

# Bloomberg Markets

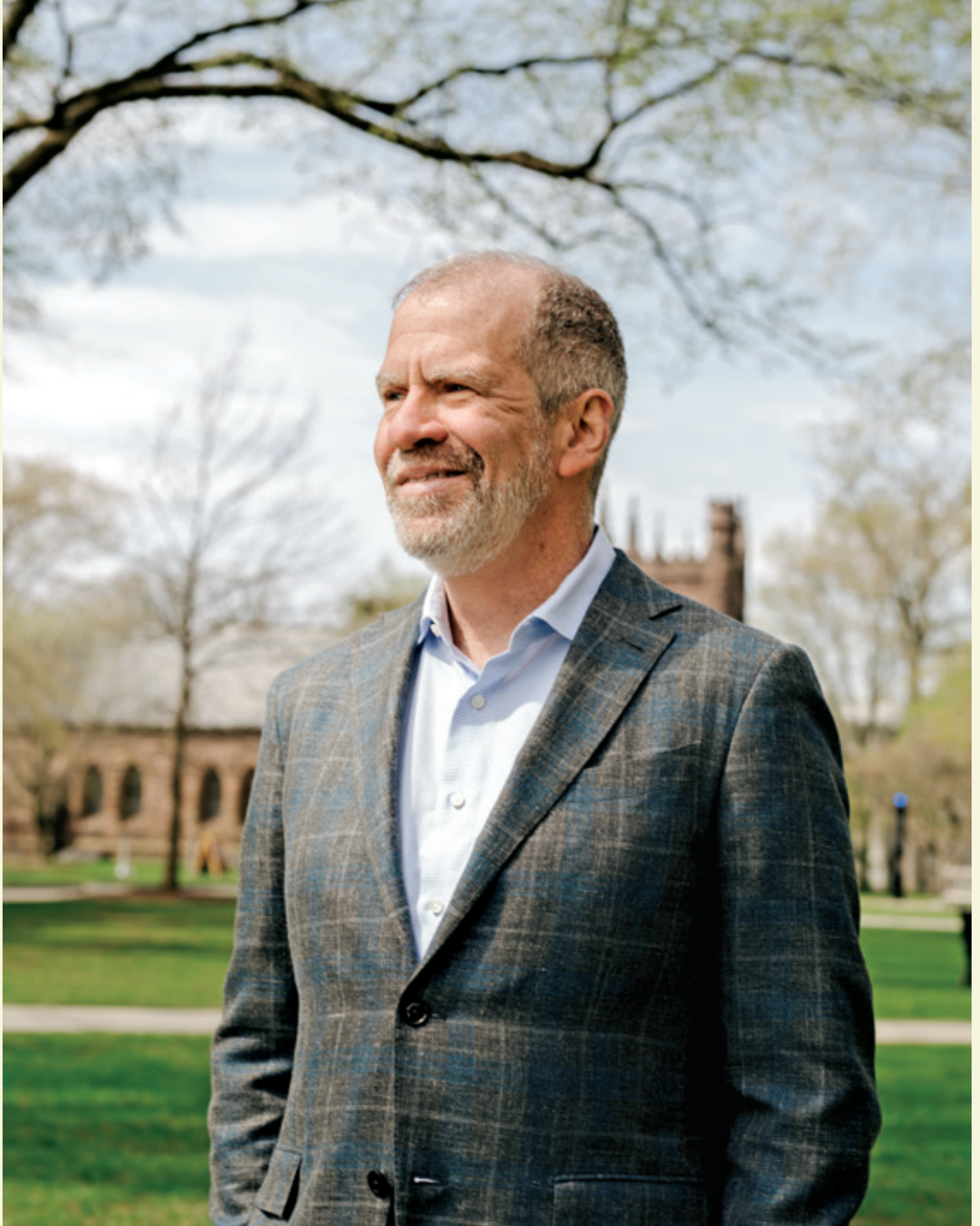
VOLUME 28 ISSUE 3 JUNE / JULY 2019

## Beyond the Ivory Tower

By JANET LORIN

PHOTOGRAPHS BY HEATHER STEN





As chief of Princeton's \$25.9 billion endowment, **Andrew Golden** can transform the fortunes of fund managers overnight. Now he's (slowly) trying to make them more diverse

**O**ne morning in May 2018, two venture capitalists rented a Zipcar in Midtown Manhattan. They picked a 300-Class Mercedes on special for \$15 an hour, perfect for the occasion and their tight budget. On a pilgrimage to suburban New Jersey, Aaron Holiday and Nnamdi Okike were heading to the audience of a lifetime.

After the 1½-hour drive, the two men entered a red-brick, colonial-style building across from one of the nation's most beautiful and exclusive college campuses. They walked into a third-floor reception area decorated with framed business magazine covers signed by famous investors, people such as venture capitalist Benjamin Horowitz and bubble prognosticator Jeremy Grantham.

For Holiday and Okike, it was time to reach for the golden ticket, the chance to run money for Princeton.

Only in their 30s, Holiday and Okike ran their company, 645 Ventures Management LLC, out of a WeWork space near Manhattan's hip Flatiron District. But they had impressive investment results. Their first fund had cashed in with early bets on software company Source3, acquired by Facebook Inc.; on photo editor Fly Labs, bought by Google; and on hotel-software maker Alice, in which Expedia Group Inc. snapped up a majority stake.

Their background stood out from the many other investors pitching Princeton's \$25.9 billion endowment. Both are black. Holiday's mother had worked 30 years for Sears, mostly as a bill

collector. His father counseled drug addicts. Neither had attended college. Okike's father had immigrated to the U.S. from Nigeria.

The men had met with 300 funds and wealthy investors. Few were ready to hand over money to a company founded only four years earlier. Princeton's endowment represented the ultimate challenge. It chose only one out of every 100 investment firms it considered; by contrast, the famously selective university across Nassau Street made offers to six out of 100 applicants to its freshman class. The odds against 645 Ventures were daunting. This is not going to happen, Holiday told himself.

As they settled into a conference room, Okike and Holiday discovered they were meeting none other than Andrew Golden, president of the Princeton University Investment Co. for the past quarter-century.

Golden wanted to know more, much more, about the algorithms that 645 Ventures used to select its portfolio. Golden, who once worked as a professional photographer, asked penetrating questions, as if he were training a telephoto lens at a distant subject.

"Are you putting together a recipe book or cooking a meal?" Golden asked. He was expressing skepticism about machines picking investments. In a promising sign, he then asked to look under the hood of what the founders called 645's "data room."

On their way home, Holiday and Okike couldn't stop reliving the conversation with Golden. At one point, a truck bumped their rented Mercedes and drove away. They took it in stride. In another lucky break, Zipcar didn't charge them for the small ding.

Getting a second look from Princeton would cause any investor to celebrate. But, for 645, it resonated more deeply. It had the chance to become a Princeton money manager owned by black investors. More to the point, it would be the only one.



**AMERICA'S COLLEGE** endowments manage more than \$600 billion, roughly equal to the gross domestic product of Taiwan. The biggest funds have a time horizon of centuries. Their leaders can afford to wait for the legendary payoff of startups that turn into the likes of Google and Facebook.

These vast investment funds remain almost exclusively the province of the white and the male, making them an anomaly in the world of higher education. Women now earn almost 60 percent of U.S. bachelor's degrees, and nonwhite students, more than a third. The share of women on faculties is approaching one-half, if not in the most senior positions.

Yet the pipeline of women and underrepresented minorities starts narrowing in finance courses. It tightens in business school. At the pinnacle of investing, it all but shuts off. Firms owned by women and minorities manage just 1.3 percent of assets in the \$69 trillion investment industry, according to a Knight Foundation study published in January.

Men head the 10 largest college endowments. (Jane Mendillo did lead Harvard's from 2008 to 2014 following a stretch as Wellesley College's chief investment officer.) None of the people who run them is black or Latino, though the heads of Harvard's and the University of California's funds are of Indian descent. Some universities are diversifying their staffs. By August, nine of Princeton's 23 investment professionals will be women—including two Asian Americans. There are two Latino men on the team.

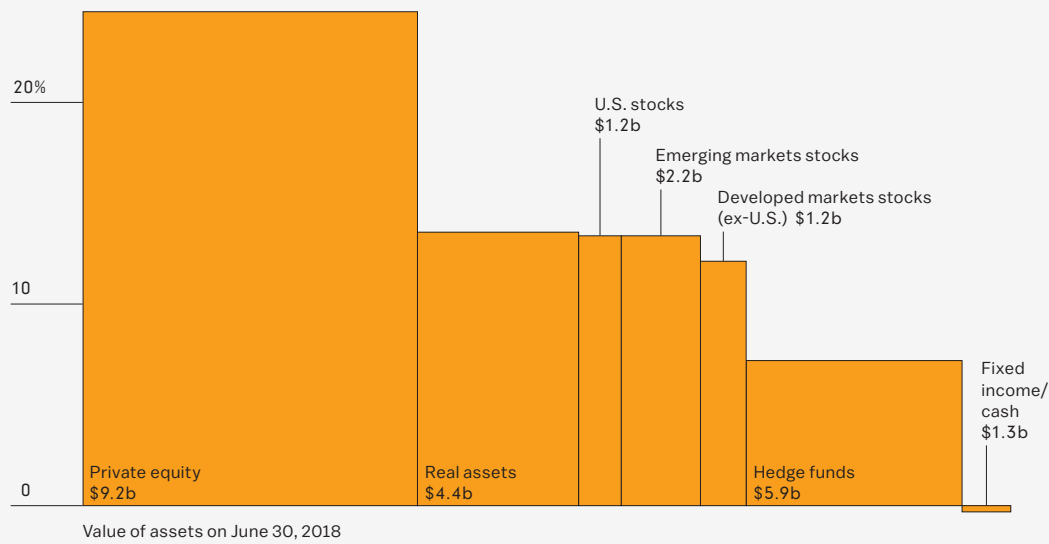
Okike and Holiday



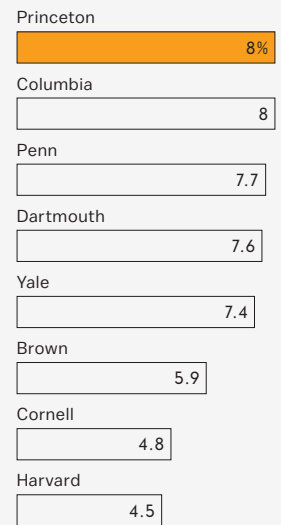
## Orange in the Black

Princeton's endowment returned 14.2 percent for the year ended June 30, 2018, contributing to financial aid and research

One-year return on endowment's assets



Average annual return for the decade ended June 30, 2018



Sources: Princeton, Columbia, University of Pennsylvania, Dartmouth, Yale, Brown, Cornell, Harvard

Typically, endowments don't manage the money themselves; they farm it out to the best money managers they can find. Princeton has more than 70, including 44 based in the U.S. Until 2018, women owned only one, Nancy Zimmerman's Bracebridge Capital hedge fund, which also works for Yale. Black money managers owned none, though one did in the past. (Golden declined to name the company.)

Golden is a graduate of Duke University and Yale's school of management, where he earned a master's degree in public and private management. He started running Princeton's fund after working five years for David Swensen in Yale's investments office and a stint with Duke's endowment.

Princeton and Yale use a similar strategy of making long-term bets on illiquid investments and have achieved some of the best results among university endowments, in part because of their early bets on successful venture capital firms. Over the 20 years ended June 30, 2018, Princeton has reported an 11.4 percent average annual return, right behind Yale's 11.8 percent.

Because of its age (it was founded in 1746), the deep loyalty of its alumni, and its investing skill, Princeton is, by one measure, the richest major university in the U.S.: Its endowment per student is a stunning \$3.2 million. It relies on the fund for half of its annual budget, a bigger proportion than any other Ivy League school.

Princeton picks perhaps three new investment firms a year. By design, two-thirds have less than a three-year record. Golden can build a meaningful position in the most successful companies by getting in early. Once an investment company becomes successful and well-known, everyone wants a piece, and entree becomes tougher. That strategy has led to some of his biggest successes, such as buying into Horowitz's VC firm, Andreessen Horowitz LLC, before it struck gold with investments in Facebook and Pinterest Inc. (Bloomberg LP, which owns *Bloomberg Markets*, is an investor in Andreessen Horowitz.)

Entrusting money to untried companies requires using a mix of intuition and character judgment. Without intervention, the selection process tends to favor companies whose owners are already part of Princeton's network and can therefore seem familiar, an implicit bias that can work against women and minorities—something Golden is seeking to counter, however slowly.

As one of America's oldest universities, Princeton has a fraught history with race and gender. It admitted its first black undergraduates in 1945, decades after other Ivy League schools. It didn't accept women as undergrads until 1969, sparking opposition from some alumni.

But Princeton has been a leader in expanding access to college, awarding among the most generous need-based financial aid packages in the country. In the class of 2022, 15 percent are the first in their family to go to college, and 18 percent are African American or Latino.

As part of his legacy, Golden, who turns 60 in May, would like Princeton's outside money managers to become similarly diverse. Trim with a white-flecked beard, he looks and sounds more like a popular professor than a Wall Street type. He has a self-deprecating sense of humor, referring to himself at times as "Sparky" because of a small fire at his home more than a decade ago caused by a defective dryer vent pipe. His bio page on the Princeton website ends with a quip: "He wishes he had time to learn golf—he wouldn't use it to learn golf, but he wishes he had the time."

At the endowment's headquarters recently, he peppered his conversation with literary, historical, and pop culture references, including Hemingway, Nixon, and the '80s classic *Fast Times at Ridgemont High*.

In describing his quest for diversity, Golden at times seems to be echoing the admissions office, which likes to tout the demographics of Princeton's student body. "I can't imagine having a ▶

roster of managers providing the best possible returns without them being diverse and inclusive,” he says. “We’re looking, ideally, for something that looks like America.”

Last August, Golden picked Forerunner Ventures LLC as Princeton’s second money manager owned by a woman. Golden had met its founder, Kirsten Green, at an endowment conference in 2015, and his team had been tracking her. Green, now 47, was already an established Silicon Valley figure, having raised several hundred million in three funds.

A certified public accountant who once specialized in retail for Deloitte & Touche LLP, Green demonstrated the kind of special insight and experience Golden seeks. Walmart Inc. had bought two of Green’s investments, retail marketplace Jet.com and men’s retailer Bonobos. In March, Airbnb Inc. acquired another, lodging booker HotelTonight.

She also won a key endorsement from Joel Cutler, a co-founder of General Catalyst Partners LLC, which manages money for Princeton and has invested alongside Green in companies such as glasses retailer Warby Parker Retail Inc. “I really want to believe we earned our way into all the relationships because we have top-tier returns,” Green says. “I want people to invest with us to see all of that, not only because we are a woman-led firm.”



**GOLDEN’S DIVERSITY** push began 12 years ago. An endowment board member at the time, John Rogers Jr., who runs Ariel Investments LLC in Chicago, suggested surveying Princeton’s external managers annually to find out how many women or minorities they had in senior positions. Few, if any, he discovered. “If you want to be a successful 21st century company, you can’t look like the 1940s,” Rogers says.

Historical outsiders—that is, people who aren’t typically white and male—with Princeton links were making that case. Rogers, who’s black, played basketball at Princeton with Craig

Robinson, the older brother of Michelle Obama, who also graduated from the university. Kathryn Hall, who runs her own asset management company in San Francisco, was the chair of the endowment board at the time. Another board member calling for greater diversity was Shirley Tilghman, who was then Princeton’s president, the first woman ever to hold that position.

Golden, who grew up in South River, N.J., the son of a dentist, is the grandchild of Russian-Jewish immigrants. Like other Ivy League schools, Princeton once had strict Jewish quotas to keep out people just like his ancestors.

Golden rejected the approach of some of the largest pension funds, which commit to investing a set percentage of their money with companies owned by women and minorities. He said he wanted to continue with the university’s strategy of starting with small investments in new managers. Along the way, Princeton had tried to encourage diversity by prodding existing managers to diversify their leadership. In 2017, after a decade of disappointing survey results, the university decided to try another strategy as well.

It’s hard to know how Princeton compares with other elite endowments, which are notoriously secretive. The rest of the five-largest private funds—Harvard, Yale, Stanford, and MIT—either declined or didn’t respond to questions from *Bloomberg Markets* about the makeup of their outside managers.

Lobbyist Robert Raben, who founded a nonprofit pushing for diversity in money management, says some private endowments won’t return his calls or disclose any information about the demographics of their outside investment managers. (Harvard has met with Raben.)

Raben, who’s spoken with Golden half a dozen times, praises his effort but urges him to move faster. “We’ve established everywhere in professional settings that diversity of background, diversity of networks strengthens outputs,” says Raben, who’d been an assistant attorney general in the Clinton administration. “Asset management, in part at elite institutions, is a holdout.”

At the same time, Golden risks drawing the wrath of those

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**“I can’t imagine having a roster of managers providing the best possible returns without them being diverse and inclusive. We’re looking, ideally, for something that looks like America”**

A small orange circle centered below the quote.



Green

Princeton faculty and alumni who've long been skeptical of the college's embrace of affirmative action and other efforts to promote inclusion. Robert George, a professor who directs Princeton's James Madison Program in American Ideals and Institutions, says the endowment would be better off focusing on investment returns. "We should hire or contract with the people who are most likely to give us good decisions and access to markets," George says.

Golden says he's committed to maintaining his excruciating selection process, which involves an average of 350 hours of staff time to vet each candidate. "We don't want to mess with the core elements of success," he says.



**645'S OWN JOURNEY** shows why Golden's effort is destined to move at a gradual pace. Holiday and Okike spent four years building the company, forgoing salaries part of the time and staying at Airbnbs as they pitched to potential investors. And that's even though these two are a rarity: unconventional candidates who nonetheless check every meritocratic achievement box and travel in all the right circles.

They are ridiculously qualified, their résumés wrapped in ivy. The son of two doctors, Okike, who is 39, has a bachelor's, a law degree, and an MBA, all from Harvard. He worked for eight years at New York-based Insight Venture Partners, where the companies

he helped select for backing were acquired for more than \$5 billion. A 6-foot-5-inch former track star who ran the 400 and 800 meters at Harvard, he literally stands above the crowd.

A head shorter, Holiday, 37, is, like Okike, bookish, given to reading physics texts and the tomes of the late cosmologist Stephen Hawking. He studied computer science at historically black Morehouse College, then developed trading software at Goldman Sachs Group Inc. He earned an MBA at Cornell, where he led a campus venture fund.

Okike and Holiday are world-class networkers who vacation in Martha's Vineyard, a gathering place for both Boston Brahmins and the black elite. They named their company after one of the Massachusetts island's telephone exchanges: 645.

Holiday won his first introduction to Golden through Scott Kupor, a partner at Andreessen Horowitz whom he'd met through the Cornell fund. Ken Chenault, the former chairman of American Express Co. and now a venture capitalist at General Catalyst, which has been a longtime manager of Princeton's money, told Golden he's invested personally with 645. "I like how they were going about building their firm," Chenault says.

Last July, two months or so after Holiday and Okike took their drive to Princeton, Golden and a team of investment staffers made a site visit to the WeWork space on East 28th Street. The next month, one of his lieutenants phoned with the news: Princeton committed to their \$40.6 million fund. Holiday was standing behind Okike, who was seated, when the call came in. "We did it!" Holiday said, squeezing his partner's shoulders with both hands.

As significant as they may be, Princeton's investments in black-owned 645 and woman-owned Forerunner represent a rounding error: less than \$50 million out of a \$26 billion fund.

But Golden likes to think of it differently. Forerunner and 645 were two of only three managers Princeton picked during the past year. If successful, they could one day become major holdings. "By definition, it's a glacial move to get to truly untapped pools of talent," he says. "It's planting seeds that grow into tall trees."

Today's effort resembles an initiative Princeton started about 15 years ago. To gain a deeper understanding of overseas markets, Golden says, the endowment decided to seek out the best international investors based in their home countries. Those managers now represent more than 30 percent of the portfolio.

It would be hard to overstate the impact of Princeton's vote of confidence on the young VCs who'd been toiling away in their WeWork space. Several months after Golden picked 645, whose team of seven people now manages about \$50 million, the company moved into permanent digs in an office building across from Grand Central Terminal.

The silver-framed photos greeting visitors suggest the founders' ambitions: Okike with Billy Beane, the numbers-minded Oakland A's general manager, star of Michael Lewis's *Moneyball* and idol of quantitative-minded investors everywhere; and Holiday with Robert Smith, a prominent African American investor who co-founded Vista Equity Partners and has put money with 645.

"We could really move more into the big leagues," Okike says. "Once you have a strong institutional investor, all things open up. This is an opportunity, but we have to make the most of it. Now we're in the game." ●

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Lorin covers endowments for Bloomberg in New York.