



# FEG INSIGHT

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## FEG Diverse Manager Series

Dallas Event Summary

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**Alan Bergin, CFA**

Senior Vice President, Advisor



**F·E·G**<sup>®</sup>  
investment advisors

*FEG Investment Advisors hosted a Diverse Manager Event as a part of the Diverse Manager Road Series at the Arts District Mansion in Dallas, Texas on March 8, 2023. Attendees enjoyed the presentation by:*



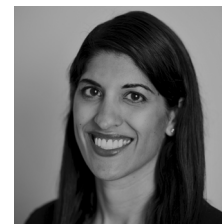
**Quincy Brown**  
Senior Vice President,  
Advisor, FEG Investment  
Advisors



**Meera Patel**  
Partner, Accolade



**Patmon Malcom, CFA**  
Partner, EARNEST



**Priya Kaftan**  
Head of Investor Relations  
& Product Strategy, Heard  
Capital

## Highlights from the Panel

Quincy Brown, Senior Vice President, Institutional Services at FEG and member of FEG's Diversity, Equity, and Inclusion (DEI) and Diverse Manager Committees kicked off the event with an overview of the current state of diversity in the investment management industry, detailing FEG's approach to diversity. DEI is a core component of FEG's culture, and our efforts focus on diversity in new hires, inclusive internal culture, community impact and diverse investment manager initiatives. FEG's research team has well established goals tied to diverse manager activity and a Diverse Manager Committee has been established to promote historically underrepresented groups in asset management. FEG has set a starting investment manager diversity threshold of 40% or greater in the areas of firm ownership, firm leadership, or strategy management. This threshold is increased to 50% or more for FEG's Diverse Manager Investing Solution (discretionary/OCIO strategy). We define diversity as women, BIPOC (black, indigenous, and people of color) individuals, LGBTQ+ individuals, veterans, and people with disabilities.

Although 70% of the U.S. population meets these parameters of diversity (women and BIPOC), only 1.4% of U.S. assets under management are managed by diverse-owned firms. Despite these low allocations, the trend is moving towards more diverse investment portfolios. From a 2022 FEG survey, 62% of respondents had either hired or considered hiring diverse investment managers. Comparatively, only 36% of participants gave an affirmative response to the same question in the 2020 survey. As interest has grown, FEG has responded, and now recommends 151 investment managers and 296 investment strategies that meet FEG's diversity threshold (as of January 2023).

As a part of the panel discussion, Meera Patel of Accolade Partners discussed her firm's approach to diversity. Accolade is a venture capital and growth equity fund of funds manager with \$5.4 billion in assets under management. Among Accolade's funds is their Empowerment Fund, which invests in venture capital and growth equity funds led by women or otherwise underrepresented managers. Accolade sets their diversity criteria as a woman or underrepresented person of color owning more than 50% of the management company, 50% of the fund carry, or is included in the fund's key person clause. The Empowerment Fund is becoming well known in the venture capital universe, and Accolade is often introduced to underrepresented managers by general partners and limited partners that admire the fund's efforts. Additionally, underrepresented managers have been seeking out Accolade, as an investment from the Empowerment Fund validates their fund. Interestingly, Accolade has discovered that underrepresented fund managers tend to invest in portfolio companies owned or managed by underrepresented leaders.

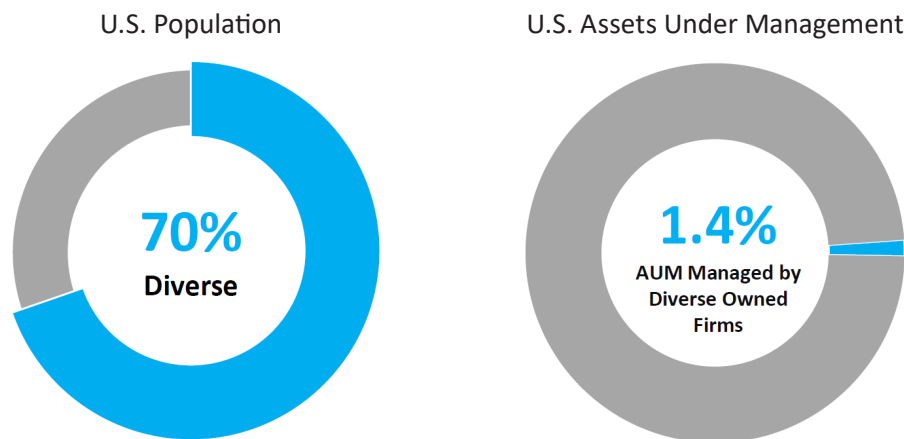
Patmon Malcom discussed EARNEST Partners' approach to diversity. EARNEST is a minority owned firm and employee owned. They manage more than \$25 billion across both equity and fixed income strategies. The firm places a great emphasis on diversity of thought and achieves this through a team encompassing a wide range of educational, professional, and cultural backgrounds. Team members hail from a dozen different countries and have a wide range of industry experience, including logistics, credit analysis, engineering and accounting. EARNEST Partners has found that having such a diverse array of backgrounds allows investment teams to better differentiate between good companies and great long-term investments.

Furthering this discussion, Priya Kaftan gave an overview of Heard Capital. The firm is considered diverse because William Heard, who founded the company and owns 90% today, is African American. Heard manages \$1.3 billion in assets in two strategies and several separate accounts, with the High Conviction Long Only strategy being its larger strategy. The strategy is focused on the technology, media, telecommunication, financial, and industrial sectors. The strategy is concentrated, with 15 to 20 holdings, and only the team's highest conviction ideas find their way into the portfolio.

## Audience Questions

Following the presentations, audience members asked about the 1.4% of investment assets being managed by diverse owned firms and how to increase that percentage. Although the event itself reflects the growing interest in investment manager diversity, the panelists agreed it will take time to see a significant increase. This is largely because today's largest investment managers are not diverse managers—a fact which is unlikely to change in the near future. However, panelists pointed out that there are many small diverse managers, and those who perform well will continue to grow assets over time. Further into the future, successful analysts and portfolio managers from larger firms will likely leave to start their own firms, accelerating the trend.

### A LANDSCAPE MISMATCH



Sources: 2021 U.S. Census data; Diverse = women, Black or African American, American Indian/Alaska Native, Asian, Pacific Islander and Hispanic, 2021 Knight Foundation Diversity of Asset Managers. [https://knightfoundation.org/wp-content/uploads/2021/12/KDAM\\_Industry\\_2021.pdf](https://knightfoundation.org/wp-content/uploads/2021/12/KDAM_Industry_2021.pdf)

Another question asked focused on diversity of service providers (tax, legal, accounting, etc.). The panelists stated diversity in service providers is currently poor, but each firm is taking steps to improve diversity in this area. These steps include asking about diversity in requests for proposals and rewarding firms that are more diverse. Another action to improve diversity is to request service providers to assign a diverse team to work on specific accounts. This would give much-needed experience to employees who might not otherwise be assigned to large institutional accounts.

## Conclusion

The lack of diversity in the investment management industry is an issue that will unfortunately take many years to overcome. However, many institutions are actively working to improve diversity and great progress is being made. FEG is in a unique position as a firm that not only promotes diversity within our own organization, but also encourages diversity in the investment management community and within our client portfolios. New or increased allocations from investors to diverse managers will improve the financial health of those managers, which will ultimately create more opportunities for women, BIPOC, LGBTQ+ individuals, veterans, and people with disabilities.

FEG would like to express our sincere gratitude to those clients and friends of the firm who attended the event and to our panelists.

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