

ILLUMEN
C A P I T A L

2020 ANNUAL
IMPACT REPORT
EXECUTIVE SUMMARY





ANNUAL NARRATIVE FROM THE MANAGING DIRECTOR

Dear Illumen Capital LPs,

When I was first developing the thesis for Illumen Capital, I had many conversations drawing on the lessons I learned through racial equity trainings I had led for large institutions. While I had been successful in building awareness across teams on topics of diversity, equity, and inclusion, my short-term engagements often failed to lead to long-term organizational change. Moreover, those with the most power and leverage - the investment teams - rarely engaged in the work.

This experience informed the “long-view” mentality we hold at Illumen: we plant and nurture seeds today that will germinate, grow roots, and blossom into future change. In 2020, we planted many seeds, and, while still very early, we are beginning to see evidence of growth.

This is not to say that 2020 was without its challenges. First, the COVID-19 pandemic threw the world into turmoil and created challenging and evolving business dynamics for our firm. Fortunately we were able to continue to operate our core functions with high performance and execute on our mission and strategy. And while our managers reported significant demand for the products and services in which they invest, we remain keenly aware of the disproportionate impact the virus has had on communities of color.

Our team and community was also shaken by the murders of George Floyd, Breonna Taylor, and Ahmaud Arbery; we made clear that the systematic killing of Black men and women in this country must end. As we wrote at the time:

“What so many of us forget are the tens of millions of Black and brown people in the United States who are victims of the structurally racist systems that perpetuate economic violence. We must, in the pursuit of truth, acknowledge asset management’s historic role in perpetuating these systems.”

For Illumen Capital, 2020 was the year we began planting the seeds of a more inclusive and optimal asset management industry.

Last year, we closed our first fund: an \$88 million response to structural racism across investing and an opportunity to demonstrate that diversity can drive alpha. We had an active year deploying capital to a growing portfolio of high-performing funds. In 2020, we committed \$24.5 million into six new funds, with primary exposure to education, financial inclusion, and climate & sustainability sectors and a concentration in seed, venture, and growth stage funds. As of December 2020, our portfolio stood at \$40 million in commitments to 10 funds overseen by seven managers. Our team is currently prioritizing opportunities within health & wellness and private equity as we round out our portfolio in 2021.

Over the past year, we also began building and deploying our bias reduction programming: a blueprint for a more equitable and inclusive asset management industry which we believe is a cornerstone of a more equitable and inclusive society. We collaborated with Stanford SPARQ to develop a baseline survey for our fund managers, intended to gain insight into the most prevalent opportunities to mitigate racial and gender bias with special attention paid to board construction, the investment process, and hiring, retention, and promotion strategies. This tool will allow us to evaluate both the effectiveness of our work going forward and the progress each manager is making toward reducing bias.

We also launched IllumenIQ - our firm’s proprietary bias curriculum delivered to all staff at each fund within our portfolio. In partnership with a leading adaptive learning technology company, we developed a mobile application that allows users to work through targeted educational materials, first-person narratives, instructional videos, and self-reflection exercises. We also provide our managers with research-informed applicable tools and strategies that they can begin to incorporate across their firms to reduce racial and gender bias.



To help our managers and our LPs understand the historical context and ongoing realities of inequality and racial bias, we held three Illumen Capital Impact Experiences in 2020. These convenings centered on Montgomery, Alabama, and used the city's history to demonstrate how the vestiges of slavery, racial lynching terror, and mass incarceration have metastasized in today's asset management industry. We hosted 15 team members from funds within our portfolio, along with 20 LPs and wealth consultants, all of whom made personal and professional commitments to actively advance racial equity.

Finally, over the past year we actively worked to change many of the false narratives that exist within our field - that the lack of diversity across investing is merely a "pipeline" problem, or that investing in diverse managers and entrepreneurs is somehow concessionary. We amplified our voice across a number of media platforms, including the [Capital Allocators podcast with Ted Seides](#), Boston's local NPR station on how [college endowments are beginning to invest in diverse funds](#), and [an op-ed](#) and [corresponding podcast on Impact Alpha](#) on fulfilling the promise of the latest Reconstruction.

In 2020, we planted seeds that we hope will grow into beautiful, structural change in the years to come. The following summary of our firm's first impact report will provide insight into examples of the early growth we're seeing across our fund managers. You'll see a portfolio that is demonstrably more diverse than the broader venture field. You will find evidence of high-engagement in the various tools we have developed to reduce racial and gender bias. And you'll read about the progress each of our managers is making to build more inclusive firms.

We are deeply appreciative of your place in the wider Illumen Capital community and are eager to continue this impactful work.

In gratitude,

Daryn Dodson
MANAGING DIRECTOR



TABLE OF CONTENTS

TAP TO NAVIGATE

Methodology	5
Portfolio at a Glance: Funds	7
Impact in Action	10
Portfolio Highlights	12
Key Learnings & Insights	13



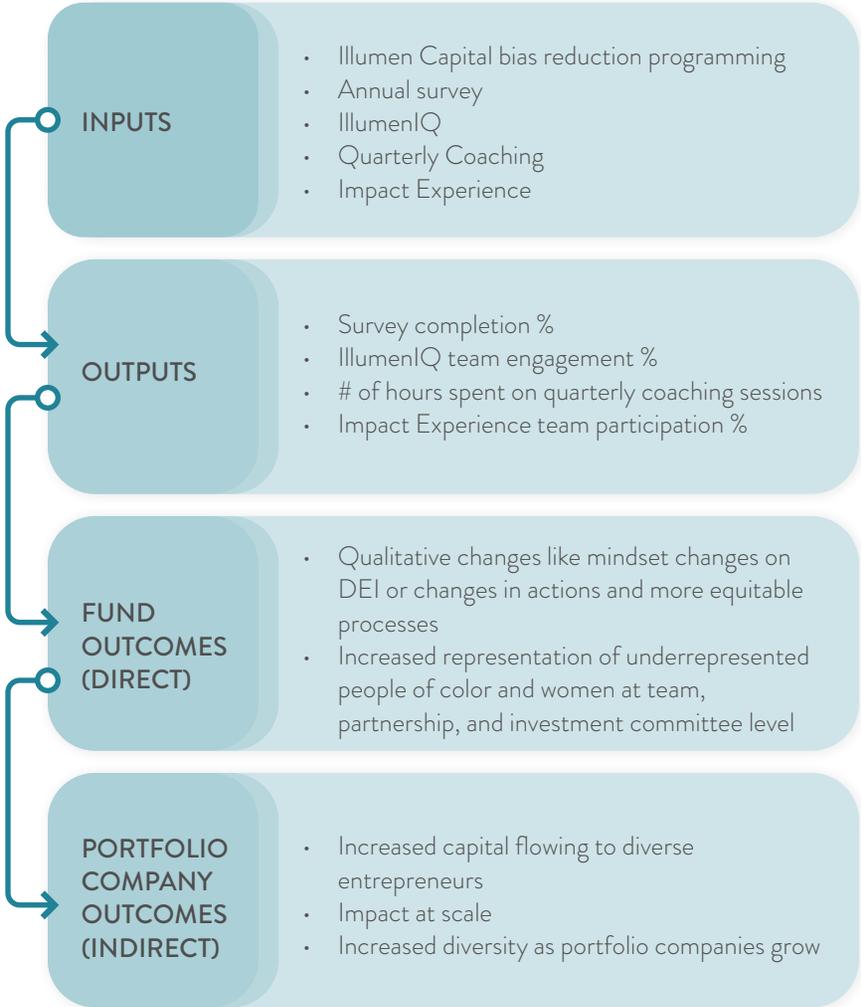


METHODOLOGY



METHODOLOGY

Our impact management and measurement framework aims to understand the influence of Illumen Capital’s bias reduction programming over time on the diversity of fund managers as well as their underlying portfolio companies.



- INPUTS**
- Illumen Capital bias reduction programming
 - Annual survey
 - IllumenIQ
 - Quarterly Coaching
 - Impact Experience

- OUTPUTS**
- Survey completion %
 - IllumenIQ team engagement %
 - # of hours spent on quarterly coaching sessions
 - Impact Experience team participation %

- FUND OUTCOMES (DIRECT)**
- Qualitative changes like mindset changes on DEI or changes in actions and more equitable processes
 - Increased representation of underrepresented people of color and women at team, partnership, and investment committee level

- PORTFOLIO COMPANY OUTCOMES (INDIRECT)**
- Increased capital flowing to diverse entrepreneurs
 - Impact at scale
 - Increased diversity as portfolio companies grow

DEFINITIONS

Women: Any gender identities that do not identify as men, inclusive of gender non-binary, women, and other gender identities

URPOC: Underrepresented person of color, inclusive of Black, Latinx and Indigenous persons

AAPI/MENA: Asian American and Pacific Islander and Middle Eastern North African

PORTFOLIO
AT A GLANCE:

FUNDS





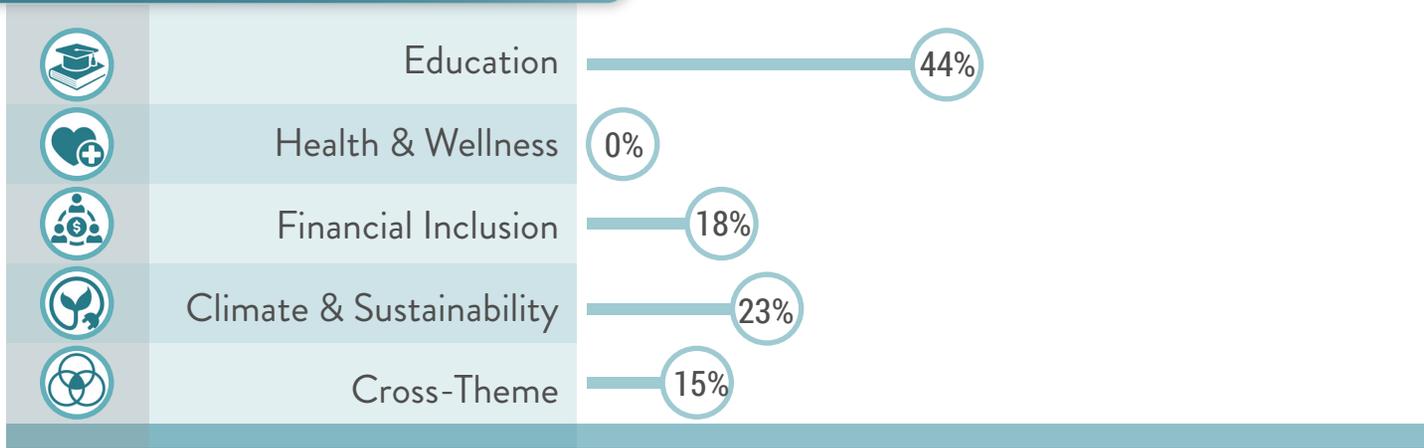
PORTFOLIO AT A GLANCE: FUNDS

Illumen Capital invests in private equity, venture and growth funds with a track record of impact and financial performance. Below are highlights of our portfolio as of December 31st, 2020.

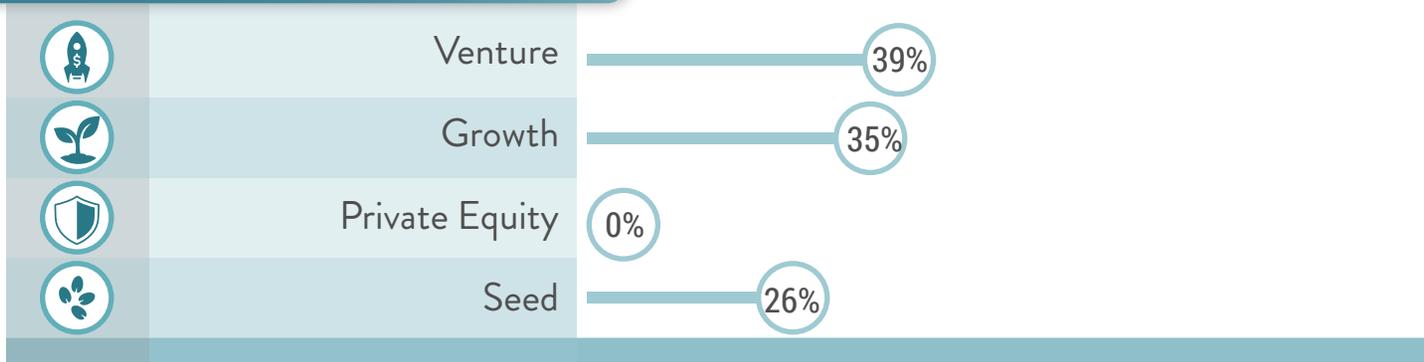




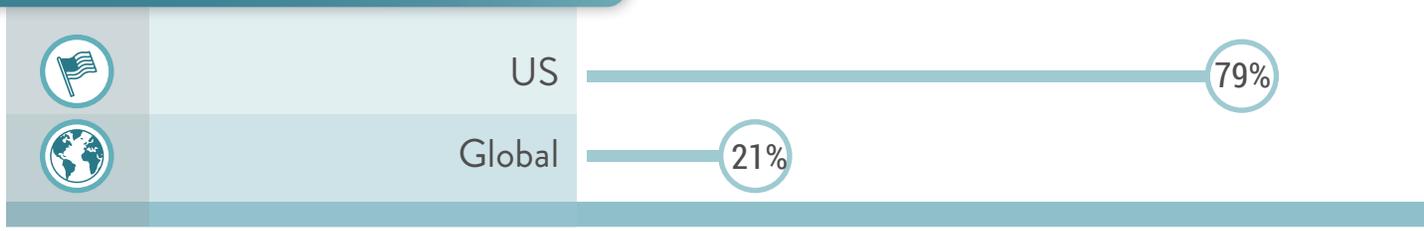
BY IMPACT THEME



BY STAGE



BY GEOGRAPHY



IMPACT

IN ACTION





IMPACT IN ACTION

Illumen Capital works closely with the fund managers in our portfolio to integrate evidence-based tools and strategies designed to reduce racial and gender bias within the investment process. We engage individual team members to demonstrate why diversity and equity lead to a more inclusive workplace culture, more impact, and stronger financial performance. Each element of our programming - intended to work in concert with each other - is meant to help our managers better identify, evaluate, and invest in entrepreneurs who have historically been overlooked and underestimated.

Here is an overview of our bias-reduction toolkit, developed and deployed in 2020:

Baseline survey

In 2020, the baseline survey was administered to all employees, including General Partners, investment team members, and operational and non-investment staff, at the seven funds within our portfolio at the time. **We received responses from 67 employees, which was a completion rate of 92% of all employees across all funds.**

IllumenIQ

In 2020, we launched the first set of lessons that aims to encourage individual reflection on identities and lived experiences, as well as to provide an understanding of why bias exists and situations in which biases can be triggered. **72% of all employees within Illumen Capital's portfolio are active on IllumenIQ.**

Coaching

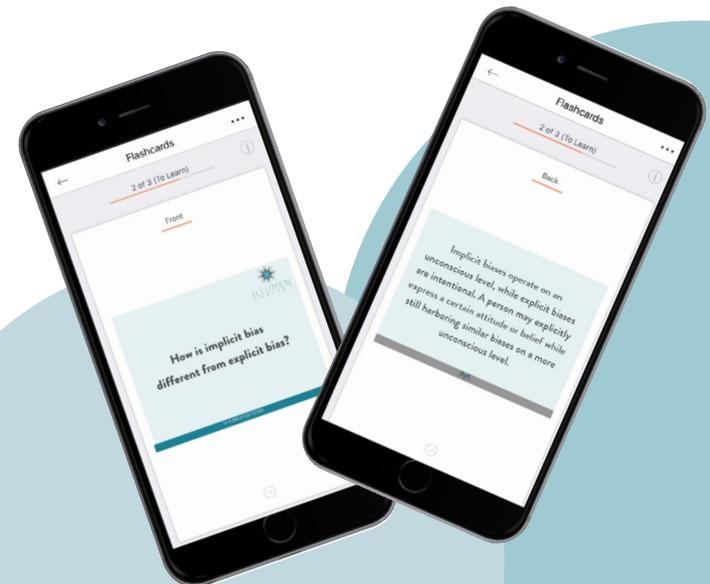
In tandem with IllumenIQ, we hold routine coaching sessions for fund managers to solidify our tools and education into real-world action and application. **We approximate ~45 hours spent in coaching time with fund managers in 2020.**

Impact Experience

The Impact Experience enables people to recognize, dismantle, and replace the biased representations that continue to exist in the broader cultural context through positive intergroup contact. **In 2020, over 20% of all team members across our portfolio and over 30% of managing partners participated in one of three Impact Experiences. Additionally, 20 individuals from Illumen Capital's community of LPs and wealth consultants participated, representing over \$1 trillion in capital under management.**

"Illumen provides an incredibly supportive and inspiring network of thought leaders, philanthropists, and investors, with a unique approach of supporting the work we each do with deep empathy, understanding as well the important expectations around accountability and delivery of results...the demand for excellence is clear."

- Illumen Capital Fund Manager





PORTFOLIO HIGHLIGHTS

The Investment Process

- Our funds prioritized expanding the diversity of the founders in whom they invest and invested in Black- and female-founded companies.
- One of our funds pledged a percentage of its annual operating profit and carried interest in all funds to support organizations advancing racial justice both broadly and within venture capital.

Hiring

- Our funds created internship initiatives designed to attract and foster underrepresented talent; 8 interns and fellows from underrepresented backgrounds have joined the teams of our funds or their portfolio companies.
- One of our funds initiated a partnership with historically Black colleges and universities (HBCUs) to train students for work within their portfolio companies.
- One of those interns will join the team full-time this summer, the second Black man on his team.
- One of our funds hired four women as Principals on their previously all-male investment team.

Meaningful Action

- Our funds dedicated time, capacity, and leadership to advance and incorporate diversity, equity, and inclusion across initiatives including internships and hiring, independent board seats, and education and training for staff.
- Our funds also engaged in supporting their portfolio companies in incorporating diversity into their products and services as well as among their staffs and boards as they scale their businesses.
- One of our funds sponsored a series of three Impact Experiences designed specifically for their portfolio founders, staff, and co-investors in the field.

Research and Data

- One of our funds integrated racial diversity metrics into impact reporting for the first time.
- One of our funds completed a case study with the Stanford Graduate School of Business examining why Black, Latinx, and indigenous founders get overlooked and identifying opportunities to increase equity in the investment process.





KEY LEARNINGS & INSIGHTS



KEY LEARNINGS & INSIGHTS

Empowering a bottom-up approach: We enable every team member at firms to access the IllumenIQ bias reduction training so that any individual can see an opportunity to reduce biases at their firms and in the field. This empowers individuals with the skills and buy-in to, in their role, shift institutional policies, norms, and structures - from rewriting interview questions to establishing standardized due diligence questions. Acknowledging that all staff in an investment firm have power as gatekeepers of capital has been a powerful way to reduce bias.

Sustained coaching conversations are critical to humanize bias reduction: Coaching ensures that Illumen Capital's tools and strategies fit into the culture of firms and individual motivations. We find that when we spend more time on coaching conversations, fund managers feel more comfort and autonomy to innovate and apply tools in new ways that fit their broad investment and diversity goals. By helping fund managers understand the situational opportunities and best timing to apply tools and strategies, Illumen Capital supports firms in overcoming the hurdle of "not knowing where to start or what to do." Once fund managers feel confident in their ability to apply strategies to their work, we have seen our bias training be a launching pad for further innovation on how best to integrate diversity at the portfolio level.

Our levers of bias reduction ultimately create a paradigm shift: As underlying fund staff and leaders are given a space to talk about personal lived experience through the Impact Experience and IllumenIQ debrief sessions, they are slowly practicing a new way of thinking and acting. This includes taking time to connect and understand one another as a pathway to understand more diverse entrepreneurs. More so, we have seen that with an increased understanding of the personal narratives of one's coworkers comes a recognition of the overlooked and diverse talents and experiences that might unlock additional business value.

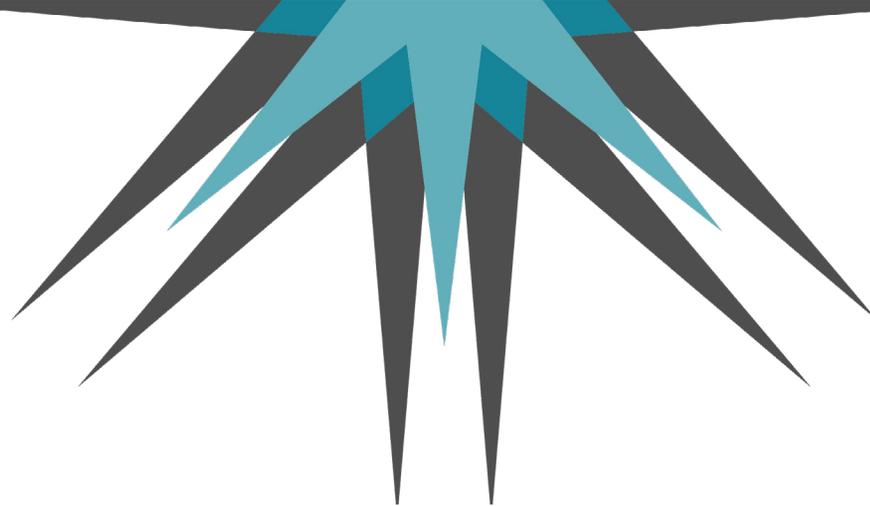
The importance of changing systems, not just mindsets: We know the reason that bias can seem intractable is that interventions rarely take into consideration the mutually constituting nature of culture. Interventions that target bias in the hearts and minds of individuals without addressing the systems in which they are immersed, such as by altering incentives or social norms, are often wiped out. Similarly, interventions that target institutional policies without achieving buy-in from institutional actors can often be undermined and bypassed.

Internal champions at each fund sustain our work: As Illumen Capital works as an external partner to each of our funds, we see the most powerful changes when there is a person or team that sees diversity, equity, and inclusion as a core responsibility and contributing factor to the success of their job. While this person or team differs in job title and role from firm to firm, we note that the firms with an internal champion seem to have more firm alignment, buy-in for, and movement on DEI initiatives.

Long-term partnerships enable systems-change: Our ten-year timeline with our portfolio fund managers enables us enough time to not only shift the hearts and minds of individuals but also work closely with funds to implement new strategies that address the systems in which they are immersed. Our approach was captured in a Forbes' article about effective diversity training programs: "With little evidence to support the efficacy of the one-off lectures and yearly self-guided trainings that most companies have invested in, long-term commitment and ongoing learning seem to be the answer."⁸

⁸ <https://www.forbes.com/sites/pauleannareid/2021/02/22/elise-smith-ceo-of-praxis-labs-raises-32-million-in-venture-capital-to-help-bring-forth-more-conscious-leaders-using-virtual-reality/?sh=b2a6881fc73a>





Thank you to all of those within the Illumen Capital community for making the progress found in this report possible. We are grateful to be on this journey with you, and look forward to together building an inclusive and optimal asset management industry that will be the cornerstone of an equal and equitable future.

ILLUMEN CAPITAL TEAM

Daryn Dodson, Managing Director

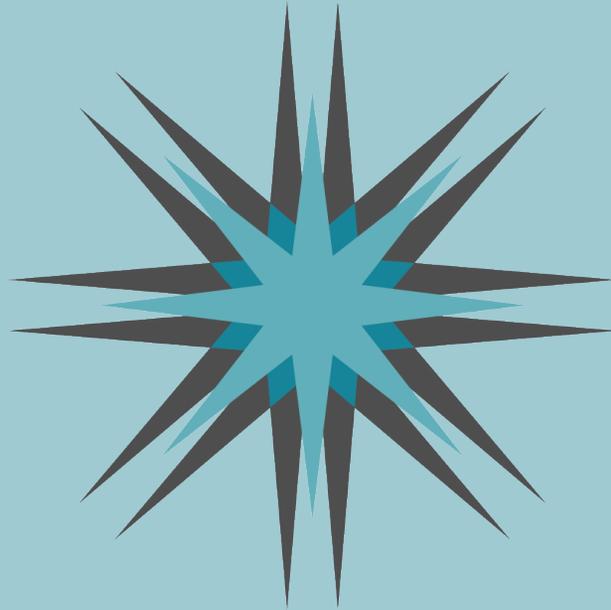
Heran Getachew, Director of Investments

Jason Henning, Senior Vice President, Investor Relations

Joanna Kuang, Product Manager

Illumen Capital
2323 Broadway
Oakland, CA 94612
www.illumencapital.com





ILLUMEN
CAPITAL

www.illumencapital.com