



Accelerating Diversity in Private Equity & Venture Capital Recommended Action Steps

Surdna, Ford and WK Kellogg Foundations, along with Prudential Social Investments, joined forces to accelerate ethnic and gender diversity in the capital markets with an initial focus on private equity and venture capital (PEVC).

Supporting these efforts, Avivar Capital and Fairview Capital assessed the market. Our research carried out independently affirmed persistent barriers to success for ethnic- and gender-diverse professionals in traditional PEVC, as well as barriers to capital for diverse fund managers. In addition, we documented strong fellowship programs that develop diverse investment professionals, a significant and growing sector of high performing diverse-led fund managers, and a promising critical mass of diverse-led emerging managers and sector innovation.

We identified multiple opportunities to accelerate the expansion of these efforts through philanthropic collective action as investors, PRI makers (program-related investment)/grantmakers and influencers. Following are our prioritized recommended action steps, which take the form of related initiatives that funders can launch under the banner of Advancing Diversity in the Capital Markets (or some more targeted PEVC name):

1) **Joint Lead Investor Financial Commitment: *At least \$100 million over Three Years***

- *At least \$25 million per lead investor (Ford, Surdna, WK Kellogg and Prudential)*
- Mix of market-rate investment, PRIs and grants at the discretion of the investor
- Collective support of *at least \$20 million* in first-time funds and/or fund manager platforms supporting emerging managers
- Collective support of \$10 million in grants
- Goal to achieve a 5x match or at least \$500 million foundation commitment over 5 years
- Grants to include support for:
 - Fellowships
 - Education program customized for range of decisionmakers (i.e., leveraging foundation leadership to spur action among other institutional investor types)
 - Flexible/novel platforms for emerging fund managers
 - Diverse angel networks
 - Investor assessment & reporting tools, including an annual survey of progress
 - Website and institutional home for program efforts
 - Market research, performance tracking & reporting – third party objective research

2) **Education Program on Diversity in the Capital Markets**

- Customized to decisionmaker audiences: boards of directors, CIOs and investment advisors/consultants serving foundations, other endowed institutions and pension funds

- Curriculum to include
 - Emerging regulatory and practitioner frameworks for fiduciary responsibility
 - Definitions, historical barriers and implicit bias
 - Performance data on diverse-led funds
 - Diverse manager sector trends
 - Portfolio construction with a diversity lens; peer models for execution from engaged foundations, pension funds and others
 - Reporting & communications platforms / protocols
 - Partnership opportunities – from co-investment to internship programs linked to fellowship programs
- Significant, companion support for high performing fellowship programs that are developing the next generation of diverse leaders, decisionmakers and fund managers

3) Leadership Circle: Assessment & Reporting Tools to Motivate & Track Progress

- Create pledge to diversity in the capital markets, supported by a program of assessment and reporting tools to execute on the pledge
- Create an assessment tool to support any investor in assessing the alignment of current holdings to a commitment to diversity in the capital markets (this can lead with PEVC and become a more comprehensive tool over time; assessment criteria to include diverse internal investment staff; diverse advisors and managers; investment strategies that direct capital to diverse managers and to diverse entrepreneurs/ communities)
- Include guidance for investors to make prudent changes that increase alignment with a commitment to diversity in the capital markets and track this progress over time
- For foundations, include a parallel assessment and reporting protocol on grants
- Include an annual survey that allows for tracking and reporting progress across investor sectors—foundations, other endowed institutions, family offices, pension funds, etc. (similar to the GIIN annual survey on impact investing)
- Create communications venues for disseminating information on the effort and progress—electronically, through an annual event, etc.

4) Website and Institutional Home for Advancing Diversity in the Capital Markets

- Track pledge commitments and sector-wide progress
- Provide a resource clearinghouse with links to related initiatives and other resources
- Provide caselets on successful strategy and portfolio execution
- Determine long-term institutional home for this effort

5) Robust Research & Data Resources for the Field

- Fund academic and other objective, third-party research that provides decisionmakers with better information on the number, type and performance of diverse managers and emerging managers, along with information on investor commitments to such managers by type of investor

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