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Casey Family Programs and Joseph Boateng CIO: Investing for Children in Need

Our newsletter this month looks at one of the country's biggest and most effective operating foundations – the \$2.5 billion AUM Casey Family Programs (CFP) in Seattle – and Joseph Boateng, the man who manages the money.

An “operating” foundation uses most of its resources to run its own, internally-managed charitable programs. Among the 86,000 foundations in the U.S. totaling \$715 billion in assets, almost all are grant-makers. Only 5 percent run their own charities as CFP does. This has implications, as we shall see, for their investment program.

In 1907, 19-year-old Jim Casey and his 18-year-old pal Claude Ryan between them had one bicycle and \$100 borrowed from a friend. They set up the American Messenger Company, operating out of a hotel basement in Seattle. The automobile was still a novelty and aviation barely existed. His brother George and a few friends worked as messengers.

The tiny bike-messenger company grew into mighty UPS, with an enterprise value of over \$100 billion and which now moves its packages on its own aerial fleet (UPS Airlines), flying hundreds of giant jet freighters all over the globe. Not to mention 96,000 trucks, vans, tractors and even motorcycles. Alas, no bikes.

When Mr. Casey died in 1983 he'd turned his borrowed \$100 into a personal fortune of \$100 million. Most of that went into the CFP operating foundation and the related grant maker Annie E. Casey Foundation. The former is still sited in Seattle, while the latter – also focused on child welfare – is in Baltimore.

For any of our readers who lives have been touched by foster care, you know Casey.

President and CEO William C. Bell, Ph.D., a former New York City commissioner for Child Services, joined CFP in 2004 and became CEO in 2006. A year later the Casey Board recruited Joseph Boateng to work with Dr. Bell as the foundation's first and only CIO, bringing the investment portfolio inhouse. It had been previously managed externally by Russell Investments.

CFP's charities, despite their altruistic aims, have budgets, expenses, and many commitments to meet, like any big business. But revenue comes through a single pipe: investment returns on Jim Casey's original endowment.

For CFP, any unexpected shortfall in investment revenue means either a cut in programs for kids, or an invasion of the corpus. Both are unacceptable.

For fourteen years, Mr. Boateng has managed to produce that steady income while walking an investment tightrope.

Kim Lew, the new CIO of Columbia University, previously managed investments at the Carnegie Corporation, another major private foundation. As she told us in our recent interview:

A private foundation is not a university endowment. We don't have rich alumni we can go to for help if we take an unexpected haircut. We have constraints which demand close attention to liquidity. That means we can't lay out sixty to seventy percent of the portfolio in private equity, venture capital, timber, and other assets which might take years to sell.

Joseph Boateng, an American Success Story

Mr. Boateng was born in the west African republic of Ghana, son of a prominent local leader.

There were early signs of his business acumen. During his student leader days at the University of Ghana, Joseph launched a number of innovative programs for small business owners including education sessions and seminars on accounting, business development, and cash management.

AIIESEC International even gave him an award for the most Innovative Program of the Year Award at their Annual International Congress in Innsbruck Austria in 1987.

After graduating from the University of Ghana in 1987, Mr. Boateng joined the Brussels based youth organization AIIESEC as a regional development officer for Africa.

And it was in Brussels where he answered a job posting for an intern position at Xerox in Los Angeles. For the next 13 years Mr. Boateng

worked at Xerox in various divisions on both coasts including their pension group under the celebrated pension CIO Myra Drucker.

During his time in Los Angeles he also managed to complete a full-time MBA program at UCLA.

Eventually KPMG Consulting came calling and asked him to lead their finance and structured products group in Europe, which included assignments in Germany and the UK.

In 2002, when Johnson & Johnson needed a pension pro, they reached out to Joseph and brought him back to the US to join their pension operations group in New Jersey.

Then, in 2007, Casey Family Programs needed a first-rate portfolio manager to run their new investment office, and the rest is history.

Mr. Boateng wears a daunting number of other hats besides running CFP's investments.

He sits on the Boards of the Lumina Foundation and the CREF Board of Trustees and chairs the Investment Advisory Committee for the Seattle City Employees' Retirement System.

He is also a member of The Seattle Foundation's Investment Committee. And, he serves on the Advisory Council for the African Private Equity and Venture Capital Association.

A few years ago he even found time to complete the private equity program at Oxford University's Said Business School while serving on the International Accounting Standards Board's Financial Instruments Working Group.

Pre-COVID, Mr. Boateng continuously travelled the globe to find and manage CFP's investment vehicles. But we recently found him at home to talk about his life and times.

Skorina: I know you're often asked about your background and your career. But it really is quite a story: from Africa to Europe, to the US. How did that unlikely journey happen?

Boateng: My dad wanted me to see the world and expand my horizons so, after boarding school and college in Ghana, he urged me to move to Europe and meet people, make connections, and learn how things work in other cultures.

Skorina: You have focused on finance and investment management from the time you left college. What got you interested in finance?

Boateng: Actually, I was drawn to finance and investing much earlier.

My Dad ran his own consulting firm in Ghana, Germany, and London and I worked with him for 5 years before I went to college. The family business, so to speak, and I loved it.

He did business all across Africa and his work was a magnet for me. I was able to deal with companies and governments and help with development projects while I was still in high school. What an advantage it gave me at an early age.

Dad was well known in Europe as well as in Africa. He had worked in London and attended the London School of Economics. He was a pioneer at the Ghana Institute of Management and Public Administration (GIMPA) school where he taught courses in accounting and management.

Skorina: Many of the CIOs I interview mention people who helped them along the way. Were there a few that served as role models?

Boateng: Besides my father, I would say Myra Drucker, the CIO at Xerox

Skorina: How did she help you?

Boateng: Myra told all of us in the investment office that she would consider her job a success if she accomplished just two objectives: first, meet her performance targets for the pension fund; second, develop all of us so well that each of us could go on to become a CIO.

And we did! Six of her direct-reports moved up to a CIO role and Madoe Htun at the William Penn Foundation and I are still at it. Myra is a role model I still look up to.

Skorina: What did you learn at Xerox that worked for you at CFP?

Boateng: First, we hire the best people we can find.

Also, we are a small team, so everyone sees the operational and administrative side of the business, not just pure portfolio management.

Myra trained us to approach every investment opportunity with a critical eye, then make a decision one way or the other and move on. Be thorough and careful, but don't overthink everything.

Skorina: I think most E&Fs fall short on career development. How does that work at Casey?

Every individual has a career development plan and I have a succession plan. I have sent members of my team to top schools for all sorts of

advanced study programs. And to professional conferences around the world. I want them to meet and learn from their peers outside our office.

Skorina: Let's talk about the portfolio and performance. I understand that your biggest returns have been in private equity. In that regard, at least, you resemble the big college endowments.

Boateng: We have a long-term commitment to private equity, about 15 percent. About 3 percent of that is invested in Africa.

My view is that you have to be invested for at least 10 years before you achieve returns that can beat inflation. Global equities will give you around 5% real returns (7.25% nominal), but they come with high volatility.

To support our mission, our target is to exceed inflation plus five percent (about 7.25 percent) long-term. We expect to get a lot of that from PE and VC.

Skorina: I know you have invested in frontier markets where many fear to tread. Africa is just one example. How do you find managers that others may miss?

Boateng: Africa is a very big place, Charles. It's fifty-four countries in an area over three times larger than the US. It has a population of a billion and a quarter and most important: 60 percent of them are under age twenty-five.

This is the youngest population in the world. And yet, according to a recent Brookings report, the countries in Africa have some of the world's oldest leaders. So what does that mean in terms of investment opportunities?

The young are educated, knowledgeable, and ready to work. They would like to have a good life. They are enthusiastic early adopters of technology, but their leaders are very conservative. It's a complicated landscape, but the rewards for patient long-term investors may be huge.

Skorina: From what I read, there is enormous potential for organic growth on the continent but how do you transform that pent-up consumer demand into value added for the investor?

Boateng: Africa is an excellent place to invest if you can wait for 15 years to get paid. However, I have to meet a monthly payroll and operating expenses.

We invest very carefully in only a few high-conviction managers.

Skorina: You have traveled and invested all over the world. Not just Africa and the Middle East, but Asia and even South America. What is your process?

Boateng: Our interaction with African and Asian private equity funds has been through a combination of cold-calling, knowing people on the ground, and networking with other asset-owners who have highlighted particular funds to us.

We don't have a fixed allocation to Asia, Africa, or South America, or anywhere else in the world. We invest on a case-by-case basis. We are highly opportunistic.

We have a saying that we will 'ride the best horses', wherever we find them. Our approach is to take a deep dive into the portfolio companies held by the managers we are considering and understand how value is

being created from the bottom up. We don't depend on just the aura of a manager who's had some success.

Our ideal investment size is US\$10- \$15 million per fund, but we have sometimes invested as little as US\$5 million.

Skorina: But you can't load up on illiquid investments like Harvard or Yale because of your need for liquidity and steady cash flow. How do you make the call about when and where to invest?

Boateng: Profitable investing always involves a fine judgement between trend-following and going against the herd. If you have a US bias like most American investors you won't get much criticism. But I can't beat the crowd if I'm just *following* the crowd.

Earning more than the crowd requires both independent thinking *and* a thick skin. We try to cultivate both.

We like venture capital and buy-out funds, and we want at least 300 basis points over public markets. Fortunately, we have generally done much better than that.

We like a concentrated program, but that takes real digging. As I said earlier, we monitor the investment of the managers we invest in at the company level. We dive into their portfolios. We need to understand their thinking and agree that their process makes sense. That analysis takes time.

Skorina: So let's talk about the CIO job. What would you tell someone aiming for that role?

Boateng: At foundations, chief investment officers have an enormous impact on programs and mission. We are usually the only revenue stream.

Looking at the process deeply, you have to recognize that money doesn't just reproduce itself like some kind of laboratory organism. It's really all about human behavior.

An investment portfolio is ultimately a portfolio of human capital. People are ingenious creatures who can also make terrible mistakes. There are an infinite number of ways to reach -- or miss -- investment objectives, and a good CIO keeps a close grip on what all those managers are thinking and doing.

It's a job that always has an upward learning slope. We make mistakes, but we also have the opportunity to get better every day.

Skorina: You have built a close team at Casey over the years and we should mention the passing this year of one of your long-time friends and employees, Christopher Yebuah.

Boateng: Thank you for mentioning Christopher, Charles. I knew him for over thirty-five years. I first met him years ago when we were students at the University of Ghana and we stayed in touch.

He was employed at JP Morgan when I asked him to join Casey in 2010 as director for real estate investments and private markets. He was a tremendous asset to us.

Christopher was a happy, upbeat, warm person and a first-rate networker. He stayed in touch with everyone. I miss him.

It's a reminder to us all that we should enjoy every day, because you never know what's around the corner.

Skorina: Speaking of our personal networks, I remember one other story you told me about your roots. When your father died a few years ago, I recall asking you how long you planned to be in Ghana for the funeral. And you said. . .

"Well Charles, that depends. You see, my father had about 50 children (including adopted children) and eighty grandchildren and they are scattered all over the world; doctors, lawyers, business owners. It's hard to keep track. So it takes me a week just to get reacquainted with my brothers and sisters when we all gather in Ghana for a family event.

And then if I start calling on the cousins, grand kids and the wider family? Oh, boy! I could be in-country for six months. Family is important, but, as my father taught me, one must be disciplined!

Appendix

African-American CIOs are rare in the US endowment, foundation, and pension world.

We did a rough count for our last newsletter and found only fourteen African-American in our database of six-hundred-fifty US nonprofit chief investment officers, a minuscule two percent.

AFRICAN-AMERICAN CIOs at US NONPROFITS

Corporate Pensions

Bryan Lewis, CIO, US Steel

Dekia M. Scott, CIO, Southern Company

Endowments

Frank Bello, CIO Howard University

Brooke Jones, CIO, Bryn Mawr College

Kim Y. Lew, CEO, Columbia University IMC

Charmel Maynard, CIO & Treasurer, University of Miami

Foundations

Rukaiyah Adams, CIO, Meyer Memorial Trust (departs 8/31/22)

Joseph Boateng, CIO, Casey Family Programs

Nickol Hackett, CIO, Joyce Foundation

Bola Olusanya, CIO, The Nature Conservancy

Healthcare

Kris Chikelue, CIO, Memorial Hermann Health System

Public Pensions

Cheryl Alston, CIO, Employees Retirement Fund City of Dallas

Angela Miller-May, CIO, Illinois Municipal Retirement Fund

Mansco Perry III, ExecDir/CIO, Minnesota SBI (retires 10-31-22)

Edward "Ted" Wright, CIO, Connecticut Retirement Plans & Trust Funds

Source: Charles Skorina & Company

Skorina seeks Director of Investments for \$2.5 Billion portfolio

We're looking for a Director of Investments to help manage a \$2.5 Billion investment portfolio. This position is with a large operating foundation with investment offices in New York City and Seattle.

We need a senior investment officer with experience at a top-tier asset owner such as an insurer, health system, endowment, foundation, pension fund, family office, or institutional asset manager.

A strong background in private markets is necessary; but broad experience with asset allocations to all classes (including alternatives) is highly desirable.

Compensation for this key position is competitive.

If you're interested, send me your resume. If you have a friend or colleague who might be suitable, please spread the word.

Contact: skorina@charlesskorina.com

The Skorina Letter

Each issue explores how the world's most accomplished asset managers think and invest. Original content includes profiles and interviews with industry veterans and research on compensation and investment performance.

Our insights and commentary come from our clients – board members, CEOs, chief investment officers – and the global investment community within which we work as executive search professionals.

Institutional investors operate at the crossroads of capital, talent, and ideas, shepherding over seventy trillion dollars in global assets. It's a constantly evolving spectacle and The Skorina Letter gives readers a ringside seat.

Prior issues can be found in “archives” on our [website](#).