

MEKETA

INVESTMENT GROUP

MARCH 2023 | ISSUE THREE | 2022 RESULTS

DIVERSITY

EQUITY & INCLUSION

annual questionnaire

PUBLIC AND
PRIVATE MARKETS
RESEARCH TEAMS



INTRODUCTION

Meketa has a longstanding commitment to Diversity, Equity & Inclusion (DEI). We believe that DEI is a key differentiator in the marketplace, which can lead to better social and investment outcomes.

* Information regarding the methodology and DEI-related terms specific to this questionnaire can be found in the appendix.

We also have considerable experience with and are dedicated to selecting, evaluating, and monitoring diverse and emerging managers in every asset class to bring the strongest investment opportunities to our clients. In 2017, we began hosting an emerging and diverse manager event to broaden our exposure to small and diverse firms. These emerging manager events are organized and hosted by our Emerging and Diverse Manager Committee in conjunction with manager research and consulting teams in the fall and spring each year.

In 2020 as a next step in our commitment to DEI, Meketa launched a formal initiative to gather data from public and private market asset management firms within our proprietary database. The initiative focused on evaluating asset management firm's efforts to understand DEI more thoroughly within their organizations. 2022 marks the third year in a row we have asked firms to complete our questionnaire to report on their work in this area.

As the asset management industry continues its focus on improving DEI, we believe an increase in transparency and reporting, more clarity on policies and internal initiatives, and a better understanding of employee conduct and regulations provides the industry with more information to enhance the chances of success to create long-lasting results.

This report summarizes the results of our third annual DEI questionnaire. Of 923 firms surveyed, 528 firms responded. The 2022 response rate is a 5% increase from managers compared to 2021 and a 55% increase from 2020. (Please note, not every firm responded to every question.) The construction of the questionnaire is in three sections: (1) Transparency and Reporting, (2) Policies and Initiatives, and (3) Employee Conduct. In this report, we will summarize our findings from the questionnaire and conclude with recommendations for asset managers that could serve as differentiators in the future.

** Note that respondent bias is likely in the results, with firms focusing more on DEI initiatives opting to respond to the questionnaire. The following analysis summarizes key findings from the responses received.



SECTION I TRANSPARENCY AND REPORTING

KEY TAKEAWAYS

Firm Composition by Race and Gender	New Hires, Promotions, and Turnover Rates	Reporting
<ul style="list-style-type: none"> → 439 organizations reported total firm diversity statistics, with only 229 reporting diversity statistics for their Board, and 255 reporting diversity statistics for equity ownership. It is worth noting that not all firms have a Board in place. → On trend with past years, women continue to be the least represented in portfolio management positions (21%) while diverse employees are least represented on the board of directors (25%). → Lower-level positions are the most diverse by racial and gender measures. (Operations top quartile > 40% diverse and >56% female. Admin top quartile > 46% diverse and >82% female.) → Veteran, disabled, and LGBTQIA+ employee representation was <2% across all categories. → 28% of firms reported planning to expand diversity. 	<ul style="list-style-type: none"> → Over half (53%) of firms reported tracking and measuring the levels and time to promotion across diverse groups. → Nearly 60% of new hires and promotions were given to non-racially diverse people. Asian Americans were next at 14%, with all other diverse groups offered jobs or promotions in the single digits. → Women made up 40% of new hires and promotions. → The turnover rate was 16% higher for men than women in 2022, starkly contrasting the prior year, which was 4% higher for women. Over half of the resignations were from non-racially diverse people. 	<ul style="list-style-type: none"> → Regarding reporting, 74% of firms released annual diversity statistics to their clients, followed closely by the consultants covering the firm at 70%, their prospects at 58%, and regulators at 23%. → Excluding reporting to regulators, firms have increased reporting diversity statistics by 20% compared to last year.

FIGURE 1
KEY TAKEAWAYS
 Source: Meketa Investment Group 2022 Questionnaire.

FIRM COMPOSITION BY RACE AND GENDER

The chart below summarizes diversity statistics in quartile ranges for total firm, equity ownership, senior management, and portfolio management roles. The top quartile represents the highest percentage of diverse and female employees.

The below table depicts the mean, median, and cutoff points between the second and top quartile and between the third and bottom quartile. To interpret this data, let's use the Total Firm-Female category as an example of how the table should be read. If more than 42% of your firm identifies as female, you would be in the top quartile of questionnaire results. Conversely, if less than 31% of your firm identifies as female, you would be in the bottom quartile of questionnaire results.

Relative to the 2021 survey data, the Top Quartile experienced positive changes ranging from 1% to 10% in both Female and Diverse representation across percentage of Equity Ownership, Senior Management, and All Portfolio Managers. At the Total Firm level, the Top Quartile had no change in the percentage of females and a 3% decrease in the percentage in Diversity.

	Total Firm				% Equity Ownership			
	Female	% Change	Diverse	% Change	Female	% Change	Diverse	% Change
Top Quartile	>42%	→0%	>36%	↓3%	>25%	↑5%	>27%	↑10%
Median	37%	↑2%	28%	↑3%	10%	↑3%	11%	↑11%
Mean	37%	→0%	29%	↑1%	17%	↑5%	22%	↑10%
Bottom Quartile	<31%	↑2%	<18%	↑3%	0%	→0%	0%	→0%

	Senior Management				All Portfolio Managers			
	Female	% Change	Diverse	% Change	Female	% Change	Diverse	% Change
Top Quartile	>33%	↑4%	>29%	↑5%	>21%	↑1%	>33%	↑7%
Median	23%	↑4%	14%	↑3%	13%	↑4%	20%	↑6%
Mean	24%	↑6%	20%	↑4%	16%	↑3%	23%	↑5%
Bottom Quartile	<11%	↑3%	0%	→0%	0%	→0%	0%	→0%

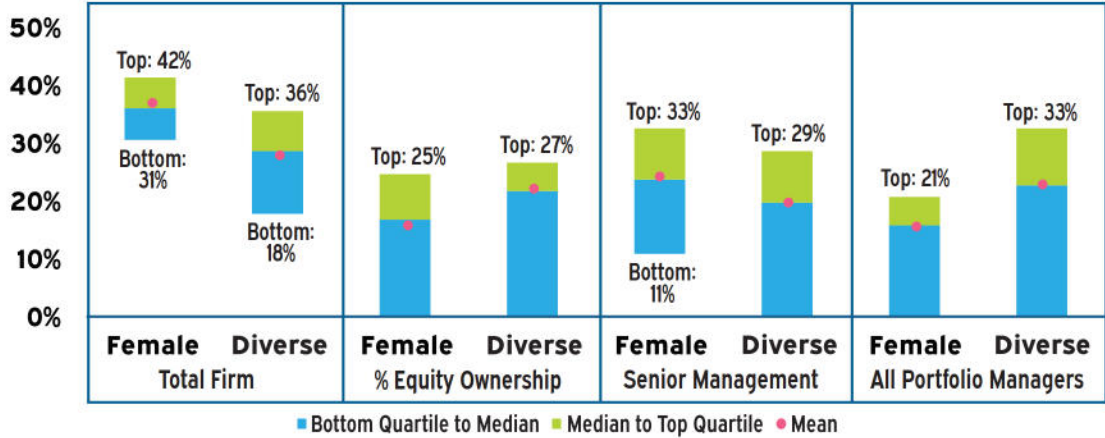


FIGURE 2
FIRM COMPOSITION BY RACE AND GENDER QUARTILE RANGES
 Source: Meketa Investment Group 2022 Questionnaire.

FIGURE 3
FIRM COMPOSITION BY RACE AND GENDER QUARTILE RANGES
 Source: Meketa Investment Group 2022 Questionnaire.

NEW HIRES, PROMOTIONS, AND TURNOVER RATES

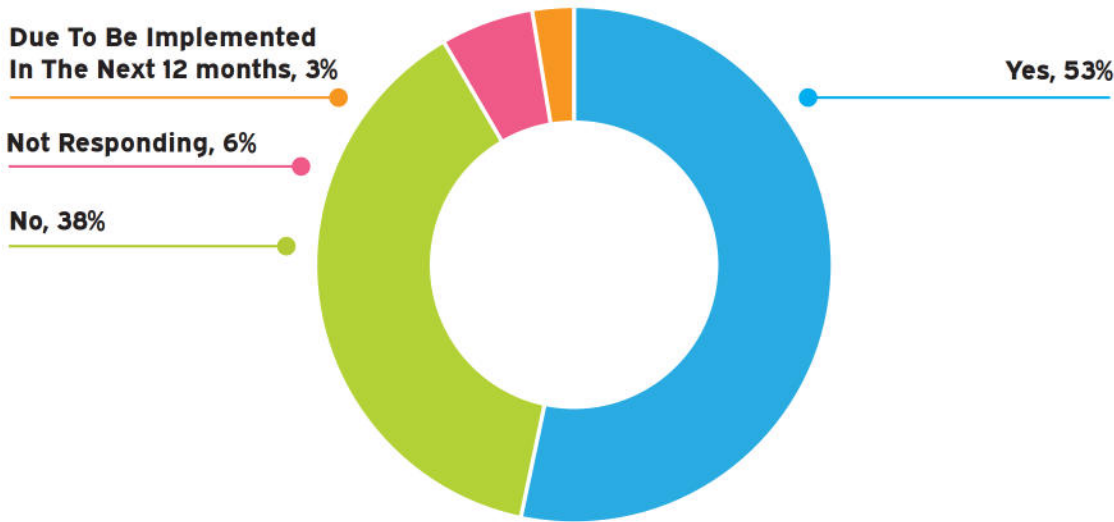


FIGURE 4
DOES THE FIRM TRACK AND MEASURE PROMOTION LEVELS AND TIME TO PROMOTION ACROSS DIVERSE GROUPS?
Source: Meketa Investment Group 2022 Questionnaire.

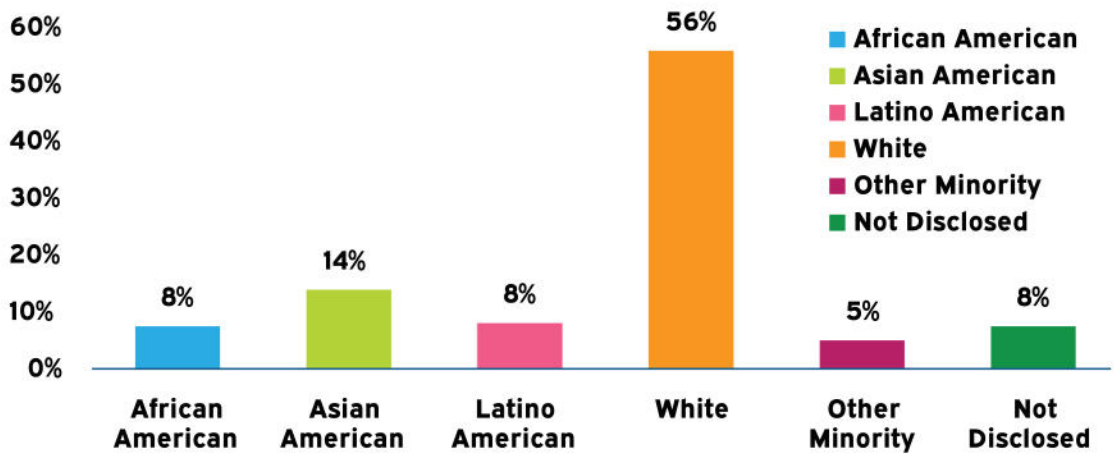


FIGURE 5
2022 NEW HIRES BY DIVERSITY
Source: Meketa Investment Group 2022 Questionnaire.

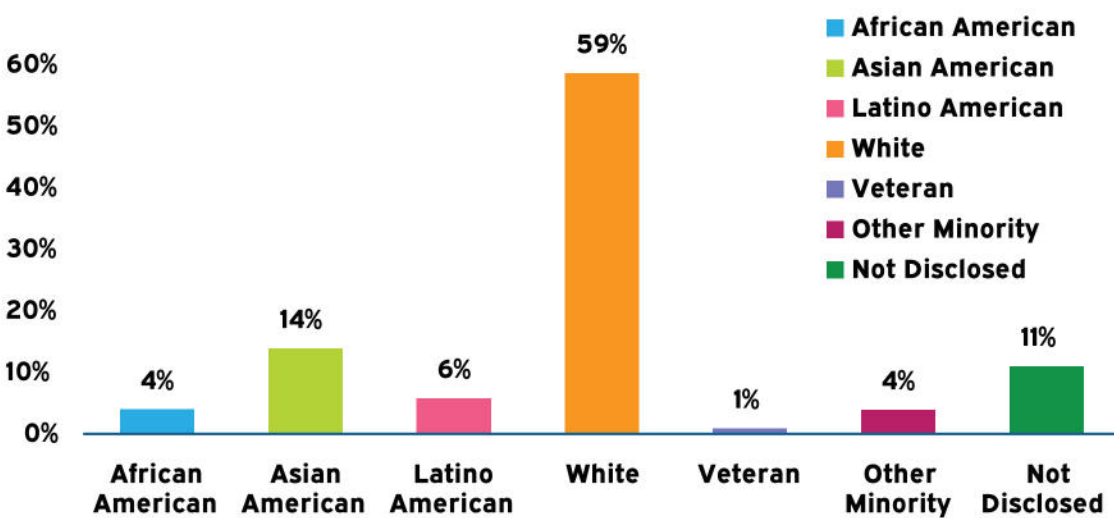


FIGURE 6
2022 PROMOTIONS BY DIVERSITY
Source: Meketa Investment Group 2022 Questionnaire.

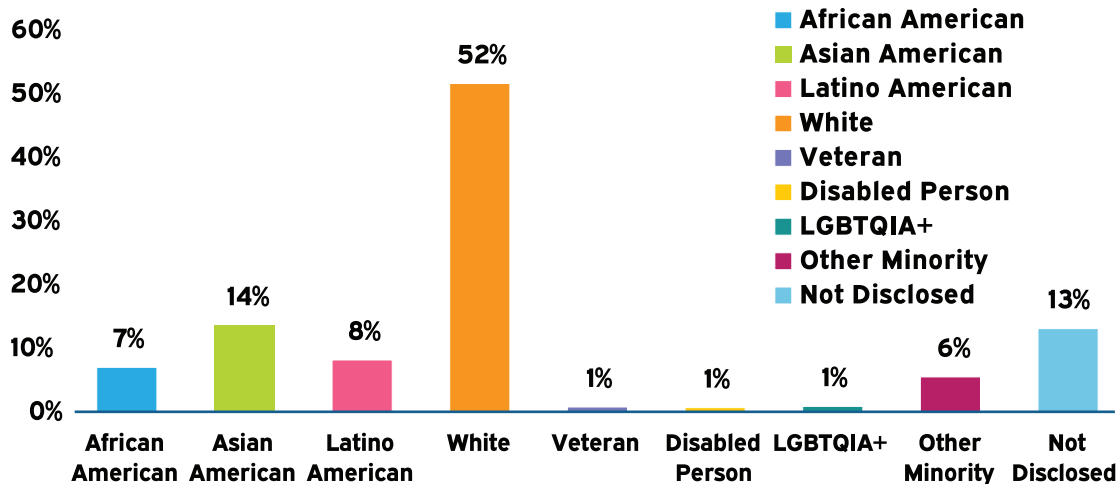


FIGURE 7
2022 TURNOVER RATE BY DIVERSITY

Source: Meketa Investment Group 2022 Questionnaire.

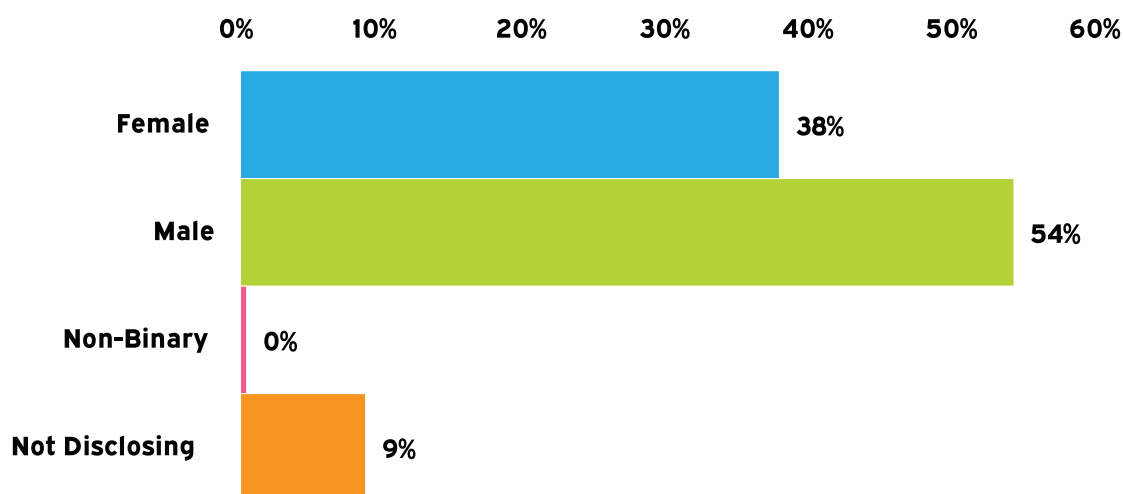


FIGURE 8
2022 TURNOVER RATE BY GENDER

Source: Meketa Investment Group 2022 Questionnaire.



REPORTING

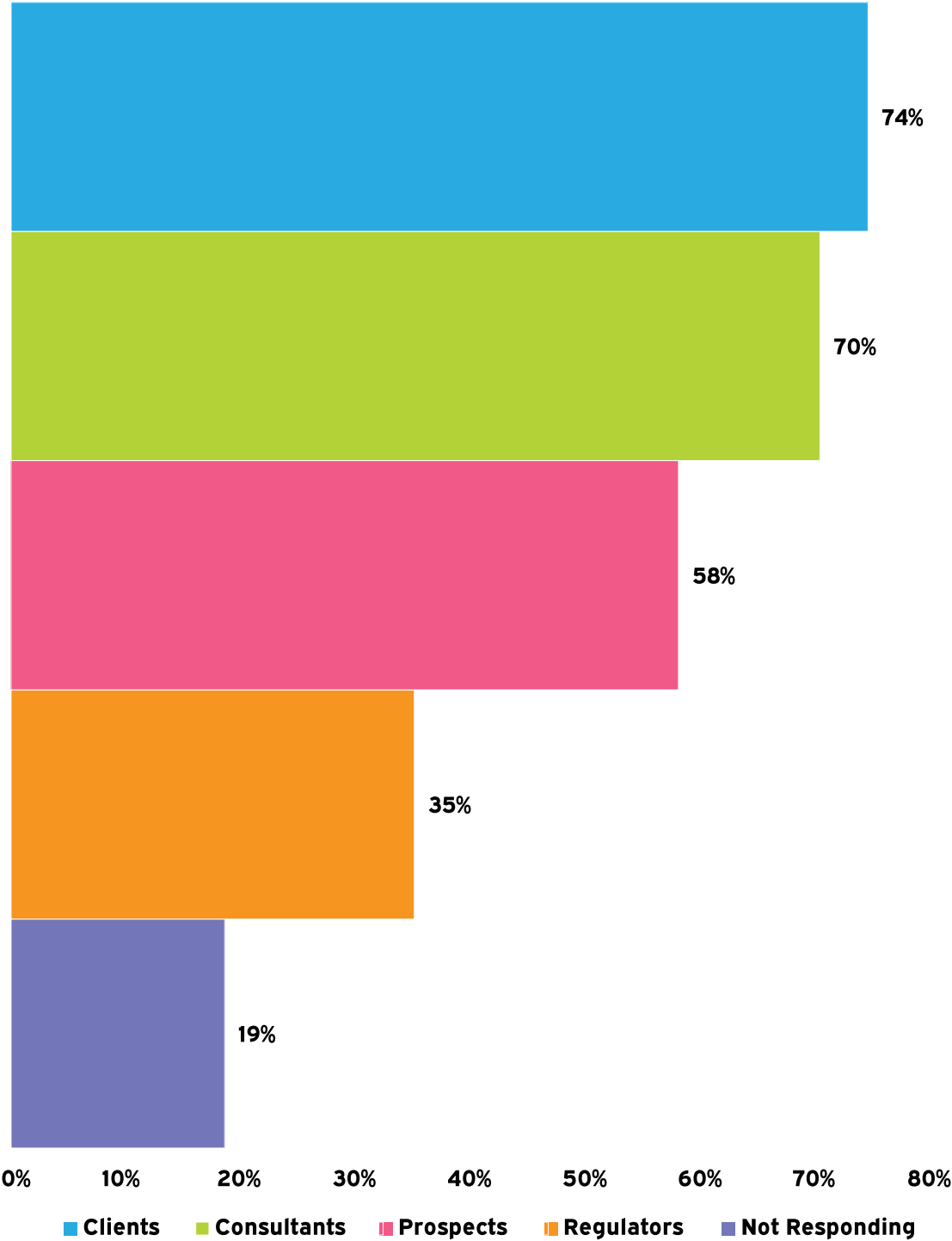


FIGURE 9
RECIPIENTS OF ANNUAL DIVERSITY STATISTICS REPORT FROM ASSET MANAGERS
Source: Meketa Investment Group 2022 Questionnaire.



SECTION II

POLICIES AND INITIATIVES

KEY TAKEAWAYS

Recruitment and Retention	LGBTQIA+ and Family Planning	Service Providers and DEI
<ul style="list-style-type: none"> → From our research we found a 4% increase in firms that have a formal DEI policy in place, from 78% to 82%. An additional 4% have committed to implementing a policy in the next 12 months. → Over two-thirds of firms reported that members of senior management partake in the firm's Diversity and Inclusion committee or group. → There was a 6% increase in the number of firms that reported using diversity targets compared to 2021. → While 54% of firms define goals and measure diversity outcomes at all levels of the organization and across departments, only 42% of senior management has included DEI in their performance objectives over the past year. This statistic is up 6% from 36% in 2021. → Over three-quarters of firms reported that diversity statistics were regularly reviewed by the Executive Committee or Board in the last 12 months. 	<ul style="list-style-type: none"> → 80% of firms reported engaging with organizations or programs that promote the recruitment and retention of diverse groups. However, formal mentorship, sponsorship, or employer affinity programs for women or diverse groups is less common at 56%. Only 30% offer LGBTQIA+ employee resource groups. → 45% of firms offer health coverage that covers transitioning costs. 34% do not cover transitioning costs and 21% did not respond. → An average of 40% of firms offer family formation benefits: in-vitro fertilization, infertility treatment coverage, and adoption assistance regardless of sex. 28% provide cryopreservation, 22% provide foster care assistance and 21% offer surrogacy benefits. 	<ul style="list-style-type: none"> → There was a slight increase (1%) in the number of firms that have written policies in place to ensure equal pay for equal work. However, there was a significant 11% increase of firms that monitor gender pay gap disparities and a 12% increase in those that monitor racial pay gap disparities. → The percentage of firms that partner with Minority, Women, and Disadvantaged Business Enterprises ("MWDBE") increased at a third of the rate from the previous year.

FIGURE 10
KEY TAKEAWAYS
 Source: Meketa Investment Group 2022 Questionnaire.

DEI INITIATIVES

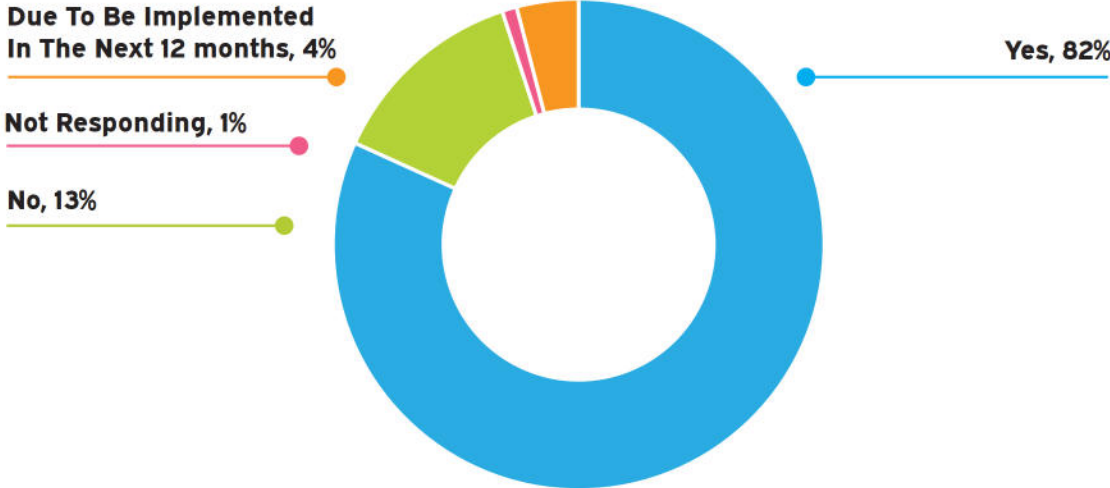


FIGURE 11
DOES THE FIRM HAVE A FORMAL DIVERSITY AND INCLUSION POLICY OR INITIATIVE?
Source: Meketa Investment Group 2022 Questionnaire.

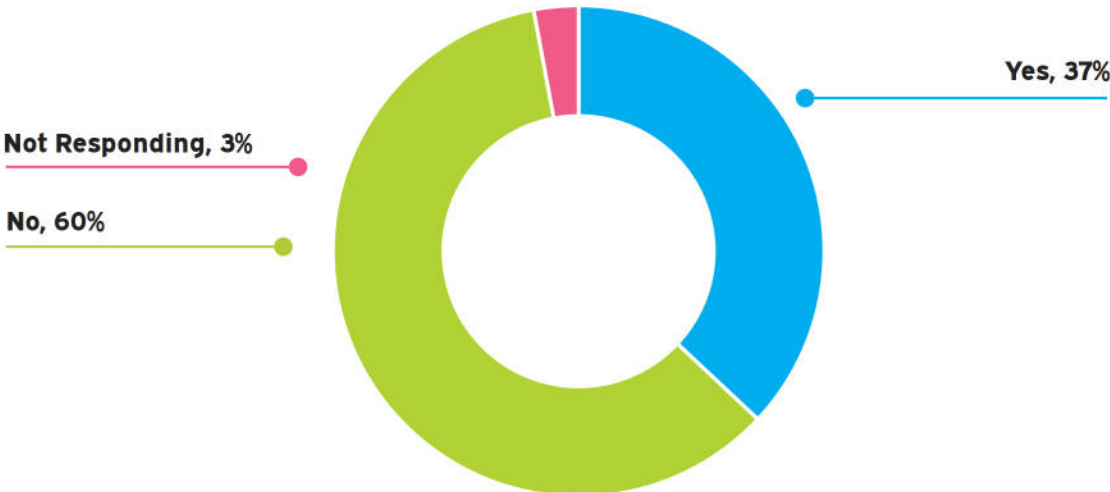


FIGURE 12
DO YOU HAVE DIVERSITY TARGETS?
Source: Meketa Investment Group 2022 Questionnaire.

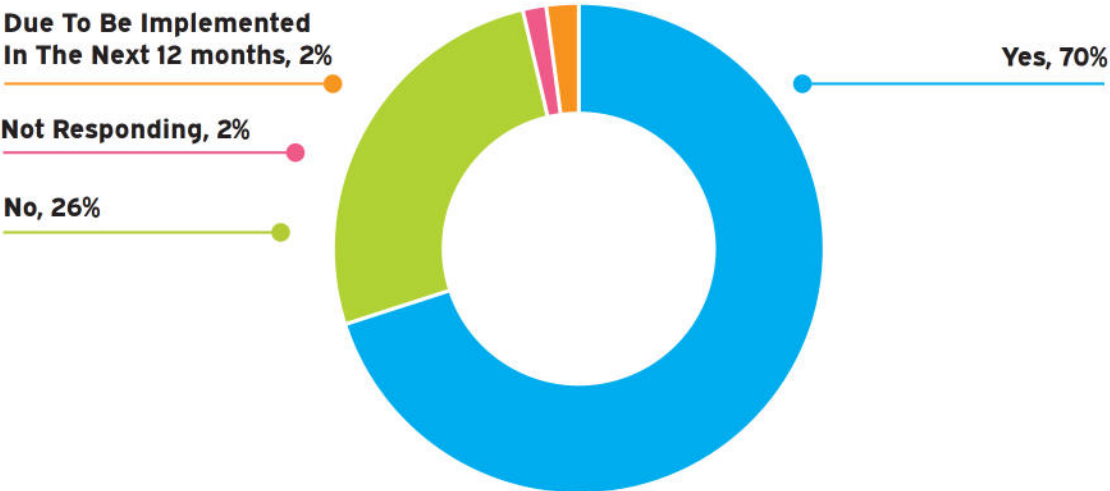


FIGURE 13
DOES THE FIRM HAVE A DIVERSITY AND INCLUSION COMMITTEE OR GROUP WITHIN THE ORGANIZATION THAT INCLUDES MEMBERS OF SENIOR MANAGEMENT?
Source: Meketa Investment Group 2022 Questionnaire.

RECRUITMENT AND RETENTION

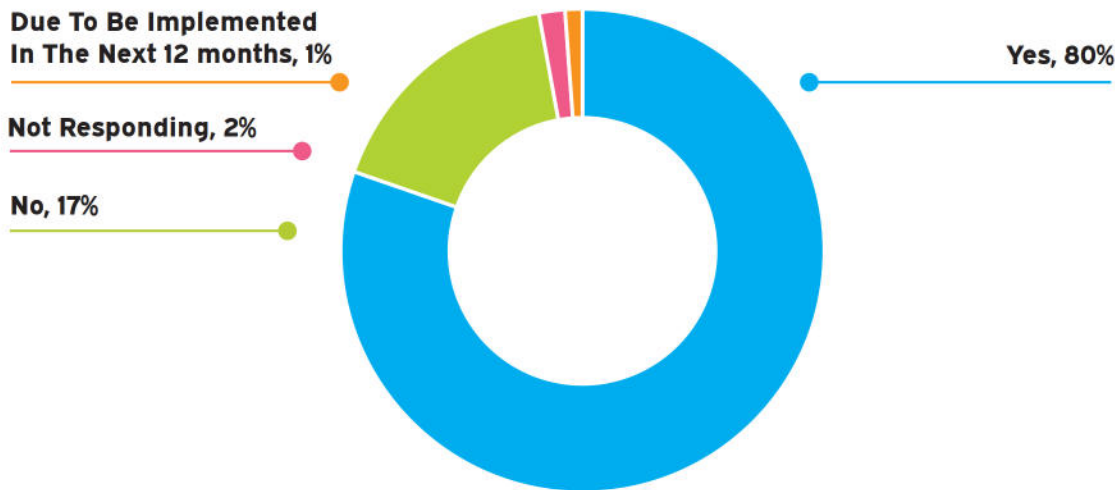


FIGURE 14
IN THE PAST YEAR, HAS THE FIRM ENGAGED WITH ORGANIZATIONS OR PROGRAMS THAT PROMOTE THE RECRUITMENT AND RETENTION OF DIVERSE GROUPS?

Source: Meketa Investment Group 2022 Questionnaire.

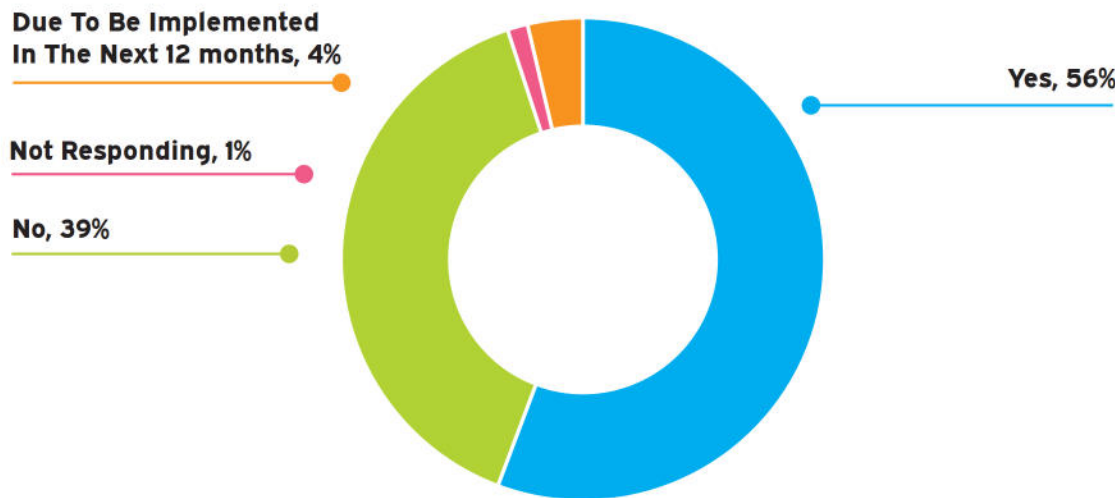


FIGURE 15
DOES THE FIRM HAVE A FORMAL MENTORSHIP, SPONSORSHIP OR EMPLOYER AFFINITY PROGRAM FOR WOMEN AND/OR DIVERSE GROUPS?

Source: Meketa Investment Group 2022 Questionnaire.

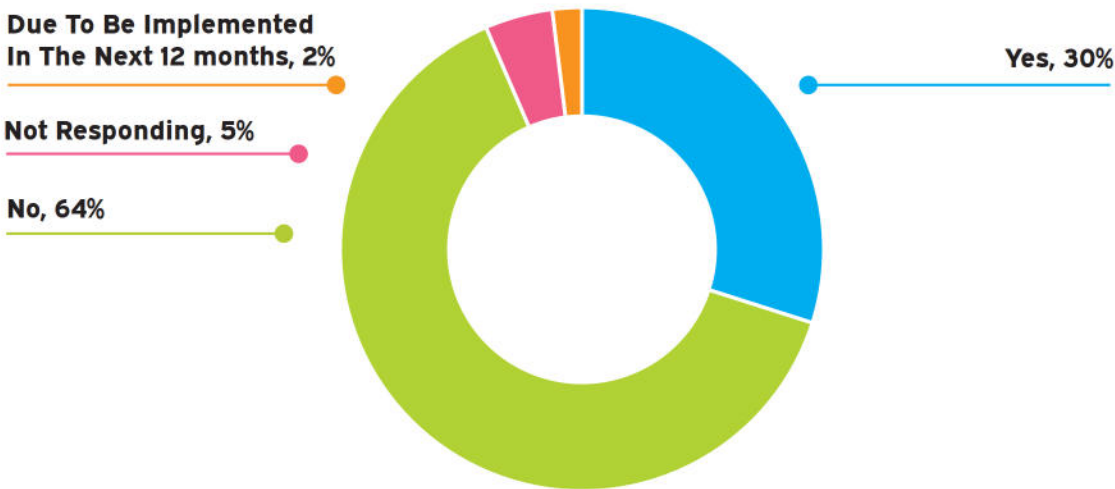


FIGURE 16
DOES THE FIRM HAVE LESBIAN, GAY, BISEXUAL, TRANSGENDER AND/OR QUEER EMPLOYEE RESOURCE GROUP IN THE WORKPLACE?

Source: Meketa Investment Group 2022 Questionnaire.



RECRUITMENT AND RETENTION

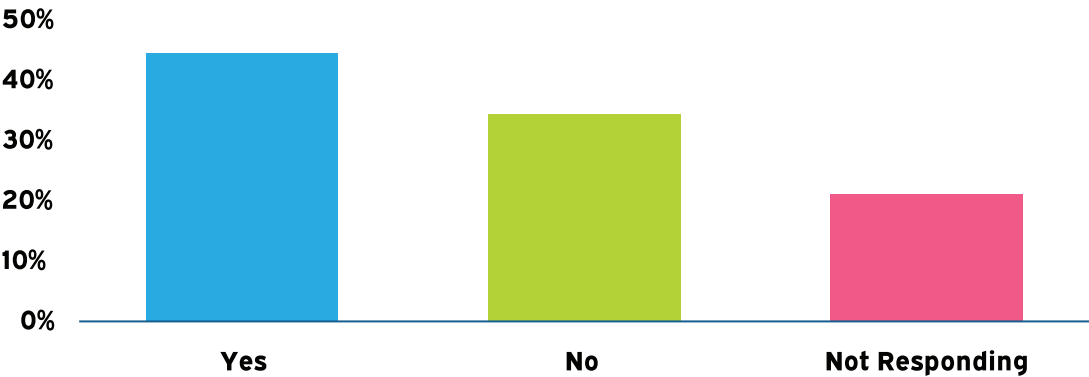


FIGURE 17
DOES THE FIRM'S HEALTH
COVERAGE COVER
TRANSITIONING COSTS?

Source: Meketa Investment Group
2022 Questionnaire.

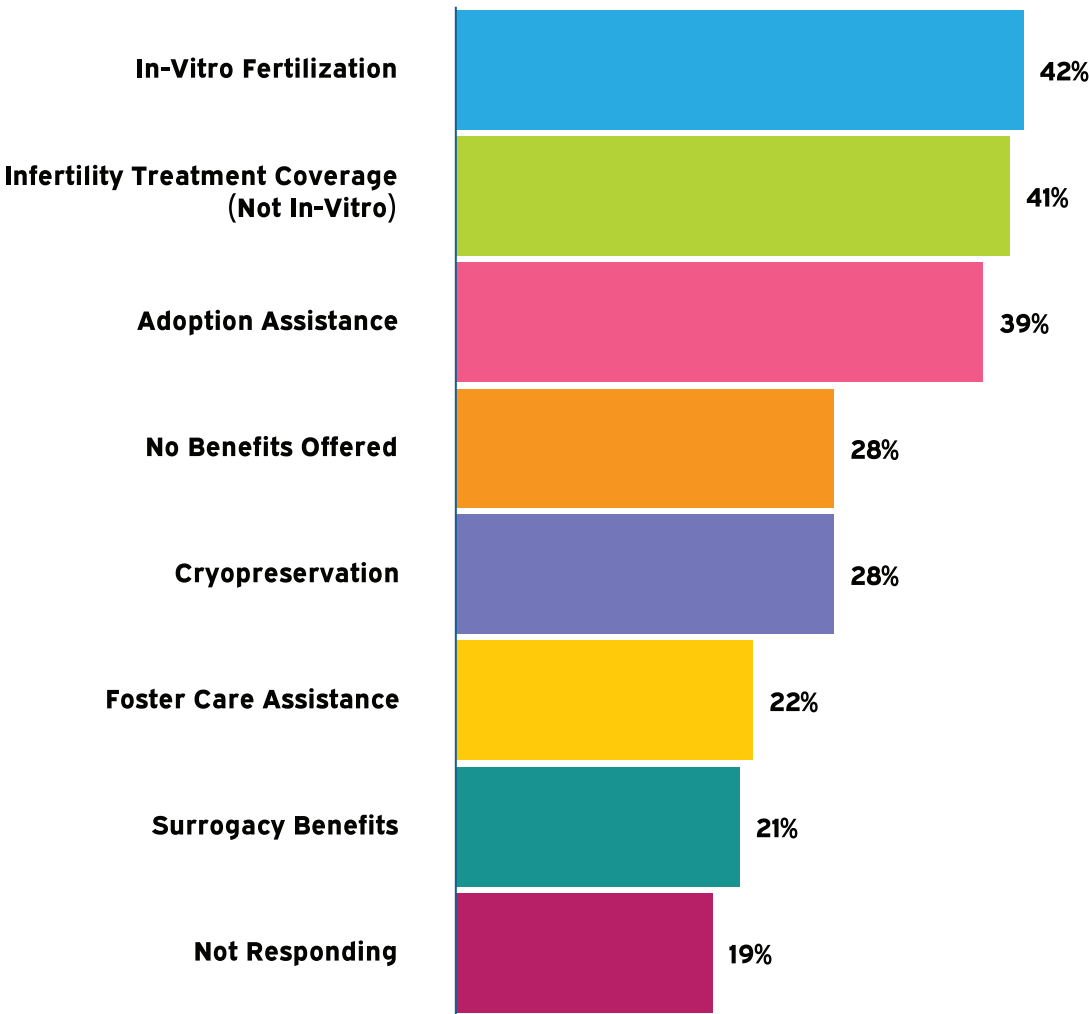


FIGURE 18
PERCENTAGE OF FIRMS THAT
OFFER FAMILY FORMATION
BENEFITS REGARDLESS OF SEX

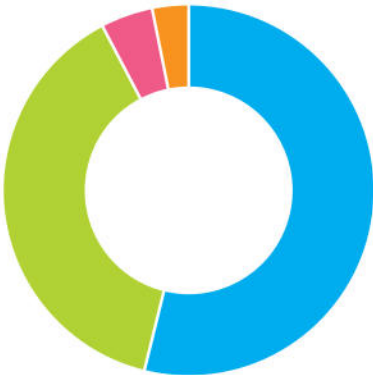
Source: Meketa Investment Group
2022 Questionnaire.

MEASUREMENT

Due To Be Implemented
In The Next 12 months, 3%

Not Responding, 5%

No, 38%



Yes, 54%

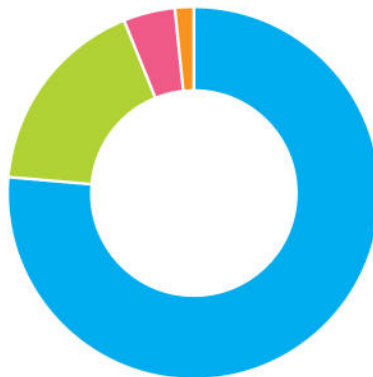
FIGURE 19
DOES THE FIRM DEFINE GOALS AND MEASURE DIVERSITY OUTCOMES AT ALL LEVELS OF THE ORGANIZATION, ACROSS ALL DEPARTMENTS?

Source: Meketa Investment Group 2022 Questionnaire.

Due To Be Implemented
In The Next 12 months, 2%

Not Responding, 4%

No, 18%



Yes, 76%

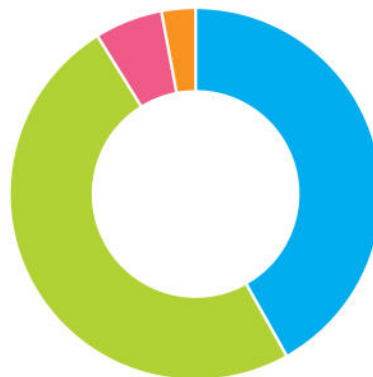
FIGURE 20
HAVE DIVERSITY STATISTICS BEEN REGULARLY REVIEWED BY THE EXECUTIVE COMMITTEE AND/OR BOARD IN THE LAST 12 MONTHS?

Source: Meketa Investment Group 2022 Questionnaire.

Due To Be Implemented
In The Next 12 months, 3%

Not Responding, 6%

No, 49%



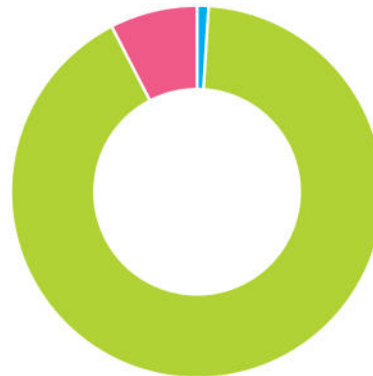
Yes, 42%

FIGURE 21
HAVE DIVERSITY, EQUITY, AND INCLUSION BEEN INCLUDED WITHIN THE PERFORMANCE OBJECTIVES FOR SENIOR MANAGEMENT IN THE LAST 12 MONTHS?

Source: Meketa Investment Group 2022 Questionnaire.

Not Responding, 8%

No, 91%



Yes, 1%

FIGURE 22
IS THE FIRM A MEMBER OR FINANCIAL SUPPORTER OF ANY ORGANIZATIONS THAT LOBBIED AGAINST DEI DURING 2022?

Source: Meketa Investment Group 2022 Questionnaire.

EQUAL PAY

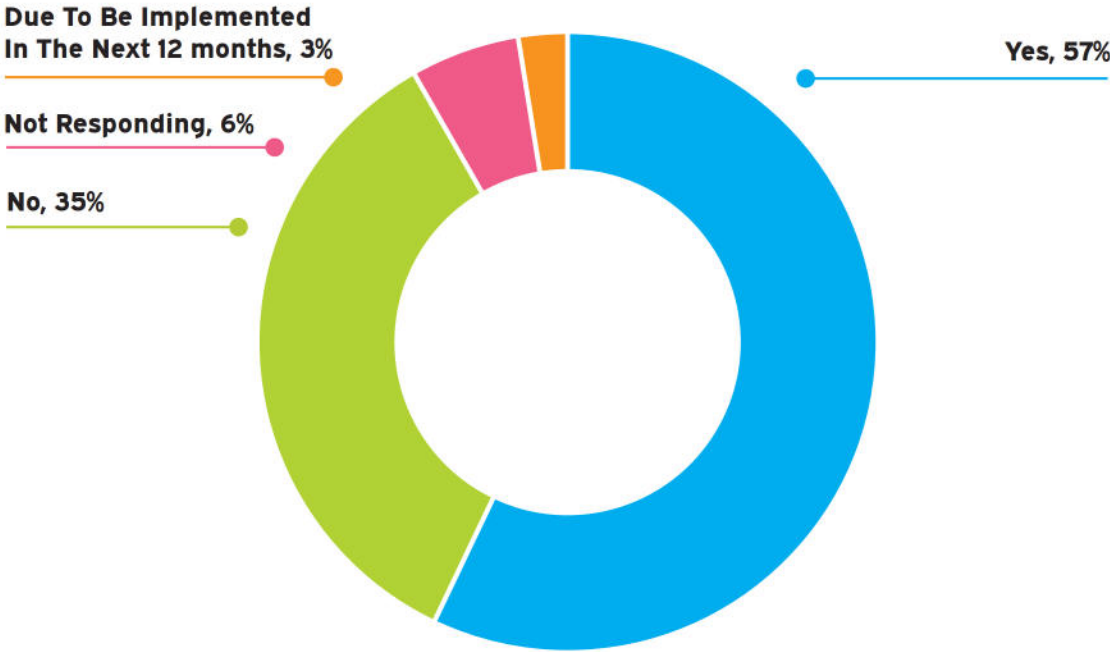


FIGURE 23
DOES THE FIRM MONITOR GENDER PAY GAP DISPARITY?
Source: Meketa Investment Group 2022 Questionnaire.

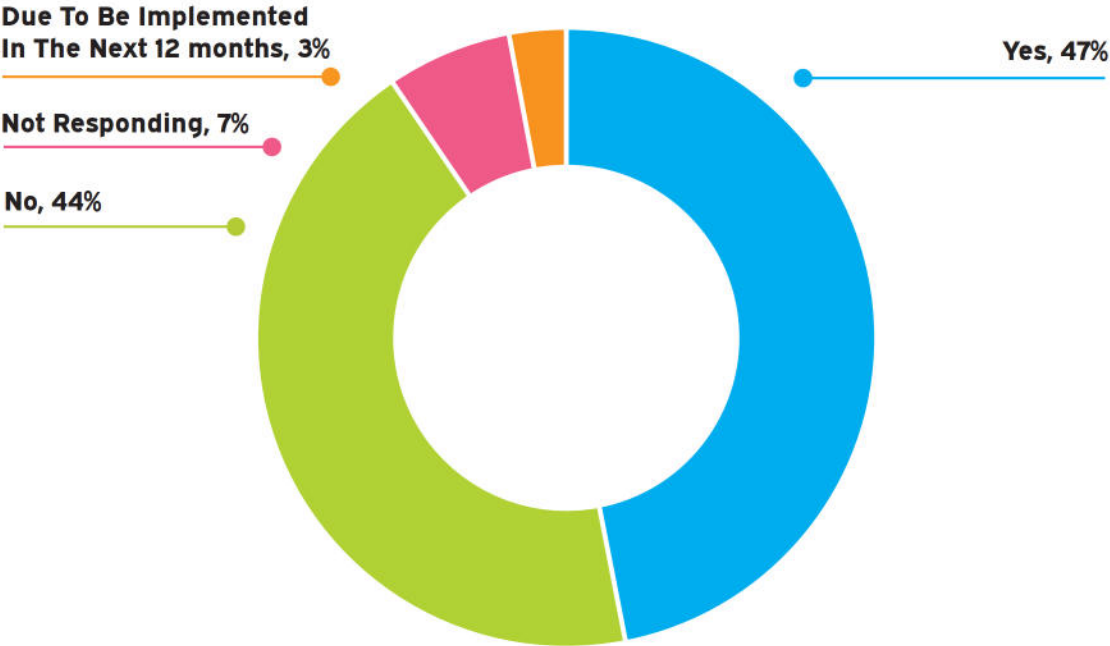


FIGURE 24
DOES THE FIRM MONITOR ETHNICITY PAY GAP DISPARITY?
Source: Meketa Investment Group 2022 Questionnaire.

SERVICE PROVIDERS AND DEI

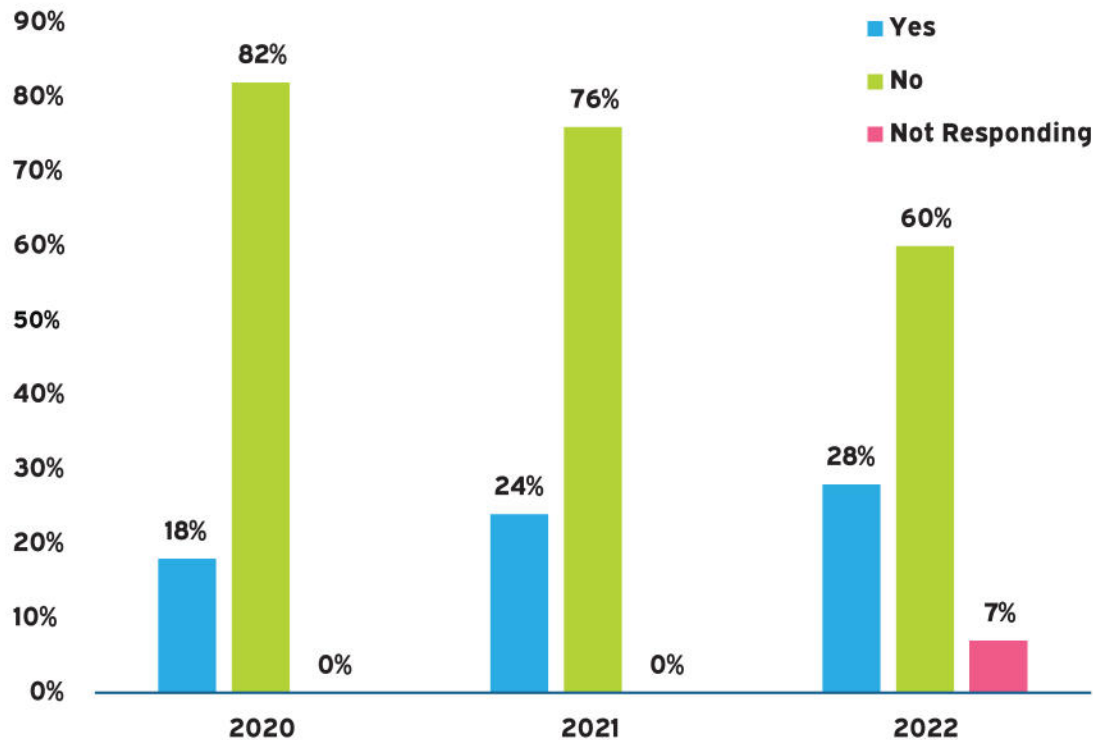


FIGURE 25
WHEN SELECTING SERVICE PROVIDERS, DOES THE FIRM FORMALLY ASSESS EACH PROVIDER'S DEI POLICIES?
Source: Meketa Investment Group 2022 Questionnaire.

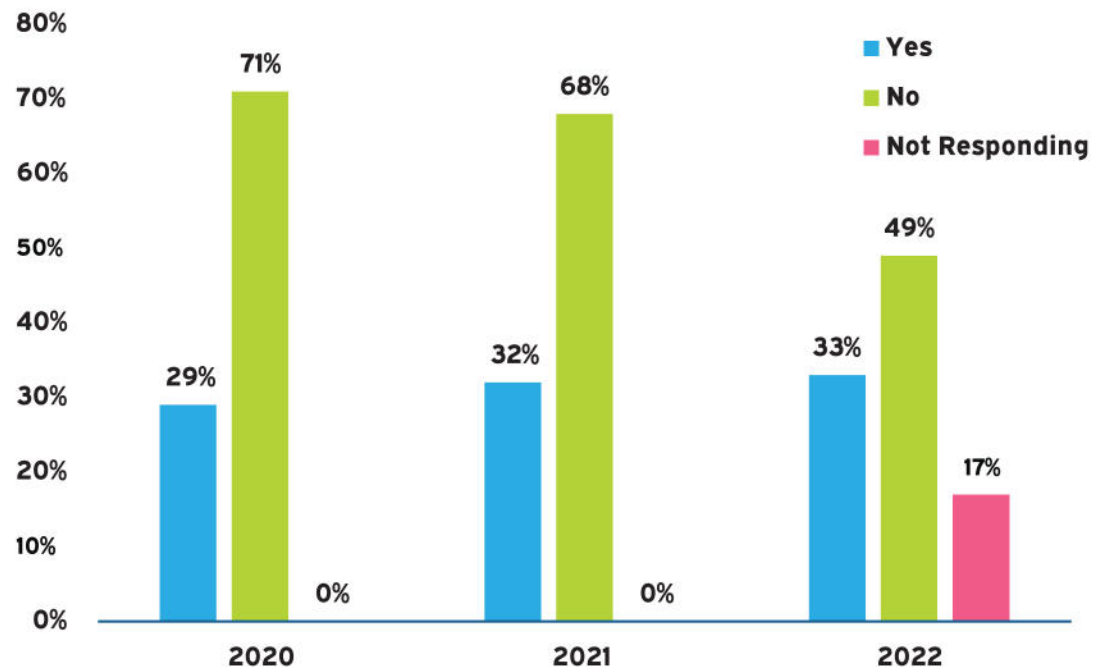


FIGURE 26
DOES THE FIRM UTILIZE DIVERSE-OWNED INVESTMENT BANKS FOR CAPITAL MARKETS SERVICES, MERGERS AND ACQUISITIONS SERVICES AND/OR OTHER ADVISORY SERVICES?
Source: Meketa Investment Group 2022 Questionnaire.



SECTION III EMPLOYEE CONDUCT

KEY TAKEAWAYS

Almost all firms, 99%, reported having a Code of Conduct that addresses harassment, discrimination, and workplace violence, regardless of whether the conduct takes place in the formal workspace. Written procedures in place for the allowance of anonymous reporting and investigation increased 7% from 2021.

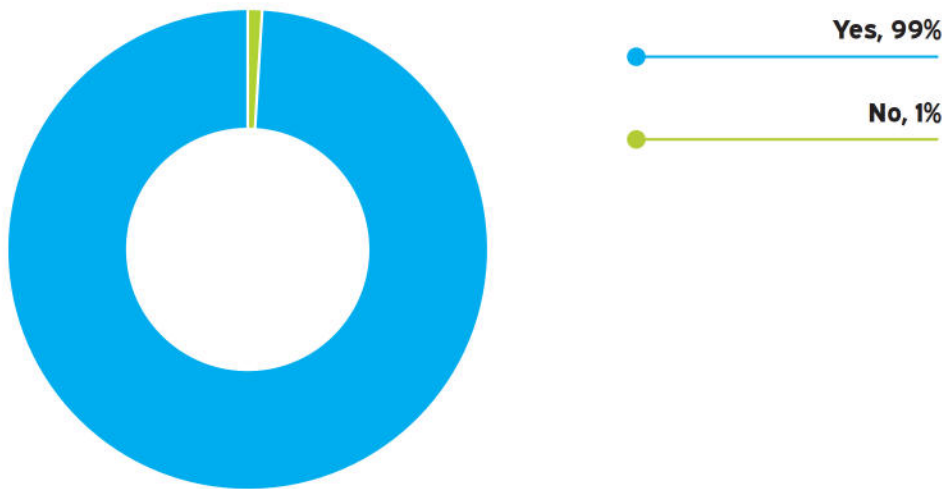


FIGURE 27
DOES THE FIRM HAVE A CODE OF CONDUCT THAT ADDRESSES HARASSMENT, DISCRIMINATION AND/OR WORKPLACE VIOLENCE IN AND/OR OUTSIDE OF THE WORKPLACE?
Source: Meketa Investment Group 2022 Questionnaire.

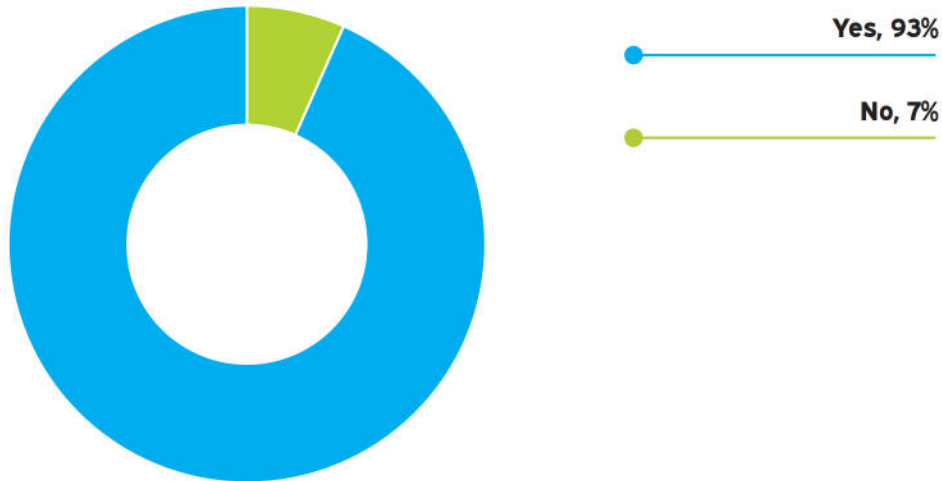


FIGURE 28
DOES THE FIRM HAVE WRITTEN PROCEDURES IN PLACE FOR THE ANONYMOUS REPORTING AND INVESTIGATION OF HARASSMENT, DISCRIMINATION AND/OR WORKPLACE VIOLENCE?
Source: Meketa Investment Group 2022 Questionnaire.



FIGURE 29
DOES THE FIRM PROVIDE MANDATORY ANTI-HARASSMENT AND NON-DISCRIMINATION TRAINING TO ALL EMPLOYEES OR MANAGERS ONLY?
Source: Meketa Investment Group 2022 Questionnaire.



SUMMARY CONCLUSIONS

Across the asset management industry, we saw small but increasing numbers of female and diverse individuals in equity ownership, senior management, and portfolio management. We are encouraged by the series of actions taken to achieve better results with respect to creating more diverse, equitable, and inclusive firms. Our 2022 DEI survey was more expansive as we continue to refine our approach. Whether refining our questions on recruitment and retention or adding questions on healthcare and employee resource groups, our continuing improvements bolster our efforts around improving clarity and transparency in our DEI survey efforts. As we continue our annual surveys, we anticipate more progress to be made and we look forward to increased efforts made by asset management firms.

We acknowledge that fully integrating DEI into the teams and cultures of firms will not happen overnight. Firms will need time, resources, and buy-in to sustainably evolve into more diverse organizations. Asset management firms may continue to differentiate themselves by focusing on the following areas:

- Establish a plan to add more representation to key decision-making positions
- Continue to measure how the firm's policies and committees contribute to the firm's overall DEI strategy
- Mentorship is to recruitment as sponsorship is to retention. Consider increasing sponsorship opportunities to elevate underrepresented groups
- Evaluate service providers' DEI policies to ensure an alignment of values

APPENDIX

Asset Manager: Includes public and private managers in Meketa's database as of November 2022.

Clients: Current clients of asset managers who responded to the questionnaire.

Consultants: Oversee asset managers who responded to the questionnaire.

Prospects: Potential clients of an asset manager who responded to the questionnaire.

Regulators: Bodies established by governments or other organizations that oversee the functioning and fairness of financial markets and the firms that engage in financial activity.

Service Providers: Third-party suppliers, vendors, or subcontractors of asset managers who responded to the questionnaire.

Definitions: Below are definitions of the DEI-related terms specific to this questionnaire:

- Diverse groups are defined on the basis of the following factors: race/ethnicity, LGBTQIA+ identity, veteran status and disability.
- Racial/Ethnic Minorities are defined as non-white minorities.
- Other Diverse Groups refer to those who identify as LGBTQIA+, Veterans and Persons with Disabilities.
- Diversity is defined as the inclusion of Women and Diverse groups while Inclusion is defined as the practice of equal recognition, respect, and merit-based evaluation.
- The use of the term Diverse is meant to represent a numerical minority.

Methodology: The questionnaire was distributed to all public and private markets asset management firms in November 2022. Asset managers completed the questionnaire with best available data. All responses were collected from November 29, 2022 through February 1, 2023.

CONTACT US

If you want to learn more, or access Meketa's library of white papers and economic research, please contact us or visit <https://meketa.com/thought-leadership/>.

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