

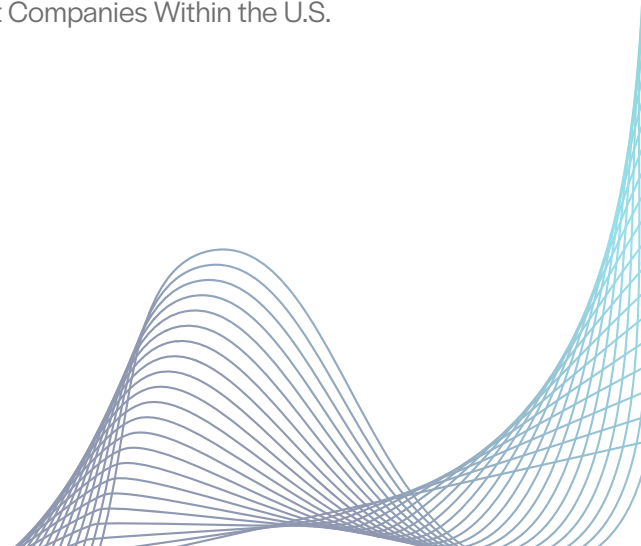


2024 Diversity, Equity & Inclusion Toolkit



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Why This Toolkit Exists

The NAIC Diversity, Equity & Inclusion (DEI) Toolkit is designed to serve as a resource for any capital allocator looking to launch, improve, or enhance their capital allocation to diverse managers. It is a collection of resources that covers a range of topics including sourcing diverse managers, recruiting diverse investing talent, and embedding DEI within your organization. Numerous reports and research studies have debunked the previously common misconception that investing in diverse talent meant sacrificing returns. Many of these same reports and studies also showed a positive correlation between manager diversity and outperformance, illustrating a vast and underexplored opportunity. In this toolkit we have compiled the resources necessary to thoughtfully and effectively allocate capital to diverse managers.

Sourcing Diverse Asset Managers and Firms

Where can I find lists of diverse asset managers and firms?

1. [National Association of Investment Companies \(NAIC\) Member Directory](#)
2. [Institutional Allocators for Diversity Equity & Inclusion \(IADEI\) Diverse Manager Database](#)
3. [ABFE’s Directory of Minority and Women-Owned Investment Manager Firms](#)
4. [Gender Equality Funds](#)
5. [List of Investment Funds, Advisors, and Accelerators Led By Entrepreneurs of Color](#)

What are the annual conferences and programs focused on diverse asset managers and firms?

Conference / Programs	Organization / Institution
Annual Alternative Investments Conference (AICON)	SEO (Sponsors for Educational Opportunity)
Annual Financial Services Conference by NASP	National Association of Securities Professionals (NASP)
Association of Asian American Investment Managers (AAAIM) National Conference	Association of Asian American Investment Managers (AAAIM)
CalPERS and CalSTRS, The Catalyst: California’s Diverse Investment Manager Forum	California State Teachers Retirement System (CalSTRS); California Public Employees’ Retirement System (CalPERS)

Diverse Manager Forum by NASP	National Association of Securities Professionals (NASP)
Emerging Market Conference	The Employees Retirement System of Texas (ERS)
GCM Grosvenor Small and Emerging Markets Conference / Consortium	GCM Grosvenor
NAIC Investor Roadshows	National Association of Investment Companies (NAIC)
NAIC LP Meetup	National Association of Investment Companies (NAIC)
NAIC NextGen	National Association of Investment Companies (NAIC)
NCPERS Fall Conference	National Conference on Public Employee Retirement Systems (NCPERS)
NMSDC Annual Conference & Exchange 2024	National Minority Supplier Development Council (NMSDC)
Women's Business Enterprise National Council Conference - NMSDC	National Minority Supplier Development Council (NMSDC)
Women's Forum by NASP	National Association of Securities Professionals (NASP)
WRMSDC Excellence in Supplier Diversity Awards Gala	Western Regional Minority Supplier Development Council (WRMSDC)

What are some key discussion topics and interest areas of diverse asset managers?

Panel Topic	Panel Description
State of the Diverse and Emerging Manager Market	For the ninth straight year, the LP intensive kicks off with an SEM Conference classic – a data-filled, in-depth presentation on the trends and activities in the emerging and diverse manager universe. This year, Peter Braffman will cover some of the “greatest hits” from past years and spotlight how unique approaches to partnering with managers has contributed to diverse and emerging managers’ immense growth across alternative asset classes.
New Programs / New Approaches to Capital Allocation	Institutional investors of different types are demonstrating leadership and sound investing by allocating to diverse asset managers in new ways. In this session, LPs will learn from each other about applying various investment methods based on their plans’ unique objectives, size, structure, and other factors.
A Conversation on Reparations Finance in Honor of Juneteenth	During this webinar, leaders from the Intentional Endowments Network and its partners will explore questions and share ideas on how the network might effectively raise the bar for endowments and foundations’ racial equity efforts, both working within the constraints of the current system and where the system might need to change.

<p>The Rise of Diverse Managers and Funds: What Does This Mean for Managers, Consultants, and Allocators?</p>	<p>Is there a gap in perception between managers, consultants, and allocators in terms of the impact the increasing adoption of ESG and diversity measures and metrics are having on actual asset flows?</p>
<p>Publicly Held AM Firms Versus Privately Held Firms: Why the Notable Disparity in DEI?</p>	<p>Because of today's mix of members, this panel will focus more on the publicly held and big-name traditional firms.</p> <p>One perception is that private market managers don't have representation in DEI while public managers are getting on board. Is this true?</p> <p>In some ways, the U.S. is becoming a "multi-jurisdictional nightmare," as one Advisory Board member stated. How is this impacting DEI initiatives by both managers and allocators?</p>
<p>Setting the Scene: A Data-Based Look at Inflows into Diverse Funds and Minority-Owned Managers</p>	<p>Where are these databases we hear about? Which are the good ones? How can we tell?</p> <p>Quote from an allocator: "None of us are going to solve our manager DEI issues by hiring only emerging firms" - Comments, anyone?</p>

Due Diligence Checklist for Diverse Asset Managers

1. [Lenox Park Diversity Impact Score for Capital Allocators to Rank Asset Management Industry Participants](#)
2. [Want More Asset Manager Diversity? Reevaluate Due Diligence Processes Using Metrics That Matter](#)
3. [Sustainability / Diversity & Inclusion Due Diligence Questionnaire](#)
4. [Strategy for Identifying Diverse Asset Managers Including Implementation Strategies](#)

Additional Resources

1. [Diverse Private Equity Managers beating benchmarks](#)
2. [A Toolkit to Invest Equitably and Setting the Norms for all Investing to be Equitable](#)
3. [Diverse Manager Investing: Shinning a Light on Potential Blind Spots](#)
4. [Current State of Diversity in Private Markets](#)
5. [Inclusive Capitalism in Asset Management, Milken Institute](#)
6. [Investing in and Growing Wealth for Women of Color](#)
7. [The State of Diversity in Global Private Markets: 2023, McKinsey & Co.](#)
8. [Justice, Equity, Diversity and Inclusion \(JEDI\) Investing Toolkit](#)
9. [A Guide to Programs For Emerging Managers](#)

Recruiting Diverse Investing Talent

What are the directories of organizations that support the recruitment of diverse investing talent?

Organization Name	Organization Description	Target Demographic
Forté Foundation	Forté Foundation is a non-profit consortium of leading companies and top business schools working together to launch women into fulfilling, significant careers through access to business education, professional development, and a community of successful women.	Women, MBA Students, Early Career Professionals
Girls Who Invest	Girls Who Invest is a non-profit organization focused on education, industry outreach, & career placement for young women becoming tomorrow's leading investors.	Women; College Students, MBA Students, Early Career Professionals
Jump Recruits	Jump Recruits was founded to bridge the racial equity gap for Black and Brown communities. At the core of Jump Recruits, we believe that everyone deserves an equal chance to succeed, and we're dedicated to helping our members do just that by providing access to a community where meaningful connections can be made and careers that can change the future for their families.	All Career Professionals
Management Leadership for Tomorrow (MLT)	Launched in 2002 Management Leadership for Tomorrow (MLT) is a national nonprofit that is transforming the leadership pipelines of more than 120 leading organizations by driving breakthrough results for individuals and institutions. MLT equips and emboldens high-achieving individuals from underrepresented communities—Black, Latinx, and Native American—to realize their full potential, to make a mark, and make a difference.	College Students, MBA Students, Early-Career Professionals, Mid-Career Professionals
National Association of Investment Companies (NAIC)	NAIC is the largest industry association for diverse-owned alternative investment firms. Through education, advocacy, and industry events, NAIC is focused on increasing the flow of capital to high-performing diverse investment managers often underutilized by institutional investors.	College Students, MBA Students, Mid-Career Professionals
National Association of Securities Professionals (NASP)	The National Association The National Association of Securities Professionals (NASP) is the premier organization that helps Blacks, ethnic minorities, and women achieve inclusion in the financial services industry.	Early Career Professionals, Mid-Career Professionals, Late Career Professionals
Sponsors for Education Opportunity (SEO)	SEO is a non-profit organization providing supplemental education and career support to young people from underserved communities looking to pursue a career in alternative investments, law, tech, etc.	High School Students, College Students, and Early Career Professionals
Toigo Foundation	Toigo develops leaders and foster the career advancement of highly talented women and men throughout their MBA experience. Our 1,700 Toigo alumni are the foundation on which we have built programming to support the career ascension and retention of minority leaders in finance.	MBA Students

What are the directories of organizations that support the recruitment of diverse investing talent?

Panel Topic	Panel Topic Description	Source
Accelerating Growth: The Power of Mentors & Sponsors	<p>Accelerating career growth and succeeding in the “meritocracy” of Wall Street takes more than hard work and dedication. Do you know who is advocating for you behind closed doors? Join veteran bankers, traders, investors, and money managers as they discuss the “ins and outs” of maximizing relationships as a cornerstone of career building.</p> <p>This panel will explore:</p> <ul style="list-style-type: none"> ▪ Understanding the value of an advocate ▪ Advancing career growth by cultivating allies ▪ Paying it forward through mentorship and sponsorship 	Centerforce Inclusion & Equity Series: Women on Wall St
Bulls, Bears, and Bias: Busting Stereotypes on “The Street”	<p>Whether we want to admit it or not, bias impacts every decision we make at the individual and the institutional level. As individuals we have biases that affect all aspects of our lives and the lives of those with whom we interact. At the institutional level, bias is more implicit, and creates a toxic culture if its not addressed. The challenge for individuals is recognizing how bias, assumptions and stereotyping colors our perception and decision-making. For institutions, leaders must be brave enough to call out toxic practices and be intentional in how they address them. As individuals and leaders, how do we build awareness within ourselves and our organizations to begin creating change?</p> <p>This panel will explore:</p> <ul style="list-style-type: none"> ▪ How to become more aware of stereotyping ▪ How to recognize our own individual biases that work against an inclusive culture ▪ Overcoming bias in hiring, review processes, promotion and compensation ▪ Removing invisible barriers that hinder true inclusion at all levels 	Centerforce Inclusion & Equity Series: Women on Wall St
HR techniques for attracting and retaining diverse talent	<ul style="list-style-type: none"> ▪ Reframing the way we describe roles in adverts to attract a good mix of candidates from the start ▪ Outlining the difference between diversity and inclusion, and resisting the temptation to focus solely on diversity (which is essentially a numbers game) and not on inclusion and belonging (which is what will help to foster employees and retain them for longer) ▪ Ensuring that employees are well supported from the moment they are recruited, throughout their onward career, and how best to foster diverse talent throughout the organization. ▪ The role of stay interviews and exit interviews and how to keep in touch with what employees think about your company 	Diversity Network

Panel Topic	Panel Topic Description	Source
Effective Recruitment and Retention Strategies to Support a Diverse Workforce	<ul style="list-style-type: none"> ▪ Supporting diverse affinity groups and setting up new Employee Resource Groups to ensure that all employees are fully supported. ▪ What are the biggest challenges of recruiting well and fairly? How do you begin to turn the curve in organizations where diversity and the culture of inclusion is still a very long way off? ▪ How best can we overcome unconscious bias in the workplace to make sure that we don't end up with many individuals of a particular gender, interest type or character type? ▪ Avoiding your organisation becoming a 'revolving door' for diverse employees ▪ What kind of difference can be made throughout an organisation while we are still waiting for equal representation at leadership level? ▪ Adjusting company culture to encourage equal opportunity and to make sure that employees feel comfortable bringing their whole selves to work 	Diversity Network
Using AI to Reduce Bias in Workforce Decisions: Changing Systems, Not People	<ul style="list-style-type: none"> ▪ Daniel Kahneman's System I (fast thinking) and System II (slow thinking) framework provides a relevant structure to analyze how processes evaluate job candidates. The status quo of workforce decisions is built on biased fast thinking, which limits our ability to find the best people. ▪ System I thinking is not amenable to de-biasing. ▪ System II thinking can be used to design workforce decision systems that focus on accountability, transparency, and bias mitigation. ▪ Responsible AI is optimized for both performance and equity, so it helps reduce bias and find better performing employees. 	Women in Investment Management: Access to Success in a Changing Industry

Embedding Diversity, Equity, & Inclusion (DEI) Across your Organization

1. [McKinsey: Its \(past\) time to get strategic about DEI](#)
2. [McLean & Company: Create a People-First Diversity, Equity, and Inclusion Strategy](#)
3. [CFA Institute: Twenty Actions and Best Practices to Promote Inclusion in the Workplace](#)
4. [Investment Adviser Association: A Practical Guide To Building Diversity Equity & Inclusion At Your Firm](#)
5. [Beyond Intention: Diversity, Equity, and Inclusion Require Action, CFA Institute](#)
6. [How To Integrate Diversity, Equity and Inclusion into Your Investment Decisions, Mercer](#)

Resources for Defending Diversity, Equity, & Inclusion (DEI)

1. [2023 NAIC Biennial Private Equity Performance Study](#)
2. [NAIC Conversation with Arian Simone, Co-Founder & CEO, Fearless Fund](#)
3. [How Investing in DEI Helps Companies Become More Adaptable, Bain & Co.](#)
4. [Asset Managers Who Prepare for Increased Transparency on DEI May See Big Returns, Kaplan](#)
5. [Want to Advance Diversity, Racial Equity, and Inclusion Goals Through Your Investing? Here Are Three Questions to Ask., The Bridgespan Group](#)
6. [Navigating the Challenges of Diversity in Capital Initiatives: Expert Advice, Faster Capital](#)

Organizations Advancing Diverse and Emerging Managers

Panel Topic	Panel Description
All Raise	All Raise is a nonprofit on a mission to accelerate the success of female founders and funders to build a more prosperous equitable future.
Alternative Investment Management Association (AIMA)	AIMA is committed to developing skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA).
American Investment Council	The American Investment Council, formerly the Private Equity Growth Capital Council, is a lobbying, advocacy, and research organization based in Washington, D.C., that was launched by a consortium of private equity firms in February 2007.
Association of Asian American Investment Managers	The Association of Asian American Investment Managers (AAAIM) is a non-profit organization promoting ethnic and gender diversity within the investment industry.
Blck VC	BLCK VC is a nonprofit organization that equips Black investors with the access, education, and community they need to accelerate their careers in venture capital.
Community Development Venture Capital Alliance (CDVCA)	Through investments and professional development efforts CDVCA support other mission-driven private equity and venture capital funds that provide risk capital to growing businesses. We support a national network of 168 fund managers, which manage over \$4.8 billion of investment capital. 71% of these funds are run by Black or Latinx managers, and 100% are focused on investing in low- and moderate-income communities.

Diversity in Action (DIA) initiative	<p>The Diversity in Action (DIA) initiative focuses on a foundational set of actions that LP and GP organizations are taking to advance diversity and inclusion, both internally and within the industry more broadly.</p>
Investor Leadership Network	<p>The Investor Leadership Network was launched in 2018 to facilitate and accelerate collaboration by leading global investors on key issues related to sustainability and long-term growth.</p>
Justice, Equity, Diversity & Inclusion (JEDI) Initiative	<p>The JEDI initiative was formed through a collaboration between IEN and the HBCU Green Fund, with the aim of enhancing endowment investment decision-making in higher education by incorporating Justice, Equity, Diversity & Inclusion (JEDI) factors.</p>
Libra Leaders	<p>Libra Leaders a platform to help women scale the capital ladder as a founder or an investor from early to late stage. Libra Leaders provide access to female founders at each stage of growth with capital, connections, and visibility.</p>
National Association of Investment Companies (NAIC)	<p>NAIC is the largest network of diverse-owned private equity firms and hedge funds. Through education, advocacy and innovative programs, NAIC is focused on increasing the flow of capital to high-performing diverse investment managers.</p>
National Association of Securities Professionals (NASP)	<p>The National Association of Securities Professionals (NASP) is a nonprofit trade association consisting of professionals in the securities industry. NASP brings together the nation's minorities and women who have achieved recognition in the industry as brokers, asset managers, public finance consultants, investment bankers, bond counsel commercial bank underwriters, investors, plan sponsors and other finance professionals.</p>
National Venture Capital Association (NVCA)	<p>National Venture Capital Association (NVCA) is a nonprofit association powered by its members. NVCA convenes venture capital investors, entrepreneurs, and industry partners to shape public policy priorities, to develop new industry initiatives, to provide premier research, and to participate in professional development opportunities with their peers.</p>
New America Alliance (NAA)	<p>Founded in 1999, the New America Alliance is comprised of a 501(c)6 and a 501(c)3 national organization committed to building on American Latino success to forge a stronger America. NAA leadership and members leverage their influence to increase capital access for women and minority-owned firms, and to accelerate diverse leadership in entrepreneurship, corporate America, and public service.</p>

Private Equity Women Investing Network	Private Equity Women Investor Network (PEWIN) is an organization that provides an intimate forum for senior women general partners, limited partners and private equity professionals to network, share investment ideas, explore potential opportunities to work together and generally increase the profile of female leaders in our industry.
SomosVC	A group of experienced venture investors focused on growing and supporting the Latino/a venture capital ecosystem.
The Investment Diversity Advisory Council (IDAC)	The Investment Diversity Advisory Council (IDAC) is a non-profit organization that brings together various professionals across the asset management industry who have one goal: to increase diversity in their organizations.
Women's Association of Venture & Equity (WAVE)	Women's Association of Venture and Equity (WAVE) is a non-profit organization, which was founded in 2003 and is committed to the development and advancement of women at all stages of their career in the alternative investments industry.

Institutions That Have Historically Allocated Capital to Diverse and Emerging Managers

Institution	Category
50 South Capital Advisors	Investment Managers & Advisors
Aksia	Investment Managers & Advisors
Alpha Square Group	Family Offices
American Trading and Production Corporation (NR, NE, N1stTF)	Family Offices
APG Group	Investment Managers & Advisors
Bank of America	Banks
Baltimore Fire & Police Retirement System	Public Pension Plans
Barings	Investment Managers & Advisors
BlackRock	Investment Managers & Advisors
Blue Print Capital	Investment Managers & Advisors
Brown Advisory	Investment Managers & Advisors
California Public Employees' Retirement System	Public Pension Plans
California State Teachers' Retirement System	Public Pension Plans

Institution	Category
Cambridge Associates	Investment Managers & Advisors
Canadian Medical Protective Association	Endowments & Foundations
Chicago Teachers' Pension Fund	Public Pension Plans
Church Pension Group	Corporate Pension Plans
City of Baltimore Employees Retirement System	Public Pension Plans
City of Philadelphia	Public Pension Plans
Common Fund	Investment Managers & Advisors
Connecticut Retirement Plans and Trust Funds	Public Pension Plans
Conrad N. Hilton Foundation	Foundations
Crewcial Partners	Investment Managers & Advisors
Detroit General Retirement System	Public Pension Plans
Detroit Police & Fire Retirement System	Public Pension Plans
District of Columbia Retirement Board	Public Pension Plans
DTE Energy	Corporate Pension Plans
Employees Retirement System of Rhode Island	Public Pension Plans
Employees' Retirement System of the State of Hawaii	Public Pension Plans
Exelon	Corporate Pension Plans
Fairview Capital Partners	Investment Managers & Advisors
Florida State Board of Administration	Public Pension Plans
GCM Grosvenor	Investment Managers & Advisors
George Kaiser Family Foundation	Family Offices
Global Endowment Management	Investment Managers & Advisors
Hall Capital Partners (San Francisco)	Investment Managers & Advisors
Hamilton Lane	Investment Managers & Advisors
HarbourVest Partners	Investment Managers & Advisors

Institution	Category
Heinz Family Office	Family Offices
Hillman Company	Family Offices
Illinois Municipal Retirement Fund	Public Pension Plans
Illinois State Board of Investment	Public Pension Plans
Illumen Capital	Investment Managers & Advisors
Invesco	Investment Managers & Advisors
Investment Management Corporation of Ontario	Investment Managers & Advisors
Investure	Investment Managers & Advisors
J.P. Morgan Asset Management	Investment Managers & Advisors
Los Angeles County Employees' Retirement Association	Public Pension Plans
Los Angeles Fire and Police Pension System	Public Pension Plans
Maryland State Retirement and Pension System	Public Pension Plans
Maryland Teachers & State Employees Supplemental	Public Pension Plans
Massachusetts Pension Reserves Investment Trust	Public Pension Plans
Meketa Investment Group	Investment Managers & Advisors
Mercer	Investment Managers & Advisors
Mesirow	Investment Managers & Advisors
Michigan Department of Treasury	Public Pension Plans
Minnesota State Board of Investment	Public Pension Plans
Muller & Monroe Asset Management	Investment Managers & Advisors
National Railroad Retirement Investment Trust (NASM)	Public Pension Plans
Neuberger Berman	Investment Managers & Advisors
New Jersey Division of Investment	Public Pension Plans
New York City Board of Education Retirement System	Public Pension Plans
New York City Employees' Retirement System	Public Pension Plans

Institution	Category
New York State Common Retirement Fund	Public Pension Plans
New York State Insurance Fund	Public Pension Plans
Oregon Investment Council	Public Pension Plans
Pennsylvania Public School Employees Retirement System	Public Pension Plans
Portfolio Advisors	Investment Managers & Advisors
Public School and Education Employee Retirement Systems of Missouri	Public Pension Plans
Retirement Plans Montgomery County Public Schools' Retirement and Pension System	Public Pension Plans
RockCreek	Investment Managers & Advisors
San Francisco Foundation	Foundations
Schusterman Family Foundation	Family Offices
Sentinel Trust Company	Family Offices
Smithsonian Institution	Endowments & Foundations
South Carolina Retirement System Investment Commission	Public Pension Plans
State Universities Retirement System of Illinois	Public Pension Plans
StepStone / Greenspring Associates	Investment Managers & Advisors
Teacher Retirement System of Texas	Public Pension Plans
Texas County & District Retirement System	Public Pension Plans
Texas Municipal Retirement System	Public Pension Plans
The Glenmede Trust Company	Investment Managers & Advisors
The Hillman Group	Corporate Pension Plan
The James Irvine Foundation	Endowments & Foundations
The Kresge Foundation	Endowments & Foundations
Trinity Health	Corporate Pension Plan
University of Michigan Endowment	Endowments & Foundations
University of Pennsylvania Endowment	Endowments & Foundations

Institution	Category
University of Pittsburgh Endowment	Endowments & Foundations
University of Texas System Endowment	Endowments & Foundations
Virginia Retirement System	Public Pension Plans
Wells Fargo	Banks
William & Flora Hewlett Foundation	Endowments & Foundations
Williams College Endowment	Endowments & Foundations
Wilshire	Investment Managers & Advisors

Diverse and Emerging Manager Capital Allocation Programs

Program	Sponsor
Bank of America	Bank of America
CalPERS Emerging Managers Program	California Public Employees' Retirement System
Chicago Teachers Pension Fund	Chicago Teachers Pension Fund
Connecticut Inclusive Investment Initiative	Connecticut Retirement Plans and Trust Funds
DUMAC Emerging Manager Program	Duke University
Empowerment Fund	Accolade Partners
GCM Grosvenor Small, Emerging, and Diverse Manager Investing	GCM Grosvenor
HarbourVest Partners	HarbourVest Partners
LACERS Emerging Manager Program	Los Angeles City Employees' Retirement System
LAFPP Private Equity Specialized Manager Program	Los Angeles Fire & Police Pensions
MassPRIM FUTURE Initiative	Massachusetts Pension Reserves Investment Management
Michigan Small Emerging Manager Program	State of Michigan Retirement System
MITIMCo Emerging Managers	Massachusetts Institute of Technology Investment Management Company
New Jersey Emerging Manager Program	New Jersey State Investment Council
New York City Retirement System Emerging Manager Program	New York City Retirement System and Comptroller's Office

New York State Common Retirement Fund Emerging Manager Program	New York State Common Retirement Fund
NorthBound Equity Partners Platform	Neuberger Berman
TRS of Illinois Emerging Manager Program	Teachers' Retirement System of Illinois
TRS of Texas Emerging Manager Program	Teachers' Retirement System of Texas

Diverse and Emerging Manager Training Programs

Program	Description
GPx	An open-source, cohort-based program featuring educational content, peer learning, and mentorship by Plexo Capital.
Kauffman Fellows	A two-year venture capital fellowship program.
NextGen Symposium	A comprehensive nine-week virtual training program for women and ethnically-diverse professionals to prepare them to build successful alternative investment firms.
Oper8r	A cohort-based educational community for emerging managers.
Recast Accelerate	A catalytic program to drive the success of women-led, early-stage US funds in venture capital.
Recast Capital Enablement Program	A tuition-free educational program for emerging managers in venture focused on building community and providing strategic guidance on firm building and fundraising strategies.
The Venture Cooperative	An inclusive community, attend public events, and dive deep with cohort-based expert classes.
VC Lab	A 16-week venture capital accelerator program, and created Fund in a Box, a turnkey fund launch and back-office offering.
VC University	A joint initiative by the National Venture Capital Association, the nonprofit Venture Forward and the University of California, Berkeley School of Law.
Venture Capital 101	A collection of online courses, guides and resources covering equity, venture capital, ownership and the Carta platform.
Venture Forward	A supporting organization to NVCA that hosts programs and initiatives, including VC University LIVE, VC University and LP Office Hours.

History & Evolution of Diverse Asset Managers and Investment Companies Within the U.S.

Defining Diverse and Emerging Fund Managers

A **DIVERSE FUND MANAGER** is typically a fund management firm that is owned or controlled by individuals from traditionally underrepresented groups in the financial sector, such as women or ethnic minorities. The focus on diversity often extends beyond ownership, reflecting in the firm's staffing and management, and is believed to bring diverse perspectives into investment decision-making. Investors might choose to work with diverse fund managers to enhance diversity and inclusion within the financial industry or to potentially benefit from the unique insights that such diversity can offer in navigating financial markets.

An **EMERGING FUND MANAGER**, on the other hand, refers to a relatively new and often smaller investment firm in the early stages of its business lifecycle. These firms are characterized by managing smaller amounts of assets and striving to establish a robust track record. The term “emerging” relates more to the firm's business attributes—such as its age and size—than to the demographics of its management team. Emerging fund managers are often seen as offering potentially higher returns, due to their growth phase, but they might also carry higher risks. Institutional investors may allocate funds to emerging managers as a way to capitalize on the innovative strategies and growth potential these newer firms might represent.

Comparing Diverse and Emerging Fund Managers

The terms “diverse fund manager” and “emerging fund manager” are often used interchangeably, but this can be misleading as they refer to different characteristics. The confusion stems from the overlapping contexts in which these managers operate and are sought after by investors. Many institutional investors, such as pension funds and endowments, have specific mandates to allocate investments to both diverse and emerging managers. These mandates aim to promote diversity and innovation within their investment portfolios. Because both types of managers often fall under these special mandates, discussions about them may overlap, leading to some interchangeability in usage. Additionally, Emerging managers, being newer and smaller, sometimes also qualify as diverse managers if they are owned or operated by individuals from underrepresented groups. This overlap can lead to situations where an emerging fund is also a diverse fund, thus blurring the distinctions in discussions about investment strategies and opportunities. Investors who prioritize innovation, inclusivity, or social goals may look towards both diverse and emerging managers as fulfilling these criteria. Despite these overlaps, it's important for investors and industry participants to

understand the distinctions between these terms to make informed decisions that align with their specific investment goals and mandates. Below is a brief timeline of the history and evolution of diverse fund managers and investment companies in the U.S. that also occasionally refers to the origins and features of emerging manager programs.

1990s

Definition	<ul style="list-style-type: none"> Women and/or minority-owned firms with less than \$1B in assets under management
Rationale for Allocation	<ul style="list-style-type: none"> Diversity and inclusion increase exposure to new ideas and investment opportunities
Diverse Manager Universe	<ul style="list-style-type: none"> Small, traditional asset classes (public equity, fixed income, etc.) Manager of Managers (MoM), a type of oversight investment strategy where an overall manager chooses fund managers for an investment program
Diverse and Emerging Manager Programs	<ul style="list-style-type: none"> Very few diverse or emerging manager programs in existence Driven by state and municipal Minority and/or Women-owned Business Enterprise (MWBE) Mandates Programs are dominated by large public and corporate pension plans
Diverse and Emerging Manager Profile	<ul style="list-style-type: none"> Single product (strategy) firms Primarily newly formed teams and key person ownership structures Limited individual and firm track records

2000s

Definition	<ul style="list-style-type: none"> Nomenclature changed from “diverse fund manager” to “emerging fund manager” and now includes fund managers that are neither ethnic minorities nor women Less than \$2B in assets under management (AUM)
Rationale for Allocation	<ul style="list-style-type: none"> Portfolio diversification and risk reduction Talent identification
Diverse Manager Universe	<ul style="list-style-type: none"> Private equity (PE), venture capital (VC), real estate (RE), and hedge fund (HF) managers emerge The emerging manager universe remains dominated by public equity and fixed-income emerging managers

Diverse and Emerging Manager Programs	<ul style="list-style-type: none"> ▪ Several formal “emerging managers programs” are launched ▪ Programs remain dominated by large public and corporate pension plans
Diverse and Emerging Manager Profile	<ul style="list-style-type: none"> ▪ Increased prevalence of strategic partnerships ▪ Improved back-office function and support ▪ Widespread use of technology for deal sourcing, due diligence, and portfolio company management ▪ Experienced emerging manager teams, but the majority have limited track records

2010s

Definition	<ul style="list-style-type: none"> ▪ Minority and/or women-owned firms and emerging manager-led firms (varies based on asset class and occasionally manager specifics) ▪ Emerging fund managers and diverse funders are conflated
Rationale for Allocation	<ul style="list-style-type: none"> ▪ Smaller managers disproportionately outperform larger managers in down markets
Diverse Manager Universe	<ul style="list-style-type: none"> ▪ Robust representation across asset classes (Private equity (PE), venture capital (VC), real estate (RE), hedge fund (HF), public equity, and fixed income) ▪ Increased investment into emerging markets ▪ Fundless sponsor investment firms emerge
Diverse and Emerging Manager Programs	<ul style="list-style-type: none"> ▪ The number of multi-asset class emerging manager programs increases materially ▪ The number of direct capital allocations to emerging managers increases ▪ Increase in the number of emerging manager specialist consultants and fund of funds (FoF)
Diverse and Emerging Manager Profile	<ul style="list-style-type: none"> ▪ Large pool of emerging manager multi-asset class firms ▪ Large number of spinout emerging managers from established firms, both emerging and traditional

2020s

Definition	<ul style="list-style-type: none"> ▪ Now includes most small (<\$2B AUM), emerging (funds I-V), and/or diverse managers ▪ Focus on women and diverse-owned firms increases
Rationale for Allocation	<ul style="list-style-type: none"> ▪ Unlock unique opportunities for strong performance and structural alpha ▪ Increased education across capital allocators of the statistical outperformance of diverse investment firms over large institutional firms
Diverse Manager Universe	<ul style="list-style-type: none"> ▪ Large and established universe of emerging managers across asset classes ▪ Consistent emerging manager growth (100+ new emerging managers annually) ▪ Large number of high-profile emerging managers ▪ Fundless sponsors investment firms increase in prevalence
Diverse and Emerging Manager Programs	<ul style="list-style-type: none"> ▪ The number of multi-asset class emerging manager programs continues to increase ▪ The number of direct capital allocations to emerging managers increases ▪ Increased number of emerging manager specialist consultants and fund of funds (FoF) ▪ Increased number of capital allocator-driven diverse manager initiatives
Diverse and Emerging Manager Profile	<ul style="list-style-type: none"> ▪ Large number of spinout managers ▪ Many diverse managers have proven track records