

A Human Portfolio

As the markets were melting down in 1987, hedge-fund pioneer George Weiss began eschewing undervalued securities for undervalued children, guaranteeing college tuition to hundreds of inner-city kids. Twenty years later, has he made a difference?

by *Jeremy Kahn*

Robert Johnson is a typical seventh grader in North Philadelphia. His ambitions are like those of many boys his age. "I want to be a hip-hop star or a football player," he says. Maybe as Robert gets older, he'll cling to those dreams. Many in his neighborhood, which is largely black and poor, do. For them, music or athletic stardom often seems the only way out. Yet the dream, the great escape, usually eludes them.

Robert, however, has something most kids in his neighborhood don't have. He has been offered another way out, a lifeline in case the rhymes and the touchdowns don't take him there: If he finishes high school, he can go to any college that accepts him – for free. That's the promise hedge-fund pioneer George Weiss has made to Robert and to hundreds of other children in Philadelphia; Hartford, Connecticut; Cambridge, Massachusetts; and New York over the past 20 years.

Weiss is a Wall Street legend, the man some credit with having invented market-neutral trading in the 1980s and the latest inductee into the Trader Monthly Hall of Fame. His firm, George Weiss Associates, now runs a \$7 billion portfolio. But what Weiss is most passionate about these days is getting children through high school, into college and out of poverty. "I think God's work is to help inner-city kids," he says.

In 1987, Weiss and his then-wife, Diane, created Say Yes to Education, a foundation that guarantees college scholarships to underprivileged children and provides them, and their families, with intensive support –everything from extra tutoring to pro bono legal advice. For these kids, the American Dream is real –but only if they're motivated enough to take advantage of it. Over the past 20 years, the charity has served some 740 children and spent some \$40 million. About \$36 million of this has been donated by Weiss himself. He has also invested heavily of his time, spending days mentoring those he calls "my kids," taking them on field trips and, when some seemed in danger of dropping out, visiting their homes to try to get them back on track. "It's my nature," Weiss says. "I don't like just giving money. I like to connect with the kids."

In essence, Weiss, the Ã¼ber-trader, has assembled the ultimate human portfolio: His picks are not undervalued securities but undervalued kids. These are the inner-city children society has written off as condemned to failure. And yet Weiss, the man who has made a fortune knowing when to bet against the Street, sees something in these kids that "the market" does not: potential. In this portfolio, the payoff isn't financial. It's spiritual. And Weiss's gains are measured not in dollars and cents, but in aspiration, self-confidence and individual achievement.

What sort of return has this trading ace earned on his philanthropic investment? As with any kind of trading, the answer depends on which benchmark you use. Of the 112 students Say Yes initially sponsored, starting when they were graduating from the sixth grade at the Belmont public school in West Philadelphia, 58 percent graduated from high school; roughly 19 percent went on to graduate from a four-year college. One of them, Jarmaine Ollivierre, even became a genuine rocket scientist – an aerospace engineer, he works for NASA's Mission Control in Houston. Compare that to what happened to the class that came through Belmont the year just ahead of Weiss's group: Only 26 percent finished high school. And in the Census tract from which the Belmont students were drawn, only 6 percent have four-year degrees.

Weiss, however, was initially disappointed. For one thing, that first Say Yes class produced nearly as many felons –20 –as college graduates. Three of the students were convicted of murder. More than half the female participants became pregnant before age 18. Plus, many of the kids who did graduate were academically unable to take advantage of his college-scholarship offer. "I expected all my kids to get all A's,"

Weiss says.

Over time, though, Weiss has learned to accept that some of his students may have a vastly different definition of success than he does. One young woman who had gone through Say Yes later told Weiss that she had felt pressured to go to a four-year college even though all she had ever wanted to be was a hairdresser. So she went to college, but flunked out of one program after another. Finally, she convinced Weiss to allow her to use her Say Yes scholarship to attend cosmetology school. Later she told Weiss, "Guess what? I'm the best hairdresser I can be."

"That was a great lesson," Weiss says now. "We want the kids to be the best they can be in their chosen fields."

With each new class it has adopted, Say Yes has begun working with ever younger groups of children and offering an increasing array of support services. (In Harlem, its latest and largest program, encompassing 372 students across five schools, Say Yes started with children as they entered kindergarten and has offered extra academic help not just to them, but their siblings and parents too.) Weiss's second group of Say Yes students, at the Toll school in West Philadelphia, saw its high-school graduation rate soar to 77 percent. That was at least 30 percent better than the graduation rates at neighboring schools. In the Cambridge chapter of Say Yes, which organization president Mary Anne Schmitt-Carey calls "the best practice model" of the program, some 75 percent of the students graduated from high school, and roughly 83 percent of those went on to pursue post-secondary education.

Helping even one person, of course, carries a tangible personal reward. But the pure numbers are compelling, too. In Cambridge, Say Yes spent an average of \$3,500 per student per year on extra support through primary and secondary school. It also paid out \$10,000 to \$12,000 per student per year in college scholarships (the rest was covered by Pell Grants and other student financial aid). Assume that taking a student from kindergarten through high school costs Say Yes \$45,500 and another \$44,000 to get him through four years of college, for a total of \$89,500. According to the U.S. Census Bureau, the average college graduate will earn roughly \$900,000 more over his working life than someone with a high-school degree—a return of 906 percent on Say Yes's investment. Just getting a student through high school corresponds to an average lifetime income gain of \$276,000—or a 507 percent return on Say Yes's capital (not including the estimated \$209,100 in economic benefits, including increased tax revenue, along with health-care, welfare and criminal-justice savings). That's the sort of performance that George Weiss loves.

Of course, something is lost when the impact of a program like Say Yes is reduced to mere economics. Several alumni of the program say the most important thing Say Yes did was expose them to a broader world. "It showed us things outside of Hartford, showed us things outside the state," says Derrick Johnson, 28. He graduated from Virginia State University in 2004 and currently works for MetLife in Connecticut. "It allowed us to meet different kinds of people, be around different cultures, different lifestyles," concurs Majovie Bland, part of the original Belmont class. Bland remembers the trip he and his classmates took to Washington, D.C., with Weiss: They took a White House tour that included not just a spin through the East Room but a sit-down with President George H.W. Bush.

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Bland, who was inspired by Weiss's example to learn about finance, was taught to read the stock tables by his Say Yes tutor—one of several Penn students Weiss had recruited to assist with the program. Weiss helped Bland get a summer job working on the floor of the Philadelphia Stock Exchange, and he went on to earn a degree in finance and economics from the University of Hartford. "I wanted to be a broker, a trader," he says.

Bland has since shifted career paths. After college, he went into business with an uncle, selling promotional items around the country. It was a way to gain hands-on experience. Then his younger brother was accidentally shot by a friend and paralyzed from the neck down. Bland took time off to look after him and found that he enjoyed caring for people. Now he works as a paramedic in Philadelphia. Still, without Say Yes, Bland isn't sure where he would be. "It was more than just giving kids a chance to go to college," he says. "It was, and still is, a life-altering foundation."

The child of immigrants who fled Nazi-occupied Europe, Weiss never had much money growing up outside

of Boston. He started working at age 11 to help support his family and paid his own way through the University of Pennsylvania's Wharton School. At a fraternity community-service event in the early 1960s, he befriended a gang of a dozen neighborhood boys who called themselves "The 12 Apostles." He played basketball and pool with them, but they never talked about school. Years later, when Weiss was in his mid-twenties and working as a stockbroker, he visited Philadelphia and invited them to lunch. Weiss was shocked to discover that all 12 boys had graduated from high school. Weiss says that when he mentioned how impressed he was, one of them replied, "George, we couldn't look you in the eye if we dropped out." Weiss was so moved by this that he made "a silent pact with God" that if he ever had the means, he would do something to help kids receive even more tangible motivation.

Say Yes was originally modeled after I Have a Dream, a similar program started by businessman Eugene Lang in New York. Working with education experts from Penn, where he is a major donor and trustee, Weiss approached Philadelphia schools about bringing his version of Lang's experiment to the city. The district chose the Belmont school to host the pilot program. School officials initially suggested Weiss offer scholarships only to those children who were thought to have the best chance of making it through high school. But Weiss thought this would be cruel to the others. "There is already such a message of no hope in the community. I said, 'You can't do this to kids,'" Weiss says. So he offered the scholarship to all 112 graduating sixth graders.

Weiss was hardly an expert on education, but he threw himself into the effort. He came down to visit that first Say Yes class often, taught them vocabulary, took them to innumerable Penn football games and spent hours talking to them on the phone. "I would call them and say, 'How are you doing in math?' 'Oh, I'm doing great, Mr. Weiss.' 'Oh, that's funny—I hear you're flunking.' I'd catch them on their jive, and after a while they realized they couldn't jive me," he says. Bland, a member of that first class, remembers Weiss as "a tough-love-type guy" but also says he was a mentor and a role model: "He's very compassionate, he cares and he is very disciplined."

The intensity Weiss brought to Say Yes had already served him well on Wall Street. He founded his own money-management firm in 1978. By the mid-'80s, he was running \$1.5 billion, much of it for electric utilities. Power companies approached him to find a way to guard their portfolios against large market swings. Weiss began coupling long and short positions that, while limiting the portfolio's maximum upside to some degree, protected against the downside. This so-called market-neutral investment strategy is, of course, now commonplace among hedge funds and other large institutional traders. Weiss's firm recently began accepting new money for the first time in decades, and when he and I meet in his New York office, Weiss complains about the number of meetings he's had that day. But he also tells me that "they let me play in the market for a few hours this morning"—and that old trader's smile returns to his face.

It's not just education and trading that juice Weiss. He's a somewhat unlikely athletic powerhouse, too. For decades after college, where he rowed heavyweight crew, Weiss suffered from chronic, debilitating back pain. Finally, he was treated at a New York hospital and underwent a year of intensive physical therapy. During his recovery, a friend suggested he try tai chi. Within three months, Weiss had a helmet on and was taking kicks to the head in the ring as he learned tae kwon do. "Tai chi was not quite competitive enough for me," he says with a laugh. "Ever since I've been doing [tae kwon do], I've had no back problems." Today, Weiss holds two fifth-degree black belts in martial arts. In 2003, at age 59, he competed for the United States in a World Cup event in tae kwon do, winning two gold medals and one bronze. He also competed for the U.S. at the 2004 Summer Olympics in Athens. Recently he has taken up squash, holding his own against nationally ranked college players less than half his age.

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The decision to start with students entering the seventh grade at the Belmont school came from Lang's model, but Weiss now says it was a mistake. By that age, many kids were already so far behind in basic reading and math skills that the odds of them being ready for a college-preparatory curriculum within a few years were long. When they were tested, the seventh graders read on average at only a second-grade level. Bad study habits, poor discipline and negative attitudes toward school can be well-entrenched by the time students exit elementary school; sex and drugs could also become a distraction.

Today, early literacy is one of Say Yes's core strategies. "Education experts say that if kids can't read at grade level by the time they enter the fifth grade, they're almost doomed," Weiss says. "Education, to me, is

about self-esteem. If you don't think you're going to make it, you become a class clown, you become disruptive, you drop out. So we have to get them early." Say Yes now begins with kindergarteners, and even at that level it provides intensive help to make sure they begin their academic careers on the right foot. An academic specialist is assigned to every Say Yes school. And as the students get older, they are expected to attend after-school enrichment programs and a summer camp that ensures that learning doesn't end when the school year does. This "extended learning," as educators call it, not only allows kids more time to master course material; it also means fewer hours in which they might succumb to negative influences in their neighborhoods or at home.

Say Yes also tries to provide comprehensive support to its students' families. A social worker assists each Say Yes class, making home visits and meeting regularly with each student's parents. Through arrangements with university clinics, Say Yes tries to provide families access to physical- and mental-health services, plus free dental care. With the Harlem classes, Say Yes is now offering pro bono legal services as well. After Say Yes discovered that children in its program were sometimes resented by their siblings because of their scholarships, it began allowing siblings to take advantage of all the extra educational enrichment services it provides and has promised to provide them with last-dollar scholarships to college as well. Finally, to help foster a commitment to education at home, Say Yes also offers scholarships to parents to enable them to get a GED, attend a community college or trade school or even get a bachelor's degree.

When the students reach high school, Say Yes helps them prepare for the SAT, takes them on campus tours and assists in applying to colleges. Still, some Say Yes kids, coming from low-income and minority backgrounds, have struggled to adjust to social life on campus, even if they are academically capable. Because of this, the program began emphasizing ways to help ease the transition to college life through support groups and mentoring.

Although Say Yes arrived at this model by trial and error, education experts say the program has hit upon most of the factors that researchers have found are essential to improving academic performance among inner-city children. "Success in college is predicated on three things," says Ann Coles, senior adviser of college access at the Education Resources Institute in Boston. "Students need to have rigorous academic preparation. They have to be well-supported in the planning process. And they have to have the resources to pay for college." Say Yes provides all of these.

Several criticisms have, however, been leveled at Say Yes, all of which stem from the same issue: the small number of children it can help at any given time. Some say that if Weiss really wanted to do something about urban education, he should have spent his millions on programs that would bring systemic change to entire school districts, not on helping a select group of individual students. When Say Yes first arrived in New York in 2004, Randi Weingarten, the president of the United Federation of Teachers union, said she preferred projects to build new schools and train principals. "For people who are interested in showing whole-system change, this is much less sexy, but it's so much more important," Weingarten told the *New York Times*.

A related criticism is that Weiss is essentially "playing God" when he picks just one group of students to receive scholarships. Weiss shrugs when he hears these critiques. "Indirectly you are [playing God]," he says. "You don't intend to. What we're trying to do is effect systemic change. The question is, what has worked? Where do you pour that money? What Say Yes is trying to do is influence public policy in a very quiet way."

But some wonder if the Say Yes experience offers any guidance at all for public policy. How many college students could possibly be offered scholarships at one time? And could a major school system ever pay for all the extra interventions and support that Say Yes provides? Mary Anne Schmitt-Carey now devotes much of her time to proving that Say Yes's model is scalable—that it could actually transform education for not just a few hundred children, but transform the way states or the federal government addresses education for inner-city kids.

Schmitt-Carey is moving Say Yes away from sponsoring just one class in one school at a time. Instead, it will partner with a school system to sponsor the entire system, adopting each class in turn as it enters kindergarten and following it through high school. Doing this requires a major shift in how Say Yes operates. "Historically, we paid for all the supports and all the scholarships. The ability of one foundation to do that at that scale is very limited," Schmitt-Carey acknowledges. Now school districts will be asked to cover the support costs, something she insists they can ultimately do. "They have money to fund universal after-school, summer school, the different diagnostic supports, mental health, counseling, etc.," she says. She notes that while the extra support Say Yes provides amounts to about \$3,500 per child per year, urban

school districts typically spend \$10,000 to \$14,000 per pupil annually, “often not as effectively as they could.”

“There is enough money to do this if people can really understand it, see the power of it and then have the will to think differently about how they are currently spending money,” she says. “We have to look at it from the child up as opposed to looking at it from the bureaucratic structure down.”

To provide college scholarships for this burgeoning group of Say Yes students, the foundation is attempting to build a coalition of 25 universities that will agree to admit qualified Say Yes students for whom they will waive all costs above the amount covered by their Pell Grants and state grants. Schmitt-Carey believes that universities will be willing to do this because Say Yes students, college-ready kids from minority and low-income backgrounds, will represent a very attractive applicant pool to universities forever obsessed with building diverse student bodies. “That pool of universities collectively provides enough seats that we will be able to tell these children, when they’re in elementary school, that paying for college is no longer a barrier for you –that’s done,” Schmitt-Carey says. “What you need to focus on is learning, really persisting and preparing yourself to be college-ready and taking advantage of this opportunity.”

Weiss’s office, high above Park Avenue in Manhattan, is a shrine to his passions. The walls are bedecked with Penn memorabilia, certificates from his tae kwon do victories and Say Yes class pictures. But on his desk, Weiss keeps just one photograph. In it, an African-American teenager smiles out at the world in a blue polyester gown and matching mortarboard, its gold tassel hanging down. This is Walter Brown on the day of his eighth-grade graduation. Brown, who was part of Say Yes’s Belmont class, was an abused child who lived in a group home in Philadelphia. Weiss took a particular liking to him. “What a super kid,” he says. “He was a philosopher. He used to give me advice.”

Not long after the photo on Weiss’s desk was taken, Brown was riding in a stolen car when the driver wrapped it around a telephone pole. Brown was killed. Weiss says Brown’s funeral was the first time he had cried since he was in second grade. “These kids made me a better human being,” he says, his eyes watering. For a portfolio manager, Weiss is an emotional guy. And while he may have perfected the art of market-neutral investing, it’s clear that when it comes to betting on a brighter future for inner-city kids, Weiss’s positions all run long.

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