



June 2, 2021

The Honorable Sabrina Cervantes
California State Assembly
State Capitol, Room 5132
Sacramento, CA 95814

RE: AB 890 (Cervantes) —Support

Dear Assemblywoman Cervantes:

The Investment Diversity Exchange (TIDE) is pleased to support AB 890, an important and timely measure that will advance transparency and accountability in how CalPERS and CalSTRS deploy their vast capital. As we finally exit what has been one of the darkest periods in our country's history, with a once in a generation pandemic that disproportionately ravaged communities of color, to historic levels of social unrest in the aftermath of the tragedies against people of color, our nation must and can do better to empower diverse communities and with AB 890, California will be positioned to lead the way.

As TIDE's mission is to break down silos and promote diversity to make a broad and global impact within the investment industry, we firmly believe access to investment capital for women and minority-owned businesses is one of the last frontiers of the civil rights movement. The availability of capital means the difference between a community that can build both individual and community wealth through flourishing businesses and job opportunities, and those communities that stagnate, with ever higher levels of poverty and lack of opportunity.

In many ways, the COVID-19 pandemic amplified many of the social inequities access to capital for women and minority-owned businesses could help address. Ethnic communities, where a historic lack of economic opportunities and investment has defaulted entire populations into "essential" work, vastly increased the incidence of infection, severity, and lethality of the virus.

Unfortunately, unequal opportunity creates an unequal society. As noted in a study by Stanford researchers entitled "Race Influences Professional Investors' Financial Judgements," investments begin with asset allocators like CalPERS and CalSTRS and flow through the professional money managers they hire before taking root in companies and projects across society. Disparities in who manages assets is therefore reflected and reinforced throughout the economy as these managers decide how capital is distributed and where and in what it will be invested. By extension, the biases of the fund managers that are selected, along with the systemic underutilization of women and diverse managers, plays a significant role in the inequitable distribution of capital that has



relegated entire communities to despair and poverty, while others flourish through wealth creation and opportunities for upward mobility.

During the first ten months of 2020, for example, money managers invested \$87.3 billion in early-stage companies, a strategy known as venture capital. Of this amount, only 2.6% was invested in early-stage companies founded by African Americans or Latinos.¹ Even more, early-stage companies founded by African American women or Latinas received only 0.64% of venture funding between 2018 and 2019.² This disparity is systemic but not surprising when only 1.3% of the \$69 trillion asset management industry is managed by management firms owned by women and minorities.³

California cannot have shared success without shared opportunity and achieving that goal will require the state to take a serious look at how the fund manager decisions of CalPERS, CalSTRS, and other institutional investors, can ricochet across the economy. AB 890 is an important first step in providing policy makers with the data they need to initiate this assessment.

The Investment Diversity Exchange applauds you for leadership and if there is any way we can be of assistance to you and your team, please let us know.

Respectfully,

Grace Reyes, CEO
The Investment Diversity Exchange

¹ Crunchbase Diversity Spotlight 2020, "Funding to Black & Latinx Founders" <https://about.crunchbase.com/2020-diversity-spotlight-report/>

² ProjectDiane2020, "The State of Black & Latinx Women Founders" <https://www.projectdiane.com/>

³ Knight Foundation, "Diversifying Investments: A Study of Ownership Diversity and Performance in the Asset Management Industry" <https://knight.app.box.com/s/5l2s2pi75b6qoip5uo47zsiawk133vud>