



Investing in Underrepresented Founders

What We Can Learn from the Data

August 4, 2020

The Securities and Exchange Commission disclaims responsibility for any private publication or statement of any SEC employee or Commissioner. This presentation expresses the speakers' views and does not necessarily reflect those of the Commission, the Commissioners, or other members of the staff.

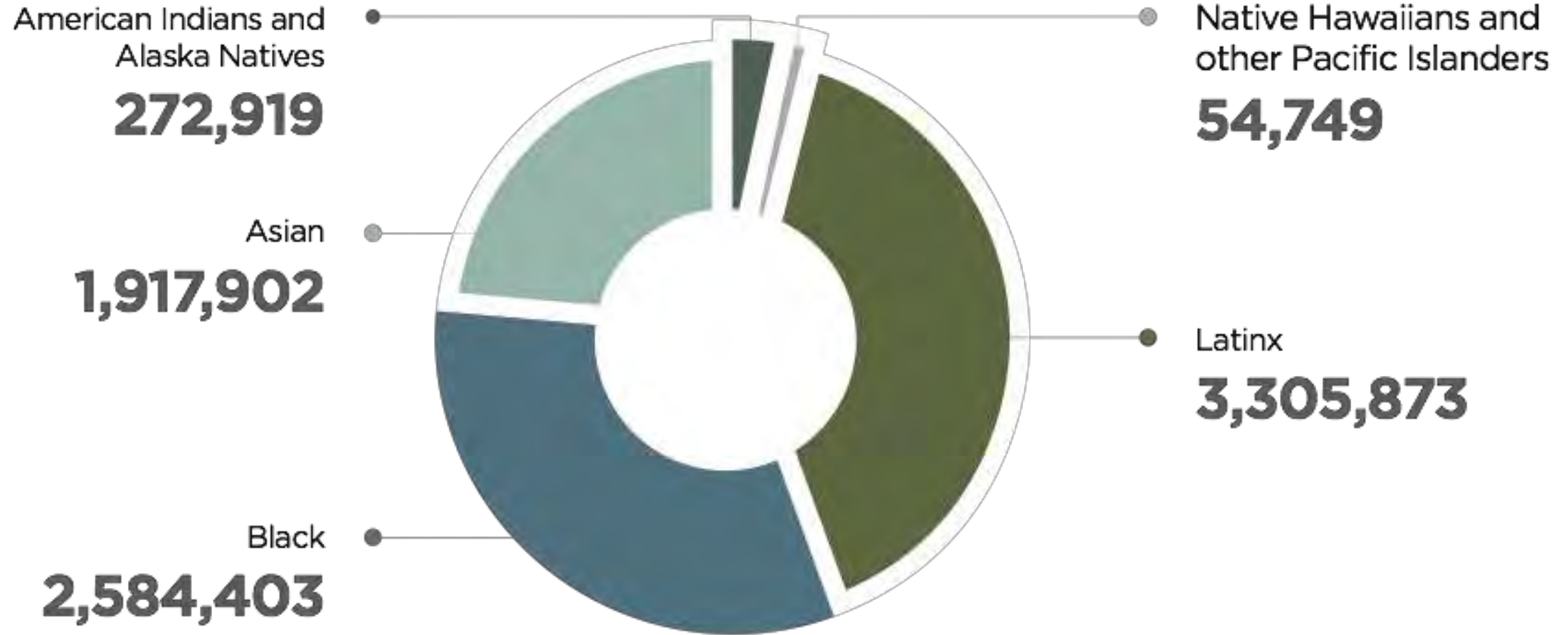




Minority-Owned Businesses



Snapshot of Minority Business Ownership

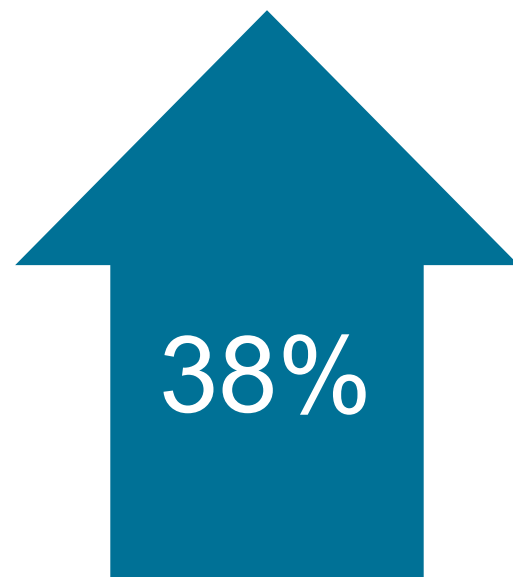


U.S. Minority Business Development Agency, "[Fact Sheet: U.S. Minority-Owned Firms](#)" (Jan. 2016).



Minority-Owned Businesses Are Growing

Since 2007, there has been a

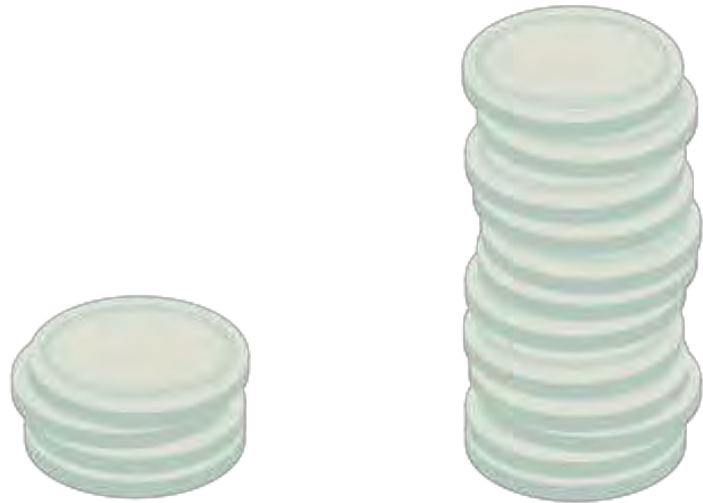


increase in the number of minority-owned businesses

U.S. Minority Business Development Agency, [“Fact Sheet: U.S. Minority-Owned Firms”](#) (Jan. 2016).



Minority Businesses Face Less Access to Capital



new black-owned businesses start with almost three times less in terms of overall capital

\$35,205

compared with new white-owned businesses

\$106,720

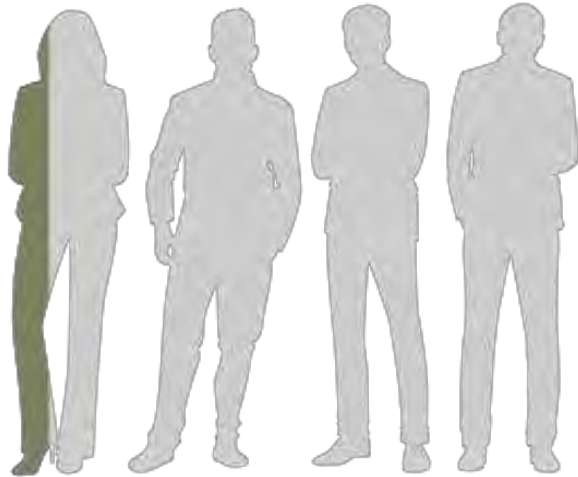
Minority entrepreneurs report profitability is disproportionately impacted by lack of access to capital:



Ewing Marion Kauffman Foundation, [“The State of Capital Access for Entrepreneurs: From Barriers to Potential”](#) (Feb. 5, 2019).



Access to Capital Challenges



Minorities constitute

10.7%

of entrepreneurs seeking capital in 2018



and had an investment yield rate of

22%



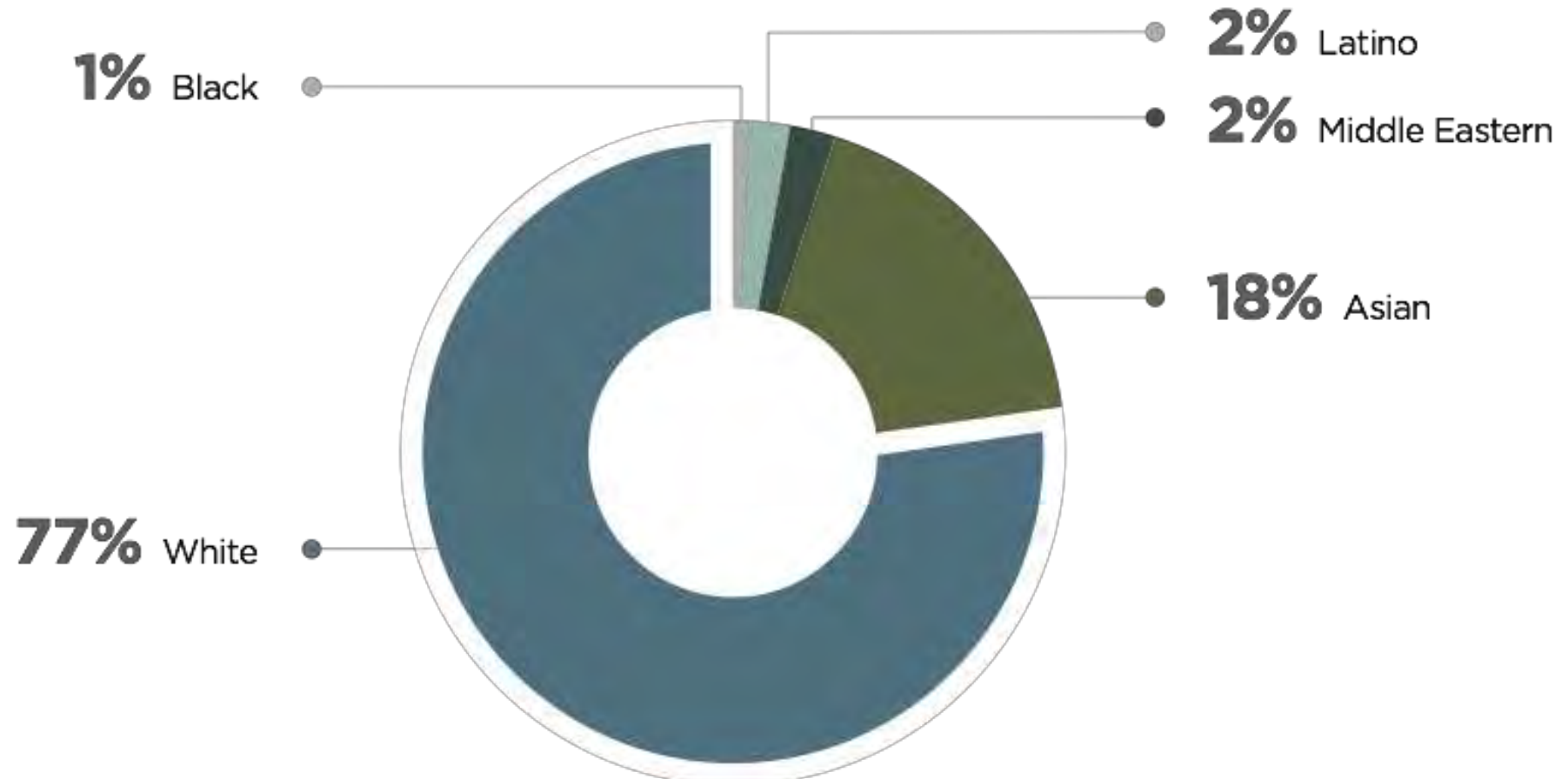
compared to a baseline rate of

23.2%

Jeffrey Sohl, [“The Angel Market in 2018: More Angels Investing in More Deals at Lower Valuations”](#), Center for Venture Research (May 9, 2019).



Founder Diversity in VC-Backed Businesses



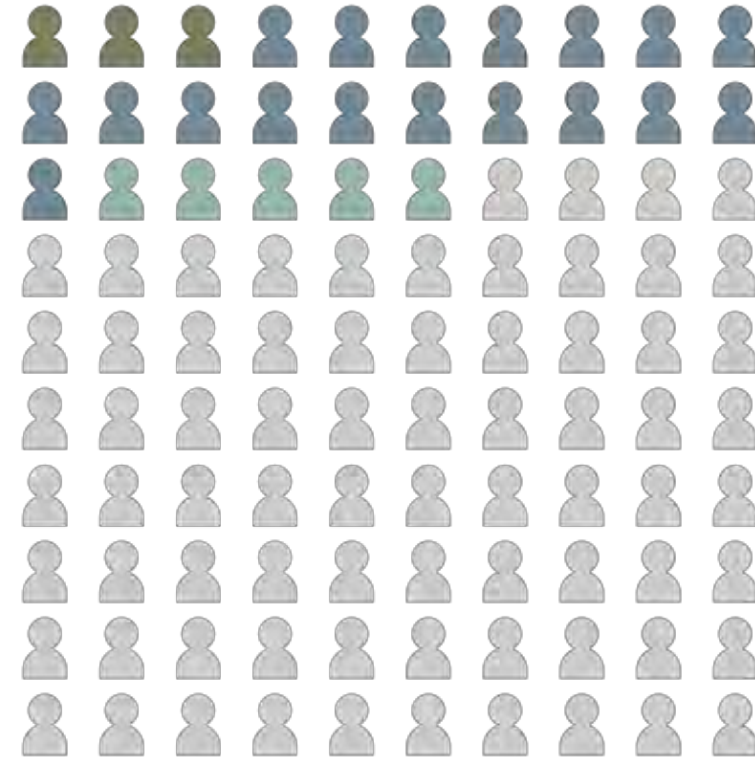
RateMyInvestor "[Diversity in U.S. Startups](#)" (data in the report covered the period from January 2013 to December 2017).



Small Business Investor Diversity



Only
5.3%
of angel investors are minorities



VC Investment Positions



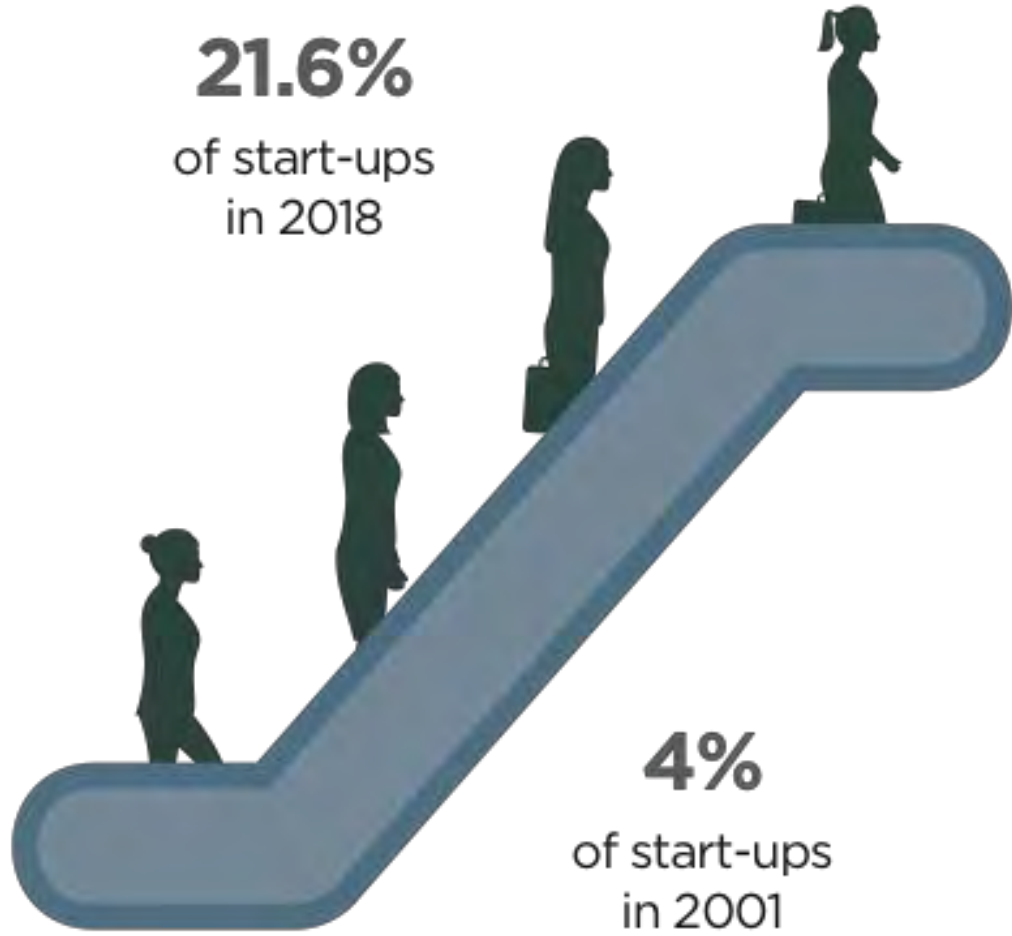
Jeffrey Sohl, [“The Angel Market in 2018: More Angels Investing in More Deals at Lower Valuations”](#), Center for Venture Research (May 9, 2019); Deloitte University Leadership Center for Inclusion, [“NVCA-Deloitte Human Capital Survey,”](#) 2nded. (June 2019).



Women-Owned Businesses



Women Are Founding More Start-Ups



Ewing Marion Kauffman Foundation, [“Data Show that Gender-Inclusive Founding Teams Have Greater Success in Fundraising and Innovation”](#) (Oct. 3, 2019).



Founder Gender Impacts Access to Capital



Research by StartOut found that **gender** had a far greater effect on startup funding levels than **sexual orientation** of the founders.

Ewing Marion Kauffman Foundation, [“The State of Capital Access for Entrepreneurs: From Barriers to Potential”](#) (Feb. 5, 2019); H. Waverly Deutsch, *et al.*, [“The State of LGBT Entrepreneurship in the U.S.”](#) *StartOut* (Jul. 2016).



Access to Capital Challenges

Women constituted

25.9%

of entrepreneurs seeking capital in 2018...



and had an investment yield rate of

17.5%



compared to a baseline rate of

23.2%

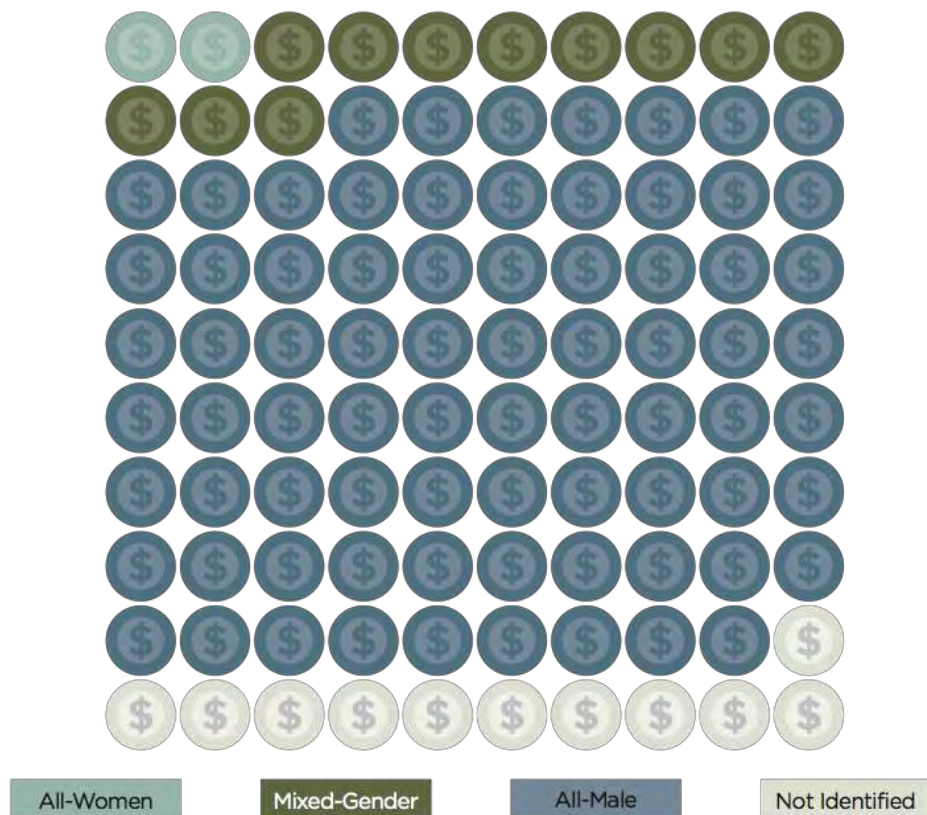


Jeffrey Sohl, [“The Angel Market in 2018: More Angels Investing in More Deals at Lower Valuations”](#), Center for Venture Research (May 9, 2019).

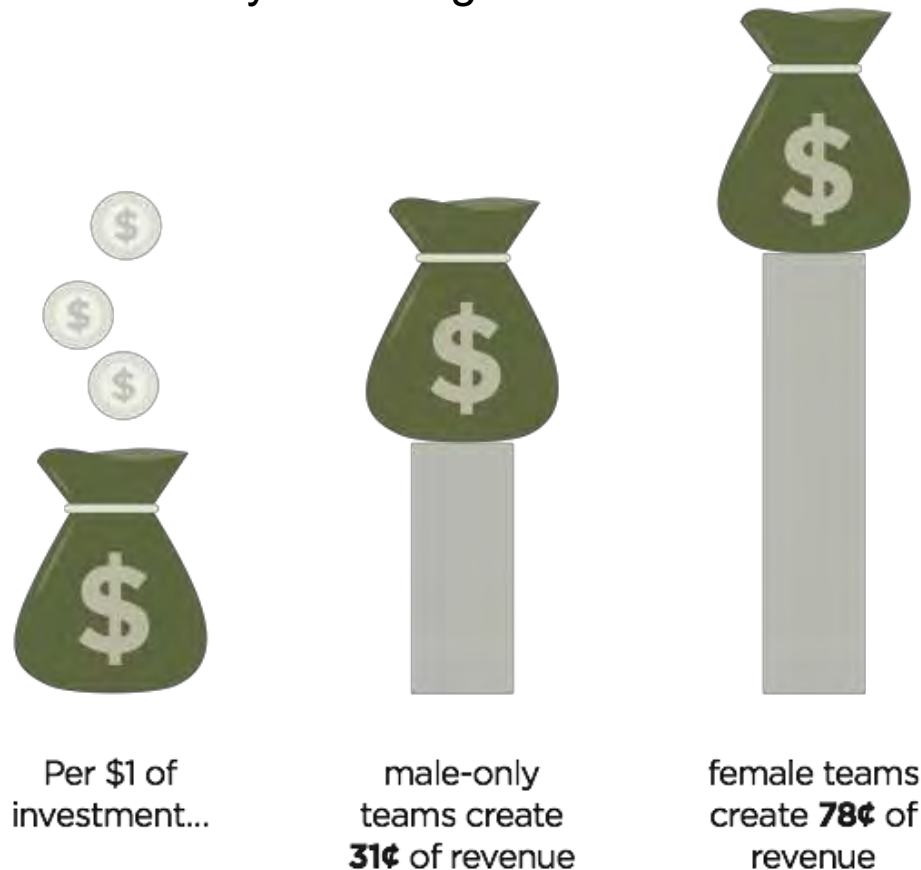


VC Funding by Founding Team Gender

In 2018, women founding teams received less VC funding than their male peers of the approximately \$130 billion reportedly invested:



One study found that companies founded or co-founded by women generate more revenue:



Emma Hinchcliffe, [“Funding For Female Founders Stalled at 2.2% of VC Dollars in 2018,”](#) Fortune (Jan. 28, 2019); Katie Abouzahr, et. al., [“Why Women-Owned Startups Are a Better Bet,”](#) Boston Consulting Group (Jun. 6, 2018).

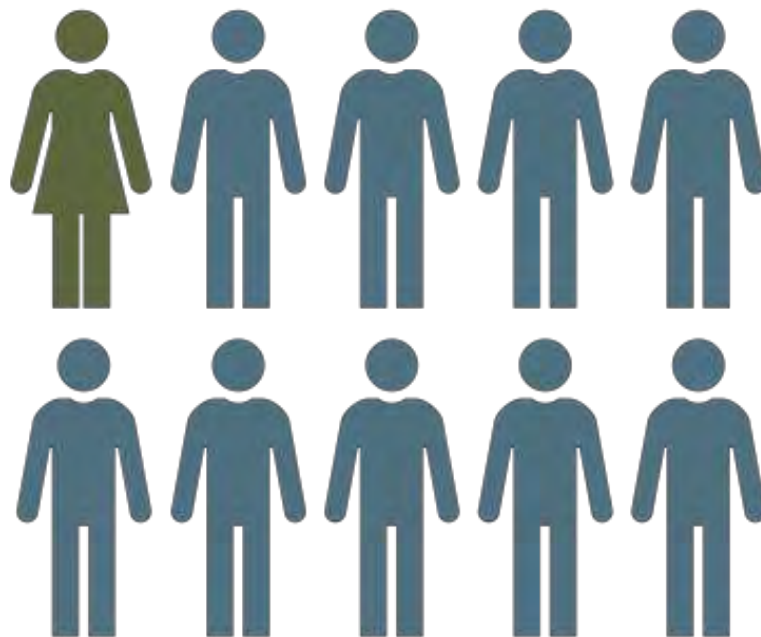


Diversity of Small Business Investors



29.5%

of angel investors are women



only
11%

of VCs across the industry are women¹



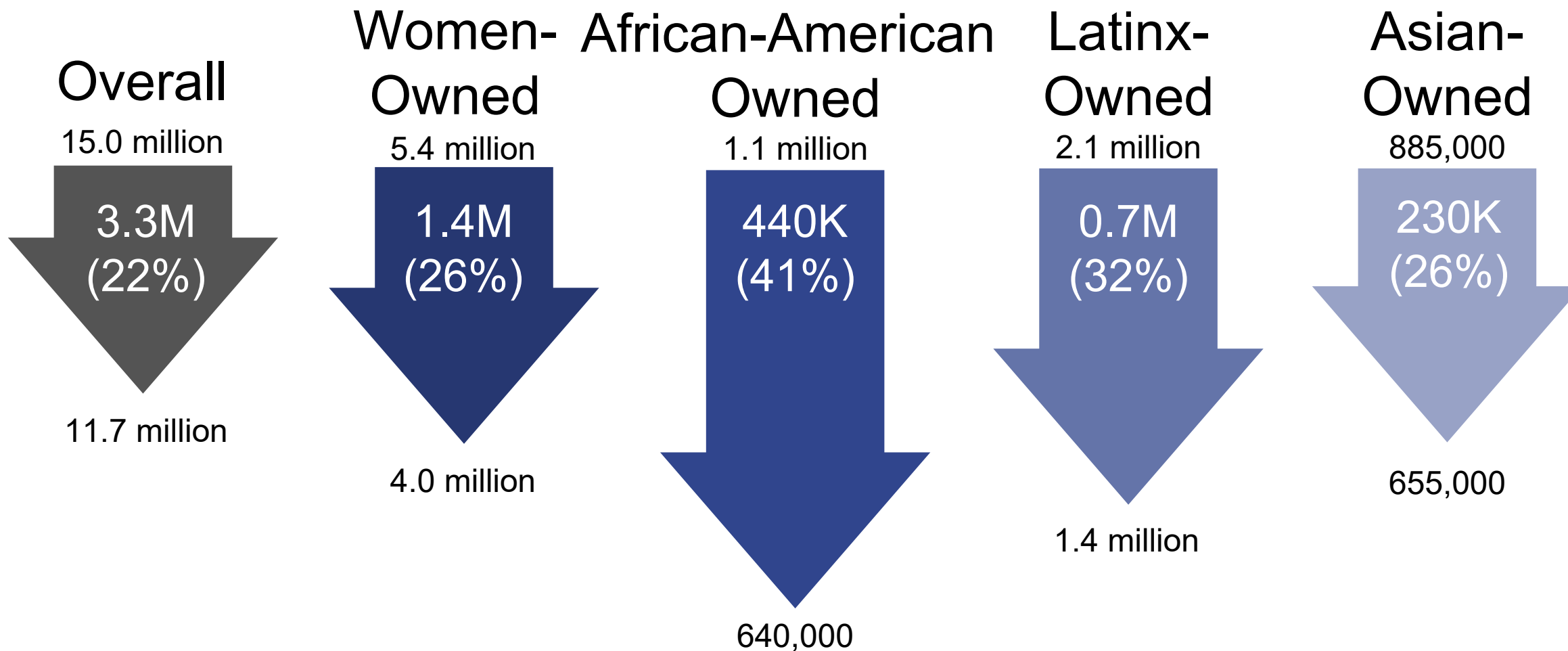
71%

of VC firms have no female partners¹

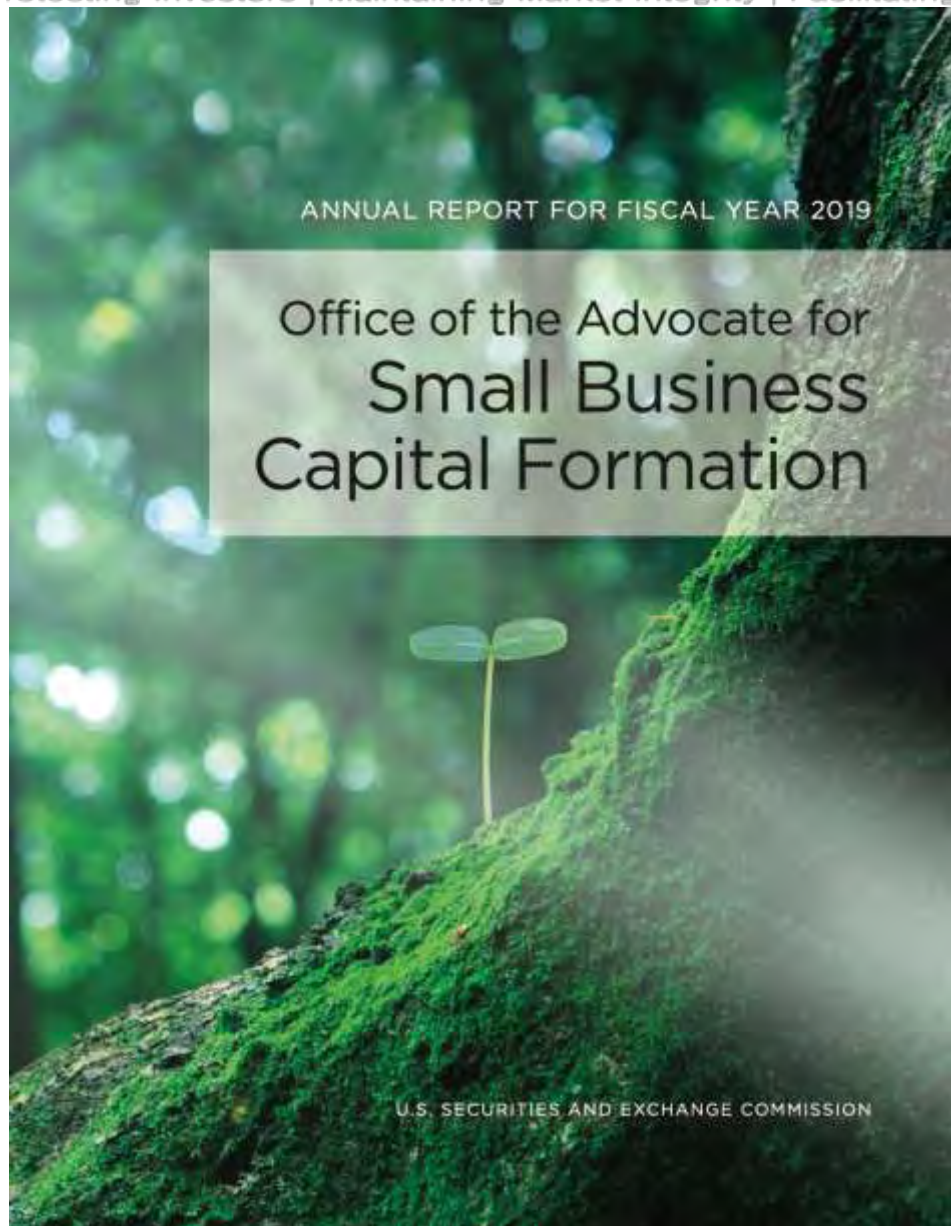
Jeffrey Sohl, [“The Angel Market in 2018: More Angels Investing in More Deals at Lower Valuations”](#), Center for Venture Research (May 9, 2019);
Rebecca Kaden, [“How VC Can Help More Women Get Ahead,”](#) *Harvard Business Review* (Oct. 1, 2019).



Decline of Small Businesses February to April 2020



Robert W. Fairlie, "The Impact of COVID-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey," *National Bureau of Economic Research* (Jun. 2020 Working Paper)..



Download a copy of our report to Congress and the Commission:

www.sec.gov/oasb

