

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

Virtual Signature Event

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ANNOUNCER: Please welcome David Rubenstein, president of The Economic Club of Washington, D.C.

DAVID M. RUBENSTEIN: Welcome, everybody, and thank you for coming today. I am here for our 19th Virtual Signature Event of our 35th season.

And today we're very honored to have as our special guest Mellody Hobson, who is the co-CEO and president of Ariel Investments. She's also chair of the board of Starbucks Corporation. She's also one of Forbes magazine's 100 most powerful women and Time magazine's one of the most influential people in the world.

Mellody, thank you very much for giving us time today. Let me give you an appropriate introduction, if I could. She's got a bio that is quite extensive. I'll just kind of summarize it.

Mellody is somebody who's a graduate of Princeton, came from the Chicago area. And she served on the board of Princeton subsequently, and now there's a college at Princeton named Hobson College. She's also the co-CEO of Ariel Investments, which is a leading investment firm based in Chicago. She's the chairman of the board of Ariel Investment Trust.

She's also now, as I mentioned earlier, the chairman of the board of Starbucks, where she's been a board member for quite some time. She's also a member of the Bloomberg Philanthropies board, the Rockefeller Foundation board, the CSIS board¹, the Los Angeles County Art Museum board, a member of the George Lucas Education Foundation board, where the foundation is now building an incredible art museum in southern California. And she's a person who is also in the financial world a member of the board of JPMorgan Chase. So a lot of activities. She's previously been a member of the Estee Lauder board and also of the – she was chairman of the board of DreamWorks animation.

So, Mellody, thank you for that and for being here. So how do you do all those activities?

MELLODY HOBSON: How do you do all that you do, David? I'm just following you. I am organized and try to pack a lot into a day.

MR. RUBENSTEIN: So your partner, who started Ariel, is John Rogers. He's on the board of Starbucks – on the board of McDonald's. And he's told me that he goes to McDonald's and eats there every single day for one meal or another. Do you go to Starbucks every single day and get something or other? And when you go to Starbucks, do you have to stand in line? Or can you say: I'm the chairman of the board and I can break through the line? How does that work?

MS. HOBSON: So, first of all, I would never say that. Of course I stand in line. And the good news is our lines are long. Secondly, what I would say is I have Starbucks every single day. It's at my desk right now, sitting. I don't necessarily always have to go to the stores to have Starbucks because, of course, I have a machine that will give it to me fresh as well at home. And

¹ CSIS - Center for Strategic and International Studies

I'm a big customer and a big fan of Starbucks. I'm what you would call a super user. So a super user goes more than 19 times a month.

MR. RUBENSTEIN: Wow. So what is your favorite drink? I guess –

MS. HOBSON: I actually – I actually drink Pikes Place, and I drink it black. I don't put anything in it.

MR. RUBENSTEIN: OK. So let me ask you, sadly you are the only Black female chair of a Fortune 500 company. Sadly – not that it's sad that you're the chair, but sadly that there are no others. Is it surprising to you or disappointing to you that there are no other women who are African America who are chairs of major – a major company in the United States, a public company.

MS. HOBSON: Yes, it's brutally disappointing. I have a friend who says, when you're the first or only Black anything it's a sad, a proud, and lonely walk. It is proud. I am glad to have this opportunity and to be entrusted with this level of stewardship at the company, a company that I love so much, and I grew to really know and understand from sitting next to Howard Schultz in our board meetings. But at the same time, it's terribly disappointing to see where we are as a country, that today out of 500 companies in the Fortune 500 I am the only Black woman.

You know, I think I'm smart. I think I'm talented. But I think there are plenty of others. And I think it's very, very disappointing to see these numbers so low – just basically one person like myself. I often say, talent and genius do not discriminate. But for whatever reason, when you look at some of these higher levels, these higher echelons of corporate America, you start to see this funnel that just drops out women and people of color.

MR. RUBENSTEIN: So you have been a leader for a long time in improving the number of minorities – Blacks, women – on boards. And you have an annual conference of Black corporate directors. I've been at that. You grilled me on that – on that occasion. And why are you so interested in having more Black and women members on boards? Does it really make a difference who's on the board for these companies?

MS. HOBSON: Absolutely. So all the data, first of all, says that diversity adds value, at the end of the day, in terms of financial returns. One of my favorite books is by a guy named Scott Page who's a professor at the University of Michigan that's called "The Difference." And he talks about if you're trying to solve a really hard problem – which is what I think most of us do every day in business – you want a diverse group of people solving that problem. And he even argues you want diverse intellect.

And he gives lots of examples of how that works in real life, including when smallpox was ravaging Europe – not unlike COVID in our present world. And he talked about the fact that when all the great scientists were brought together it wasn't the scientists who discovered the breakthrough. It was a dairy farmer who noticed the milkmaids were not getting smallpox. And to this day, the smallpox vaccine is bovine-based because of that dairy farmer. I believe in the power of diversity to solve hard problems. And I think when you look at corporate America

and you look at the more diverse board rooms from the perspective of gender and ethnicity, you see over time better results.

MR. RUBENSTEIN: Now, today, sadly, is the first anniversary of the murder of George Floyd. Are you surprised that it took that murder to get companies to say we have to do more? Because we've had lynchings. We've had discrimination. We've had murders before. What is it about the George Floyd murder that really got corporate America to say: We got to do a better job? What is it about that particular murder? Was it just the physical seeing it on video so much? And do you think the changes that are now coming about are going to be temporary, or people are serious about making these changes?

MS. HOBSON: So there's a lot in that question. But I'll start with why did this strike on Earth in this way at this time? There's that old saying, a picture is worth a thousand words. Well, this wasn't just a picture. It was nine-plus minutes of someone dying on screen. And very little in the way of any form of humanity, with the exception of the spectators reaching out to implore the person who was killing George Floyd and the people who were standing around watching it, to stop. That has a tremendous effect on the psyche of individuals.

It had a tremendous effect, not unlike back in the civil rights era where Martin Luther King purposefully brought teenagers into lunch counters and the like to be able to show the viciousness that was put upon them by those who were trying to keep Black people out of basic establishments and to give them equal rights. The power of those photos he knew would move America. And what happened with George Floyd moved the world, for good reason.

The reason corporate America has responded the way it has is because their people are demanding it. This is a very different time. I call this civil rights 3.0. 1.0 was the Emancipation Proclamation. 2.0 was the 1960s with the Civil Rights Act and the Voting Rights Act. And 3.0, this is the difference: The problem is at the feet of corporate America. Before it was government's problem. Now corporations have individuals inside of the organizations saying we will not stand for this – willing to walk out, willing to protest, willing to have their voices heard. That's what makes this a very different time. Corporate America is responding to its most valuable constituents, the people who work inside their organizations, as well as their investors, as well as the broader community.

MR. RUBENSTEIN: And you think this will be long-lasting and not just temporary, I take it?

MS. HOBSON: I'm hopeful that it will be long-lasting. I do feel that we've had a paradigm shift. But at the same time, David, we have so far to go. We are so far away from parity. And even at the pace we have moved that has stepped up a bit – that we are moving that has stepped up a bit, it will take decades and decades for us to see any kind of parity, and I'm not content with that.

MR. RUBENSTEIN: So, Mellody, let me ask you, right now there is a project that you're involved with called Project Black. Can you describe what that is and how it came about?

MS. HOBSON: Sure. It was the result of a phone call from Jamie Dimon. You mentioned that I sit on the board of JPMorgan Chase. I call it my Ph.D. in banking that I'm getting from a master. And last summer, Jamie called me in the middle of all of the social unrest that was occurring in this country and he said, Mellody, a lot of people want to help Black business. And he wanted to brainstorm about ways in which that could be done, and he had thought about bringing together Black financial services firms, and he started naming firms. And I said, Jamie, that one's out of business, they're gone. It only underscored the problem and the point.

I said, I think I have an idea. I spent the weekend writing a memo that I sent to him. And in the spirit of investment banking, I gave it a pseudonym: I called it Project Black. And the idea was to scale sustainable minority businesses by bringing two things together, capital and customers. I got really clear around this idea of customers because John Rogers, my co-CEO at Ariel and our founder, kept telling me people keep over-rotating when it comes to Black and Latinx businesses to this concept of access to capital. John would say access to capital is important, but access to customers is as or perhaps even more important.

Then, from sitting in that bank boardroom, I realized if you've got a fistful of receivables, JPMorgan will lend you money. So that customer piece became something that I said, how do we solve for it? So we want to buy businesses between \$100 million in revenue and a billion, that may not necessarily be Black when we buy them because 95 percent of Black and Latinx businesses in this country have less than \$5 million in revenue. So we want to go middle market big, scale big businesses by making them tier-one suppliers to Fortune 500 companies. We want to be the essential vendors of the vendorless.

MR. RUBENSTEIN: So JPMorgan is leading this effort. Are other companies/banks getting involved as well?

MS. HOBSON: JPMorgan is a co-investor with us and they're a part of our – they're one of our strategic partners. And we are, you know, obviously, doing our job right now and spreading the word about what we're doing.

MR. RUBENSTEIN: Let's talk about your company for a moment, Ariel. Who started Ariel? What is its focus?

MS. HOBSON: Our firm was started by my co-CEO, John Rogers. And John is – has one of the greatest American stories in terms of entrepreneurship. He has such an unusual background. I love this story so much because it's foundational to who we are and everything we're about. Starting when he was 12 years old, instead of toys his father gave him stocks every birthday and every Christmas. His father was a child of the Depression, as was my mother interestingly. We both had parents who had us late in life. His father was a child of the Depression who moved to Chicago when he was 11 years old as an orphan, became the first class of fighter pilots sent to World War II – Black fighter pilots – as a Tuskegee Airman, clearly amazing. John's mother, the first Black woman to graduate from the University of Chicago Law School. I mean, this is – this is royalty in many ways in the Black community.

But what his father did in giving him stocks every birthday and every Christmas instead of toys, he created this passion for investing. So Ariel, our company, is a childhood hobby that became an obsession that became a company. And for the last 38 years, John and his team – our team – have poured their heart into picking undervalued small and mid-cap stocks. We manage those portfolios and mutual funds for big institutions – endowments, foundations, and the like, corporations. And then a few years ago we also added international, global. And now, in 2020, we're expanding into alternatives, which you – an area you know very well.

MR. RUBENSTEIN: Well, yes. Don't expand too much because, you know, we need to keep some market share for ourselves. But OK. So –

MS. HOBSON: There's a lot of room in your – in your asset class.

MR. RUBENSTEIN: So let me go through your background. Did you come from a privileged Black family in the Chicago area?

MS. HOBSON: So my story and John's story are actually polar opposite. He grew up very comfortable, very driven, with, you know, the two parents who were divorced but supported him in every way. I grew up in Chicago. I'm the youngest of six kids. I had an extraordinarily kind and loving mother. She was a single mom. I'm super young in my family, meaning that my older siblings are over two decades older than me. So they often joked that I was not planned, even when I was a little kid. [Laughs.] And it was a very tough existence.

So my mom was an entrepreneur. She tried to rehab buildings and rent apartments out to people. It was a very tough existence at times. There were times when we would get evicted and our phone would get disconnected, or our lights turned off, or our car repossessed. And in really horrible periods, we would live in some of my mom's abandoned buildings.

So it put – it left a deep mark on me. And it's part of the reason that I say it's not an accident that I work in the investment business, because as a child I felt so much financial insecurity that caused me so much anxiety I was desperate to understand money.

MR. RUBENSTEIN: So you must have done reasonably well in high school to get into Princeton. Was Princeton a place that was on your radar screen? Because in that kind of circumstances usually people don't go from there to Princeton.

MS. HOBSON: Well, first of all, my family does not understand how this happened, but starting when I was a very small child I kept saying that I would go to an Ivy League school, and specifically I would say Yale. They don't know where this came from, where I learned about this. I don't either. I don't recall. But I had my sights set on going to a really good school because I lived in a bit of chaos. And the one thing I knew how to do, the one thing I could control, was school. I was really good at it. And so when I realized that I was really good at school and that was the one place that brought me a great deal of stability, I worked in earnest to make sure that I could go to the best school.

So I went to Saint Ignatius College Prep in Chicago and then I went to Princeton. And when I visited Yale my senior year, I realized that I didn't want to go to Yale. No offense to Yale. And ultimately, when I saw Princeton, I knew that was the place to be for me.

But interestingly, one just funny side story, I had gotten into Harvard as well. My mother was pushing me very hard to go to Harvard. I've told this story many times. And she kept saying to me, Mellody, Harvard, it's like if you're in an African village and you say "Harvard," it's like Coca-Cola; everyone knows what you're talking about. But Princeton is like Sprite; we only know it in America. So she was pitching Harvard.

And at the end of the day, I loved Princeton and ended up going there, and it made all the difference. I'm sure I would have been happy and successful at Harvard, but I met John at Princeton.

MR. RUBENSTEIN: Now, as we know, many colleges like Harvard, Yale, and Princeton are now interested in getting what's called first-generation students. But it's one thing to get them accepted and get them there; it's another thing to actually have them, you know, be kind of having a full experience when they come from very modest backgrounds. So what was it like? You're from a modest background, let's say. You go to Princeton. Did you feel like you could be in one of the eating clubs and everything like that, or how did it – how did it work?

MS. HOBSON: Well, I had an interesting life in that I went to the first baccalaureate school in America in Chicago. It was the Ogden School. It was a public school, but it was literally the first baccalaureate school in the country. And in sixth and seventh grade, I was amongst the first graduates with a baccalaureate education in our country.

So I went to school with international students. They were very smart. The school was very hard. And that prepared me for this high school experience that I had, which was diverse kids coming from all over Chicago to go to a very, very competitive high school where we sort of strapped – bootstrapped my way through that school financially and had some tough moments along the way meeting – paying the tuition. One of the marks in my life is when I was asked to leave school because we didn't have \$750 to pay my tuition, and it left a deep scar on me about inequity and what needs to be done in our society.

But I had this opportunity to have this great education and be exposed to all these people. And so I tell people when I got to the Princeton campus from living in Chicago, from having had the run of the city as a kid – libraries, museums, et cetera – I felt like I belonged, and that was a real gift. I didn't feel out of sorts. I was not a fish out of water. I felt that I had worked really hard and I belonged there. And so, no, I didn't have a hard time acclimating. And I just tried to absorb and soak up every minute that I was there so I could get the best out of the education and the people and the experience because I knew that it was special.

MR. RUBENSTEIN: So one of Princeton's more illustrious graduates in recent decades – certainly the time when I was around in college – was a guy named Bill Bradley, who was an all-American basketball player who was actually supposed to go to Duke. He accepted a

scholarship, but at the last minute he went to Princeton to the regret of Duke. How did you get to know Bill Bradley?

MS. HOBSON: Great story. So I'm choosing between Harvard and Princeton. I can't decide. A Princeton alum meets me at a dinner. His name was Richard Missner – is Richard Missner, class of '65, the same as Bill. He hears me say across the table at this dinner for new admits that I'm going to go to Harvard. He makes everyone at the table stand up and take their plate and move, literally, and he moves everyone around until he's sitting next to me, and he says, I'm about to save your life. This is literally true. He said, I'm going to change your life. It's the equivalent of me picking you up off the street. He said, I'm literally going to work on you until you decide to go to Princeton. And he said, I went to Harvard for graduate school. I went to MIT after that. I've been to all of them. You should go to Princeton for undergraduate. He proceeded to call me every single day, literally. And I'm not sure why that didn't weird out my mother, but he did. You know, those were the days of a phone at home, a landline.

So he called every day. And as it was getting down to the wire, he said, listen, I want you to come to this breakfast with me. It was at the Chicago Club in Chicago. I had never been there. He said, you're going to have to miss school in the morning again. Had no idea why. My mother said yes. So I go and I walk into this room, and it's only businessmen. There are no women and they're there to see Bill Bradley, who I have no idea who he is. John Rogers is in that room, as well as all of these other muckety-mucks – John Bryan, the head of Sara Lee. Now, again, I don't know any of these people, but I know very quickly they're all important. So Bill Bradley looks at me. We're at one table. I'm

sitting next to him. And he looks at me and he says, you are the one person who doesn't seem like they belong here, but you're the only one I'm interested in talking to because I want to know what high school is like in America. And so he proceeded to grill me in front of all of these, you know, businessmen about my experiences at a – as a student. I walked out of that meeting and I said, I'm going to Princeton.

I sealed my relationship with Bill Bradley in that meeting. And Bill Bradley became – he went from being a friend to a mentor to a surrogate father to me to the person who walked me down the aisle when I got married.

MR. RUBENSTEIN: Yes. He walked you down the aisle when you got married to – I can't remember the name of the person you married. He's in the entertainment world. Oh, George Lucas, right?

MS. HOBSON: Yoda's dad. [Laughs.]

MR. RUBENSTEIN: That's right. OK.

So let me get back to Princeton. You graduate from Princeton and then you go to Ariel, which is a modest-sized firm, I would say – not JPMorgan, Goldman Sachs. Why did you go there? And to be honest, why have you stayed there for so many, many years? I mean, you could, obviously, do anything or not work at all. Why are you still at Ariel? Now, it's a great firm, but you don't really need to be working day to day, right?

MS. HOBSON: Well, first of all, I do need to be working. It's a part of my life and lifeline. I would never walk away from my work. I think that would be a tragedy. I want to live my life to the fullest. Like you, I want to sprint to the end. And again, you – turning the tables, I don't think you have to work either. Warren Buffett says do the job you would do if you didn't need a job. That hit me very, very hard at the very beginning of my career as something that I wanted to have as a guiding light to my work.

I chose Ariel because I saw the most opportunity there to learn. I realized I would be sitting at the feet of someone that I had so much respect for and who was a master stock picker, and also just a good person, in John Rogers. And so I didn't pursue the Wall Street options that were there for me because I thought this was a more interesting opportunity. And many thought that I was nuts that I didn't go to one of the big firms and go down that path.

Then I stayed for the last 30 years. I've had one job since I graduated from Princeton – the only person in my graduating class out of 1,100 people who's had the same work phone number for 30 years, the only one. The average American has 11 jobs in their lifetime. I stayed because every year I found new opportunities to learn and grow, and that John really allowed me to be me. He was not ever trying to make me into his image or into a certain kind of person. He recognized the differences that we had and the values that we shared, and I think we both realized very early on that we were better together than apart. And so that's why I've stayed there.

And the work and the people that I get to work with every day make me feel fully alive and challenged, and have a great sense of purpose. I wake up super early in the morning raring to go because I feel like my teammates at Ariel, 104 people, are counting on me. And it doesn't matter if I'm good and I can not worry about bills or a mortgage. They have kids to send to college. Our clients are counting on us to drive returns for them. And that is what gets me excited about what I do.

And finally, this idea that we could prove to people, recreate a narrative around Black businesses of what Black excellence can be, how we can show people what we are capable of, how we can lead in new and different ways, and hopefully open the doors and windows and whatever barriers exist to people of color, open the doors to others behind us and make – create opportunities for them by being both good examples but also using our power for good.

MR. RUBENSTEIN: Now, Ariel is maybe the largest minority-owned – Black-owned financial-service firm in the United States, but still it's modest by the standards of the big boys. So why do you think the financial-service industry has not allowed minority-owned firms to really grow? Why have they not grown to much larger sizes? What do you think is the reason for that?

MS. HOBSON: Wow, that will take a whole hour – [laughs] – in and of itself to talk about some of the barriers to entry in this industry. It's not a fair fight, David. And you know, I don't sit here saying it as a victim. I don't approach my life that way. I am not saying this with any bitterness. But I have been in many rooms where I have been discounted before I've even opened my mouth, where people don't make eye contact with me, where they don't think we're

smart because they're not used to seeing people like us in these roles. Now, I don't say that in a way of, you know, calling everyone a racist or anything like that, but there is subconscious bias that holds back our society from reaching its full potential.

And when it comes to the minority-owned investment firms out there, where we've had fits and starts, well, a lot of firms start to get scale and then flail and not move ahead. I think that we oftentimes have a whole host of issues. We often negotiate fees that are lower than our peers. We're in situations where we're giving – we're given less – smaller amounts of money. There's this term "emerging manager" that I completely reject that suggests we're second class. And I've said this before: If your child were sick, would you go to an "emerging doctor"? No. So the idea of being an emerging manager for me is something that I just don't accept. I tell people call us diverse managers to create the intention of giving more people opportunity.

But there are a whole host of issues that have created some barriers to entry. And I am hopeful that we can continue to kick down doors. We're \$17 billion in assets. And I know that's not \$7 trillion like some of the big guys, but we are continuing to make progress and it gives me great hope about the future. And size isn't everything, as you know all too well, David. You know, it's excellence that we want to show.

MR. RUBENSTEIN: So let me ask you this. Some people say, well, OK, I'll invest with Ariel because you are a diverse-owned firm, you're inclusive, but I'm going to get a lower rate of return because diversity and inclusion means lower rate of return. Is that true or not?

MS. HOBSON: No, and I – you know, again, I've had people say that to my face. I've had people say that they should perhaps have a different benchmark for our firm. And every day we wake up to beat the broader market, the S&P, and the benchmarks related to our asset classes, and we are not settling in any way. So, no, we do not compromise returns. We actually think that what we do is as good – in fact, better – than many of our peers out there.

When we started our Ariel Fund in 1986, there were hundreds of mutual funds in the category. Today, we are the only fund left in both our Morningstar and Lipper categories. That is highly unusual. Think about starting a marathon and running it with a thousand people, and at the end you're the only one in the race. That's basically what we've done. We're number one in our category from the market bottom and financial crisis, which admittedly 2008 was the worst year in the history of the firm. We have had spectacular results coming out of COVID, and that's because we practice a very disciplined form of investment management buying undervalued businesses, not willing to overpay for them, and taking a very, very long-term view in terms of them realizing that value. We have a turtle as our logo for that reason, and we do believe slow and steady wins the race.

And don't confuse our patience with being languishing in any way or being passive. I tell people we are urgently patient. We're actively patient in everything we're doing.

MR. RUBENSTEIN: So let's talk about COVID for a moment. When COVID came about, I assume you and your colleagues had to work remotely. What was it like managing money for people remotely?

MS. HOBSON: It went better than I expected. So, first and foremost, I think everyone understood the gravity of the situation. We do very well in trench warfare at Ariel, literally. And I always tell our team, listen, if your mother is in intensive care, you're not standing in the room arguing with your sister. We put our heads down and did the work, and I think that has resulted in extraordinarily strong returns, asset gathering, teamwork, a feeling of collaboration and just, you know, effectiveness. And then, also, I think it has resulted in a great sense of accomplishment.

But we're in a business. And you know this all too well: There's never a finish line. The clock starts over every single day. Every single year we have to put points on the board. So I'll quote Michael Dell on this: "We're pleased, but not satisfied."

MR. RUBENSTEIN: OK. So let's talk a bit about philanthropy. You've been actively involved in a lot of nonprofits. I mentioned some at the beginning. But what is your passion or what are your most important passions in the nonprofit/philanthropic area?

MS. HOBSON: I have a couple. The number-one thing that I do is I chair a board of a[n] organization called After School Matters in Chicago. It's the largest after-school program in the world. We take in somewhere in the neighborhood of 20-to-30,000 students a year. We'll be the largest employer of teens in Chicago this summer. We pay students to come to take enrichment programs after school.

The program was pioneered by Maggie Daley, the first lady of Chicago, who at the time was married to Mayor Daley. And she did something that was profound, including going to the IRS and getting an exemption for us to be able to pay students when they were underage because we literally are giving them jobs before they're 16 years old. So we call them stipends. That stipend creates the path for students to become in many ways more attached to their schools, more attached to these enrichment programs, and it leads us to have much higher graduation rates than the broader city of Chicago high school area. We know the more programs that a student attends at After School Matters, the more likely that they are to graduate from high school.

So we work really, really hard on getting freshmen to come in right away. And it's a lifechanging program, and it's something that gives me great, great satisfaction. We have a budget that's over \$30 million a year. It's a thousand programs, everything from a NASA space program to a hip-hop dance class to you can take farm to table. We have chef's kitchens that our students learn in. We really give them world-class opportunities, which I think is often lacking in Black and Brown communities because we just don't have the money for those enrichment programs.

MR. RUBENSTEIN: Now, President Obama is from Chicago. And when – presumably you knew him, and so when he was elected president how did he not recruit you to come into the administration? Why did you not come in? And what about President Biden? I presume you know him. I assume he's called you. How do you resist going into government?

MS. HOBSON: I feel like I am at my best in the public [sic; private] sector. Opportunities have presented themselves to me, but I do think that my work is not done in what I'm doing. And it'll be a – I have no interest in going into government. No one believes me when I say that, but it's really true. And I just – it's just not for me.

MR. RUBENSTEIN: OK. When President Obama – then I guess Senator Obama – told you he was running for president, did you tell him he had no chance or you told him he could make it?

MS. HOBSON: It's so funny, I remember that meeting like it were yesterday because he came to see John Rogers, and then John pulled me into the meeting at the time. And I remember sitting there thinking, like, really? But then at the same time the other thing that I thought – and I remember John spoke the words – he said, you know, sometimes you have to go when the time is there, and he talked about the fact that he thought that Bill Bradley had maybe waited and that, you know, just taking charge and seizing the momentum is a really great thing. And he was coming off of so much success with the Democratic Convention and, you know, it was very clear that he was someone to watch. And we all thought, you know, why not? And I have had nothing but great admiration for him. Just, I mean, first of all, the courage that it took to do that, the boldness, and then to win, and then to effectively govern, all of that to me is – you know, I'm in awe of him.

MR. RUBENSTEIN: So, obviously, many people would like to know how you met your husband. And your husband is somebody that I would say is now the second most prominent person in that marriage. Though he's well known, you're better known than he is. Does that – does that bother him that you're better known than he is now? And –

MS. HOBSON: I don't think – I don't think 6-year-olds recognize me, so I don't think that's true. From 6 to 95, 100, he's probably one of the most-recognized directors in the world because of his hair, and he's easily spotted in most places. And you know, little children come up to him and start shaking and become terrified that they're even meeting him, which is always just a joy to see because he's brought so much joy to people's lives.

MR. RUBENSTEIN: Where did you meet him first?

MS. HOBSON: At a conference, believe it or not. At the Forstmann Little conference that Teddy Forstmann used to have in Aspen and still exists today. It's called Weekend. I always said that I – Teddy had a call card on me for anything he ever wanted because that conference led me to meet and ultimately marry George, which was a great gift to me.

And, yeah, we met at a conference. We started talking. I was chair of the board of DreamWorks and we just started talking about the movie business. Everyone thinks I went on the board of DreamWorks after knowing George. I was already on the board. Maybe I wasn't chair at that point, but I had been on the board for quite a long time. And of course, I was – that was a board filled with all of his pals and we just hit it off. Not initially, though. He was very, very shy and didn't say very much in the beginning.

MR. RUBENSTEIN: Did he – did he – did you – did he – did you think, I should say, that he knew much about the movie business as somebody on the board of DreamWorks, or you thought he didn't really know that much?

MS. HOBSON: Right. [Laughs.] No, he took me to school. [Laughs.]

MR. RUBENSTEIN: OK. So now you and he are building something that's very unusual. It's called a self-funded museum. You're paying for the entire museum yourself. It's a museum that was going to be built in Chicago, but got to be too complicated so now you're building it in Southern California. What is the museum? And why is it important to you and George?

MS. HOBSON: We're building the Lucas Museum of Narrative Art, and it will be a very different experience. It will be a world-class institution. The building itself is visually stunning. It's like a sculpture. It's being designed by Ma Yansong. It's his first building in America. It's all digital. It's a first-of-its-kind building that literally has no paper blueprints. All of the contractors work off of iPads, something that has never been done before in this country. The actual design of the building probably would not have been possible without digital, which of course George was immediately taken with because of what he did in the film business with digital.

At the end of the day, it will be – I call it a school for schools. I want it to be the most diverse, most open, most accessible museum in the world. I want anyone who walks into the door believe that they belong there, that it was built for them. We're putting it in a part of Los Angeles that has a very large Latinx community and also African American community as well. We have with a 10-mile radius 100 schools. We're on the campus of University of Southern California, George's alma mater. And we are across the street from the Coliseum. So we feel very good about where it's located.

It is probably the largest gift ever given to an American city in U.S. history. We are self-funding it. And why are we doing it? First, it's a collection that George has amassed over his entire lifetime. There are over – he personally had about 20,000 pieces, perhaps even more. It's art he felt that was not very represented in big numbers in museums: illustrations, and specifically what he calls popular art or art that is orphaned by a lot of elite institutions. There's lots of fine art that we have. We have a large collection of Rockwells and Maxfield Parrish and all sorts of great artists, as well as contemporary artists as well. But at the end of the day, it was to create a place where students could come in – and people young and old, not just young people – could come in and really feel attached to what they were seeing.

And the thing about narrative art is it tells a story in one frame. You can look at the picture and know exactly what the artist was trying to convey, which George thinks increases that accessibility and allows the students and whomever is a viewer of that art to really have an emotional connection with it.

MR. RUBENSTEIN: OK. So recently you bought a – the museum bought a very famous painting of George Washington Carver crossing the Delaware. Why was that so important for you to include in the museum?

MS. HOBSON: Well, there are so many trophy pieces that we've bought many of them haven't even been announced yet. The Colescott painting is one that we thought was very, very important in its depiction of that narrative through Black faces, and that we thought that that would be something that would be significant. And again, we want people to come into the museum and see themselves. We want them to understand that they're a part of the history of this society, and that's whomever they are. And so these trophy pieces like that one was something that we thought was very important.

But that's true. We have Latinx art. We have certainly, as I've already mentioned, Rockwells, et cetera. There are so many artists that are represented. Botero. I mean, I could go on and on.

MR. RUBENSTEIN: So let's talk about your – racism a bit and whether you experience it now. You're now one of the most prominent African American women in the United States and one of the most prominent women in the United States. So do you ever see racism anymore? Or do you say you're above that now and you don't experience it?

MS. HOBSON: So I have a friend I was talking to once. He was on the Starbucks board with me, Olden Lee. He was the head of HR for all of Pepsi, just brilliant, so wonderful and smart. No longer on the board. But I was sitting with him at an airport once and we were talking about the issues that we all confront when we walk around in our packaging, and he looked at me, and I was sort of lamenting and whining a little bit. And he said, Melody, how long have you been Black? How long have you been a woman? And it was his way of really underscoring this is the condition in which we live.

It's incredibly sad and disheartening at times. Literally, there are moments that I am – I am – I think about what I'm experiencing, and then I know the person with no education, no credentials, no resources, they don't even have a chance if I'm going up against what I'm going up against. And I don't say that, again, as a cross that I bear or being bitter; I'm just saying these are facts. They are facts in life. And those facts in life, from everything from, you know, being thought to be a part of the flight crew over and over and over again, the flight attendant, to I can just go on and on and on with all of the micro- and macroaggressions that happen on a regular basis.

But those only embolden me. They only let me know that I have work to do. That's why I work so hard. That's why I keep working. That's why I pour my heart into making sure this narrative changes. That's why I'm so excited about what we're doing with Project Black and the possibility to scale very large minority businesses over time, that we could look back in a decade at billion-dollar Black and Latinx businesses. It only fuels my drive and energy.

MR. RUBENSTEIN: So there's a story – I don't know if it's true; maybe it's apocryphal – that you and John were going to some meeting sometime, and you showed up, and somebody thought you were the help to serve the food or something like that. Is that true?

MS. HOBSON: It was Harold Ford. It's the top of my TED talk that I did on race called "Color Brave." And we had arrived at one of the largest media companies in the world in New York to do a[n] editorial lunch. Harold was running for senator of Tennessee. And we arrived in the building and we were escorted up to the appropriate floor. My friend, who was a big muckety-muck at that media organization, had set up the meeting, and we were supposed to meet with all of the editors.

And we got there, and the receptionist asked us to follow her, and we were both locked in conversation because we hadn't seen each other and we had flown in from two different places. And we were in our Sunday best in many ways, and we walked and walked and followed her and followed her, and finally we got taken to a very obscure room. We walked into the room. It was completely empty. And she turned to us and said, where are your uniforms? And we looked at her and we literally chuckled. I mean, it was that funny. And at the same time, my friend ran in. She – literally, all of the blood drained from her face. And I looked at her and I joked, isn't this a perfect example of why we need more than one Black U.S. senator? Because at that time there was only Barack Obama. And so it just really was one of those sort of very clear moments that crystalized all the issues that occur in our society, that we were showing up there to be the guests but we were thought of as being the wait staff. So when I gave my TED talk, I purposely wore a black-and-white dress to have people think I was wearing a uniform.

MR. RUBENSTEIN: So in light of the restrictive legislation now being passed in some states, and in light of the fact that the John Lewis Voting Rights Act hasn't yet passed Congress and may not, are you optimistic about the future of race relations in the United States? Do you still think we have decades and decades and decades to go before we're going to see real progress?

MS. HOBSON: I was born glass half-full. I am one of those people who sees the sunny side of things. At the same time, certainly life has shown me that I cannot be naïve. And so what I would say is that I'm always optimistic because I look at how far we've come as a society from even, you know, decades ago.

I always tell people that on my worst day – my worst day – I always remind myself I'm not in a field picking cotton. And that's a long journey for a people from there to here. So that's something that's very, very heartening.

But at the same time, we have so much – so much road to cover to try to narrow this gap, the wealth gap that exists in this country, the education gap that exists in this country. These gaps are enormous. And so at the same time, I'm at times incredibly sad and incredibly disheartened by what I see and how far we still have to go.

MR. RUBENSTEIN: So if somebody's watching this – and many of the people who are watching are probably, you know, closer to your age than my age, them being very young – but if they have children and they say I've been inspired by what I've heard from Mellody, I want my daughter or my son to be hardworking and make something of themselves, what do you think are the qualities that enabled you to get where you are today? Is it hard work, intelligence, good luck, good mentoring? What are the things that people should try to instill in their children to make their children want to become successful and become successful?

MS. HOBSON: I once asked Arne Duncan when he was secretary of education, was there any silver bullet that determined the success of a person versus another? And he said that they – you know, in education, was there anything they could define or show that would differentiate or help you to understand an outcome? And he said the one thing that they thought was very telling was persistence, not giving up. So not letting kids give up on things, not letting them quit.

The Angela Duckworth book “Grit” is about that. So I think there’s a certain amount of grit that you need in life to be able to withstand all that is going to come at you, which is going to be a lot no matter who you are, no matter what walk of life, what station of life you come from. Life is hard. But at the same time, what I would say, it’s getting up that becomes the – I think the difference between the people who ultimately make it and those who languish.

Now, were there all sorts of breaks that I got that are just unfathomable to me? The universe bent so far my way my life is a miracle. I know that every single day I actually well up at the thought of all of the opportunity that I have been given. But I had to sacrifice a lot to get that, too.

I woke up today at 3:20 a.m. to start my first meeting. Those are regular occurrences for me. And so I think that, you know, none of this comes without real sacrifice. And the thing is, which I think about when I think about people of color out there, we’re willing to do the work. We’re willing to make the sacrifice, but the opportunity isn’t always there for us.

MR. RUBENSTEIN: So you grew up in, I would say, not very wealthy circumstances, obviously. You described it. You have a daughter – you and George have a daughter who is, obviously, going to grow up in different circumstances. How are you going to instill in your daughter the drive and push that you have, obviously? Is it hard to do?

MS. HOBSON: She won’t be me and she won’t be George. She will be her. And I will be – I’m not trying to make her into something. I’m trying to create circumstances whereby she can thrive as the person that she is and wants to be.

But I have some non-negotiables. One of them is kindness. And you know, I feel very strongly about her being good to other people because she has received so much. She has won the birth lottery in every single way: two parents, you know, endless resources to support her interests in education, the best opportunities that could exist, security of a home, food. I mean, those are things that I did not take for granted as a child. She takes those for granted.

But she can’t carry my burden. She won’t ever feel what I felt. She will feel what she feels.

Every day when she goes to school, I give her a kiss on the forehead and I say, be brave. Because I think bravery and courage is what, ultimately, gets you through and will make a difference, and so I hope that she can be brave.

MR. RUBENSTEIN: So let's suppose somebody's watching this and they say, I want to give money to this person to manage because Ariel must be an incredible place if she's the co-president. You know, what kind of vehicles do you have? You have mutual funds. You have private-equity funds, public-equity funds. And how do they contact you?

MS. HOBSON: Well, first of all, I love that question. Thank you so much because every day that's what I wake up trying to do, which is get people to invest with us.

And we do – we manage separate accounts for, as I said, endowments, foundations, corporations. We have mutual funds that individual investors can buy. Anyone with \$50 a month can invest with us. We wanted to make accessibility and ease of investing with us, you know, super, super, super simple. We also have our funds in 401(k) plans across the country, which is really exciting, where people can go to work and select an Ariel mutual fund as an investment option. And then, of course, what we're doing with Project Black is new, where we're trying to scale sustainable minority businesses. That's a private-equity vehicle.

MR. RUBENSTEIN: Mellody, it's incredible story, great American story, and, obviously, inspirational to many people. I have enjoyed talking with you and getting to know you over the years, and I want to thank you for giving us this time today.

And I just would ask you a final question, which is: Are you optimistic about America going forward or are you still very nervous about where we're going?

MS. HOBSON: Again, I tell you and underscore my optimism runs deep. I think about Warren Buffett and how he quotes if you just look at the Dow, where it started the last century and where it ended, and all the things that America had to withstand – world wars, you know, major, major problems, Cuban Missile Crisis, all sorts of things – if I just look at that, I see how resilient this country is and it gives me so much hope. But also, when I think about the talent and the people who are out there like you – you are someone that I have watched my whole career and wanted to emulate in many ways for your philanthropy and what you've done in making Carlyle such a successful business. Ed Mathias I knew when I was an intern at T. Rowe Price, and he was someone that I got to learn about Carlyle Group from when he left T. Rowe and went and joined you and your colleagues to start the company. And so these are the models that I've had in my career. I've quoted Buffett and Bill Bradley.

But then I also – I think about King and I think about Gandhi and Mandela. And I say to myself, look at what these people did. And when I think about that, the person that actually solidifies this for me, who gives me goosebumps – because I think about so many people thinking you need power to affect change – I think about Rosa Parks. And I'm like, all she did was decide she wasn't going to get up.

And then I realize all of that, the amalgamation of all of these great leaders and talent and brilliance, will continue to create a better society. We have a lot to overcome. People will have to leave some of their biases at the door, a lot of which are subconscious. But we can get there.

MR. RUBENSTEIN: Thank you very much for a compelling interview, and please give my best to your husband. And I hope to see you sometime soon, OK?

MS. HOBSON: Thank you.

MR. RUBENSTEIN: Thanks very much, Melody. Bye.



Melody Hobson
Co-CEO and President
Ariel Investments, LLC

As Co-CEO, Melody is responsible for management, strategic planning and growth for all areas of Ariel Investments outside of research and portfolio management. Additionally, she serves as Chairman of the Board of Trustees of the Ariel Investment Trust—the company’s publicly traded mutual funds. Prior to being named Co-CEO, Melody spent nearly two decades as the firm’s President. Outside of Ariel, Melody is a nationally recognized voice on financial literacy. Her leadership has

also been invaluable to corporate boardrooms across the nation. She currently serves as Chair of the Board of Starbucks Corporation. She is also a director of JPMorgan Chase. She previously served as Chairman of the Board of DreamWorks Animation until the company’s sale and was also a long-standing board member of the Estée Lauder Companies. Melody’s community outreach includes her role as Chairman of After School Matters, a Chicago non-profit that provides area teens with high-quality after school and summer programs. Additionally, she is vice chair of World Business Chicago; co-chair of the Lucas Museum of Narrative Art; and a board member of the George Lucas Education Foundation and Bloomberg Philanthropies. She also serves on the board of trustees of the Center for Strategic & International Studies, and of the Los Angeles County Museum of Art (LACMA). Melody is a member of the American Academy of Arts and Sciences, The Rockefeller Foundation Board of Trustees, and serves on the executive committee of the Investment Company Institute. Melody earned her AB from Princeton University’s Woodrow Wilson School of International Relations and Public Policy. In 2019, she was awarded the University’s highest honor, the Woodrow Wilson Award, presented annually to a Princeton graduate whose career embodies a commitment to national service. She has also received honorary doctorate degrees from Howard University, Johns Hopkins University, St. Mary’s College, and the University of Southern California. In 2015, *Time Magazine* named her one of the “100 Most Influential People” in the world.