

# How America's Arts Organizations Can Invest Their Values

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**Posted by Laura Callanan, May 20, 2021 0 comments**

Following the strong, public statements of solidarity with Black Lives Matter that cultural institutions across the country made in Summer 2020, museums, artist-endowed foundations, and other arts organizations began to look inward, identifying all the ways their

commitment to diversity, equity, inclusion, and access can be lived in their day-to-day activities. This has prompted endowed cultural organizations to seriously evaluate whether their investment decisions reflect their values, and to begin the journey to align their money with mission and purpose. Such a reflection is a natural outgrowth of recent debates over accepting donations earned through the sale of opioids, fossil fuels, weapons, and the operation of private prisons. It also recognizes that Next Generation art donors and foundations that fund the arts—many of whom are impact investors themselves—are beginning to evaluate an arts organization’s investments alongside its programs and policies when deciding where to give. As New York City demonstrated in 2019, local arts agencies are already paying attention to diversity within the staff and leadership of the organizations they support; considering other operations is a logical next step.

America’s museums, libraries, art schools, performing art centers, and other cultural institutions steward more than \$58 billion in financial assets through their endowments. This means investment policies and practices offer a meaningful way for cultural institutions to signal their values of diversity, equity, inclusion and access (DEIA).

#### Sustainable and Impact Investing

Impact investing is defined as investing with the intent to generate positive, measurable social or environmental impact alongside financial return. \$17.1 trillion—or one out of every three dollars invested in the United States—is invested for sustainability and impact today.[1] Record inflows to sustainable funds in 2020 reflect how investors are paying attention to issues related to the environment, society, and good corporate governance while watching how companies weather the COVID pandemic.[2]

Investors do not sacrifice financial returns when incorporating material risks affecting workers, the community, and the planet into investment considerations. In 2020, sustainable equity funds outperformed their traditional peers by a median of 4.3%, and sustainable bond funds outperformed their traditional peers by a median of 0.9%.[3] This is not surprising: A review of the performance of nearly 11,000 sustainable mutual funds from 2004 to 2018 concluded that “there is no financial trade-off in the returns of sustainable funds compared to traditional funds, and they demonstrate lower downside risk.”[4]

#### Investing for DEIA

A range of impact investment strategies align with the values of DEIA. Investors can avoid companies such as pay-day lenders that perpetuate injustice and harm in Black, Indigenous, People of Color (BIPOC) communities. Or actively invest with groups enabling broader prosperity, such as community development finance institutions (CDFIs) and socially responsible fintech lenders. Active shareholders can vote their proxies to promote diversity, equity, and inclusion practices within public companies.

One option all cultural institutions committed to DEIA should consider is a strategic commitment to hiring diverse fund managers. Currently, investment firms owned by white men control 98.7% of all assets under management in the U.S.[5] Implicit bias and related factors constrain capital allocations to BIPOC- and women-led companies, resulting in less than 4% of venture capital going to women founders and Black and Latinx founders.[6] Impact investors can take action by investing with diverse fund managers, who in turn have been shown to invest in companies led by diverse founders. This approach can also yield strong financial results: diverse fund managers are over-represented in top quartile for financial performance.[7]

Impact funds investing in women and BIPOC entrepreneurs often have meaningful exposure to the creative economy since more than one-third of businesses started by both women[8] and BIPOC[9] entrepreneurs are in creative industries, especially fashion, food, film & TV, and other media. This synergy is evident looking at the portfolio of Runway, a fund launched in 2017 to address the “friends & family” funding gap for African American entrepreneurs by providing seed funding plus holistic business support. All but one of the 28 businesses Runway invested in through its first cohort in Oakland, California are in the creative economy, specifically in fashion, food, and design.

Two Examples: The Walters Art Museum and Souls Grown Deep

One cultural institution that has already made DEIA part of their investment strategy is The Walters Art Museum in Baltimore, Maryland. In 2015, The Walters launched an investment manager diversity initiative placing over 10% of its endowment with diverse-owned managers. The Walters learned all they had to do was signal to their current investment consultant that manager diversity was a priority. The consultant readily brought forward fund managers with the required longevity and performance track records, five diverse managers were retained, and the Museum reports extremely successful performance.

Another is Souls Grown Deep Foundation and Community Partnership which made a 100% commitment to impact investing in 2019. To date, Souls Grown Deep has invested with Community Investment Management to support loans to small businesses, many in the creative economy and led by women and people of color, and Impact Shares' NAACP Minority Empowerment ETF (ticker: NACP) to achieve broad equity market exposure to U.S. Large and Mid-Cap companies that fit the NAACP's vision of good corporate citizens. Most recently, Souls Grown Deep made a direct investment into Paskho, a Black-owned ethical and sustainable fashion brand.

Read more about the Walters Art Museum and Souls Grown Deep, plus the experiences of the Andy Warhol Foundation for the Visual Arts, the Brooklyn Museum, Creative Capital, the Louvre Museum, and Massachusetts Museum of Contemporary Art (MASS MoCA), in *[The Guide: what cultural institutions need to know about investing for values and mission](#)*, the first primer on impact investing specifically for leaders of museums and other arts organizations from Upstart Co-Lab and Rockefeller Philanthropy Advisors. In addition to Runway, learn

about Community Investment Management, the LISC NYC Inclusive Creative Economy Fund, Purpose Evergreen Capital, and other funds at the intersection of impact and creativity.

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[3] *Sustainable Funds Outperform Peers in 2020 During Coronavirus*. Morgan Stanley.

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*The number of Black female founders who have raised more than \$1 million has nearly tripled since 2018.* Fortune. <https://fortune.com/2020/12/02/black-women-female-founders-venture-capital-funding-vc-2020-project-diane>

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