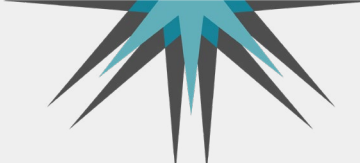




2022 ANNUAL IMPACT REPORT

EXECUTIVE SUMMARY



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LETTER FROM THE MANAGING PARTNER YEAR IN REVIEW

Dear Illumen Capital Community,

As I sit down to draft this annual letter, I am deeply proud of the progress our firm has made over the past 12 months and am grateful for the support we've seen from our investor community. We made great strides in 2022 – investments in new managers, twofold growth in our assets under management, and the launch of a new strategy – as well as significant advances on our goal to build a more equitable and optimal asset management industry.

Before I share important updates, I want to recognize the heightened urgency for our efforts. Following the murders of George Floyd, Breonna Taylor, and Ahmaud Arbery, amongst others – and the subsequent racial reckoning our country underwent in the Summer of 2020 – we observed a steady stream of proclamations and initiatives from banks, corporations, and investment firms aimed at driving more capital into the hands of underrepresented managers and founders. However, nationally, as time has moved on, interest in investing in funds and companies led by people of color has dwindled: financing for Black startup businesses fell by over 50% from 2021 to 2022¹. Further, startups with all-women teams received just 1.9% in venture funding, also down from the previous year². As we share later in this report, our team is anticipating continued headwinds in the financial markets, and we know that bias tends to increase during times of uncertainty, volatility and inflation. I am both proud of our firm's accomplishments and clear-eyed on the challenges ahead of us.

¹ <https://news.crunchbase.com/diversity/venture-funding-black-startups-2022/>

² <https://techcrunch.com/2023/01/18/women-founded-startups-raised-1-9-of-all-vc-funds-in-2022-a-drop-from-2021/>


Despite the progress that has been made, there is still much work to be done to address biases and achieve greater diversity and equity in the asset management industry. With this in mind, I am pleased to share updates on the progress our firm has made over the past year. First, our team worked tirelessly throughout 2022 raising capital for Illumen Capital II, LP. As this report is published, we have closed our Fund II at nearly \$170 million in committed capital, an amount that is almost twice the size of our first fund, and an impressive total in a challenging fundraising environment. We are grateful to have received investment commitments from over 100 limited partners (LPs) for this effort, including investors participating through an exclusive partnership with a major bank's private wealth platform.

We also launched a new strategy, the Illumen Catalyst Fund, designed to address the significant structural barriers to access to capital for first-time fund managers. The Catalyst Fund intends to drive capital to fund managers from underrepresented backgrounds who are just beginning to build their first fund.

We also were active in deploying capital through Fund II, with \$72 million invested in eight funds over the course of 2022. While we invested in some successor vehicles with existing managers, we also introduced new managers to our portfolio.

Our bias reduction team deepened and expanded our programming with a number of new tools and strategies. First, we produced a second animated video dedicated to reducing bias within the sourcing, screening, and investment processes, and shared this resource with fund managers in coaching sessions. Our team also developed highly personalized coaching plans for each manager; this included working closely with fund manager DEI team leads, identifying key strategic partnerships with external partners (e.g., leadership coaches), and engaging manager leadership to build sustainable processes that are more easily integrated in daily functions.

We also strengthened our bias reduction team by welcoming Leila Mengesha as our Impact Associate. Leila is supporting portfolio fund managers on bias reduction and advancing Illumen's impact measurement and management efforts, leveraging her experience building research processes for Grammarly and supporting the mutual aid efforts of Tiphub.



We hosted two Impact Experiences, gatherings designed to support our managers and investors in understanding the legacy of slavery, and present-day manifestations of the fundamentally biased legal and societal structures that underpin and perpetuate inequity and injustice, particularly as it relates to the asset management industry. Over the course of these convenings, we gathered over 40 limited partners, investment consultants, and fund managers as we visited the Equal Justice Initiative's Legacy Museum & Memorial for Peace and Justice (commonly known as the *Lynching Memorial*) to collaboratively explore the challenges of implicit bias as they relate to structural racism.

Over the course of this past year, our organization also sharpened its focus on building a high-quality fund of funds platform. We made operational and vendor changes to meet the needs of our growing firm, including adding Affinity as our new CRM platform to better manage a growing universe of GPs and LPs, securing lines of credit for our active funds for a more efficient capital call cadence, strengthening our internal finance and accounting functions through our relationship with Standish Management, and onboarding AspenHR, a professional employer organization (PEO) that is providing a full range of human resource services while increasing our purchasing power for essential benefits.

In April 2022, Illumen Capital Management, LLC successfully registered with the Securities and Exchange Commission (SEC) as a Registered Investment Advisor (RIA). In addition, we took action to ensure we maintained high compliance standards by partnering with Optima Partners for compliance consulting and Abacus Group for full-service IT support. We also recommitted to living our own values in 2022 and beyond by advancing a number of internal improvements, including a stronger DEI policy as well as incorporating a more inclusive hiring process.

Finally, we also made significant investments in our external communications strategy. We recognize the power that narratives can play in developing and memorializing racism and sexism and made it a priority to combat harmful narratives within asset management. Our team was successful in earning interviews with [Bloomberg TV](#) and [Motley Fool](#), media placements in [Black Enterprise](#) and [NASDAQ](#), and

bylines in industry publications such as [Corporate Compliance Insights](#) and [HR.com](#). We will continue to be a strong voice for those who are underrepresented and overlooked within asset management.

We are inspired by the impact highlighted in the pages below, and eager to build upon this early success. Thank you for being a part of our effort to build a more diverse and equitable asset management field.

In gratitude,

Daryn Dodson
MANAGING PARTNER

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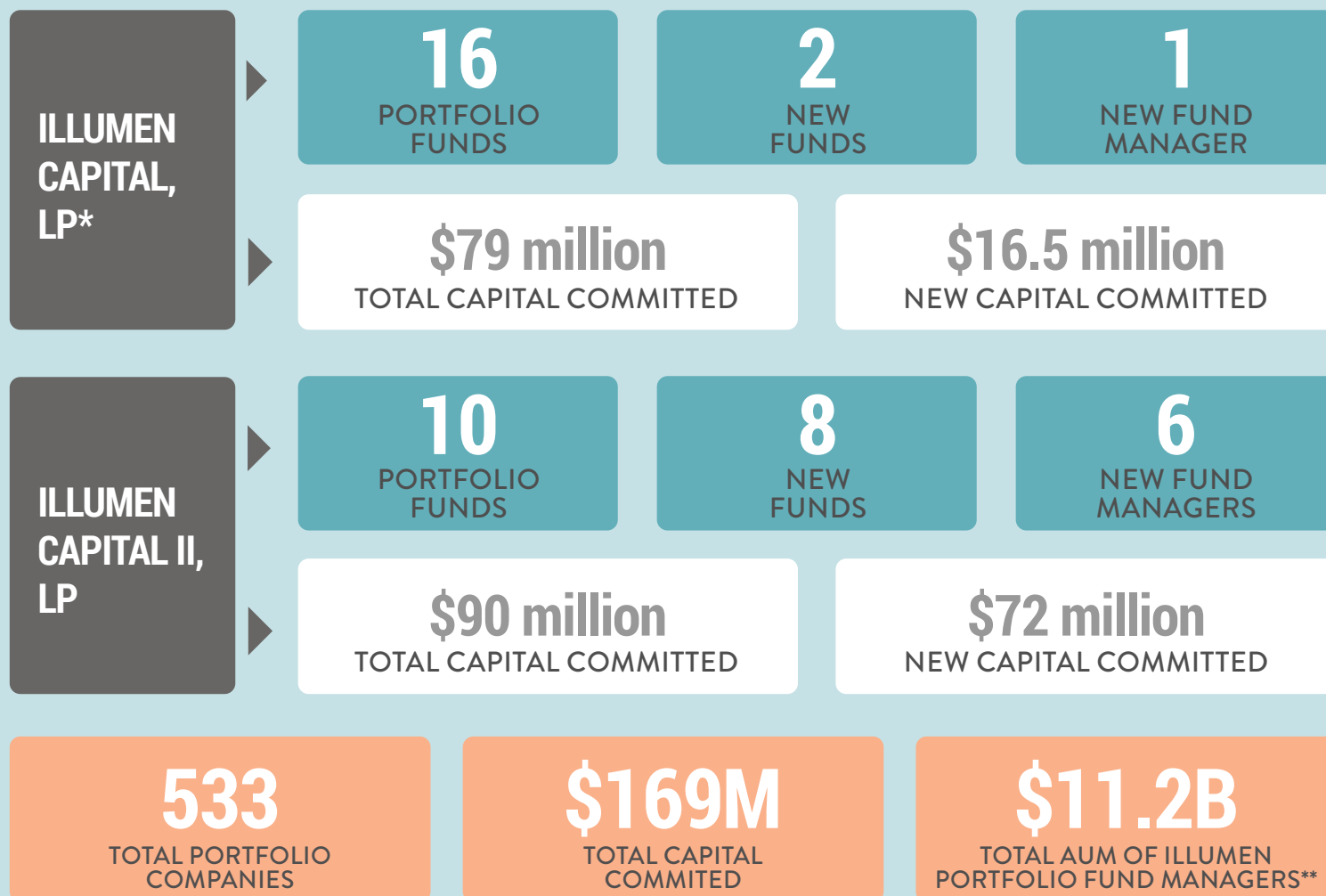




PORTFOLIO AT A GLANCE: FUND DATA



2022 AT A GLANCE

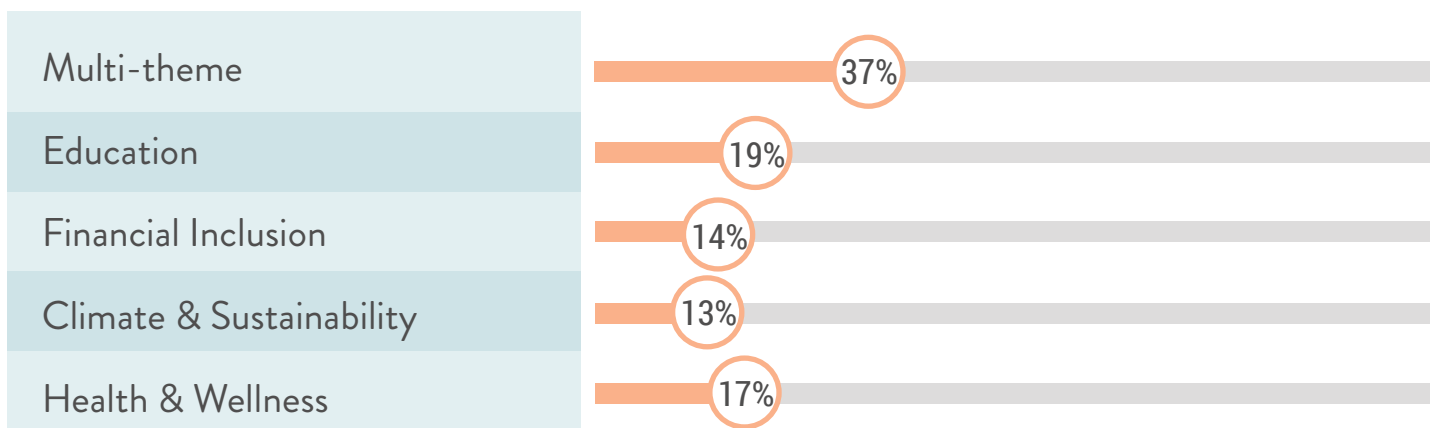


* Illumen Capital, LP is inclusive of Illumen Capital, PRI

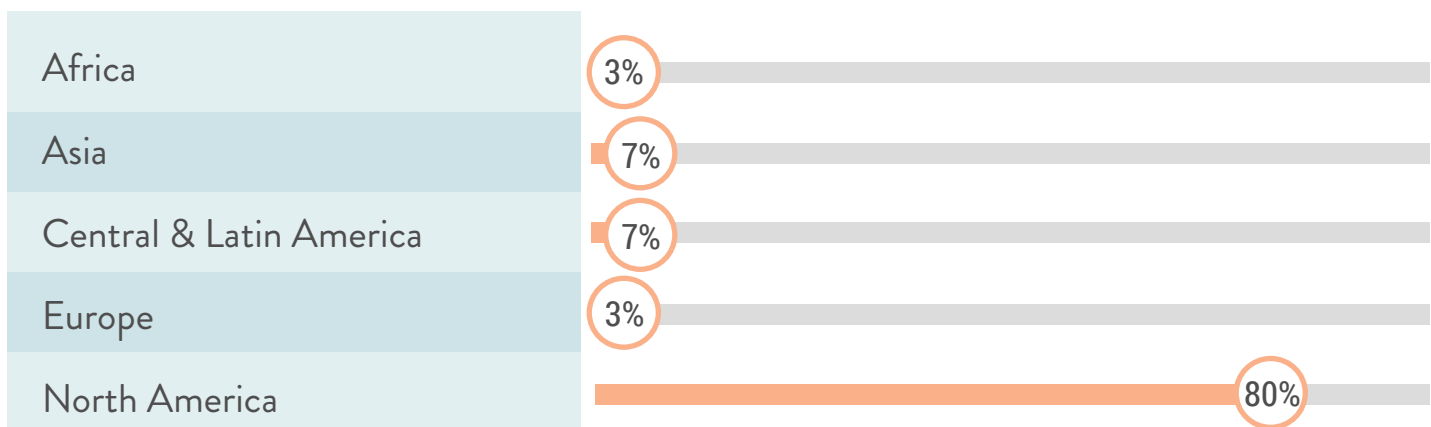
**Publicly reported AUM per Pitchbook as of May 9, 2023. All other data as of December 31, 2022



PORTFOLIO BY IMPACT THEME



PORTFOLIO BY GEOGRAPHY



**Aggregate data for Illumen Capital, LP, Illumen Capital PRI, LP, Illumen Capital II, LP.
** Data displays a breakdown of underlying portfolio companies (not capital weighted)*



PORTFOLIO AT A GLANCE:
DIVERSITY DATA



Illumen Capital's mission continues to be to achieve racial and gender equity across investing. We view racial and gender bias as structural problems that deserve a structural response - which is why we leverage our power as investors to deliver strategies and tools designed to reduce bias alongside our fund managers. This work is intended to build more diverse and inclusive firm partnerships, fund management teams, investment committees - and ultimately portfolio companies - and we measure our impact in part through a key set of diversity metrics.

Methodology

► RACE

We asked fund managers in our portfolio to report racial diversity for those who identify as Black, Latinx, Indigenous, White, Asian American or Pacific Islander or Middle Eastern/North African (AAPI/MENA), and, based on feedback from last year, we added a category this year for Multiracial People of Color (POC). We define underrepresented people of color (URPOC) as those who identify as Black, Latinx, Indigenous, or Multiracial People of Color.

► GENDER

We asked fund managers to report gender diversity for those who identify as men (defined by those who use "he/him" pronouns), women (defined by those who use "she/her" pronouns), and gender non-binary (defined by those who use "they/them" pronouns).

This year, as with 2021, no individuals at any of our portfolio fund managers identified as gender non-binary, demonstrating an opportunity to continue diversifying the perspectives of staff across impact investing firms. Thus, though we asked for this reporting category again, there will be no visible gender non-binary individuals in the following graphs in this section.





Methodology

INPUTS

- ▶ Quarterly coaching sessions
- ▶ IllumenIQ toolkit
- ▶ Impact Experience
- ▶ Data and research to inform what works

OUTPUTS

- ▶ Hours of participation in quarterly coaching sessions
- ▶ Hours of engagement in IllumenIQ
- ▶ Team participation % in Impact Experience
- ▶ Survey completion %

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



Diversity of GPs



GENDER

Illumen Capital funds



Benchmark

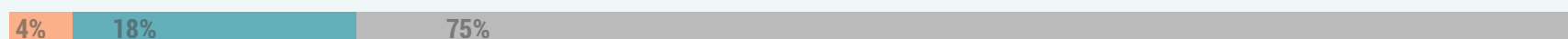


RACE

Illumen Capital funds

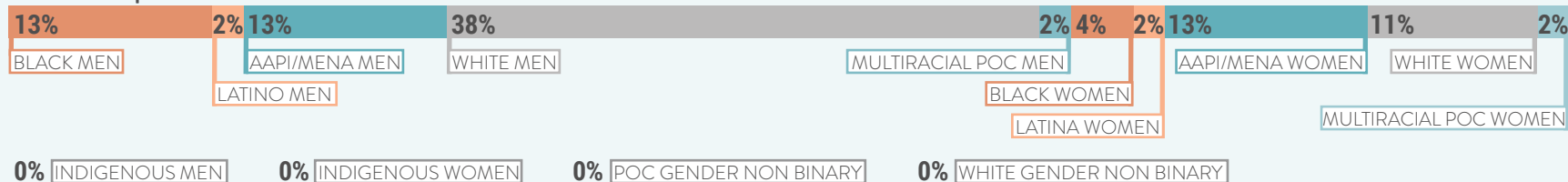


Benchmark



FULL BREAKDOWN

Illumen Capital funds



(1) One fund manager only reported URPOC, so the denominator for Black, Latino/a, Indigenous and Multiracial POC does not include this fund manager's data.
 (2) Benchmark Data (Deloitte 2022)

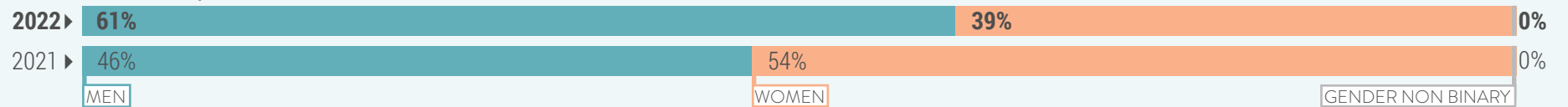


Diversity of Investment Team



GENDER

Illumen Capital funds



Benchmark

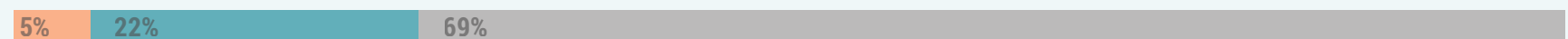


RACE

Illumen Capital funds

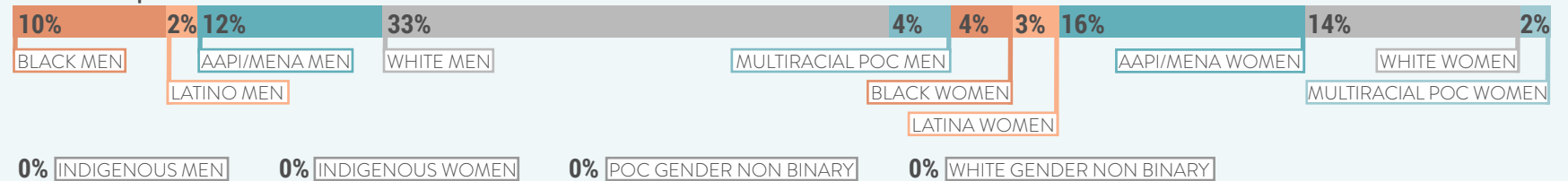


Benchmark



FULL BREAKDOWN

Illumen Capital funds



(1) One fund manager only reported URPOC, so the denominator for Black, Latino/a, Indigenous and Multiracial POC does not include this fund manager's data.
 (2) Benchmark Data (Deloitte 2022)

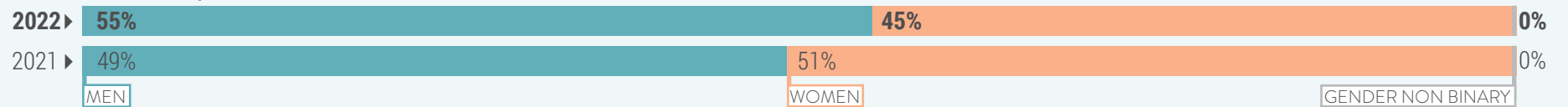


Diversity of Full Team



GENDER

Illumen Capital funds

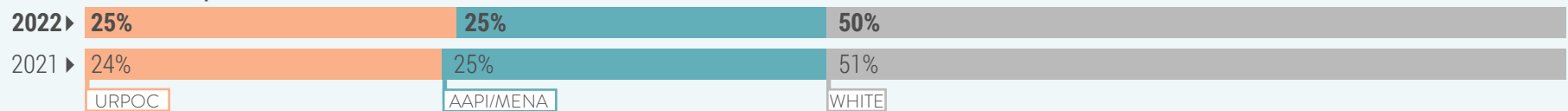


Benchmark

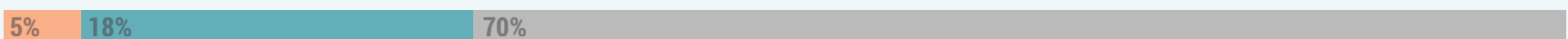


RACE

Illumen Capital funds

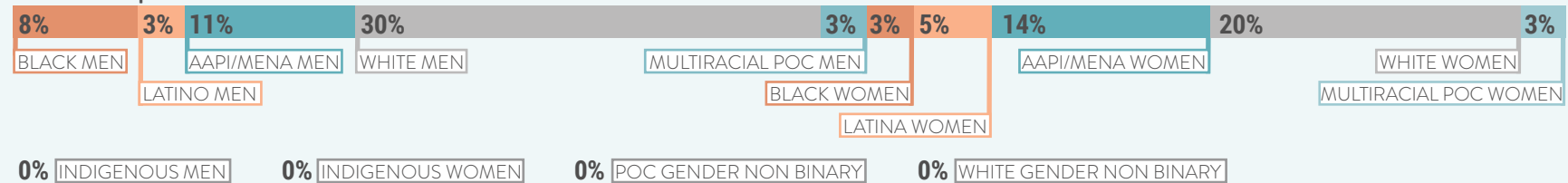


Benchmark



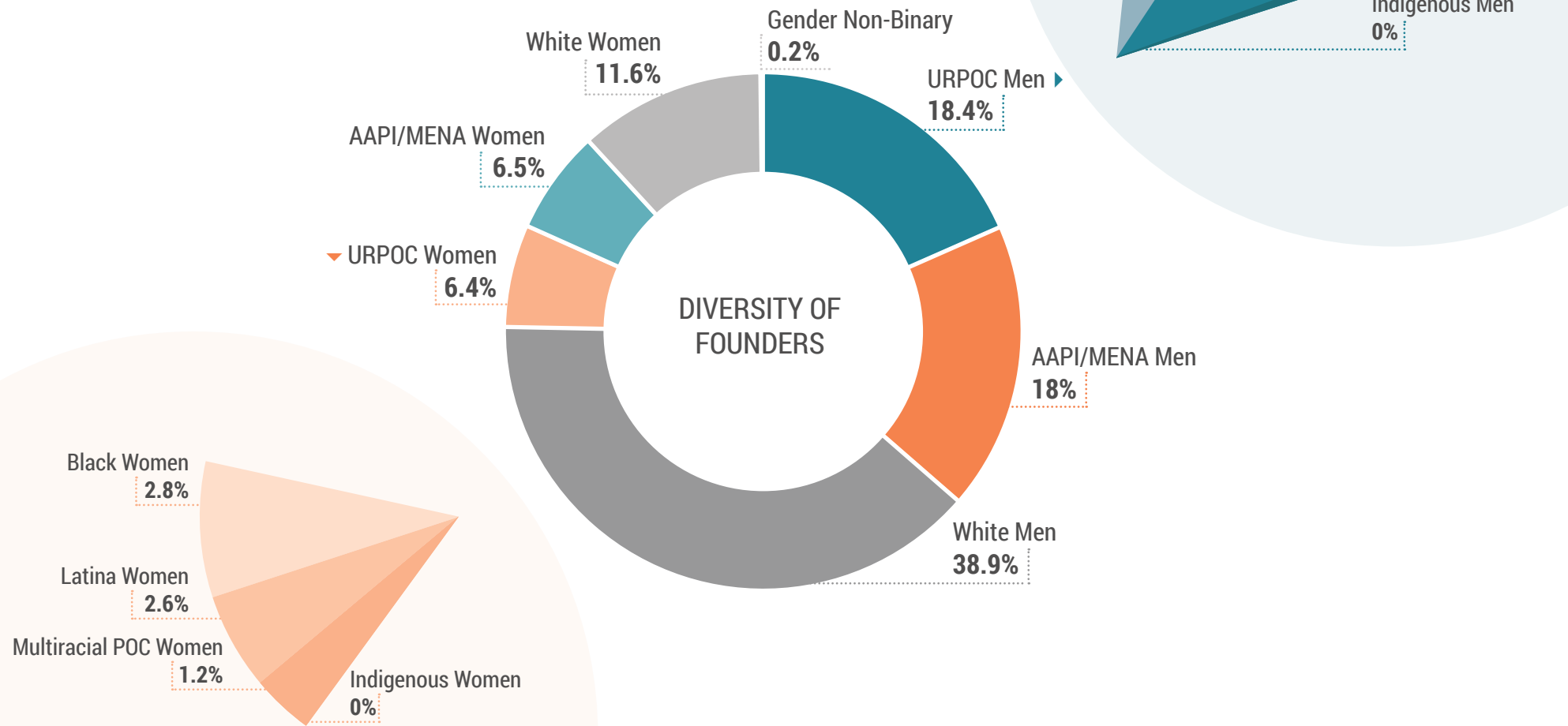
FULL BREAKDOWN

Illumen Capital funds



(1) One fund manager only reported URPOC, so the denominator for Black, Latino/a, Indigenous and Multiracial POC does not include this fund manager's data.
 (2) Benchmark Data (Deloitte 2022)

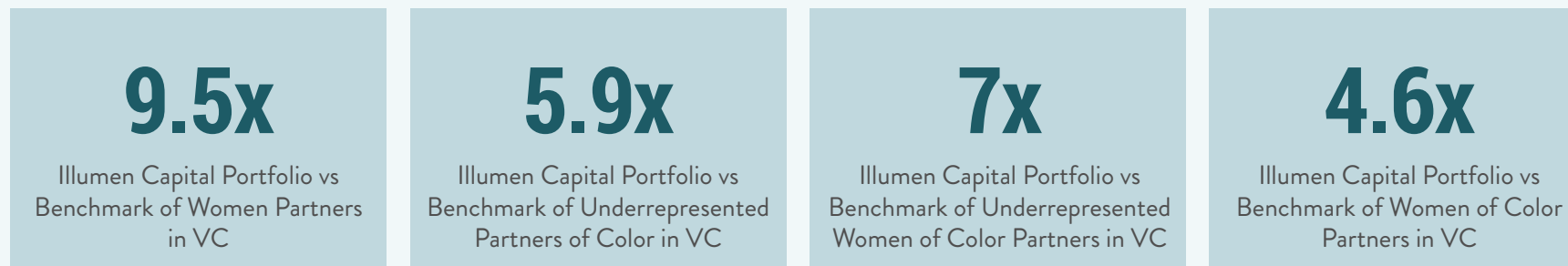
Portfolio Company Diversity



(1) One fund manager only reported URPOC, so the denominator for Black, Latino/a, Indigenous and Multiracial POC does not include this fund manager's data.
 (2) Does not include portfolio company data on race and gender for one manager that operates as an international fund with different reporting categories.

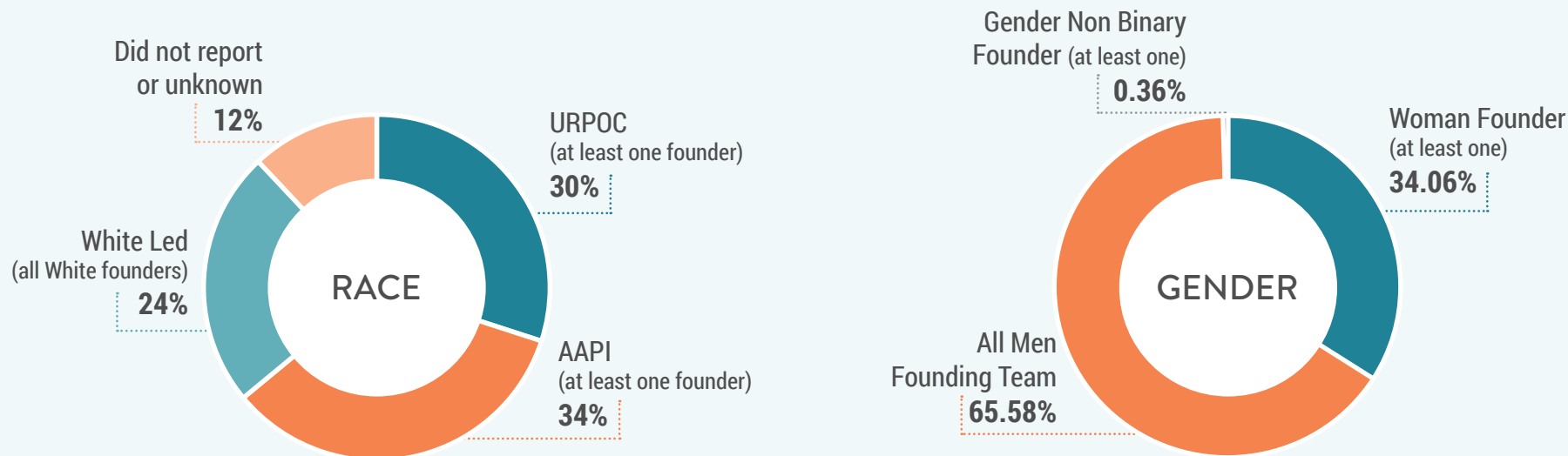


Comparison at a Glance



Portfolio Company Trends

DIVERSITY OF COMPANIES BY LEADERSHIP



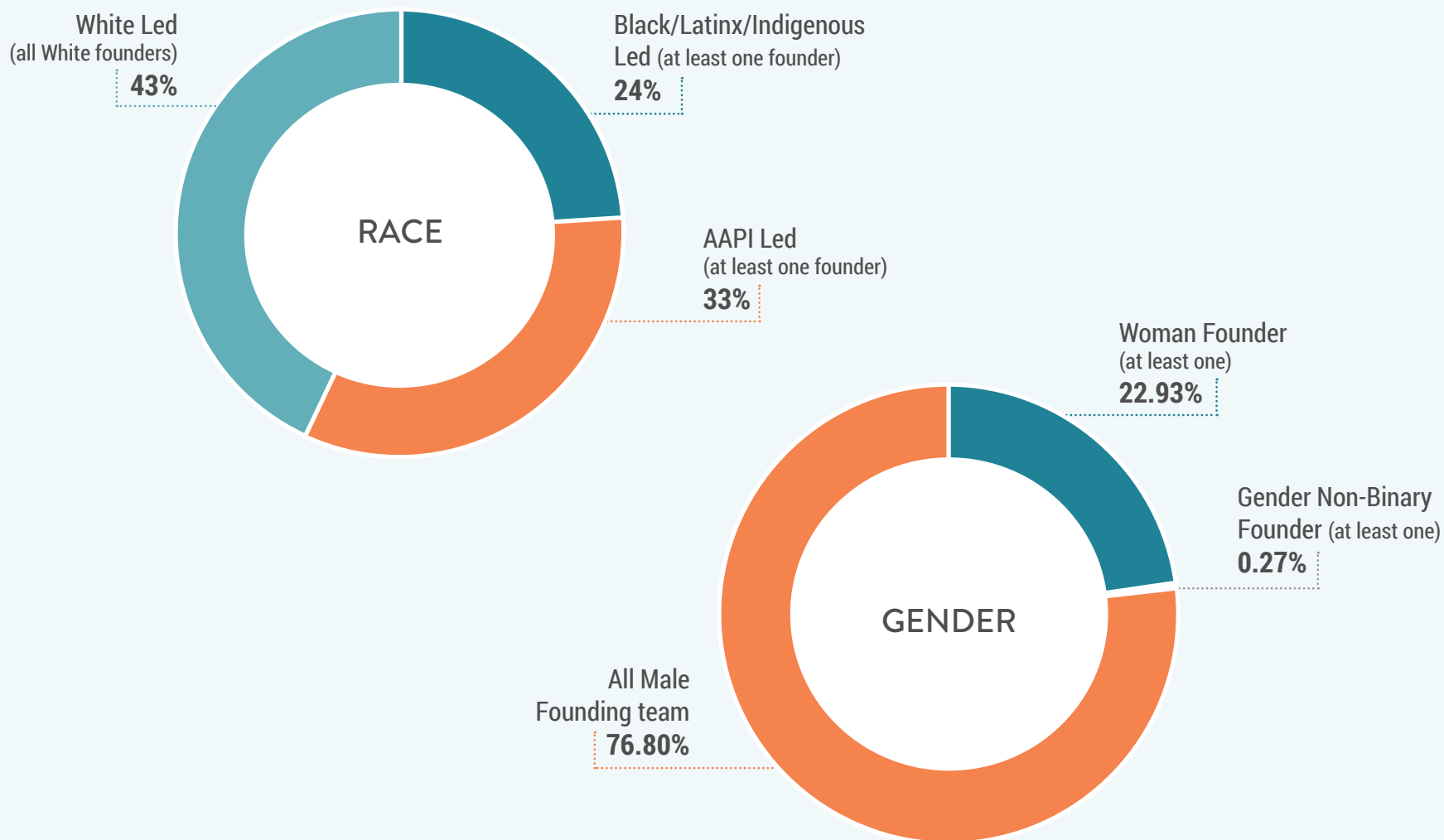
(1) Benchmark Data (Deloitte 2022), Women in VC 2020.

(2) Does not include portfolio company data on race and gender for one manager that operates as an international fund with different reporting categories.



DIVERSITY BY INVESTMENT AMOUNT

Dollars invested in companies by demographics of founders



**Does not include portfolio company data on race and gender for one manager that operates as an international fund with different reporting categories.*



QUALITATIVE DATA

Illumen Capital collects quantitative data to help understand the diversity of our portfolio at a moment in time, as well as year-over-year progress across our portfolio. We complement this data with qualitative data, asking questions that help us evaluate our managers' shift in mindset and attitudes and their commitment to changing wrong and harmful narratives at the individual and organizational level. For the second year in a row, we deployed an annual survey to portfolio fund managers to collect qualitative data, helping us understand DEI barriers and opportunities and contextualize quantitative data. This section highlights some of the key findings of our 2022 qualitative survey, which had 82 respondents.



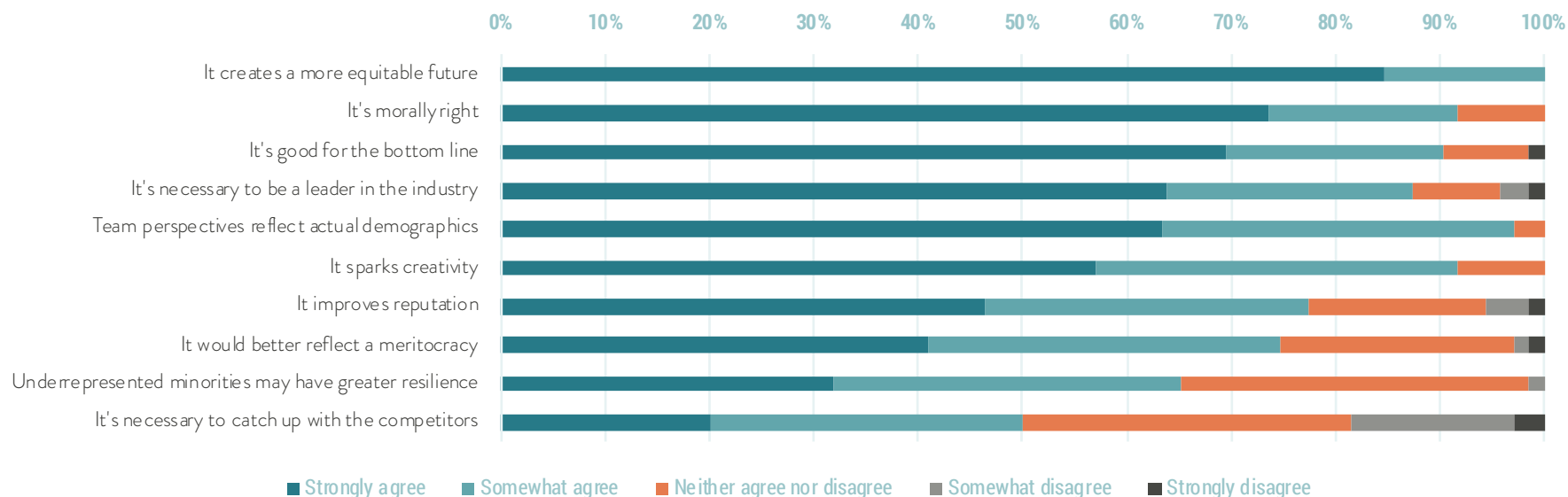


ATTITUDES

Our survey sought to better understand our managers' perspectives on why diversity, equity, and inclusion matter in investment firms, asking managers to rate the extent to which they agree or disagree with reasons for increasing representation of URPOC.

- ▶ The top reasons to increase representation of underrepresented women and POC (based on strongly agree) were: "It creates a more equitable future" and "It's morally right" and "It's good for the bottom line."
- ▶ The most controversial (as in most disagreement) reason is "It's necessary to catch up with competitors."
- ▶ Compared to 2021, overall, there was less disagreement and more agreement with all moral and financial reasons to increase representation of URPOC in investing.

It's important to note the response "It's good for the bottom line," with little disagreement, is new compared to the top 2021 top responses, and demonstrates a shift towards believing in a financial relationship between diversity and returns.

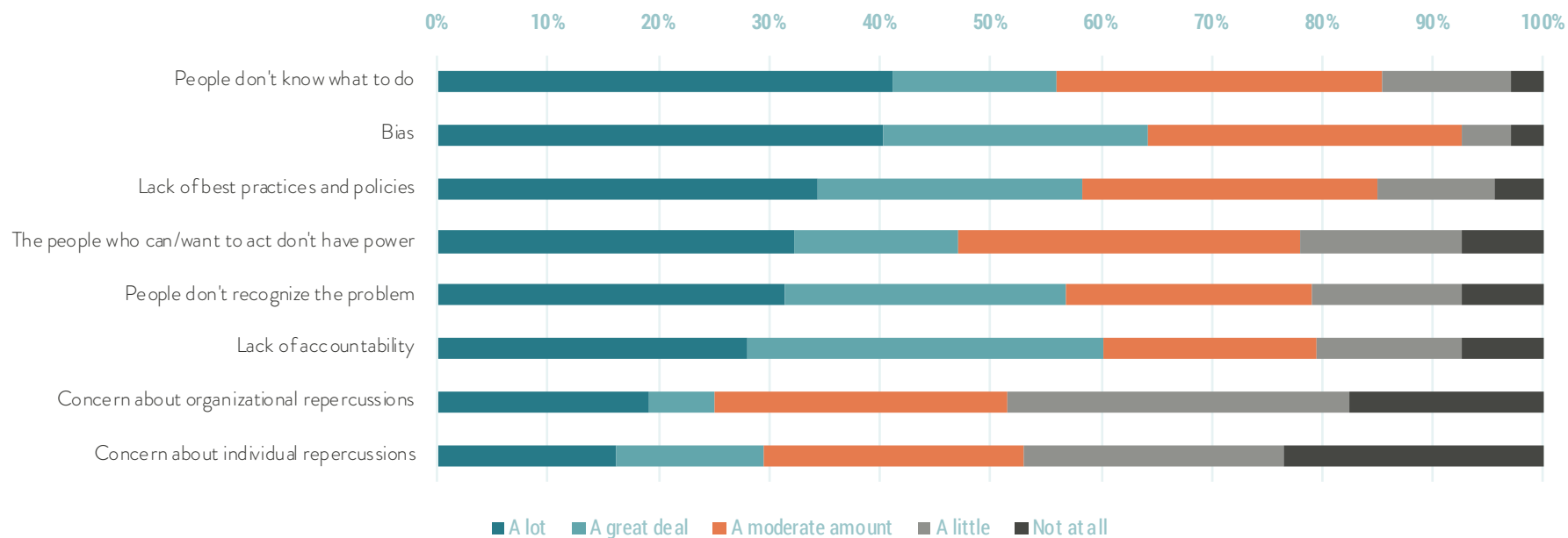




BARRIERS

This year, as with 2020 and 2021, we again surveyed our managers on their biggest perceived barriers to making progress on diversity and representation of URPOC and women in investment firms.

- ▶ In 2022, the top barriers were “People don’t know what to do,” “Bias,” and “Lack of best practices and policies” – the same three barriers highlighted by managers in our previous survey.
- ▶ When we disaggregated responses by whether firms have a Black GP or not, we found that the top barriers for respondents with a Black GP are “People don’t recognize the problem” and “People don’t know what to do” pointing to inaction by individuals at organizations or in the field, whereas the top barriers for respondents with no Black GPs are “Bias” and “Lack of best practices and policies” pointing to more systemic barriers.
- ▶ Concern about individual/organizational repercussions represent the lowest barrier (i.e. least agreement that this is a barrier).
- ▶ The biggest year-over-year changes from 2021 is seeing fewer respondents believing they “don’t have the power” and that “people don’t recognize the problem” - a positive development demonstrating more individual empowerment to recognize and act on bias (and making the need for guidance and best practices even more pronounced).

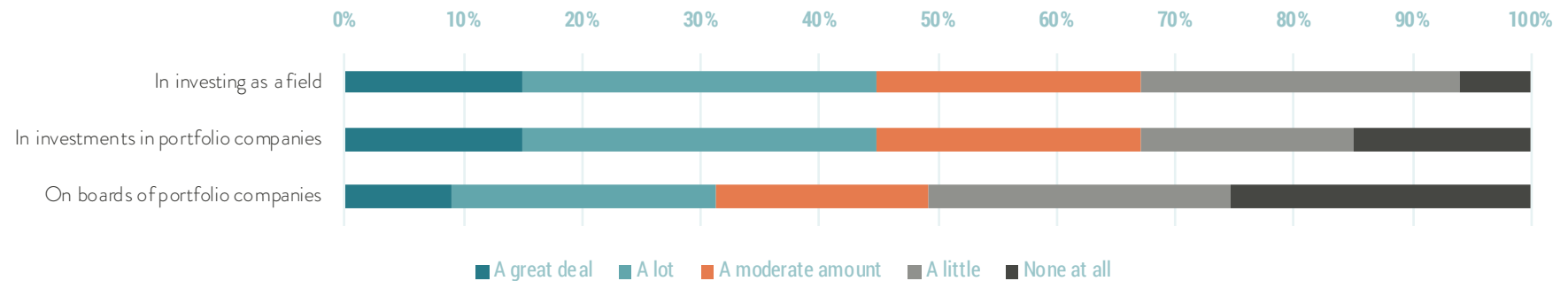




ABILITY TO MAKE A DIFFERENCE

For this question, we sought to understand our managers' perception of their individual ability to contribute to advances in DEI beyond their own organization.

- ▶ Compared to last year, with double the number of respondents, we see less of a perceived ability to make a difference – across investing, boards, and portfolio companies. This dynamic indicates an opportunity for our team to focus on empowering individuals who are a part of investment firms, but may not sit on leadership teams to shift individual mindsets/actions to drive change more broadly.
- ▶ Interestingly, in the Barriers section above, we see an increase in individual power in making a difference in investment firms, where respondents disagree that “the people who can/want to act don’t have power”; however, in this section, it’s clear that this empowerment does not translate as much to an ability to make a difference, outside one’s own firm, in investing as a field, in portfolio company investments, or on boards of portfolio companies.





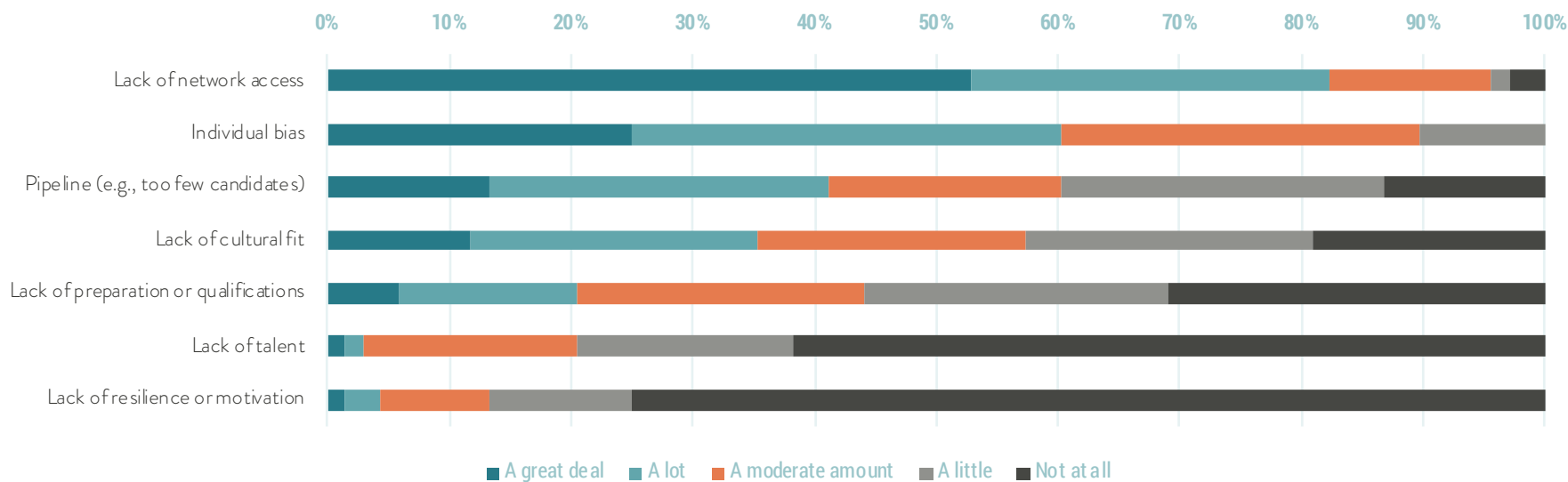
FACTORS CONTRIBUTING TO DISPARITIES IN REPRESENTATION

We sought to understand opinions and attitudes on what factors contribute most to disparities in representation of URPOC and women as investors.

- ▶ The biggest factor contributing to disparities in URPOC recruitment is “lack of network access”, followed by “individual bias.”
- ▶ Compared to last year, we see a greater emphasis on the “lack of network access” as the driver of underrepresentation of investors of color; we see respondents moving away from seeing lack of cultural fit, lack of qualifications, and too few qualified candidates in the pipeline as driving factors. This continues the trend of shifting away from individual candidate blame (as factors like lack of cultural fit, lack of talent, lack of resilience are all more vehemently disagreed with this year) towards acknowledging the role and responsibility of fund managers to act as stewards of their organizations (e.g. taking more ownership of expanding and diversifying their own network access).

As part of our quantitative reporting, Illumen Capital also collects data on the racial and gender demographics of fund manager hires, promotions, and exits. The quantitative data on recruitment from 2022 indicates that:

- ▶ AAPI/MENA men, Latina women, and AAPI/MENA women were the most hired demographics





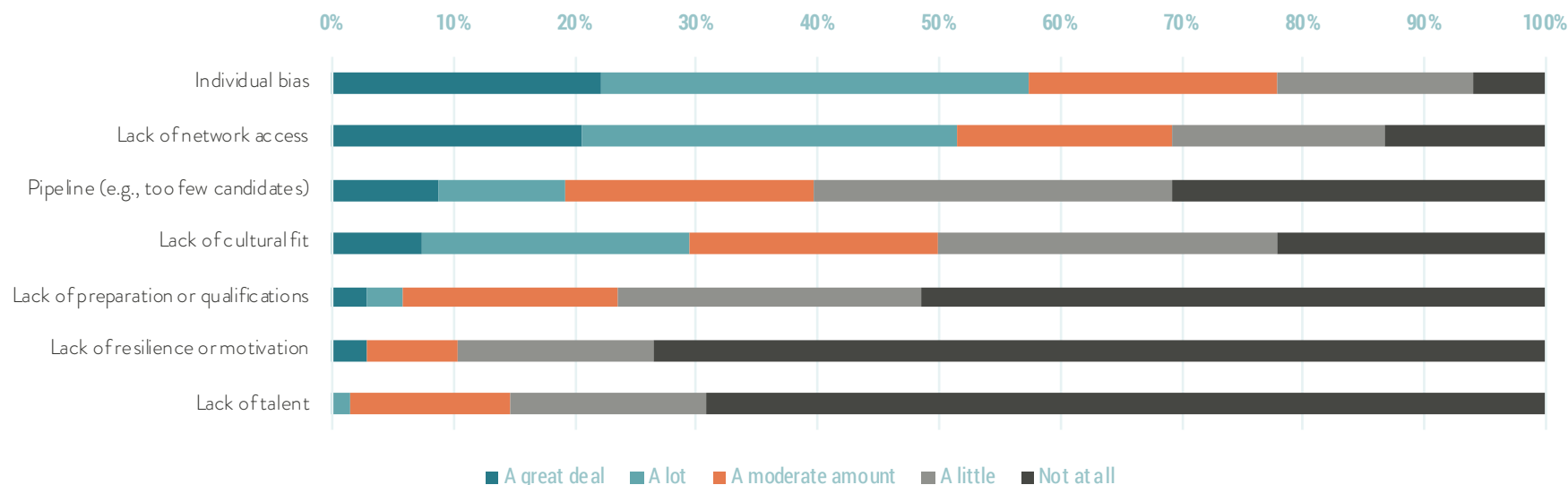
FACTORS CONTRIBUTING TO DISPARITIES IN PROMOTION

We sought to understand manager opinions on key drivers of disparities in URPOC being promoted, with promotion as an important step after hiring has happened.

- ▶ According to our portfolio fund managers, the biggest factor contributing to disparities in URPOC promotions is “individual bias” followed by a “lack of network access.”
- ▶ The reasons with the biggest delta in agreement are: moving away from a belief of lack of talent, lack of preparation, and too few candidates in the pipeline. Compared to the last two years, we see a shift away from viewing disparities in URPOC being promoted as an individual problem and moving towards recognizing the importance of creating and maintaining equitable promotion processes.

As part of our quantitative reporting, Illumen Capital also collects data on the racial and gender demographics of fund manager hires, promotions, and exits. The quantitative data on promotions from 2022 indicates that:

- ▶ GPs reported promoting twice as many women as men in 2022
- ▶ White and AAPI/MENA women (in that order) were the most promoted demographic by absolute numbers

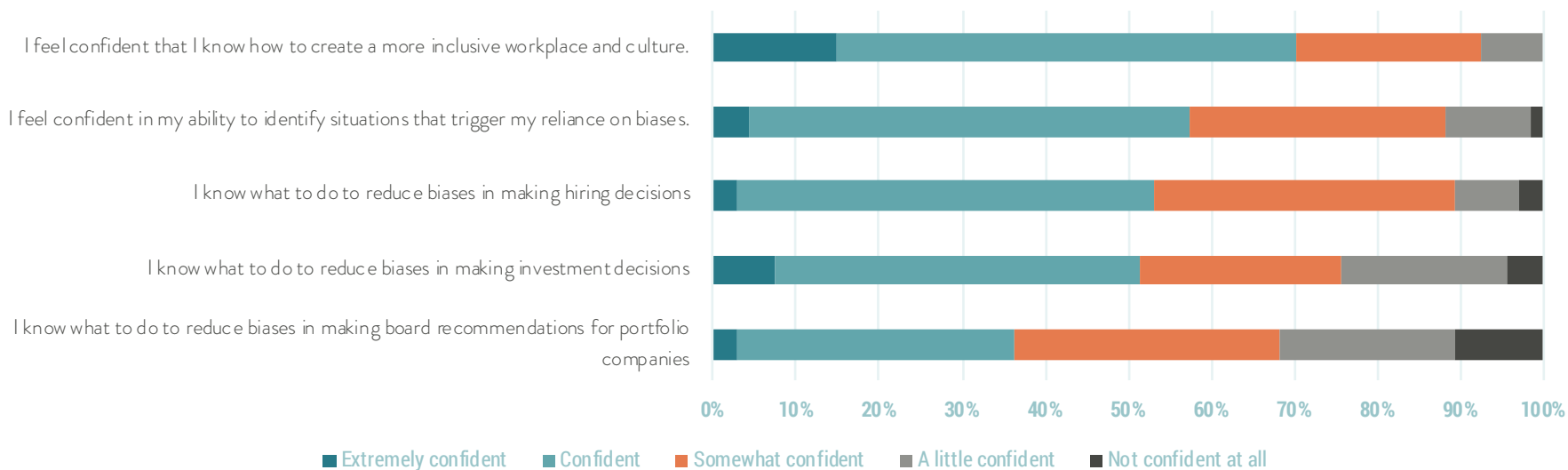




CONFIDENCE

In this section of the survey, we hoped to understand whether confidence is a key barrier to translating DEI motivations to actions.

- ▶ We imagine that understanding confidence is related to understanding whether the lack of best practices contributes to inaction, despite motivation and intention to act on DEI.
- ▶ The responses differed little from the previous year's responses, except a small shift in growth of confidence in knowing what to do to reduce biases in investment decisions. This reinforces that sustainable, long-term DEI work, like Illumen Capital's ten year partnership with fund managers, will be measured through gradual changes and attitude changes to lead the field in shifting mental models.

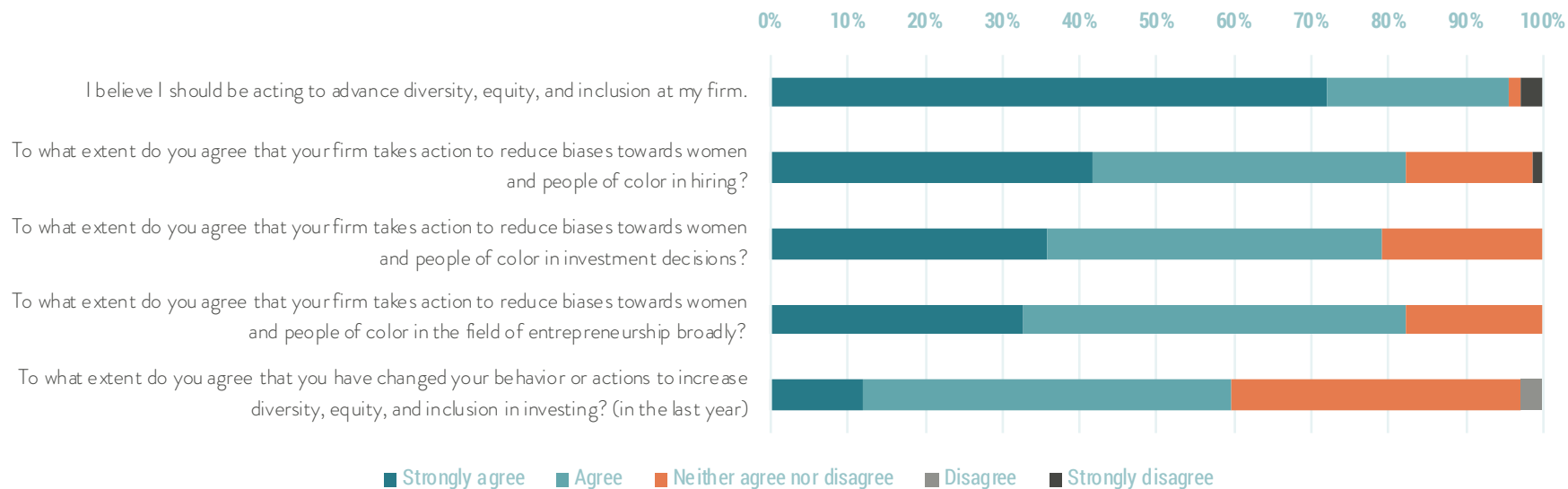




ACTION TAKEN

In these questions, we sought to understand whether respondents felt they and their organizations have taken enough actions to reduce biases and to drive DEI progress forward.

- ▶ Interestingly, there is greater agreement that one's firm has taken action to reduce biases towards women and people of color in investment decisions and hiring, compared to individual changes in behavior and actions. As the second year we are seeing this trend, this demonstrates a potential perceived lack of power and autonomy, where individuals view their firm and leadership as responsible for taking action to reduce biases, rather than seeing individual responsibility.
- ▶ Despite the perception and belief that individuals should be acting and changing behavior to advance diversity, equity, and inclusion, there is not a matching level of actual action and behavior change to match these beliefs.





IMPACT IN ACTION



IMPACT IN ACTION

In 2022, Illumen Capital built the foundation for a new research study, continued to engage our portfolio of fund managers in our bias reduction programming, as well as advanced field standards and research to drive a focus on diversity, equity, and inclusion in the broader asset management and entrepreneurship sector. In this section we present key accomplishments from these efforts.

Research: In collaboration with Stanford SPARQ, our team scoped and began a new research project aimed at better understanding racial and gender bias across investment decision making. We are excited to build on our long-standing partnership with Stanford SPARQ, expanding on our [foundational study](#) published in PNAS.

Bias reduction toolkit (IllumenIQ): Our bias reduction team created an animated video on the experience of bias in the investing process, developed as a tool for inclusion in IllumenIQ to support fund managers in identifying and understanding opportunities to reduce biases.

Field building: As a way to lift the learnings of our work, our team strives to participate in conferences and networks aimed at advancing racial equity and gender justice within asset management. Towards this end, our team:

- ▶ Participated in a working group supporting the Global Impact Investing Network (GIIN) and CapEQ in building an [Investor Blueprint for the Application of a Racial Equity Lens](#).
- ▶ Spoke about Illumen Capital's long-term partnership approach at SOCAP 2022.
- ▶ Participated in an Urban Institute study funded by the Tipping Point Fund on Impact Investing (of New Venture Fund).
- ▶ Published a case study with Stanford Graduate School of Business that resulted in over half the class saying the session changed their mind and they are now considering DEI and impact in their future career paths.
- ▶ Provided mentorship to several business school students and interns, including ICM's formal mentorship program.
- ▶ Spoke at other venues including the Foundation Financial Officer Group (FFOG), Mission Investors Exchange (MIE), the Milken Institute, and the Intentional Endowments Network.

Internal firm changes: Illumen Capital improved our hiring process by collecting anonymized race and gender data, setting internal targets for the candidate pool, and committing to keeping the application open until the targets were met. Key learnings from this work were captured [in this byline](#) we drafted for Employee Benefit News.

Coaching: Consistent coaching touchpoints with each manager in our portfolio are integral to our bias reduction work. This past year we supported fund managers in a range of DEI initiatives, including reviewing and optimizing job descriptions, collecting demographic data in hiring and investment pipelines, improving impact measurement category definitions and processes, creating a set of standardized pitch questions, and building DEI policies with portfolio companies.

Impact Experience: Illumen Capital hosted two Impact Experiences in 2022, one virtual convening and, for the first time since the beginning of the pandemic, one in-person gathering in Montgomery. Over the course of these convenings, we gathered over 40 limited partners, investment consultants, and fund managers as we visited the Equal Justice Initiative's Legacy Museum & Memorial for Peace and Justice (commonly known as the *Lynching Memorial*) to collaboratively explore the challenges of implicit bias and structural racism.



PORTFOLIO IMPACT

This impact report is largely dedicated to Illumen Capital’s work on building more diverse and inclusive venture, growth, and private equity fund managers. Yet, each of these managers was selected in part for the transformative positive impact they are creating in the world, and we are committed to highlighting this important work here.

Given the broad swath of impact metrics reported by portfolio companies and as our managers span the spectrum of impact themes, capital stages, and geographies, we’re pleased to summarize examples of impact metrics that demonstrate outputs and outcomes across our portfolio:

By Firm

Fund Manager A created

11,000

jobs across their portfolio

Fund Manager D created over

63,700

jobs across

74 investments

Fund Manager B created

908 jobs across

(increase of 498 from 2021)

25 portfolio companies

49% of these employees are underrepresented people of color and women (13% increase from 2021)

Fund Manager D serves over

525M users

326M learners and

7.1M educators across

230 countries

Fund Manager C created

25,200 full-time employment opportunities across

72 investments, with **35%** of positions held by women

* Impact metrics within “Portfolio Impact” are as reported by our fund managers and underlying portfolio companies, as of information available by May 2023.

** While we do request managers to report on number of employees as a proxy for jobs created across our portfolio, less than 20% of portfolio companies reported this metric.

By Investment Theme

EDUCATION

Underlying portfolio company **BookNook**

450,000

students with high-quality personalized online tutoring

Underlying portfolio company **Degreed** has helped upskill over

9M learners across

400 employers

95%

of students using **Lele**, an underlying portfolio company, saw score improvements in their exams

Underlying portfolio company **Rebel Girls** has sold more than

9M books in over

50 languages across

110 countries,

employing over

450 illustrators and writers, and empowering an entire generation of girls by amplifying stories of real-life women

SUSTAINABILITY

Over **2,384** tons of carbon emissions offset from underlying portfolio company **EcoCart**, which is equivalent to saving **~1,500** trees

Underlying portfolio company **Source** produces Hydropanels that extract clean and reliable drinking water from the air.

Each Hydropanel offsets **1,825** liters of ground water withdrawal and

1,618 kgs of CO₂ emissions per year

Underlying portfolio company **Fork & Good** is able **4x** the yield of a hog pen with the same area using their hydroponic system for growing cultivated meat

By providing affordable electric vehicles and charging systems to taxi drivers in East Africa, underlying portfolio company **Ampersand** has reduced emissions by

100 tons a month, powered over

20M kilometers in 2022, and increased customers' income by

41% per day

* Impact metrics within "Portfolio Impact" are as reported by our fund managers and underlying portfolio companies, as of information available by May 2023.



FINANCIAL INCLUSION

Underlying portfolio company **Stash**, an “investment app for beginners,” manages over **\$3B** in assets for over **6M** users

Approximately **3M** people have used Underlying portfolio company **EarnUp** to pay down mortgage, auto, and student loans faster, saving thousands in interest charges

Across their portfolio, **Fund Manager C** served over **24.7M** retail customers, **89%** of whom were underserved, an **8%** increase from 2021. The fund also financed over

\$4.3B in loans *(79% increase from 2021)* and enabled

\$16.5B in payment transactions *(35% increase from 2021)*

HEALTH & WELLNESS

Underlying portfolio company **Medable** has over

1M participants in **60** countries participating in over

300 fast-tracked clinical studies enabling global remote access to clinical trials regardless of a patient’s location, income, or race

Nurses hired through Underlying portfolio company **Incredible Health** have a **15%** higher retention rate after one year compared with nurses hired through traditional channels

Underlying portfolio company **TwentyEight**, which predominantly reaches women in underserved communities with sexual health information, education, telehealth, medication delivery and on-demand guidance, is currently serving **30,000** patients, up from **18,000** at the end of 2021

* Impact metrics within “Portfolio Impact” are as reported by our fund managers and underlying portfolio companies, as of information available by May 2023.



KEY LEARNINGS & INSIGHTS



KEY LEARNINGS & INSIGHTS

In 2022, Illumen Capital invested time in better understanding our fund managers and their DEI needs to provide customized and relevant coaching, shifting from a linear curriculum to a more dynamic toolkit enhanced through coaching.

As a firm dedicated to encouraging our field to slow down to reduce biases in their work, we value opportunities to reflect and share our learnings with our community of investors, managers, and consultants. Below are some reflections from another year partnering with our Fund I and Fund II fund managers and outlining a meaningful strategy for our Catalyst Fund support.

Our fund managers are seeking peer networks: As our fund managers have returned to working in person, we have recognized an increased demand for in-person field building and learning opportunities. We have transitioned back to in-person Impact Experiences in Montgomery, and we have shifted away from our mobile-first learning platform that was created in 2020 during the height of the COVID pandemic. Our goal moving forward is to provide our managers with a platform equipped for peer discussion and community building, while providing bite-sized and asynchronous learning as opposed to long-form linear learning processes.

Firms with established DEI initiatives remain steadfast under market stress: We have observed that our fund managers that have tied DEI to their investment thesis and every day practices have a much easier time continuing to center this work in times of economic stress and market volatility. This is despite economic downturns triggering and potentially heightening bias as people rely on preconceived notions of safety and revert to biases as shortcuts.

Fund managers are leveraging their non-investment capital creatively to reduce bias in the ecosystem: We have seen an increased interest in diverse vendor suggestions from investors and managers alike, indicating a growing awareness and acknowledgement of the sphere of capital influence outside of traditional investments.

Firms are focused on advancing inclusion work, often without realizing it:

As our fund managers grow, we have noted a focus on inclusion work that is often initiated with the objective of supporting team members for the sake of improved efficiency. The work firms are doing to improve belonging and collaboration solidifies that DEI work is an essential part of their role as fiduciaries.

Funds are seeing the value in establishing institutional processes:

In previous years, funds have been focused on mindset shifts to address individual biases, while this year we saw a push for more holistic firm changes; for example, five firms have adopted more comprehensive hiring processes. Funds that have integrated DEI work into everyday practices, as opposed to DEI checks or interventions, and have designated DEI team members, have more success in making DEI progress. Illumen has typically made more progress with fund managers that already have trusted facilitators and forums for DEI-focused conversations and changes.

Funds are finding creative ways to integrate individual ownership: While firms are strengthening their collective actions in pursuing more diverse and inclusive initiatives, there has been a growing awareness that everyone, not just leadership, is responsible for DEI. For example, one of our funds has adopted a strategy that requires each person to own a DEI goal that then is integrated into their individual performance review.

Our fund managers are collecting higher quality and more complete data:

This year, with continued coaching, all of our fund managers collected and provided improved diversity data, both at the firm and portfolio level. This indicates that our managers and the industry are seeing the value of collecting this information in a standardized way. Additionally, fund managers are highlighting the robust diversity data collected in their fundraising pitch decks to stand out to potential new investors, pointing to Illumen as a thought partner.

There is a growing urgency to standardize DEI reporting: As LPs increasingly request more diversity data, many portfolio funds are asked to report data in different formats and templates, requiring immense human capital to complete requests. Illumen has provided coaching, created a repository of vendors in the reporting field, and adapted based on user feedback to support our fund managers in building reporting processes.



MOVING FORWARD

In 2023, we will be fully transitioning to a new learning platform for IllumenIQ. In response to feedback and to adjust to people returning to in person work, we are moving away from mobile-first to a web-based platform. Our user-centered design approach is incredibly important to our work, and we strive to better serve our fund managers in their racial and gender equity journeys. We also plan to continue our partnership with Stanford SPARQ to ensure cutting edge research is informing our programming.

Towards the end of 2022, Illumen began preparing the strategy to deploy and support our Catalyst Fund for first time fund managers. We have begun

designing bias reduction programming and support for this audience, as well as reimagining our annual reporting process to maximize the utility of our data while decreasing the reporting ask of fund managers. We are looking forward to supporting diverse managers (primarily people of color and women), understanding that emerging, racially and gender diverse teams often face structural headwinds, such as limited networks and resources, when launching their first fund.

We have also invested time into cultivating strategic partnerships with our fund managers' existing leadership coaches and the organizations they are working with, for example, two of our funds work closely with HimforHer. We plan to use 2023 to continue this relationship building with partners to provide highly relevant and personalized bias reduction coaching across our growing portfolio of fund managers.



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 we look forward to together building an inclusive and optimal asset management industry that will be the cornerstone of an equal and equitable future.

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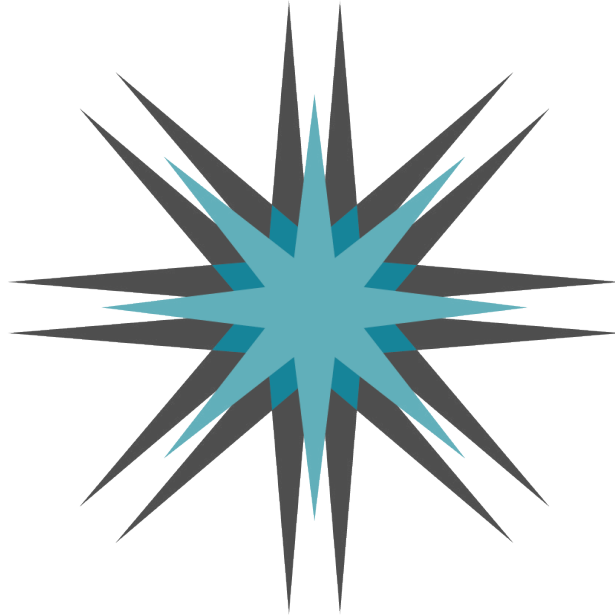
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