

Investing for Diversity and Racial & Social Equity at GEM



GEM

Today, nearly 40% of GEM's investment strategies are led by women and people of color and/or contribute to racial or social equity.ⁱ This is the result of an intentional, multi-year effort.

James Baldwin once observed, “Not everything that is faced can be changed, but nothing can be changed until it is faced.” Inequities in the systems that govern wealth and power in our society are vast—but acknowledgment of those inequities, less so. At GEM, we've chosen to face the reality of our society—and, specifically, our industry—and work towards a better one.

Of the investment industry's \$82 trillion in assets, a little over 1% is managed by women and people of color, and even less is managed by people who are Black.ⁱⁱ And, while most Americans are aware of our nation's racial wealth gap, its persistence among even the wealthiest households illustrates how pervasive it is: Among the top 1% of American households, the median net worth for Black families is \$1 million, while the median for white families is \$12 million.ⁱⁱⁱ

We know that diverse teams make better decisions and that investment strategies led by women and people of color perform as well as or better than those led by their all-white, male counterparts.^{iv} So, in 2018 we initiated a focused effort to diversify our pipeline and portfolio. Over the span of just two years, we increased the diversity in our pipeline by more than 10x. Today, we define diversity as including people with a variety of identities, backgrounds, and cultures.

But while diversity is important, it doesn't always capture how systems have marginalized, excluded, or harmed specific groups of people. To go beyond diversity metrics, we launched an integrated, cross-team initiative at the end of 2019, led by Pedro Henriques da Silva, to research racial and social equity in our industry. We used the results to develop racial and social equity lens frameworks that we have since applied to our investments. We enhanced our approach with research by several leading organizations, including The Racial Equity Institute, Living Cities, The National Association of Investment Companies (NAIC), Stanford University, The Knight Foundation, and many more. Today, these lenses help us examine how capital is allocated, and who reaps the rewards of its allocation.

Racial Equity Lens

How investors engage with the ways that racial identities affect opportunities and outcomes for Black, African-American, Afro-Latino, Native American and Indigenous people.

Social Equity Lens

How investors engage with the ways that social identities affect opportunities and outcomes for individuals; particularly those who are women, Latinx, LGBTQIA+, and/or non-European immigrants.

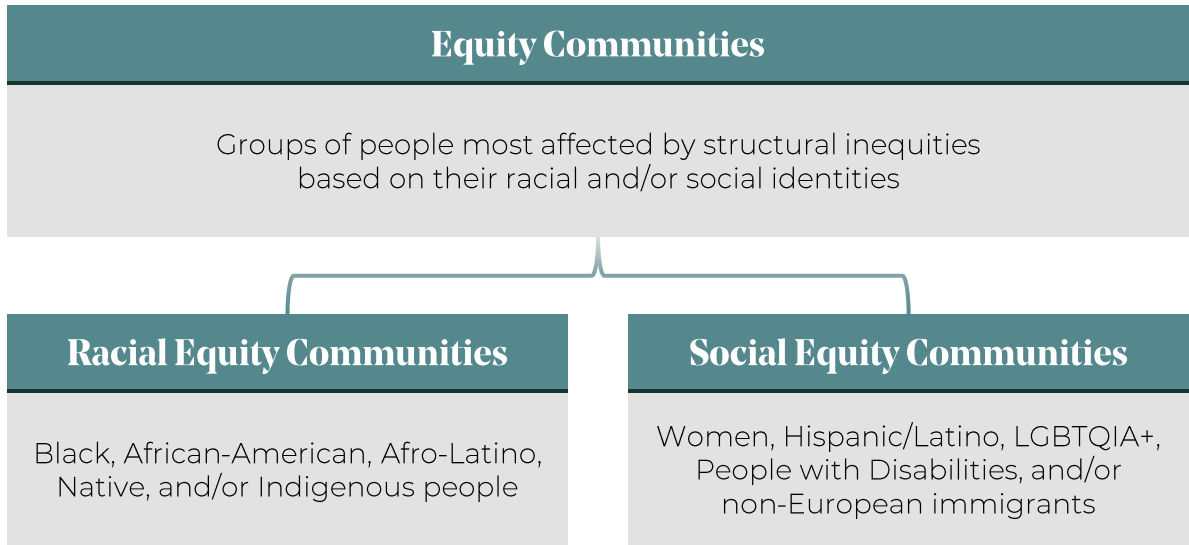
Our approach centers on groups that face or have faced significant structural or systemic inequities, both in society and within capital markets. Our frameworks are rooted in who is affected—identified as “equity communities”—and the depth of impact on a given equity community. The development of these frameworks followed nearly a year of research, refinement, and conversation with both investment and non-profit organizations that are engaged in or leading racial and social justice work.

The application of these lenses has enabled us to redefine the role we can play in addressing some of the most pervasive inequities in our society. While our firm and industry still have a long way to go, we're proud—and humbled—to be engaged in this work. We hope that by facing the reality, we can be part of the change.

Racial & Social Equity Frameworks

Who

GEM's Equity Lens Frameworks are grounded in who is most affected...



What

...and focus on curbing disparities and increasing access to capital and more equitable outcomes for members of equity communities.



Manager Case Studies^v



PRECURSOR VENTURES

Asset Class

Venture Capital

Specialization

Early-stage technology companies

Impact Rating

Contributes to Solutions^{vi}

Diversity

- Y** Founder/owner is a Black man, additional investment professionals are women; majority of team is African-American

Racial Equity

- 1** Led by a Black man. Invest demonstrably and disproportionately in Black founders

Social Equity

- 2** Invest demonstrably and disproportionately in women founders and Latino founders; sole owner is male

BBGV

Asset Class

Venture Capital

Specialization

Early-stage technology companies

Impact Rating

Contributes to Solutions^{vi}

Diversity

- Y** Founders/owners are women, and one is a woman of color

Racial Equity

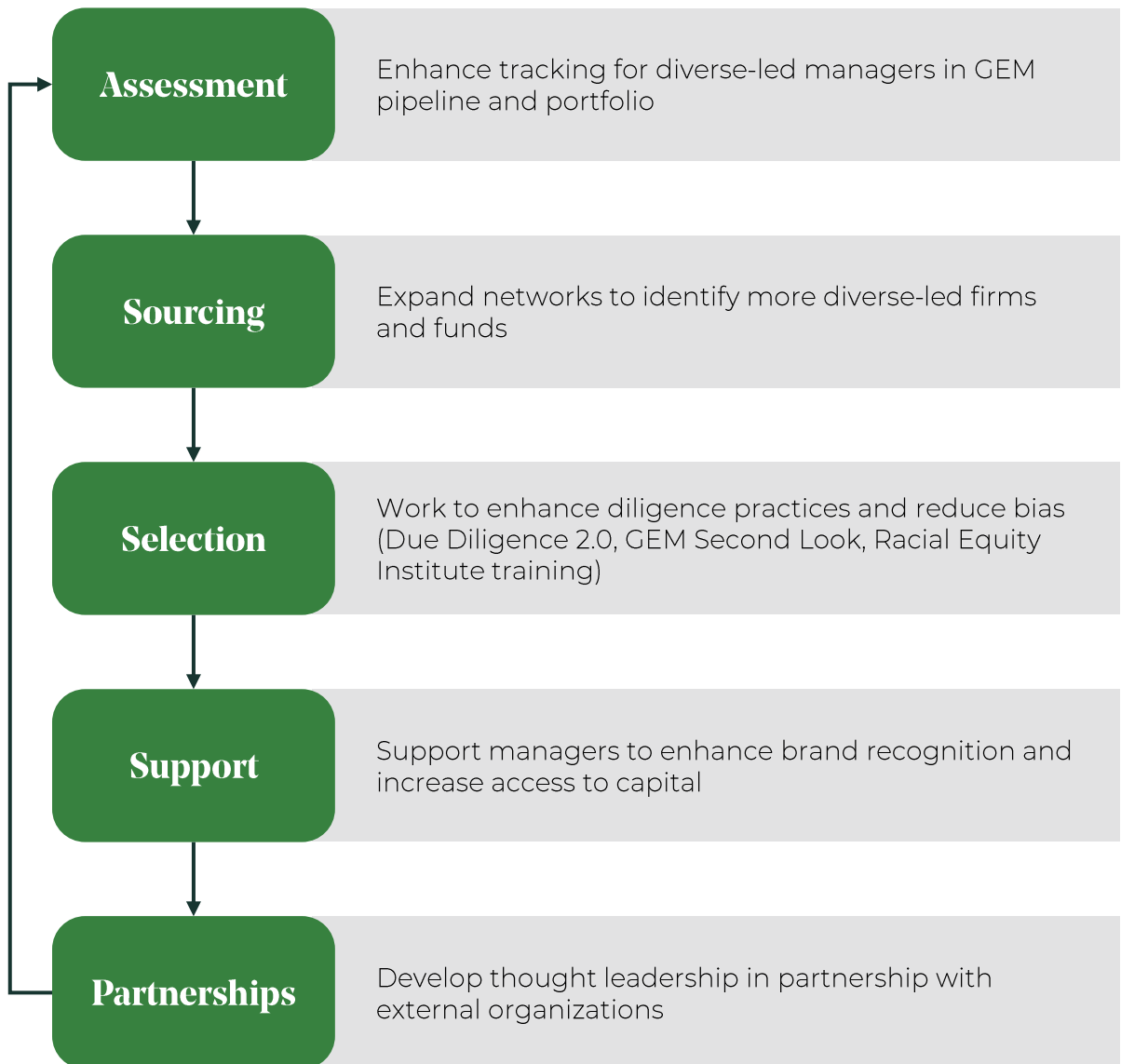
- 2** Invest disproportionately in black founders; no members of racial equity communities among leadership

Social Equity

- 1** All women-led team; invest demonstrably and disproportionately serve women

Incorporating Diversity & Equity in GEM's Portfolio

We work to increase diversity and racial & social equity in our investment program at each stage of the investment cycle.



Endnotes & Important Notes

ENDNOTES

- i. Includes managers that scored 1 or 2 in either racial equity or social equity within GEM's proprietary racial and social equity lens frameworks (described herein), and managers categorized as diverse (as defined in endnote iv) as of 7/1/2022.
- ii. Knight Foundation. "Knight Diversity of Asset Managers Research Series: Industry." Accessed September 12, 2022. <https://knightfoundation.org/reports/knight-diversity-of-asset-managers-research-series-industry/>. "Radical Collaboration for Black Wealth Creation," accessed July 20, 2020, <https://www.livingcities.org/resources/360-radical-collaboration-for-black-wealth-creation>.
- iii. NAIC (National Association of Investment Companies). "Performance Study." Accessed September 8, 2022. <https://naicpe.com/intelligentnaic/performance-study/>.
- iv. Managers are considered diverse if (a) 25% or more of the firm founders/owners are non-white and/or non-male and/or (b) 25% or more of the key decision-makers for the strategy in which GEM invests are non-white and/or non-male.
- v. The managers noted herein are examples of the strategy and are not comprehensive. Opinions are based on GEM's analysis, assumptions, and data interpretations. Past performance is not indicative of future results. Returns are not guaranteed. For more information on the Impact Ratings, please visit the Impact Management Project's Impact Frontiers website at <https://impactfrontiers.org/norms/investment-classification/>.
- vi. Impact ratings are based on GEM's proprietary impact measurement framework developed with The Impact Management Project (IMP). For more information read GEM's IMP framework primer, [Impact Measurement for Complex Portfolios](#).

IMPORTANT NOTES

The enclosed materials are being provided by Global Endowment Management, LP ("GEM") for informational and discussion purposes only and do not constitute investment advice, or a recommendation, or an offer or solicitation, and are not the basis for any contract to purchase or sell any security, or other instrument, or for GEM to enter into or arrange any type of transaction as a consequence of any information contained herein. Any such offer or solicitation shall be made only pursuant to a confidential private placement memorandum ("Memorandum"), which will describe the risks and potential conflicts of interest related to an investment therein and which may only be provided to accredited investors and qualified purchasers as defined under the Securities Act of 1933 and the Investment Company Act of 1940.

GEM is an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). Registration does not imply a certain level of skill or training. More information about GEM's investment advisory services can be found in its Form ADV Part 2, which is available upon request.

Unless otherwise noted, any opinions expressed herein are based on GEM's analysis, assumptions and data interpretations. We cannot guarantee the accuracy of this information, and it should not be relied upon as fact. GEM does not accept any responsibility or liability arising from the use of the presentation. No representation or warranty, express or implied, is being given or made that the information presented herein is accurate or complete, and such information is at all times subject to change without notice.

GEM reserves the right to modify its current investment strategies, exposures and techniques based on changing market dynamics or client needs.

GEM generally considers environmental, social and governance ("ESG") factors when evaluating third party managers. However, GEM may determine to allocate assets to a third-party manager notwithstanding the results of its ESG evaluation for certain portfolios, and GEM is not subject to any firm-wide policies or procedures relating to ESG. Defining and implementing ESG considerations into investment evaluation processes is an inherently subjective exercise, and it is likely that other managers or investors would define and implement ESG considerations differently than GEM. Certain GEM-managed investment funds do not follow an ESG integration strategy.

To select impact investments, GEM uses a model that incorporates Impact Management Project ("IMP") framework in several aspects of the model, including data inputs for each dimension, manager and strategy risk ranges, and dedicated impact risk considerations for managers during the impact underwriting process. For more information on the Impact Management Project, visit their website at <https://impactmanagementproject.com>.

The third-party sources of information used in this presentation are believed to be reliable. GEM has not independently verified all of the information and its accuracy cannot be guaranteed.

This presentation may include forecasts, projections, or other predictive statements based on currently available information. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. Actual performance results may differ from those presented. No guarantee is presented or implied as to the accuracy of specific forecasts, projections or predictive statements contained herein.

© 2024 GEM Intellectual Property Holdings, Inc. All Rights Reserved. This material may not be used by any person for profit without our express written permission. Endowments, foundations and other nonprofit organizations may use this material without limitation or restriction.