



CAPITAL AT A CROSSROADS: ACCELERATING RACIAL EQUITY INVESTMENT ACROSS ASSET CLASSES

Integrating Racial Equity into Total Portfolio Activation
OCTOBER 2021



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Introduction

Investor interest in racial equity has ebbed and flowed for decades. Movements of sustainable, responsible, and impact (SRI) investors have long invested in community development financial institutions (CDFIs) in order to help low-income communities gain access to responsible financial services or used their voices as shareholders to encourage companies to make stronger commitments to diversity, equity, and inclusion (DEI) throughout their operations. From the COVID-19 pandemic's disproportionate impacts on communities of color to the upswell of racially motivated violence across the country, the year 2020 forced the US into an intense period of racial reckoning and awakening. The murders of George Floyd, Ahmaud Arbery, Rashad Brooks, and Breonna Taylor—to name only a few of the most notorious incidents of senseless brutality against Black and Brown bodies—shook the nation out of the slumber of social isolation. The Black Lives Matter (BLM) movement rallied support, and protesters took to the streets to demand justice and accountability and give voice to the daily struggles of communities of color. Faced with this surge of popular protest and outrage, even businesses and investors began making unprecedented public commitments to DEI initiatives and other actions in pursuit of racial equity. Investor networks of asset owners and managers such as [Confluence Philanthropy](#) and the [Racial Justice Investing Initiative](#) accelerated efforts among their members to rethink how power and capital can be used as tools to advance racial equity in the United States.

The events of 2020 brought our nation to a crossroads. The term *racial equity investing* is suddenly showing up in webinars and on the websites of money managers, investment advisers, and consultants, particularly those in the SRI field. This moment has also given space for the emergence of investment approaches that center Black and Brown lives. Some focus on specific asset classes. For example, “fiscal justice investing,” a term coined by Adasina and Activest, “uses a fixed income portfolio to invest in issue areas [that] will deliver a positive social and environmental impact in underserved, predominantly Black communities and cities with a large Black population.”¹ Others take a much broader approach based in restorative economics principles; for groups such as Rising Tide Capital, “restorative investing” provides ways of “strengthening our local and national economies by democratizing capital and demanding racial equity.”^{2,3}

Our collective actions in successive years will determine our path as a country that promises equity and justice for all. Given its influence over capital flows and economic opportunities, the investment community has a critical role to play in enabling and accelerating racial equity outcomes across the US. Many will acknowledge that investors, both individual and institutional, are active beneficiaries of American economic prosperity, built on structural and institutional racism that continues to deprive Black and Brown families from attaining financial well-being and building security and wealth. Since the nation's founding, the economic and political structures within the US have

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1. “[Fiscal Justice Municipal Strategy: Investment Case](#),” Adasina Social Capital, March 2021.
 2. Demmellash, Alfa, “[A Call for Restoration](#),” Medium, March 26, 2019.
 3. Foxworth, Rodney, “[Impact Investing Can Fight Racism and Wealth Gaps — if Conducted in New Ways](#),” Mission Investors Exchange, August 2018.

operated to benefit White society while restricting the influence and financial success of Black, Indigenous, and other people of color (BIPOC), largely based on false narratives. During the height of America's prosperity when globalization favored the US economy and domestic policies expanded the middle class, White communities benefited most. Today, the global context has changed—income inequality has grown substantially, and globalization no longer favors American workers—and America's predominantly White middle class is feeling the brunt of both changes. Added to this mix is a demographic shift that projects that people of color, a group with weaker economic standing, will collectively become a majority in a few decades. The combination of shifting economic tides for White Americans accustomed to a particular standard of living and the potential demographic shift to a “majority-minority” society pose both challenges and opportunities. Thoughtful asset owners and investment decision-makers concerned about long-term performance and the changing nature of consumer demographics need to be mindful of this fluctuating landscape and ready to deploy capital to create new pathways to address the racial, income, and wealth equity challenges our nation faces. As a society, we have an opportunity to build back better from the ravages of the pandemic—to create a nation where all Americans can optimize their full potential to contribute to and benefit from the country's success and growth.

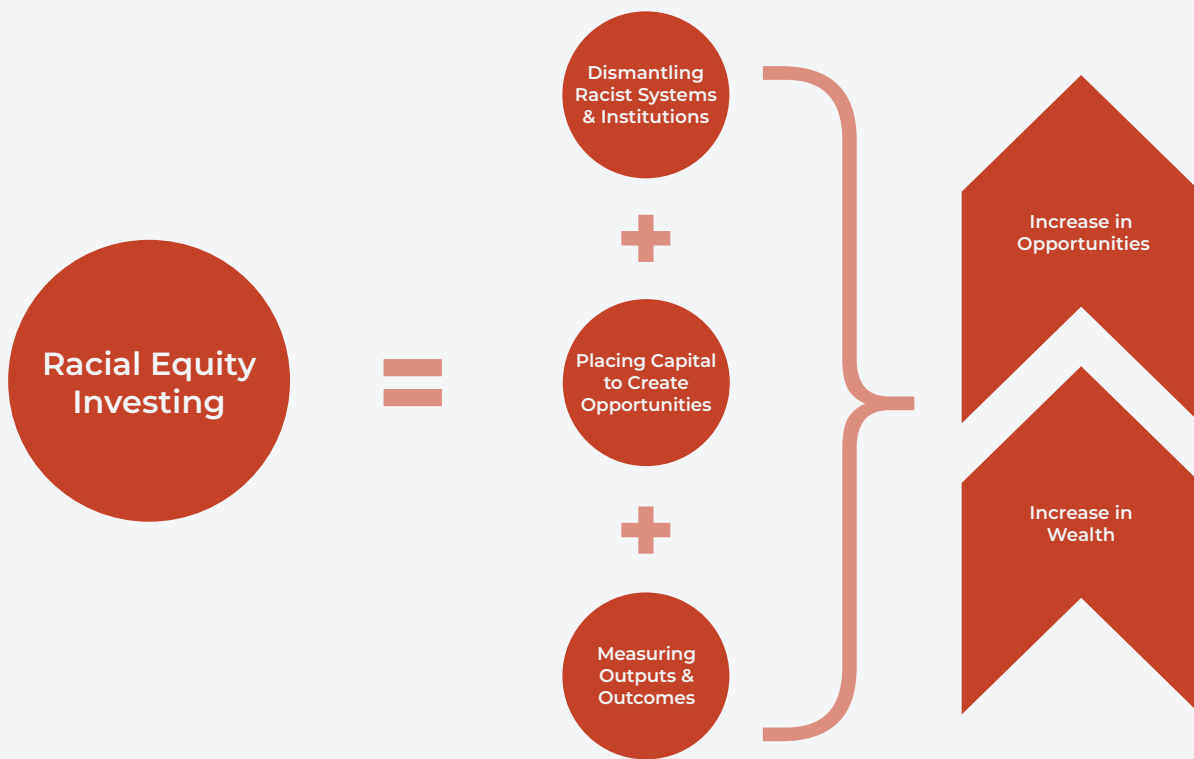
Although ubiquitous, the term racial equity investing still has no standardized definition. It currently seems to capture the intentions of investors, primarily institutional actors, to incorporate investments that address the equity concerns of people of color and to direct greater capital to communities of color and minority-led enterprises, often through the intermediation of Black-owned banks, Native American CDFI loan funds, credit unions serving the Latinx community, or diverse asset management firms. Recognizing that racial equity investing products and strategies are nascent and relatively small in scale, investors must be willing to make steady, long-term commitments to building this field if better outcomes for communities of color are to be expected. The outcomes of the present system were not created overnight, so there should be no expectation that a few months or years will unravel the long-term, inter-generational damage inflicted on BIPOC communities. As a starting place, this paper offers a working definition of racial equity investing rooted in the experiences of practitioners in the field. It then explores current investable opportunities and system-changing efforts and makes recommendations for how we move forward to seize the next generation of opportunities that may provide pathways to a more equitable future for all Americans.

Defining Racial Equity Investing

While decades of investments in community development, affordable housing, and DEI have been used to address problems resulting from systemic and institutional racism, investors and practitioners have rarely acknowledged that these societal problems tie directly to the history of racism embedded within American political and economic institutions. Long-standing investor campaigns to divest from private prisons or support criminal

justice reform were often motivated with racial concerns in mind, but rarely was racial equity explicitly invoked as the framing social factor under consideration. At the same time, environmental investors focused on areas such as climate finance, clean energy and technology or conservation have tended to disregard the concerns of the environmental justice movement and the imperatives of racial equity almost entirely.⁴ As companies, investors,

Figure 1. Defining Racial Equity Investing



4. Stefanie Johnson, "[Leaking Talent: How People of Color Are Pushed Out of Environmental Organizations](#)," Green 2.0, June 2019.

municipalities, and even some politicians began to embrace the vocabulary of racial equity in response to the crises of 2020, racial equity investing has largely continued to lack explicit definition. For the purposes of this paper, we offer a working definition of racial equity investing as the practice of redirecting capital to support communities of color with an explicit objective of increasing financial and economic inclusion and dismantling systemic and institutional racism, both in measurable ways.

Investors engaging in racial equity investing ultimately envision a nation where “one’s origin, racial or ethnic identity has no influence on how one fares in society.”⁵ Successful implementation of a racial equity investing approach may be optimized through a three-pronged strategy: (1) strategies and efforts to tackle systemic and institutional racism; (2) reallocation of capital to advance opportunities for communities of color; and (3) efforts to track or measure positive outcomes for communities of color.

The implementation and practice of racial equity investing will continue to be a journey because the systems of inequity and injustice that challenge us have their origins in historical power imbalances stretching back before the birth of the United States, to conflicts between indigenous Native Americans and imperial

explorers, between enslaved Africans and European settlers, and between English and Spanish-speaking colonial rivals. American democracy took its independent shape in its earliest federal phase on the constitutional foundations of land expropriation, plantation-based economic exploitation, and territorial expansion, largely to the detriment of Black and Indigenous people and Latin Americans. To be intentional about racial equity investing, investors on this journey will need to acknowledge that past and current inequities are rooted in centuries of racialized struggle that have constrained opportunities for BIPOC communities to flourish within American society, through policy, policing, and the violent power of brute force. Consequently, any effort to reverse course will require a substantial commitment of financial and non-financial resources to radically redesign an economic system that allows everyone to benefit from and contribute to the nation’s prosperity. When we arrive at success, we will live in a nation where “people, including people of color, are owners, planners, and decision-makers in the systems that govern their lives.”⁶

5. [“J Aduke Consulting,”](#) J Aduke Consulting, LLC, 2020.

6. [“What is Racial Equity?”](#) Race Forward, 2020.

Total Portfolio Activation with a Racial Equity Lens

Although the term “racial equity investing” may be relatively new, the practice of leveraging investor capital to increase financial inclusion and improve workforce diversity has much longer precedents. For many years, the sustainable and impact investment community has screened their public equity portfolios for companies with stronger DEI and equal employment opportunity (EEO) policies and practices and worked to engage with companies, largely through shareholder resolutions, to improve in this area. In some cases, investors also held funds at CDFIs to broaden access to capital for people of color and low-income communities. Some institutional investors, such as public pension funds and philanthropic foundations, carved out portions of their investment management mandates to “emerging managers” or “diverse asset managers,” although those management firms, many owned by women or people of color, did not necessarily integrate racial equity considerations explicitly into portfolio management.

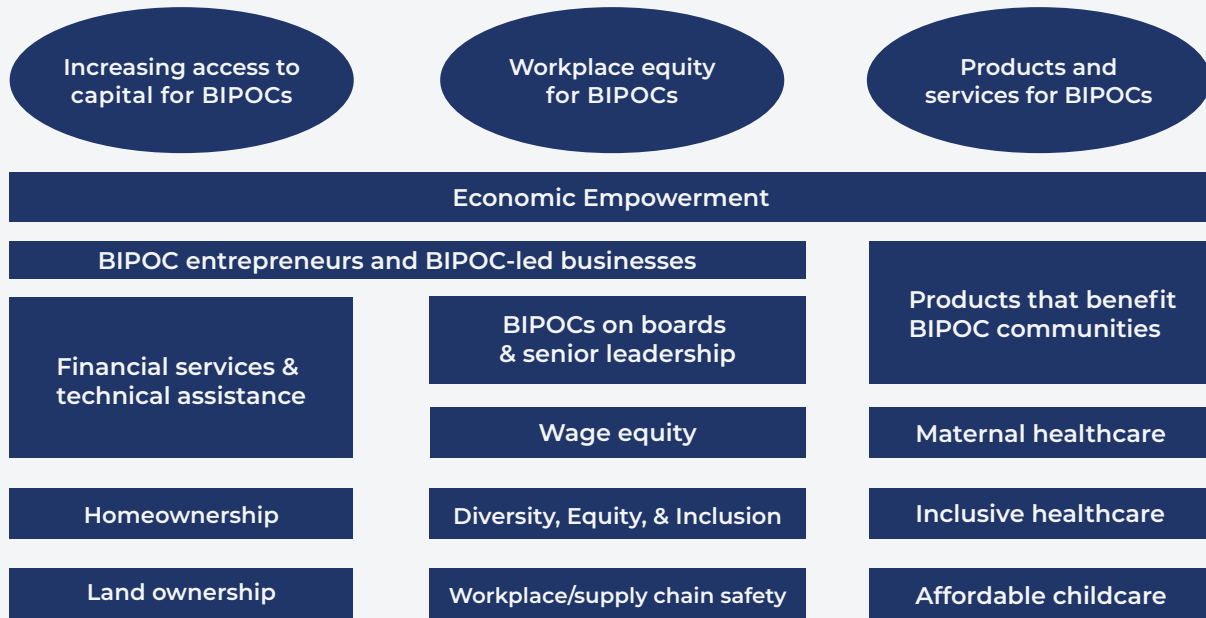
Nevertheless, the most recent Report on US Sustainable and Impact Investing Trends, published in 2020 by US SIF Foundation, did not identify DEI, the best publicly available proxy for racial equity concerns, as a top environmental, social, and governance (ESG) criteria for institutional investors or money managers.⁷ Conflict risk (terrorist or repressive regimes) in other countries was the number one concern for institutional investors. Since the era of the divestment movement against Apartheid in South Africa, racial issues overseas seem to dominate the consciousness of American investors, even while the human rights of communities of color are being systematically denied at home.

To some degree, prior investors’ efforts to tackle issues related to racial equity investing, such as access to capital and greater diversity in the workforce, have been successful. Past campaigns such as the US SIF 1% for Community initiative rallied investors to commit at least 1% of their assets to community investing taking an indirect approach to reaching low-income BIPOC populations and implicitly attempting to address racial inequities. While shareholder engagement efforts focused on board, and employee diversity and pay parity have met with growing success, the biggest beneficiaries have overwhelmingly been White women, rather than people of color. The rapid advance of the movement for “gender-lens investing” over the last decade highlights the priority investors have placed on gender among DEI initiatives. In the meantime, minority racial and ethnic groups in the US continue to struggle for access to basic economic opportunities, and income and wealth equity, let alone a seat in the corporate boardroom.

Applying the multi-asset class framework of Total Portfolio Activation to racial equity issues can help investors with diversified portfolios understand the wider landscape of opportunities for investing in diversity with positive social and environmental impacts. Each asset class—from cash to public equity and fixed income to alternative investments in private equity, debt, and real assets—has its own set of impact opportunities for communities of color and minority entrepreneurs. Business lending opportunities to BIPOC-led firms will look radically different from affordable housing or community development projects, just as engaging with publicly traded companies explicitly about the racial pay gap or the diversity deficit on

7. [“Report on US Sustainable and Impact Investing Trends 2020,”](#) US SIF Foundation, 2020.

Figure 2. Racial Equity Investment Lens



their boards and in their workplaces requires different asset-class exposure than engaging with municipal bond issuers about racially inequitable economic development or predatory policing in communities of color.

Currently, racial equity investing can be pursued through three basic lenses:

First, investments can focus on increasing access to capital for communities of color.

This means not only increasing access to equity, loans, and financial training, but also considering larger structural barriers to job opportunities, power dynamics between borrowers of color and bankers and loan officers, biased underwriting processes, access to home and land ownership, and even implicit societal biases.

A second lens through which to approach racial equity investing is workplace equity.

This includes increasing the number of people of color on boards and in senior leadership positions as a way to alter the racial diversity of the landscape at the top, as well as supporting policies that benefit BIPOC workers and consumers more broadly, such as wage equity and more inclusive workplace culture. This lens also applies to issues of supply chain management in industries where BIPOC workers tend to hold the lowest paying, most vulnerable, and high-risk jobs, as the COVID-19 pandemic made clear. For example, in the health care and social assistance sector, nursing home workers have little paid sick-time and access to affordable quality health insurance.⁸ Such benefits would make a notable difference in the lives of orderlies, certified nursing

8. "Direct Care Workers in the United States: Key Facts," PHI, September 8, 2020.

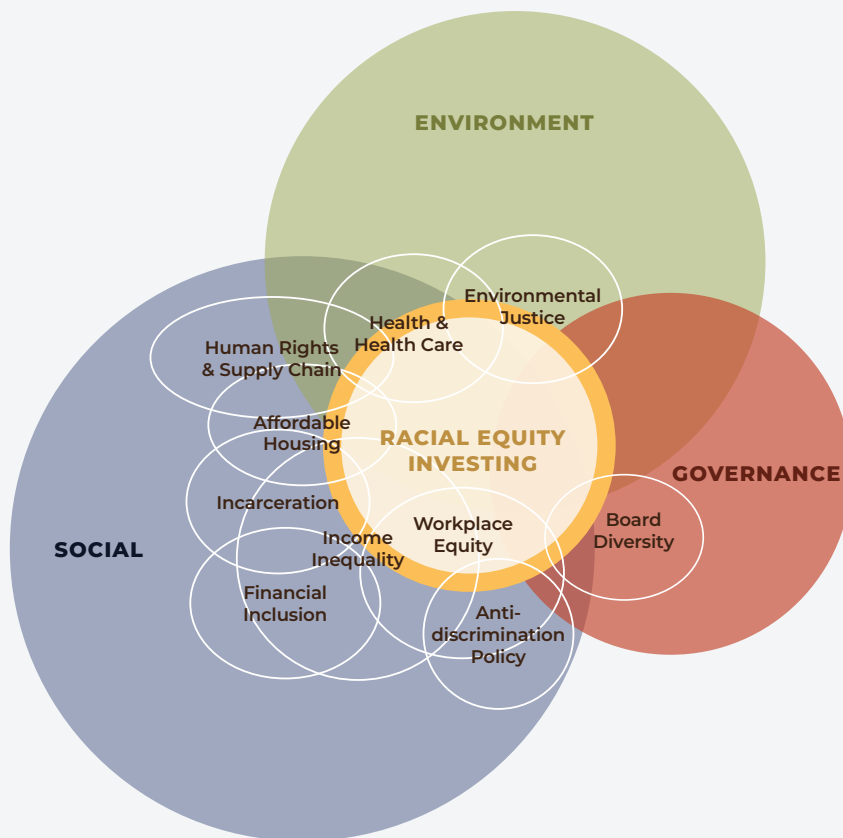
assistants, and home healthcare workers, many of whom are women of color.

The third lens for racial equity investment includes products and services that directly benefit BIPOC communities and excludes those that harm them. Maternal healthcare should be considered through this lens, as Black women, despite education and income, die at rates higher than White women.⁹ This lens would also focus on removing implicit bias in the healthcare sector that underestimates the severity of the health concerns of people

of color, and a failure to invest in research on conditions that disproportionately affect BIPOC communities. Products such as ancestry and health assessment tools (Ancestry.com, 23andMe) that fail to incorporate significant historical events or analysis of medical conditions that are specifically relevant to communities of color could be made more equitable through this lens.

As racial equity investing continues to evolve, different investment approaches are being tested to dismantle the societal and economic barriers that people of color face in the United States.

Figure 3. Incorporating Racial Equity into ESG Analysis



9. Patti Neighmond, "[Why Racial Gaps In Maternal Mortality Persist](#)," NPR, May 10, 2019.

Some investors will work to incorporate racial equity considerations more deeply into their investment approach, increasing the dollars across asset allocations that grow their impact. By contrast, large institutional investors, particularly foundation investors, are working to align the impact of their programmatic efforts with how their portfolios are managed, and by centering racial equity and seeking investable opportunities that explicitly seek racial equity outcomes. For example, Ford Foundation,¹⁰ the Kellogg Foundation,¹¹ and Nathan Cummings Foundation¹² have written about their efforts to use their authority as investors to pursue racial equity outcomes by selecting investments that prioritize opportunities for BIPOC communities and hiring more managers of color in an effort to diversify the investment manager universe,

though the latter may or may not have trickle down impact for BIPOC communities.

As growing numbers of investors strengthen their commitments to racial equity, the ability to mobilize entire portfolios for positive social and environmental impact across asset classes – the “total portfolio activation” – should grow, and product development will match accordingly. This paper offers a practical framework for integrating racial equity considerations into a total portfolio approach, based on real-world examples of investors and asset managers actively pursuing positive impact on communities of color through their investments.

10. [“Ford Foundation Announces \\$180 Million in New Funding for U.S. Racial Justice Efforts,”](#) Ford Foundation, October 9, 2020.

11. W.K. Kellogg Foundation, [“One Journey: Racial Equity, Diversity & Inclusion at the W.K. Kellogg Foundation,”](#) August 2020.

12. Bob Bancroft and Napoleon Wallace, [“Values Proposition: How and Why We Transformed Our Investment Model To Align Our Capital With Our Mission,”](#) Nathan Cummings Foundation, May 2021.

Total Portfolio Activation Activities in Pursuit of Racial Equity

The Total Portfolio Activation (TPA) approach is based on initial research commissioned in 2012 by Tides and Trillium Asset Management, originally undertaken by analysts at Tellus Institute, and further developed by researchers at Croatan Institute with a growing group of collaborators, practitioners, and sponsors.¹³ Fundamentally, the TPA approach begins with the basic assumption that every investment has social and environmental impact. This perspective broadens available opportunities, allowing for the activation of a fuller range of asset classes in diversified portfolios in pursuit of positive social and environmental outcomes. Investors using this model undertake a systematic portfolio assessment, identifying misaligned investments, gaps, and opportunities, and then restructure their portfolios in order to minimize negative impacts and maximize the potential for positive impacts to issues of mission-related social and environmental concern. Because investments in different asset classes provide varying opportunities for impact, the TPA framework gives investors both a toolkit and a process for assessing those opportunities and reallocating their assets to achieve their mission.

Total Portfolio Activation can be used to take multiple environmental and social impact criteria into account, or it can be applied thematically in more focused ways.¹⁴ Given rapid developments in the field, investors concerned about women's empowerment or climate change, for example, can now take a total portfolio approach to address these

themes.¹⁵ While the available investment opportunities may not yet be as robust for investors focusing on racial equity issues, emerging approaches to gender-lens investing and fossil-free "Divest-Invest" portfolios can nevertheless provide useful models for building a more comprehensive approach to racial equity investing. TPA identifies four inter-related areas of investment activity for pursuing opportunities for positive impact on racial equity issues:

1. Investment selection

This first area focuses on investment research, analysis, and the fundamental decision to buy, hold, or sell a given investment. Investment selection determines which companies and instruments to invest in based on specific criteria that may have an impact on racial equity issues. For example, indices such as JUST U.S. Large Cap Index select companies based on indicators identified as most important to the American public, and the Adasina Social Justice Index comprises investments with racial and social justice considerations. Investment selection should also focus on individual investment managers. Employing financial consultants and money managers with strong track records of supporting racially and ethnically diverse and inclusive workplaces and broader commitments to social equity along the lines of gender, sexual orientation, and gender identity demonstrates that an organization is "walking the walk."

13. ["Total Portfolio Activation: A Framework for Creating Social and Environmental Impact across Asset Classes."](#) Croatan Institute, August 2012.

14. ["Investing for Positive Impact on Women: Integrating Gender into Total Portfolio Activation."](#) Croatan Institute, November 2015.

15. ["Investing in Equality: Integrating LGBT Issues into Total Portfolio Activation."](#) Croatan Institute, September 2016.

2. Active ownership and engagement

In this second area of activity, investors take a more active approach to impacting social outcomes by engaging directly or through collaborative initiatives with companies, issuers, and intermediaries. This can include participating in dialogue behind closed doors, filing shareholder resolutions, signing on to investor statements and amicus briefs, or taking more assertive actions when other forms of engagement fail. Shareholder engagement is one of the highest impact areas of investment activity within public equities, and public equity investor groups such as the Investors for Racial Justice use this tool in their communities to push for change. Engagement is also critical for bondholders and private equity investors who have privileged access to companies and issuers.¹⁶ This activity also includes an investor's engagement with its clients and the broader community of stakeholders in which it operates. In asset classes like cash, where few racial-equity-focused products exist, analyzing the relationship between a financial institution and communities of color becomes an important consideration for impact investors.

3. Networks

"Network effects" can enhance impact investing opportunities. Joining wider coalitions, particularly multi-stakeholder initiatives that include both investors and non-investors, has been shown to be an effective means for

leveraging collective power in order to pursue positive changes and impact. For example, Inclusiv is a membership organization serving credit unions through financial investments, capacity building, and policy advocacy to amplify issues relevant to the communities its members serve. Networks are often critical for entrepreneurs and angel investors in the private equity and venture capital space, and several emerging networks relevant to racial equity investing could be leveraged further by impact investors.

4. Policy

Finally, research and practice have repeatedly demonstrated the vital role that policy considerations can play within the impact investing arena, so the TPA approach includes investors' interactions with government, policymakers, and regulatory bodies as a core component of its framework. In asset classes such as cash and public equity, investors and managers have worked for decades to incorporate racial equity considerations through their policy efforts. Groups such as Hope Policy Institute, the Center for Responsible Lending, and investor coalitions have used policy to create positive impact for low-resource communities, including those of color.

16. Ryan Bowers, Napoleon Wallace, and Chelsea McDaniels, "[Assets No More – Racial Justice in Municipal Bonds](#)," Impact PHL Perspectives, Volume 31, March 2020.

Integrating Racial Equity across Asset Classes

CASH AND CASH EQUIVALENTS

Within the cash and cash equivalents asset class, Black-led banks such as members of the [National Bankers Association](#), Native-led community development financial institutions (CDFIs) such as the [Native American Bank](#), and credit unions targeting minority and ethnic groups like the [Latino Community Credit Union](#) provide opportunities for highly liquid, government guaranteed investments that can support communities of color. Other networks such as the National Community Investment

Fund, Opportunity Finance Network, Inclusiv, and the US Treasury Department's CDFI Fund are useful for identifying depository institutions that target and service racially and ethnically diverse communities.

For example, Self-Help Credit Union, a member of the Inclusiv network, based in Durham, NC, is one of the nation's largest cooperative CDFI credit unions, with a focus on serving rural, low-income, and BIPOC families, communities

CASE STUDY **Hope Credit Union**

Founded in 1995, Hope Credit Union, led by CEO Bill Bynum, works to “strengthen communities, build assets and improve lives in economically distressed areas of the Deep South by providing access to high quality financial products and related services.”¹⁷ Hope Credit Union is a part of the Hope Enterprise Corporation, alongside the Hope Policy Institute. Collectively, the three organizations work to offer products that address the financial and economic needs of historically disenfranchised communities and uses its policy arm to advocate for policies and reforms the centers the experience of its members and their communities.

In addition to increasing capital access for its members through the credit union, the Hope Policy Institute actively works to influence federal and state policies that restrict opportunities for low-income communities. For example, Hope worked to increase access to COVID relief funds for lower-income municipalities after realizing that the CARES Act provided municipalities with financial assistance on a reimbursement basis. This made it difficult for many municipalities in the Black Belt, more than 600 counties across the South with large African American populations that have systematically been underserved or underfunded, to help struggling families because they did not have the funds to spend upfront. Consequently, the policy team worked to ensure the latest relief bill included a sentence that prevented funds from being available on a reimbursement basis.

Since its founding, HOPE has impacted more than 1.5 million people in Alabama, Arkansas, Louisiana, Mississippi, and Tennessee through \$2.5 billion in financing. To support Hope Credit Union's wealth-building efforts across these communities, accredited investors can make Transformational Deposits providing Hope Credit Union with long-term deposits. As of this writing, Hope Credit Union is working to raise \$100 million in Transformational Deposits to invest in the Deep South.

17. [“Mission, Vision, & Values,”](#) Hope Credit Union, n.d.

and businesses.¹⁸ In 2020, as the COVID-19 pandemic yielded disproportionate financial and health costs for communities of color, Self-Help organized to support its impacted member-investors by creating a savings product through their Community Recovery Initiative, allowing investors to purchase Community Recovery Term Certificates. The certificate requires a \$500 minimum deposit, with terms ranging from three months to five years, and pays a higher interest for longer terms than traditional savings vehicles. Through their certificate programs, Self-Help has pooled the investments of members and provided over 2,799 Self-Help PPP loans to small businesses, with 65% of loans given to businesses led by people of color.¹⁹ This has allowed over 27,000 jobs to be maintained by small businesses across the states they serve. Most of these loans have been made in low-income communities where BIPOC business owners and organizations face challenges in securing financial support. At the end of 2020, Self-Help originated \$183 million in PPP loans to small business owners.²⁰

Investors can readily invest in a ladder series of term certificates as part of their cash management with Black or minority-owned banks or CDFIs or credit unions primarily serving communities of color. Deposits held at such institutions benefit from up to \$250,000 in federally insured guarantees from the Federal Depository Insurance Company (FDIC) for banks or from the National Credit Union Administration (NCUA) for credit unions. Even when CDFI banks and credit unions may not provide a separate product focused on racial equity issues, many of them have explicit missions to serve BIPOC households in underserved communities. Shifting banking and money market relationships to these kinds of CDFIs can often capitalize lending programs that support

BIPOC-owned businesses and services that help low income BIPOC families in building financial wealth and literacy.

FIXED INCOME

Fixed income investments in both public debt capital markets and private lending vehicles provide additional opportunities for investing with a racial equity lens, by financing initiatives that often have higher risk-return profiles than regulated depository institutions can provide. Although both public and private debt capital can be considered components of a broader fixed-income asset class, it is useful to consider each in turn because of key differences in liquidity and impact opportunities across a wide variety of borrowers, themes, and geographies.

Public Debt Capital Markets

Investors can participate in the public debt capital markets by investing in bond strategies that integrate racial equity issues into the investment process. While limited in selection, sustainable and impact-oriented fixed income managers, such as Domini Impact Investments and Community Capital Management, offer products implementing racial equity or racial equity adjacent criteria within their broader ESG investment strategies.

Others are aiming to target racial equity issues in more narrowly focused ways, via balanced strategies that invest in bonds. The Minority Community Advancement Racial Empowerment Strategy (Minority CARES), for example, is a fixed income impact strategy investing in bonds that align with eight impact themes that push for social justice and opportunities for BIPOC communities.²¹

18. [“Our Credit Union Members,”](#) Self-Help Credit Union, n.d.

19. [“PPP Relief Loans: A Lifeline During a Pandemic,”](#) Self-Help Credit Union, n.d.

20. [“Self-Help Annual Report 2020,”](#) Self-Help Credit Union, 2020.

21. [“Minority Community Advancement Racial Empowerment Strategy,”](#) Community Capital Management, March 2021.

CASE STUDY **Adasina Social Capital**

Adasina Social Capital, a Black-owned investment advisory firm founded by Rachel Robasciotti, works with clients to create investment approaches that connect social justice movements to financial markets. Their investment strategies, centered around the intersectionality of racial, gender, economic, and climate justice, focus on sources of decision-making and power as they work to achieve a more just and regenerative environment.

In 2018, Activest and Adasina collaborated to create an investment strategy to specifically advance racial equity, focusing on the economic health and well-being of Black communities across America. While analyzing municipal ratings, the Adasina-Activist team noted an association between lower municipal bond ratings and municipalities with high incidences of civil unrest and / or police brutality.²² Further analysis revealed that municipal budgets allocations for investments into community education, health, housing are redirected to compensate for police brutality settlements. In 2020, a fiscal justice municipal bond approach was launched by Adasina, which addresses the systematic racism embedded in fiscal practices by investing in fiscal opportunities within Black communities.

Lead by insights from their social justice partnerships, as well as data collection and criteria screening research, Adasina released the Adasina Social Justice All Cap Global ETF, a diversified public equity fund allowing investors to align their portfolio objectives with social justice values. Equities within the ETF were chosen based on the Adasina Social Justice Investment Criteria.

Adasina believes stakeholder engagement is an important strategy and works to integrate diverse voices into their investments, education, and campaigns. As a founding member of Investors for Livable Wages, Adasina has championed dialogues and conversations advocating for the end of subminimum wages in the US. Additionally, via the Racial Justice Investing coalition, Adasina co-led the creation of the [Investor Statement of Solidarity to Address Systemic Racism and Call to Action](#)²³ statement, a piece aiming to hold companies and investors accountable in the fight against systemic racism. In addition to dialogues and accountability, Adasina is currently working on criteria screens that center the voices of communities impacted by extractive agriculture and indigenous rights in ESG narratives.

22. Rachel J. Robasciotti and Ryan Bowers, "[Installment 5: How to Advance Racial & Economic Justice with Municipal Bonds](#)," Adasina Social Capital, November 10, 2020.

23. "[Investor Statement of Solidarity to Address Systemic Racism and Call to Action](#)," Racial Justice Investing, 2020.

David Sand, Chief Impact Strategist of Community Capital Management (CCM), shares that analyzing their track record of investments over 20 years allowed CCM to discern which themes resulted in positive outcomes for communities they worked with. CCM's investment analysis approach includes a use of proceeds audit, followed by impact reports for investors to understand the impact of their investments. Investors interested in this strategy have opportunities through CCM's Community Impact Bond Fund, as well as through Separately Managed Accounts (SMAs).

Public fixed income also includes investing in government issued bonds from agencies, states, or localities. Adasina Social Capital applies a fiscal justice approach (see case study for more) centering the economic prosperity of Black communities through municipal investment-grade bonds. To increase access to capital, Adasina prioritizes Black / BIPOC communities that are (1) fiscally sound yet under-resourced and (2) possess significant fiscal justice opportunities.²⁴ SMA management with a minimum investment of \$1 million is available to investors interested in pursuing this values-aligned approach with long-term time horizons.

In addition to fixed income funds and strategies, direct offerings for racial equity bonds are emerging. A recently announced partnership between [U.S. Bank and Enterprise Community Partners](#) to offer the first CDFI-issued racial equity bond focused on affordable housing highlights the potential for future fixed income offerings that center racial equity and seek to have measurable impact.²⁵

PRIVATE DEBT

Private debt has a long history of investing in communities of color, but only recently have investors created targeted funds for these communities. While numerous community development finance institutions exist today, private fixed income strategies—such as providing loans to private companies and nonprofits—are increasing. Notably, in response to the COVID-19 pandemic which has disproportionately impacted communities of color, several collaborative initiatives now exist, often leveraging private and public capital.

Inclusiv's Racial Equity Investment Fund is one example of a strategy focused on access to capital through a racial equity lens. Inclusiv, a federation of Community Development Credit Unions (CDCUs), aims to distribute \$20 million to at least 15-20 credit unions through its fund in an effort to mitigate the economic distress caused by both financial exclusion among minority groups and COVID-19.²⁶ The purpose of this fund is to provide capital leveraging opportunities to credit unions in communities of color through secondary capital investments, a source of long-term equity-like debt that strengthens the balance sheet of member institutions.²⁷ Investors who have partnered in Inclusiv's mission include the Ford Foundation, Kresge Foundation, and Adrian Dominican Sisters.

Calvert Impact Capital serves as the lead arranger of the Southern Opportunity and Resilience (SOAR) Fund, working in partnership with national and community lenders, faith-based entities, and philanthropic organizations to leverage private debt in support of BIPOC businesses and families.²⁸ Launched in early

24. "Fiscal Justice Municipal Strategy: Investment Case," Adasina Social Capital, March 2021.

25. "U.S. Bank, Enterprise Community Partners announce innovative racial equity bond," Business Wire, July 14, 2021.

26. "Racial Equity Funds," Inclusiv, 2020.

27. "Secondary Capital," Inclusiv, n.d.

28. Beth Bafford, "Southern Opportunity and Resilience (SOAR) Fund Announcement," Calvert Impact Capital, March 3, 2021.

2021, Calvert Impact's SOAR Fund aims to help raise \$150 million in capital to provide loans to low-income, rural communities and women and BIPOC business owners through a network of established CDFIs.²⁹ This program will take place in 15 southern states and also offer business support to entrepreneurs as they recover from the economic crisis created by COVID-19. In addition, emerging options such as the [Black Farmer Fund](#) combine donor and private debt capital to meet the needs of Black farmers, promoting food sovereignty and strengthening land access.³⁰ Also Akiptan, a certified CDFI loan fund associated with the Intertribal Agriculture Council (IAC), recently announced an important partnership with the Native CDFI Network to increase the availability of loan capital to Native American farmers and ranchers.³¹

PUBLIC EQUITY

Public equity often makes up the largest allocation in diversified investor portfolios. It has the advantage of transparency, liquidity, and a growing number of investment vehicles and products. Investors have opportunities to invest in thematic funds that target very specific issues impacting BIPOC individuals or in more broadly based investment strategies that view racial equity as part of a more holistic ESG analysis. The latter investment strategy type often brings together multiple impact activity areas, from the investment selection process to shareholder engagement and policy advocacy.

Thematic Racial Equity Funds

One of the primary ways public equity investors have focused on racial equity is through the lens of workplace equity. Relatively new products such as the Impact Shares NAACP Minority Empowerment ETF (NACP), a fund tracking the Morningstar® Minority Empowerment Index, focuses on companies that are “empowering to minorities”.³² This includes using social criteria centered around workplace equity, with board diversity, discrimination policy, and scope of supplier social programs as three of its main screens. While this ETF represents a starting point in the thematic fund category, some investment advisors have flagged that the issue analysis for the fund needs to be deepened given the companies represented in its top holdings.

Organizations have also been focused on driving stakes into the ground with research and collaboration. Specifically, JUST Capital, a non-profit research organization, engaged in an initiative to provide tools and resources to partners and investors tracking racial equity data across corporate America.³³ In early 2021, JUST Capital launched their Corporate Racial Equity Tracker, which showcases six major dimensions that capture 100 of the largest companies in the Russell 1000 and their commitments and actions to racial equity.³⁴ The dimensions include several areas that overlap with a racial equity lens, such as anti-discrimination policies, community investments, education and training programs, pay equity, racial/ethnic diversity data, and response to mass incarceration. Firms like Natixis Investment Management have applied JUST Capital's research into a racial equity investment

29. [“SOAR: Investing in the South’s Small Businesses and Community Nonprofits,”](#) Southern Opportunity And Resilience Fund, n.d.

30. [“Black Farmer Fund,”](#) Black Farmer Fund, n.d.

31. Chez Oxendine, [“Native CDFI Network, Intertribal Agriculture Council partner to increase capital availability for Native producers,”](#) Tribal Business News, December 17, 2021.

32. [“Impact Shares: The NAACP Minority Empowerment ETE,”](#) Impact Shares, n.d.

33. [“Advancing Racial Equity,”](#) JUST Capital, n.d.

34. [“The Corporate Racial Equity Tracker,”](#) JUST Capital, n.d.

strategy, known as the Active Investment Advisors® Racial Equity investment approach.³⁵ This approach, available as a SMA for investors, implements a positive screen for companies promoting diversity, inclusion, and equity as well as related activities, and excludes negative screens for companies that exacerbate racial injustice.

Racial Equity Investing within Broad-based ESG Investment Strategies

While racial equity investing is a relatively recent thematic strategy, many sustainable and faith-based investors have been tackling elements or “symptoms” of racial equity issues through their broader ESG analytical frameworks for years. Used in conjunction with shareholder advocacy, this approach seeks to understand racial equity considerations within specific companies and sectors as they relate to wider social and environmental issues, such as equal employment opportunity, supply chain management, and climate change, versus viewing racial equity issues in isolation from other ESG factors. For instance, Adasina Social Capital takes a social justice approach to the Adasina Social Justice All Cap Global ETF by centering “race, gender, economic, and climate justice” issues in their investment criteria.³⁶ By contrast, sustainable and impact investing pioneers such as NorthStar Asset Management Group, Zevin Asset Management, and Trillium Asset Management are among leading examples of investment managers combining investment selection with active ownership approaches to reach impacts improving the lives of BIPOC communities.

PRIVATE EQUITY AND VENTURE CAPITAL

Private equity, taking ownership stakes in private companies, is a commonly mobilized asset class for impact investors. In private equity, investment selection and networks appear to be two key areas of investment activity where investors can increase their impact on BIPOC individuals. To increase access to capital, especially at the early stages of enterprise growth, more investors are now focusing on BIPOC entrepreneurs and business leaders. Despite the fact that several studies indicate the value of diverse teams and the economic growth missed by not supporting diverse entrepreneurs, entrepreneurs of color continue to face greater barriers to entry than White entrepreneurs.³⁷ In this asset class, providing BIPOC founders with access to capital also supports the workplace equity lens as such firms tend to hire diverse teams. A number of venture capital and private equity firms are seeking to increase capital to businesses led or founded by BIPOC entrepreneurs.

There are several firms focused on diverse-led early stage companies. Backstage Capital, a Black and LGBTQ+ led venture capital firm, takes an industry agnostic approach to investing in company founders identifying as women, people of color, or LGBTQ+. When evaluating investment opportunities, they focus on both using a traditional investment criteria and screen for “grit”, which is classified as receptive market research and validation as well as conviction about the potential of a prospective company.³⁸ Equilibrium

35. [“AIA Customized Racial Equity Investment Portfolios: Our Approach to Investing for Racial Equality.”](#) Natixis Investment Managers, n.d.

36. [“Adasina Social Capital.”](#) Adasina Social Capital, n.d.

37. Lauren Leader-Chivee, [“New Study: Diversity Drives Serial Innovation.”](#) October 1, 2013; Phillips, et. al, [“Better Decisions through Diversity.”](#) Kellogg Northwestern, October 2010; McKinsey and Company. [“Delivering through Diversity.”](#) January 2018.

38. [“Frequently Asked Questions,”](#) Backstage Capital, n.d.

Impact Ventures, led by Dr. Shante Williams, invests in “mission-driven startups to support sustainable social impact” and tracks their impact by leveraging values-aligned partner collaborations and SDG metrics.³⁹ In addition, Equilibrium places equity at the forefront of their investment thesis by allocating at least 66% of their funding to BIPOC and women founders. Resilient Ventures, a venture capital firm based in North Carolina, focuses on funding early stage and Black led companies. They are striving to close the wealth gap while opening up dialogues around unconscious

bias among investors (see case study for more information).

There are also business incubators and accelerators dedicated to supporting BIPOC founders and asset managers. At Black Girl Ventures Foundation (BGV), their mission is to fund and support Black and Brown women led tech businesses. Since their founding in 2016, BGV has challenged the obstacles minority women entrepreneurs face by funding more than 260 entrepreneurs. Additionally, through their pitch competitions, participants have

39. “[Equilibrium Impact Ventures](#),” Equilibrium Impact Ventures, n.d.

CASE STUDY **Resilient Ventures**

Founded in 2018, Resilient Ventures, a Durham, North Carolina Black-led venture capital fund supports African-American entrepreneurs by increasing access to capital, networks and opportunity to close the wealth gap. Resilient Ventures focuses on early-stage investments into Black entrepreneurs and companies, with a vision of helping the United States live up to its creed through human justice and flourishing. The team is highly committed to educating peers and its investors about unconscious bias BIPOC entrepreneurs face as they seek capital within the investment landscape.

Currently, Resilient Ventures has eight companies in its portfolio covering enterprises ranging from health, education, to technology. For example, it invests in Functional Fluidics, a health care diagnostic platform company working to create biomarker solutions to track red blood cell health with certain diseases like sickle cell anemia, a disease that disproportionately affects African Americans. Resilient Ventures has also provided capital to Five to Nine, a SaaS enterprise focused on providing workplace solutions to events and team management.

Resilient Ventures capital raising efforts have been steady since its inception, with just over 30 accredited investors supporting the venture fund. The team actively works to educate investors through frank and honest conversations about bias and racism in finance. In the early months of the pandemic, the managing team experienced some prospective investors taper their commitments while a few initial investors raised the level of their capital commitment. The death of George Floyd and the racial unrest during the summer of 2020 opened new conversations with values-aligned investors.

collectively earned more than \$10 million in revenue and won support for curriculum and fellowship programs offered by the foundation.⁴⁰ An example of an initiative supporting BIPOC in asset management is the Include Venture franchise, a Black-led platform aimed at improving the investment opportunities for BIPOC fund managers. Through VC Include, its recently launched inaugural fellowship, the organization provides professional and fundraising support to BIPOC

and women first-time fund managers (see case study for more information).

40. "[Black Girl Ventures](#)," Black Girl Ventures, n.d.

CASE STUDY **Include Ventures**

Bahiyah Yasmeeen Robinson is the CEO of the Include Ventures franchise, a dynamic and multi-faceted platform that serves as a one-stop shop for asset owners and managers interested in learning about and supporting the marketplace of diverse venture capital talent.

According to a study conducted by Knight Foundation, just 1.3 percent of assets in the \$69 trillion asset management industry are managed by BIPOC and women-owned fund managers in the U.S. alone.

To address the underrepresentation of diverse communities, the Include Ventures franchise is comprised of three entities all working to scale the next generation of impact and sustainable fund managers who are integrating ESG considerations into their investment theses: (1) VC Include, a non-profit focused on training + education for new fund managers looking to grow into more well-established institutional grade asset management firms, (2) an advisory arm supporting women and BIPOC emerging fund managers and asset owners looking to increase diversity in their portfolio, and (3) an asset management firm investing in historically underrepresented funds around the themes of ESG + Innovation + Inclusion.

The VC Include inaugural fellowship cohort included fund managers like Apis & Heritage Capital Partners, a minority-owned sponsor that buys privately-held companies with large workforces of color and transitions them to 100% employee-owned ESOP style firms. A&H builds value in its private portfolio companies through hands-on advisory, strategy and operational enhancement and the implementation of governance measurements.

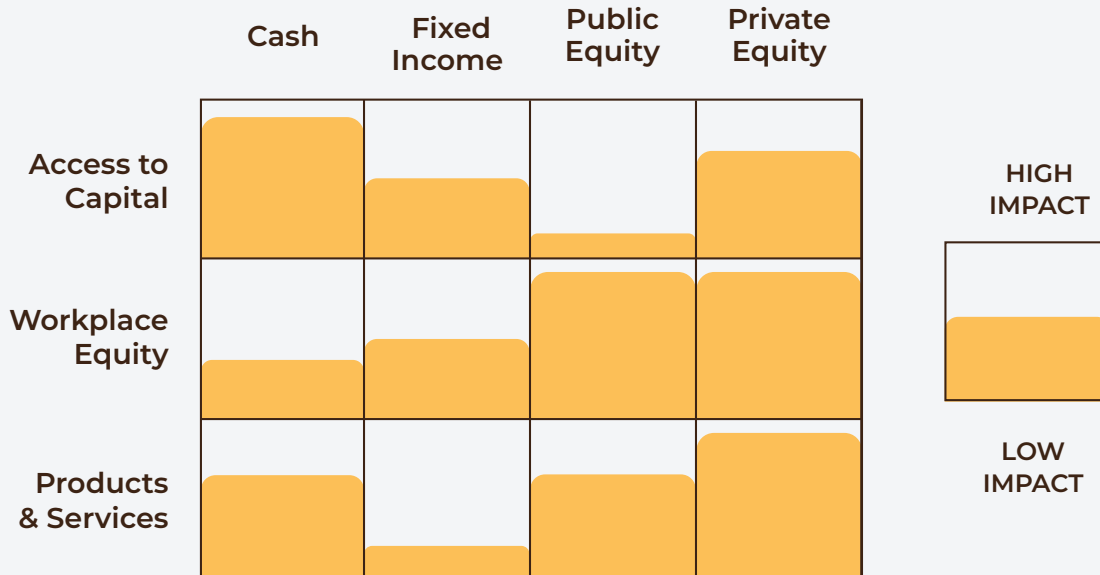
Implementation: Activating the Total Portfolio for Racial Equity Impact

With a fuller understanding of specific opportunities within each asset class, investors concerned about racial equity can pursue impact across their whole portfolio through more focused and intentional strategies. The interrelated investment activities identified by TPA – investment selection, active ownership and engagement, networks, and policy – differ based on asset class and on the racial equity considerations an investor applies. Investors will consequently need to assess their portfolios carefully in order to understand the specific opportunity set available to them. Total Portfolio Activation provides a process for undertaking such assessments and a framework for reallocating assets to seize identified opportunities.

The basic process of Total Portfolio Activation adapted for racial equity investment involves ten key steps:

- 1. Issue Inventory:** Take an inventory of the investor's key racial equity concerns, using the three primary racial equity lenses as a starting point. Determine whether other ESG issues are salient to the investor's impact objectives.
- 2. Evaluation:** Evaluate the impact profile of current investment activities across asset classes.
- 3. Impact Opportunity Set:** Identify the Impact Opportunity Set specific to the investor's racial equity concerns and its broader asset allocation. At this point, the Opportunity Set may be more aspirational if products explicitly addressing racial equity concerns are not yet available in certain asset classes. As the field evolves, other investments with positive racial equity impacts can readily supplement those using an explicit racial equity lens.
- 4. Gap Analysis:** Conduct a "gap" analysis between current activities and the Impact Opportunity Set in order to identify new areas of activity that will increase the potential for positive impact on racial equity issues.
- 5. Fill Gaps:** Identify specific investment opportunities that fill the gaps identified, often in close collaboration with an investment consultant or investment committee.
- 6. Revise Investment Policy Statement:** Revise the Investment Policy Statement to reflect this new strategy of Total Portfolio Activation, specifying how racial equity issues shape investment selection, active ownership, network participation, and policy initiatives across asset classes.
- 7. Capacity Analysis:** Conduct a capacity analysis to determine which investment activities can be undertaken directly by the investor and which should be delegated or outsourced to experienced impact investment consultants and asset managers.
- 8. Reallocation:** Reallocate assets to the higher impact investment opportunities identified.
- 9. Portfolio Monitoring:** Monitor portfolio performance according to new impact objectives.
- 10. On-going Assessment:** Continually assess ongoing TPA impact opportunities according to the Investment Policy Statement.

Figure 4. Total Portfolio Activation Matrix: Impact Opportunity Set



Once an investor has determined their impact objectives, the portfolio can be analyzed to determine how it currently addresses racial equity issues and what kinds of positive or negative impacts it may be generating. By conducting an audit of its current allocation, the investor will be able to understand which investments provide direct and indirect impact, and the degree to which specific holdings (or more broadly, specific industries) may be generating negative impacts toward BIPOC communities.

To reallocate the portfolio to focus on racial equity issues, the investor will need to identify its Impact Opportunity Set, by prioritizing the issues of greatest concern and analyzing which asset classes can be most readily activated for impact through those lenses.

Having this Impact Opportunity Set provides the investor with a benchmark against which

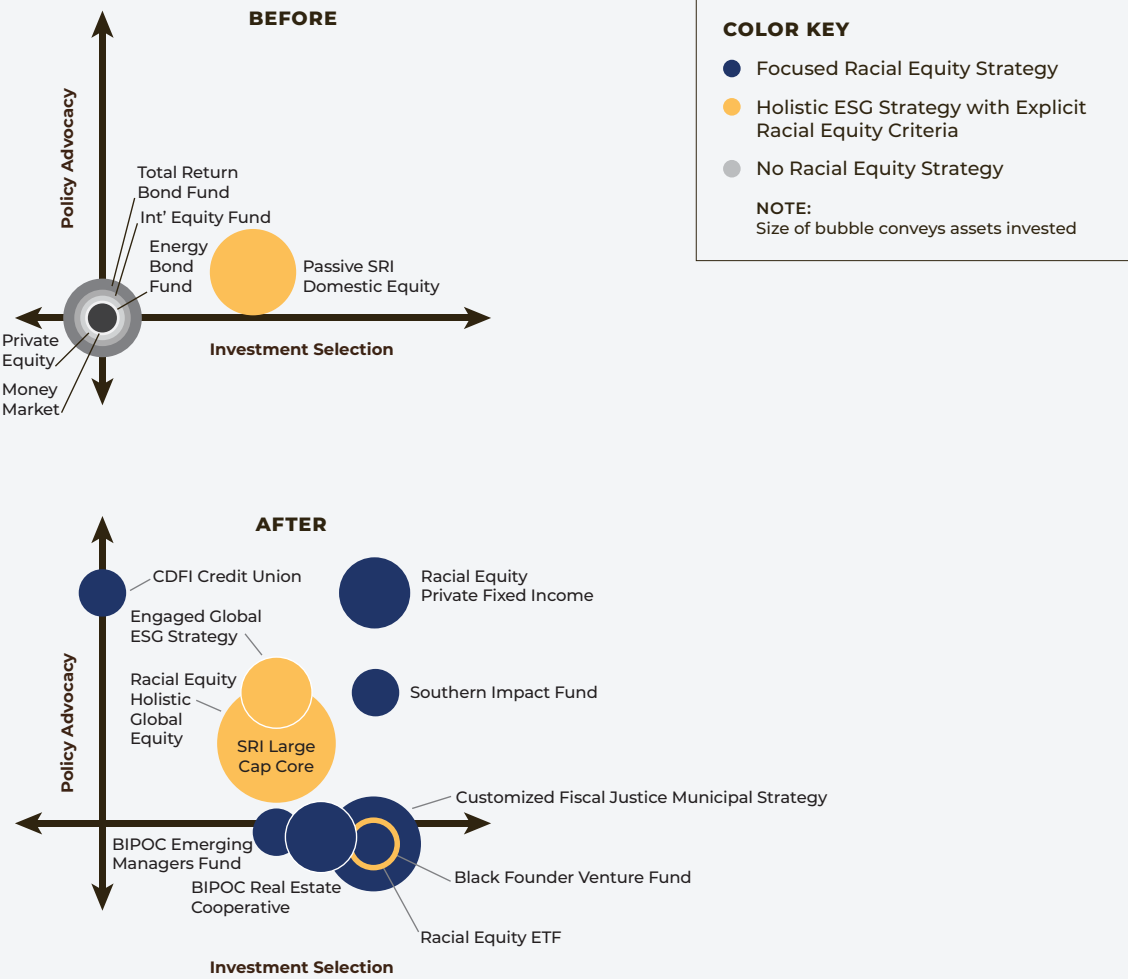
to conduct a gap analysis between current investments and new impact opportunities. Figure 4 provides a Total Portfolio Activation Matrix that highlights an Impact Opportunity Set addressing racial equity issues across all three lenses discussed above: access to capital, workplace equity, and products and services.

As the figure highlights, cash, fixed income (specifically through private debt and increasingly through municipal bonds), and private equity may offer some of the best opportunities for addressing the BIPOC community’s access to capital. Holding cash at BIPOC-focused banks and credit unions, such as minority designated institutions or CDFIs, increases capital access for small business owners, while growing private equity and private debt opportunities allow investors to invest directly in BIPOC founders and their enterprises. Currently, workplace equity objectives are best pursued

through public equity and private equity which provide the ripest opportunities for positive investment impact. Finally, the best investment opportunities for products and services beneficial to the BIPOC community are available through cash and private equity as a growing number of BIPOC-owned firms are catering product designs to people of color. Encouraging public companies to design and create products for communities of color also has the potential to improve quality of life and health outcomes for racially and ethnically diverse individuals.

With this Impact Opportunity Set before them, investors will start to notice gaps in their current portfolios. We recommend investors work with a knowledgeable investment consultant or financial adviser to identify new investments to fill these gaps. Ideally, the consultant will be well versed in impact investing and racial equity issues. Networks such as the Racial Justice Investing group, GIIN's Racial Equity Advisory Group, and Indigenous Investors Working Group provide useful starting points for investors seeking professional advice and support through this

Figure 5. Portfolio Impact Map: Before and After Total Portfolio Activation



process. We also recommend that investors revise their Investment Policy Statements to formally integrate their racial equity impact objectives.

Finally, investors will rebalance their portfolios, reallocating funds to new positions that support their racial equity impact objectives. Figure 5 compares a portfolio before and after Total Portfolio Activation. Each bubble on the scatter plot represents an investment fund or strategy in the portfolio. The size of each bubble is based on its relative weight in the portfolio, while the color indicates whether the fund has a racial equity investment strategy and if it is narrowly focused or holistically integrated as part of a broader ESG investing strategy. The X axis highlights the depth with which racial equity criteria are considered within a strategy's investment selection process, while the Y axis measures the level of a fund's policy engagement on racial equity issues.

Prior to TPA, very little of the portfolio integrated racial equity issues explicitly into its strategy, although the portfolio had some indirect exposure through a passively managed SRI fund.

After TPA, this investor has substantially shifted the impact profile of its portfolio in several positive ways. It now applies racial equity impact considerations across most of its holdings and embraces several narrowly focused racial equity oriented strategies, denoted on the portfolio map in blue.

Once the portfolio has been reallocated, the impact performance should be monitored on a regular basis as part of the broader performance evaluation of the portfolio. By revising the IPS, the investor has developed an explicitly strategic framework for its usual course of business, so that its staff, board, investment committee, investment consultant, and fund managers may understand the investor's impact objectives, integrate them into portfolio analysis, and seize new opportunities as they arise. As investors reallocate for greater racial impact, it is important to keep in mind that investor and policy engagement activities will help to optimize the impact of their new investments across asset classes.

While investor engagement activities will continue to be important in driving equitable changes for communities of color, policy engagement can potentially accelerate those shifts. We have already seen notable efforts by local governments to acknowledge historical racism and discrimination, as well as actions to remedy policies and practices that have contributed to the income and wealth disparities so evident in BIPOC communities. One body of emerging examples includes localities such as Evanston, Illinois, and Asheville, North Carolina, that are experimenting with the payment of reparations to Black citizens harmed by redlining and other discriminatory activities in the public and private sectors. Investors' voices seeking to achieve racial equity are becoming increasingly significant to policy change targeted at regulatory agencies and legislative bodies.

Conclusion

Racism is a cancer threatening the prosperity of the United States. We can no longer throw our efforts behind treating the symptoms of this cancer with stand-alone efforts seeking to address job preparation or improve capital access in BIPOC communities because the structures of power (the political and economic institutions) are where the disease is embedded and will only continue to spread. A failure to treat the disease of racism has cost the US economy at least \$16 trillion, according to one estimate from Citibank.⁴¹ If institutional and systemic racism and discrimination persist, this nation will never move beyond the shackles of the past and will continue to limit the full potential of society.

Opportunities to invest for positive impact in BIPOC communities are increasingly extending across asset classes. The tools of Total Portfolio Activation can assist investors concerned with racial equity by identifying these growing opportunities and reallocating their portfolios accordingly. Nonetheless, the nature of racial equity investing varies greatly across and within asset classes. Constructing a fully diversified portfolio that implements racial equity remains a challenge. Yet, with the history of this country's apathy toward addressing racial equity, the hard work and dialogues around creating portfolios of change are needed upfront. As noted before, professionally managed racial equity investment strategies are slowly emerging, but products and strategies can be found in cash and public equity, with many new options coming to market in private equity and fixed income. Because of these limitations in the field, we conclude with a series of recommendations that can help accelerate the

development of a more disciplined, diversified approach to racial equity-oriented impact investment across asset classes.

Investment consultants and financial advisors:

Investors seeking to implement a total portfolio approach to racial equity issues need trusted advisers who understand and have actively engaged in these issues. A community of advisors and investment consultants possessing a deep understanding of the historical policies, institutional barriers, and societal norms contributing to the inequities in today's society are essential to advancing racial equity investing. Advisors and consultants are well-positioned to educate clients and respond to client interest in the integration of racial equity across their portfolios.

Data and metrics:

ESG research and data providers need to develop better key performance indicators and impact metrics on issues salient to BIPOC communities. During our research for this study, many organizations shared their frustrations with the lack of options when it comes to metrics and measures across multiple racial equity lenses. However, ongoing work from the GIIN, as well as already existing Sustainable Development Goals, can serve as stepping stones to creating focused measurements of racial equity outcomes. Figure 6 highlights relevant Sustainable Development Goals that could be applied to racial equity investing.

41. ["Cost of Racism: U.S. Economy Lost \\$16 Trillion Because of Discrimination, Bank Says,"](#) NPR Business Desk, September 23, 2020.

Figure 6. Sustainable Development Goals: Relevant Targets for Racial Equity Investing



1.2: By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions

1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance

1.B: Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions



8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services



10.1: Income growth of the bottom 40 per cent of the population at a rate higher than the national average

10.2: Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard

10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

10.5: Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations



16.7: Ensure responsive, inclusive, participatory and representative decision-making at all levels

Asset managers:

Managers should develop much more explicit frameworks and investment criteria around racial equity issues in order to communicate their investment strategy clearly to investors who are leveraging their portfolios to create impact. They should also ensure that their own firms are providing inclusive workplaces and pathways to leadership for employees from diverse racial and ethnic backgrounds.

Enterprising asset managers also have a wide array of opportunities to develop new investment products and strategies with a racial equity lens, across asset classes:

Cash and cash equivalents:

Banks and credit unions should continue to work toward financial inclusion for BIPOC communities, as well as continue to provide appropriate and accessible products, such as certificates of deposit or money market accounts that respond to customers' needs. Investors should consider increasing their cash holdings at minority depository institutions or similar entities that explicitly serve communities of color.

Public equity:

Workplace antidiscrimination and equal opportunity policies, alongside leadership and board diversity are currently the primary areas of focus for listed equity investors. Public equity investors should also expand their criteria of racial equity concerns beyond workplace issues and leadership or board diversity issues by applying other racial equity considerations, particularly related to BIPOC access to capital and products and services. Additionally, public equity investors can deepen their understanding of the intersection of traditional ESG issues by incorporating a racial equity lens on issues such as climate change and pay gaps.

For investors that may incorporate racial equity criteria into investment selection but do not engage in advocacy, engagement and policy provide ripe areas for deepening impact. Networks such as the Racial Justice Investing initiative of OpenMIC and the Interfaith Center for Corporate Responsibility (ICCR) are useful for partnering on shareholder opportunities.

Fixed income:

As part of their fixed income allocation, some investors may choose to invest in municipal bonds believing they are supporting the development and improvement of specific communities. Research and advocacy from organizations like Activest, bringing greater transparency on municipal finance through their fiscal justice work, has the promise to contribute to more products or strategies in this area. Racial equity issues could be more deeply integrated into credit analysis not only for municipal bonds but also for corporate bonds and asset-backed securities. Bondholders could also engage with issuers over racial equity concerns that they may have.

Private debt:

Professionally managed debt funds investing in BIPOC entrepreneurs or businesses providing products and services to the BIPOC community could readily be organized, in close coordination with the many BIPOC entrepreneurial organizations that have emerged. A handful of these funds have come to market but given the struggle entrepreneurs of color have accessing capital based on non-extractive terms, more of these funds are needed. In addition, community development loan funds should incorporate more explicit racial equity considerations into their community development lending processes.

Private equity and venture capital:

Outside of angel investor networks, an increase in professionally managed private equity or venture capital funds targeting BIPOC entrepreneurs, particularly among tech startups focused on fintech and future of work. These networks of funds could play a valuable role of intermediation between businesses and the growing group of investors seeking to have direct racial equity impact.

Real estate:

Though there are few real assets products with a focus on racial equity, growth in this area, especially innovative options that addressed affordable housing and land access challenges, could be transformative for low-wealth communities of color. Greater development of real asset investment products that apply a racial equity lens will be necessary to create wealth-building opportunities. In Oakland, California, where gentrification displaces BIPOC community members, the [East Bay Permanent Real Estate Cooperative](#) has responded with a community-driven land and housing ownership approach. Other emerging opportunities like the Tulsa Real Estate Fund, a Black owned

business that leveraged crowdfunding to acquire its first property in 2018 and seeks to increase financial empowerment and wealth-building in working class communities, are good examples of innovative funding with the potential to empower local community members to be owners of or investors in real property.

Philanthropic foundations:

Foundations have an important role to play as investors and strategic grantmakers advancing racial equity objectives in the field.

Investing:

In addition to implementing a total portfolio approach to racial equity investing within their own endowments, foundations can also use their philanthropic capital to seed new funds and new asset managers incorporating racial equity issues into the investment process. These could be made as program-related investments if the investment is primarily programmatic in intent or be funded as an endowment allocation if the risk profile of the investment met the foundation's broader investment criteria. Rather than working in isolation, groups of foundations could co-invest together to

pool capital, risk, and expertise, and then share mutual learnings.

Convening and field building:

Foundations can use their considerable convening power to bring together key stakeholders from BIPOC communities, philanthropy, finance, business, civil society, and academia to discuss ways to create a more robust field of racial equity investing. Similar constellations of practitioners, convened and supported by philanthropy, have played critical roles in developing fields such as gender lens investing and the fossil fuel-free "Divest-Invest" campaign. Racial equity funders can leverage their relationships with grantees in order to ensure that a full range of voices from racial and ethnic communities are heard in conversations about investment needs.

Research:

Far more research on the impact of racial equity investing is needed and foundations are natural funders and sponsors of a much more advanced research agenda that would regularly analyze the rapidly changing state of the field. Research serves as a valuable complement to the development of the field, supporting decision-makers across this emerging landscape.

These recommendations constitute only a few of the many potential ways to expand what is already a quickly growing field that could significantly contribute to greater racial equity in the United States.

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Additional Resources

Cash and Cash Equivalents

Hope Credit Union
<https://hopecu.org/>

Inclusiv
<https://www.inclusiv.org/>

Latino Community Credit Union
<https://latinoccu.org/>

Oweesta Corporation
<https://www.oweesta.org/>

Nathan Cummings Foundation
<https://nathancummings.org/>

Self-Help Credit Union
<https://www.self-help.org/>

Fixed Income

Adasina Social Capital
<https://adasina.com/>

Calvert Impact Capital
<https://www.calvertimpactcapital.org/>

Calvert Impact Capital
<https://www.calvertimpactcapital.org/>

Community Capital Management
<https://www.ccminvests.com/>

Inclusiv
<https://www.inclusiv.org/>

Trillium Asset Management
<https://www.trilliuminvest.com/>

Public Equity

Adasina Social Capital
<https://www.adasinaetf.com/>

Change Finance, PBC
<https://www.changefinanceetf.com/>

Glenmede Trust
<https://www.glenmede.com/>

Impact Shares
<https://www.impactetfs.org/>

Natixis Investment Managers
<https://www.im.natixis.com/us/home>

Zevin Asset Management
<https://www.zevin.com/>

Private Debt

Akiptan
<https://www.akiptan.org/>

Black Farmer Fund
<https://www.blackfarmerfund.org/>

CNote
<https://www.mycnote.com/>

Fair Food Fund
<https://fairfoodnetwork.org/>

Inclusiv
<https://www.inclusiv.org/>

Seed Commons
<https://seedcommons.org/>

Real Assets

East Bay Permanent Real Estate Cooperative
<https://ebprec.org/>

Tulsa Real Estate Fund
<https://www.investwithtref.com/home-invest-now>

Private Equity/Venture Capital and Accelerators

Backstage Capital
<https://backstagecapital.com/>

Black Girl Ventures Foundation (BGV)
<https://www.blackgirlventures.org/>

Equilibrium Impact Ventures
<https://www.eqiv.vc/>

Marigold Capital
<https://marigold-capital.com/>
Include Ventures
<https://www.includeventures.com/>

Resilient Ventures
<https://resilientventures.org/>

Reinventure Capital
<https://reinventurecapital.com/>

Investor Networks

Browning the Green Space
<http://browningthegreenspace.org/>

Confluence Philanthropy
<https://www.confluencephilanthropy.org/Racial-Equity-Pledge>

Global Impact Investing Network
<https://thegiin.org/>

Human Capital Management Coalition
<https://www.hcmcoalition.org/>

Impact Investing Alliance
<http://impinvalliance.org/>

Intentional Endowment Network – Diversity, Equity and Inclusion (DEI) Working Group
https://www.intentionalendowments.org/diversity_equity_inclusion_working_group

Racial Justice Investing
<https://www.racialjusticeinvesting.org/>

Mission Investors Exchange
<https://missioninvestors.org/racial-equity-impact-investing>

National Bankers Association
<https://www.nationalbankers.org/>

Native CDFI Network
<https://nativecdfi.net/>

SOCAP Global
<https://socapglobal.com/racial-equity/>

US SIF
<https://www.ussif.org/racialjusticeresources>

Advisors/Financial Planners

Big Path Capital
<https://www.bigpathcapital.com/about/>

Cambridge Associates
<https://www.cambridgeassociates.com/>

GRID 202 Partners
<https://grid202partners.com/>

Natural Investments
<https://www.naturalinvestments.com/>

Pathstone
<https://www.pathstone.com/>

Research Groups

Activest
<https://www.activest.org/>

Croatan Institute
<https://croataninstitute.org/>

JUST Capital
<https://justcapital.com/>

Transform Finance
<http://transformfinance.org/>



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