

## CASE STUDY:

# EXELON CORPORATION<sup>59</sup>

*“We all have a fiduciary obligation to achieve the best performance we can, and that’s what this program is about. It comes down to whether the institution is committed to diversity. What we have found is that incorporating diversity helps us identify new and innovative ways to drive progress and performance across our business. You can find great talent and a high level of performance among minority managers.”*

– Doug Brown, CIO, Exelon Corporation

Exelon began its “minority-owned investment manager program” in 2002, starting with \$30 million invested. Since then, the program has grown to over \$2 billion, or more than 5% of total assets invested with approximately 20 minority-owned investment management firms. Investments range in size from \$20 million to \$500 million in a variety of asset classes.

In the aftermath of the financial crisis of 2008, the company decided to overhaul its approach to investment management, building a brand new investment team and rethinking the investment strategy of all its trusts. With an investment team of 13 led by CIO Doug Brown, Exelon opted to end investments in funds of funds and steered away from working with consultants, preferring direct manager relationships that the investment team could seek out and foster.

Brown has set up his team so that no one person is specifically responsible for the minority-owned investment manager program. Rather, the entire investment team researches and selects management firms through the lens of the company’s commitment to diversity and to following talent in all corners.

“Diversity and inclusion is important to Exelon, both to the board and the staff,” Brown says. “It’s in the culture that factors into everything that the company does – from how we purchase from suppliers, how we hire, and how we finance the company.” Brown believes that in order for institutions to move the needle on a diverse asset manager program, they need good governance. He credits this as one of the reasons Exelon has had such success with its program.

The team decided to grow the program with fewer, more meaningful manager relationships sizeable enough that they would make a difference in the investment program, but even more importantly, make a difference in the minority firms’ businesses. The investment team used its networks to get out the word, and minority firms started reaching out to them. They also attended numerous conferences with the Rainbow Push Wall Street Project, the National Association of Investment Companies (NAIC), and the White House, which helped promote their reputation for having a quality program.

Brown reports the program has delivered strong results for the company. “The managers in our program have performed in line with all of our managers. We have a robust program with high standards and a difficult due diligence process. If you are not including minority-owned firms, you could be missing out on opportunities for outstanding investment performance,” he says.

# ENDNOTES

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59. Unless otherwise noted, information in the following section is drawn from: Doug Brown, Chief Investment Officer of Exelon Corporation, telephone interview by the author, January 22, 2016.