

Overheard at Upstart Co-Lab: Cultural institutions are learning how to invest for an inclusive creative economy.

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May 1, 2023



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ImpactAlpha, May 1 — An art museum investing in a portfolio designed to prove out the viability – and impact – of investments in the creative economy. The **Toledo Museum of Art's** \$1 million allocation to Upstart Co-Lab's Inclusive Creative Economy Strategy is just the kind of full-circle commitment Upstart's Laura Callanan has been looking for.

A handful of museums have made at least modest commitments to socially responsible and impact investments broadly, but cultural institutions broadly have lagged behind even foundations and university endowments in aligning their financial assets with their philanthropic missions. Collectively, cultural institutions are sitting on endowments of at least \$64 billion.

“Over the past few years we’ve really validated the range, the number, the variety of opportunities that impact investors can find in the creative economy,” Callanan told *ImpactAlpha* at Upstart’s gathering last week at the Rockefeller Foundation in New York.

“We’ve also been validating the type of impact that can be achieved in the creative economy with a real emphasis on people.”

The Toledo museum is the first museum to allocate capital to the Inclusive Creative Economy Strategy, which has raised \$12 million to date, including from Marguerite Casey Foundation, Souls Grown Deep Foundation, the Andy Warhol Foundation for the Visual Arts and the Rockefeller, Ford and Skoll foundations. Upstart is looking to raise \$100 million for the pooled investment vehicle.

“Upstart Co-Lab’s investment thesis is a perfect complement to our approach since equity in deal sourcing and in diligence will result in quality investments, solid returns and representation at the portfolio level,” **Adam Levine** of the Toledo Museum of Art said at last week’s event.

Levine found a novel way to de-risk the investment. An anonymous donor funded an account to guarantee any losses to the museum’s endowment.

“This opportunity allows us to generate returns in a way that aligns with our values and, by supporting entrepreneurs whose artful products will find their way into people’s lives, it aligns with the Museum’s mission to integrate art into the lives of people,” Levine said [in a statement](#).

Creative-focused funds

All told, Callanan has mobilized \$23 million over the last seven years to prove the impact thesis that investing in creative businesses can be a powerful driver of quality jobs, social and economic inclusion and vibrant communities.

At the daylong gathering, Upstart Co-Lab convened artists, entrepreneurs and fund managers in its pipeline of more than 300 creative funds and businesses. American cellist and 19-time Grammy Award winner Yo-Yo Ma performed at the event (*see, “[Yo-Yo Ma: Culture connects us](#)”*). Together, the entities are seeking to raise \$2 billion of impact capital in the next two years.

“Already in the U.K., Europe, Latin America and Africa, there are funds that are 100% impact investing and 100% focused on creative industries. We’re just a little behind here in the U.S.,” says Callanan.

Upstart's pipeline covers five segments of the creative economy, from sustainable food and ethical fashion to social impact media, creative places and other creative businesses. More than half of the entities are led by women, Black, Indigenous and other people of color.

In Upstart's pipeline is Supply Change Capital, a sustainability-focused early-stage venture capital firm that invests at the intersection of food, culture and technology. The Los Angeles-based and women of color-led firm has deployed \$10 million across 14 companies since it launched in 2020. Two-thirds of companies in the portfolio are led by people of color and more than half are women.

"We believe that culture and climate are the two defining forces of our time, and we're particularly interested in how they affect the future of food," Supply Change's **Noramay Cadena** said at the event. The venture firm is raising a \$40 million for its inaugural fund to "invest across the supply chain in regenerative agriculture, foodtech and brands that are culture first." LPs include General Mills, a Massachusetts insurance company, banks, foundations, family offices and high-net-worth investors.

Also led by women, **SoGal Ventures** is looking to raise a \$60 million venture capital fund to invest in early-stage women and other diverse founders creating human-centric and sustainability-minded solutions. The fund will target creative founders building billion-dollar beauty and fashion businesses. SoGal's **Pocket Sun** says more than half of the fund has already been committed.

Creative businesses

Another company in Upstart's pipeline is **Resources for Every Creator**, or REC, which is building creative studio spaces across the U.S. for independent creators. The company secured a \$2 million pre-seed investment from Sean "Diddy" Combs last year to expand to Miami. REC is looking to raise \$4 million in expansion capital.

Paskho, a Black-owned eco-friendly apparel company, secured a \$600,000 convertible note from Souls Grown Deep in 2021 to open a makers pod in Boykin, Alabama as part of its strategy to move all of its clothing manufacturing to underserved communities in the U.S.

Paskho is looking to raise capital to create three more pods this year.

"Each one takes about \$1.5 million to get to profitability," says Paskho's **Patrick Robinson**. "We're [also] changing our corporate structure to give all the stakeholders equity in the business," meaning workers in Paskho's pods will have access to ownership opportunities in the company.

