzing opportunities provide a solid foundation for a career in asset management. Close mentorship and training introduce junior analysts to the firm's ethos, a critical element in creating a cohesive firm. The hard skills and soft skills necessary to succeed are best transmitted by senior members of the firm to the new hires.

Hiring and training a more diverse group of analysts is only a starting point. Providing a clear career path with advancement opportunities increases retention rates and facilitates entry into the leadership ranks of the firm.

To monitor progress, I am asking all of our managers to complete the attached survey regarding diversity by October 31. We are interested in the numbers of diverse professionals on the investment team and in your support functions, at various levels of seniority. We will not share firm-specific data outside of Yale. I plan on asking you for annual updates. My colleague Lisa Howie will coordinate the survey. Please contact me or Lisa with any questions.

You will note that we are not asking about firm ownership as a factor in measuring diversity. Ownership per se does not necessarily relate to having a diverse investment team and does not directly measure progress toward the goal we hope to achieve, namely much larger numbers of diverse investment professionals in the Yale Investments Office, your firm and beyond.

I hope you will join me in making a serious effort to improve the diversity of the asset management industry.

Sincerely,

David Swensen
Chief Investment Officer