Racial Diversity in Private Capital Fundraising

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Johan Cassel, Josh Lerner, and Emmanuel Yimfor

September 10, 2021

Abstract

Black- and Hispanic-owned funds control a very modest share of assets in the private capital industry and encounter difficulties in raising first-time funds, despite the fact that their performance is indistinguishable from other funds' returns. We explore this seeming paradox. We find that the size of the follow-on funds raised by minority managers is less sensitive to the performance of the previous fund than that of other private capital groups. The sensitivity of inflows to performance increases sharply during periods of high racial awareness. We also document minority-owned groups' difficulty in raising first-time funds. Together, the results support the hypothesis that the limited representation of Black- and Hispanic-owned firms in private capital stems at least partially from the nature of investor demand, rather than the supply of available fund managers.

JEL: G32, G34
Keywords: Private equity, venture capital, capital formation, minorities.

* Johan Cassel, Harvard Business School; Email: jcassel@hbs.edu; Josh Lerner, Harvard Business School and National Bureau of Economic Research; Email: jlerner@hbs.edu; Emmanuel Yimfor, University of Michigan, Stephen M. Ross School of Business; Email: eyimfor@umich.edu. We thank Fey Dawit, Wendy Hu, Peter Metz, Richard Sessa, and Richard Zhu for invaluable research assistance. Jason Brown provided helpful comments. We are grateful to the Private Equity Research Consortium and the Institute for Private Capital for supporting this research, to Burgiss for supplying data, and to Tim Jenkinson for sharing his fund sequencing of Burgiss funds. Harvard Business School's Division of Research and Doctoral Programs and the John S. and James L. Knight Foundation provided financial support for this effort. Josh Lerner has received compensation for advising institutional investors in private capital funds, private capital groups, and governments designing policies relevant to private capital. All errors and omissions are our own.

I. Introduction

U.S. asset management groups are predominantly owned by whites. For example, a compilation by Lerner et al. (2019) suggest that the total share of assets under management (AUM) by groups owned by all minorities in the United States in 2018 was under 1.6%, even though minorities represented 40% of the population at the time.[1] This disparity was even starker for Blacks and Hispanics.

This imbalance is concerning for two reasons. First, the ownership of financial institutions, particularly private capital groups, has been an important driver of wealth creation. This importance is suggested by the disproportionate representation of financial institutions in the compilation of "millionaire-owned pass-through entities" by Smith et al. (2019). (This relationship is also apparent in less formal sources, such as Forbes billionaire lists.) The well-documented disparities of wealth by race in the United States (Chetty et al., 2019) are likely to be exacerbated by the uneven ownership of asset management groups.

Second, academic researchers have demonstrated the presence of homophily in private capital markets: the tendency for investors to fund people that share characteristics with themselves (see, e.g., Ewens and Townsend, 2020; Gompers et al., 2017). Fairlie et al. (2020) document that Black-owned startups face more difficulty in raising external capital, stunting their growth. (Consistent with this literature, we show that the Black- and Hispanic-owned private capital groups in our sample have a greater tendency to invest in businesses located in areas with more minorities.) The disparities in the racial composition of the ownership of private capital groups may thus have substantial effects on what types of entrepreneurs get funded, raising barriers to other critical avenues of wealth and job creation.

While the lack of diversity in the asset management industry is well documented, much less is known about its underlying causes. In this study, we examine potential

[1] See https://www.census.gov/quickfacts/fact/table/US/PST045219.

reasons for the industry's low levels of minority ownership, focusing on venture capital (VC), buyout, and growth investment groups, which have been important both as sources of wealth for their owners and as catalysts for economic growth.

We initially present several stylized facts. First, we analyze the share of minority-owned funds active in the United States, using Burgiss and PitchBook.[2] These databases, while differing in the extent of their coverage and the available performance measures, paint a consistent picture. Black- and Hispanic-owned funds represent a very modest share of the capital raised by private capital funds, relative to plausible benchmarks. Second, and in keeping with the first observation, minorities find it more difficult to enter the market by raising their first fund. Using Form D filings, which provide a broad depiction of attempted U.S. private equity and VC fundraising, we show that Black and Hispanic-owned groups (a) are less likely to meet their fundraising goals, (b) raise smaller funds, and (c) have fewer investors participating in their funds. Finally, we show that the ultimate performance of minority- and majority-owned funds are indistinguishable, using various measures constructed with the Burgiss and PitchBook data.[3]

These three initial results can be interpreted in a variety of ways. One possibility—depicted in Figure 1, Panel A—is that the effects are driven by differences in the supply of managers. The share of diversely owned managers who can deliver a high expected return may be very low. At the market clearing expected return E(R*) and quantity Q*, the representation of minority-owned groups among the funded groups may be consequently low. If there were many more minority-owned groups with low expected returns, we would also probably observe that the success rate in first-time fundraising

[2] As we discuss in Section III, we manually verify the ethnicity of each private capital groups' founders and senior partners, which we use to define minority-owned groups. We define a group as minority-owned if at least 50% of founders or senior partners are Black or Hispanic.

[3] Throughout this analysis, we will focus on Black- and Hispanic-owned funds, and refer to them as minority- and diversely-owned. It should be noted that Asian-Americans are also substantially underrepresented in the ownership of asset management groups (Association of Asian American Investment Managers and Bella Private Markets, 2020).

is lower for minority-owned groups.

Panel B of Figure 1 depicts an alternative explanation of this set of facts. We initially change two assumptions from Panel A. First, we now posit that the representation of minority-owned funds is constant across expected returns: there is no disproportionate representation of these groups among the lower performers. Second, we assume that the demand of asset-owners differs for funds with managers of different ethnicities. Moreover, the asset-owners may limit the amount of capital that they invest in diversely owned funds, regardless of performance, effectively eliminating the ability of many high performers to substantially increase the size of their next funds. To motivate this assumption, we discuss below how minority groups are often funded through emerging manager and similar programs, where a small amount of capital is earmarked for such groups. Meanwhile, demand for non-minority funds may follow the traditional downward-sloping shape. This assumption implies an industry with a few high-performing minority-owned funds and less fundraising success by minority-owned groups, despite a similar demand for capital.

In order to generate similar returns for diverse-owned and non-diverse funds, we adjust a third assumption as well. In particular, we assume that the supply curve is such that while there may be some groups with very high or low expected returns, a large number of (marginal) funds have the same expected returns. This pattern might hold if investors have a very poor ability to predict in advance which funds will be successful (at least for a large intermediate group of funds). The assumption is consistent with the results regarding the extremely weak relationship between pension funds' reinvestment decisions and returns ultimately realized in Table IV in Lerner et al. (2007).

In an ideal world, we might seek to distinguish between these models by estimating a structural model, using the presence of exogenous events that shift the supply of or demand for funds. Such an analysis might allow us to better understand the rationales behind the modest presence of diversely owned private capital groups. This

structural estimation approach is extremely challenging for several reasons, including the difficulties in measuring the supply of potential fund managers and the ex ante expected return of funds, and the relatively small number of diverse-owned funds.

Instead, we focus the second part of the analysis on understanding the demand for private capital funds. We seek to understand whether the fundraising experience of majority- and minority-owned funds differs. To limit the impact of unobserved heterogeneity in manager quality, we focus only on the ability of already established groups to raise follow-on funds, a setting where we can assess the historical performance of the groups.

Our analyses focus on the sensitivity of inflows to performance for diversely and non-diversely owned funds. In a world of persistent performance, such as has characterized private capital historically (Kaplan and Schoar, 2005) and continues to in at least some segments of the market (Harris et al., 2020), past performance should proxy for expected returns. The inflow-performance relationship has been extensively scrutinized in a variety of asset classes, from mutual funds (Chevalier and Ellison, 1997) to private equity (Kaplan and Schoar, 2005).

In our analyses, we find a striking result. The ability of Black- and Hispanic-owned funds to raise follow-on funds is far less sensitive to past performance than those of other funds. This is true whether performance is measured using cash flow data (to compute the public market equivalent, or PME, and other measures) or the success of relatively recent deals (those going public or being acquired). For instance, using the Burgiss data, a one standard deviation increase in PME is associated a 24.1% larger follow-on fund for non-minority owned groups, but an insignificant change close to zero for minority-owned groups (-5.5%).

This pattern is consistent with the suggestion, discussed at more length in the next section, that diversely owned funds are frequently limited by their involvement with emerging manager programs. In particular, it may be difficult for managers to "graduate" from these programs, and raise significantly more capital from their

limited partners.

Again, there are other alternative explanations. For instance, academic analyses (Fairlie et al., 2020) and practitioner accounts (McKinsey & Company, 2020) suggest that minority entrepreneurs find it more challenging to raise external debt and equity than other firms. Reflecting these difficulties, the maturation of these firms may be slower. If such firms are more common in the portfolios of diversely owned funds, measures such as PMEs and exits may be less valuable guides to such funds' interim performance (i.e., they may provide noisier proxies for expected future performance). In this case, the weak relationship between fundraising and investment success for diversely owned funds may have a more benign explanation: that the estimates of fundraising on our proxy for expected performance may be biased towards zero for these funds.

To help resolve this issue, we seek to identify an exogenous shift: an event that may change the attitude of limited partners to diversely owned funds, while not affecting the prospects of the funds in the long term. In particular, we seek a time-varying measure of racial awareness. We seek to understand whether such changes affect the sensitivity of inflows to performance. In so doing, we are motivated by cases such as that of Harlem Capital: in the aftermath of the George Floyd killing, the group—which had taken over four years to raise its $40 million first fund—rapidly gathered $134 million for an oversubscribed second fund.[4]

It might be thought that the best approach is to look at the national level, using events that heightened racial awareness, such as the riots in 1992 that followed the beating of Rodney King or the presidential election of 2008. But the national nature of the discussions, as well as the presence of confounding events (e.g., the election of Barack Obama coincided with the Global Financial Crisis, while the death of George Floyd with the COVID-19 crisis), make these shifts difficult to use as exogenous shifts.

[4] See https://techcrunch.com/2021/03/31/harlem-capital-fund-ii/.

Instead, we follow the recent sociology literature and use data on fatal encounters between unarmed citizens and the police as an exogenous variable. As a measure of racial sensitivity, we calculate the news-weighted ratio of fatal encounters between minorities and police in each state and year (Schmidt and Nosek, 2010; Hehman et al., 2018).[5] Hehman et al. (2018) show that a similar measure is associated with the relative attention to racial issues across states over time.

We examine whether the fundraising-performance relationship for groups located in areas and during time periods with high racial awareness (*HRA*) is different.[6] When we undertake this analysis, we find that the results shift substantially: during these periods of *HRA*, the sensitivity of fundraising to performance is substantially greater for the diversely owned funds. This pattern seems inconsistent with the notion that the lower inflow-performance sensitivity for minority funds is simply due to less informative performance numbers. If that was the case, we would anticipate that even if the inflows to minority funds increase during *HRA* periods, the sensitivity of inflows to performance does not change.

Finally, we examine the impact of public pension funds. We hypothesize that these effects will be stronger for funds in states where public pension funds are more prominent limited partners. Practitioner and academic accounts alike suggest that these institutions have been more prone to weight additional considerations other then expected returns, such as economic development, when making private capital investment decisions and to be frequent adopters of emerging manager programs. We find results consistent with this suggestion.

[5] Specifically, we proxy for racial sensitivity in the primary regressions by defining an indicator for high racial awareness, which equals one if the news-weighted number of fatal encounters between police and blacks or Hispanics (minorities), divided by the total number of all deadly encounters in that state, is above the median of all states in that year. In the numerator, we apply a weight to each event that is the log of one plus the total number of news articles mentioning the event. We explore robustness of the results to modifications of this measure in a variety of follow-on analyses.

[6] It might be objected that we are looking at the location of the funds, not that of the limited partners who invest in the funds. The strong tendency of most groups to raise much of their funds locally (see, for instance, Mollica and Zingales, 2007; Hochberg and Rauh, 2013) alleviates some of this concern, particularly for smaller funds.

Together, these results support the suggestion that the under-representation of Black- and Hispanic-owned groups can at least partially be explained by the demand side. During "normal" times, the lack of a strong relationship between fund inflows and performance suggests a problematic dynamic. While a "set-aside" approach may assure the presence of a number of minority managers in portfolios, it appears likely that high-performing minority groups struggle for recognition and capital. It is only during periods of sharp attention to racial issues that the dynamics appear to change. The analysis leaves many open questions for further study, including better understanding the criteria that asset owners use to select and renew managers.

This paper is related to several earlier works. In the private capital context, Gompers and Wang (2017) highlight the low level of minority-owned funds. Supporting the supply-side explanation, they find that African Americans and Hispanics represent a low fraction of new hires into the venture capital industry. On the other hand, the authors note that there is a large divergence between these groups' entry into the venture capital industry and their much higher representation in relevant background degrees and related jobs. Also similar to the spirit of our paper is Niessen-Ruenzi and Ruenzi (2019), who find that women-managed mutual funds receive lower capital inflows after controlling for fund performance. In a related paper, Kumar et al. (2015) show that mutual fund managers with foreign-sounding names receive about 10% lower annual inflows. The focus on the private capital industry, and the ability to control for changing racial attitudes over time and space, distinguish our work.

The plan for this paper is as follows. Section II provides background information on the relationship between institutional investors and minority private capital groups, Section III describes how we construct the data to test our hypotheses. Section IV takes a first look at the data, Section V presents our findings on the ability of minorities to raise follow-on funds, and Section VI concludes the paper.

II. Institutional Investors and Diverse Private Capital Fund Managers

Numerous industry reports have pointed out the small share of private capital funds owned by Black and Hispanic founders. Analysts have suggested several explanations for this paucity, including the presence of implicit biases in the recruitment of, and the allocation of capital to, minority private capital professionals and the relatively limited supply of Black and Hispanic founders of successful technology companies (which in turn may be a function of the capital constraints demonstrated in papers such as Fairlie et al., 2020). Small and Pager (2020) suggest that demand for minority managers might be low without implicit biases from LPs because existing employees of LPs (who might be predominantly white) allocate funding to private capital group owners in their network (who also happen to be white), thereby systematically shutting out minority group owners.

Before proceeding further, it is worth noting that the debate about the relative importance of supply and demand factors that motivates this paper is not just of theoretical interest. Practitioners have been sharply divided as to whether the emphasis should be on funding more diverse managers today, or encouraging incumbent majority-owned groups to hire and train minority investment professionals, in the hopes of building a pipeline of such managers in future years. For example, the late David Swensen put pressure on existing groups managing money for Yale's endowment to hire more women and minorities in entry-level positions (see, e.g., Swensen's notice to fund managers), while Rev. Al Sharpton has encouraged university endowments to put more emphasis on investing into funds owned by diverse fund managers.[7]

The primary response to concerns about diversity on the part of investors, particularly public pensions, has been to undertake emerging manager programs. Emerging

[7] See https://yaledailynews.com/blog/2020/04/10/sharpton-calls-for-diversity-in-endowment/

managers programs typically earmark some sum, typically quite modest relative to the size of the overall private capital portfolio, to invest in emerging managers, whether through a fund-of-funds managed by a third party or directly by the pension's staff. A standard definition for an emerging manager, according to the National Association of Investment Companies (NAIC, 2011), is an investor that "manages assets below a given threshold– for example, no more than $2 billion of assets," but they note that limited partners often apply their own criteria in addition to these, including a focus on minority- and women-owned managers.

These efforts, as well as similar ones designed to set aside capital for minority entrepreneurs, have encountered skepticism. These critiques have often taken one of three lines of argument.

The first has been claims that these programs lead to the selection of unqualified managers. As the NAIC (2011) related (while noting that they did not find these critiques justified, citing studies such as Bates and Bradford, 2008):

> Many practitioners in the private equity field, and even some on pension fund boards and their investment consultants, questioned the wisdom and prudence of allocating scarce assets to individuals and private equity investment groups that they perceived as having limited knowledge and relationships. To many, it appeared as if the pension funds' decision makers were capitulating to pressure from minority voters and/or vocal civil rights organizations.

A second concern relates to incongruity between many emerging manager programs' stated goal of helping minority and disadvantaged managers and the modest number of diverse managers actually funded. As Fairchild (2007) notes, despite the rhetoric at the inception of many programs, frequently programs have ended up with portfolios dominated by funds founded by white women, first-time funds by non-diverse founders, or funds focused on rural issues. A 2014 survey by investment

consultant Callan found that 5 out of 8 responding state emerging manager programs did not include race as a criteria when evaluating managers. In some cases, this decision reflected legal constraints: the California Public Employees Retirement System was prohibited by law from including minority and/or women owned groups in its definition of emerging managers (Callan, 2014). An evaluation at one of the states that did apparently allow racial targets, Maryland, expressed disappointment about the limited representation of these managers in the portfolio (Irani et al., 2013).

A third critique—which motivates the analysis below—focuses on the difficulty of emerging fund managers to "graduate" and receive additional allocations from sources other than those earmarked for diverse managers. Our conversations with minority fund founders revealed that many felt "pigeon-holed" in these programs, and found it difficult to raise capital from traditional investment staff after participating in these efforts.

These observations have been echoed in media accounts. For instance, a review by the Venture Capital Journal (Aragon, 2003) stated "Even with the support of large institutions, emerging managers face an uphill battle. Until pension funds truly open their wallets to young firms, emerging managers will be exactly where they were before the emerging manager programs were created—nowhere." Monique Woodard, the founder of the venture firm Cake Ventures, stated while discussing programs to reserve set-asides for minority entrepreneurs and fund managers: "We should be well beyond this idea of separate but equal. But in venture it seems as if we are moving right back there" (Joyner and McLymore, 2021).

These critiques echo the debate regarding minority set-aside programs more generally. Critics have argued that in many cases, these efforts benefit a politically well-connected small set of firms, while doing little to advance the creation of a substantial pool of competitive contractors (for a popular summary of critiques of these programs, see Wysocky, 2020). Unfortunately, despite the intense legal and policy interest in these questions, the characterization by Holzer and Neumark (2000) that the impact

of set-asides on minority entrepreneurship "has received virtually no attention in the economics literature" still remains true today. In one of the few evaluations, Chatterji et al. (2014) find, using Current Population Survey data, that self-employment rates for black men rise dramatically (and disproportionally) in cities in which set-aside programs are implemented. Marion (2011) also show direct evidence of a set-aside program's efficacy in enhancing the survival of minority firms. But Blanchflower and Wainwright (2005), using similar data to Chatterji et al., argue that when these programs are terminated, the number of minorities and women in public construction declines rapidly, suggesting that the initiatives do not achieve their goal of building viable businesses. Moreover, they suggest that some of the set-aside awardees are "fronts" actually run by white males.

III. Data

Our goal is to examine the extent to which demand-side factors explain the low rate of minority ownership of private capital groups. To that end, we carefully assemble a set of U.S.-based and -focused minority-owned private capital groups, manually processing each to document the level of minority representation among founders and senior partners. We exclude funds based in or focusing on regions outside the United States because identifying minorities would be considerably more complex.

We match our set of minority-owned groups to Burgiss and Pitchbook, which allow us to study the intensive margin: to what extent does minority ownership affect the probability of raising a follow-on fund and the size of a fund if one is raised? In an attempt to capture the extensive margin—private capital groups that attempt to raise capital for the first time—we turn to Form D data.

The next few sections detail how we assemble our set of minority-owned groups, describe the PitchBook and Burgiss samples, and discuss the Form D data.

A. Minority Ownership Data

An empirical challenge for our study is that many commercial databases do not systematically identify the ethnicity of private capital group owners or partners. Therefore, one important contribution of this study is assembling a comprehensive list of U.S. Black- and Hispanic-owned private capital groups, which we do using a variety of sources.

We begin by assembling a master list of private capital groups. We start by identifying the partners and, if possible, the founders of all such groups that satisfy any of three criteria: (a) listed in PitchBook; (b) raised a first-time fund and filed a Form D between 2009 and 2020; or (c) filed a Form ADV with the SEC between 2012 and 2020.

We then seek to ascertain which of the groups on this master list that are Black- and Hispanic-owned. One challenging issue is to identify individuals as Blacks and Hispanics. No classification system is likely to be perfect, especially in at a time when an increasing number of U.S. residents identify as multiracial.[8] While we try our best to mitigate errors, we acknowledge an element of subjectivity in these classifications. This process is a continuing one, and the list of diversely owned groups may change as we get additional information and refine our classifications.

We proceed in five steps. First, we hire UpWorkers to flag groups with Blacks or Hispanics on the team page. To increase the accuracy of classifications, we process each private capital group twice, hiring North Americans to flag Black team members and Latin Americans to flag Hispanics (in the hopes that they would be more sensitive to these respective identities). In all groups where Upworkers flagged at least one minority, one of the authors inspects the information to double-check the ethnicity and title of the key executives. The key criteria that we use in the ethnic assignment of the executives are (a) self-identification as a Black and Hispanic, (b) a last name

[8] This Census press release summarizes recent trends.

that is commonly associated with Hispanics,[9] (c) attendance at a Historically Black College and University, (d) affiliation with a relevant affinity group on LinkedIn (e.g., Black Women in Asset Management), and (e) (for Blacks only) skin color.

Second, to ensure that we do not miss any minority-owned groups, we complement our search by having one of the three authors examine all private capital groups that are classified as minority-owned by Preqin or Crunchbase.[10] Additionally, we examine those firms on lists of minority-owned groups that we collected from pension funds and other LPs, consultants, and media accounts.[11]

Third, based on these examinations, we total the number of minorities and non-minorities holding the following titles: "founders"; partners holding the highest ranking title such as "managing partner," "general partner," "senior partner," or "managing director";[12] and the total of all other partners above the rank of "junior partner'.'

Fourth, we identify minority-owned groups. While we do not observe the precise ownership stakes held by individual partners in a group, we rely on the fact that the most senior members of a group typically hold the biggest ownership shares (Ivashina and Lerner, 2019). We define a group as minority-owned if at least 50% of either the founders or the senior partners are Black or Hispanic.[13]

[9] Based on the 2010 data reported at https://www.census.gov/data/developers/data-sets/surnames.html

[10] See the following article for a complete discussion of how the diversity data are collected and analyzed by Crunchbase. Preqin collects information on the minority-ownership status of private capital groups using a combination of self-reporting from general partners (GPs) and publicly available information.

[11] This effort builds on earlier work by Lerner et al. (2019).

[12] When multiple titles are present, we count the title used for the highest ranking individual. For example, if there is one managing general partner and three general partners, we count only the managing general partner in the category of highest-ranking partner.

[13] A concern is that our classification is as of the date at which we collect this information: February through August of 2021. In the event that minorities have recently been appointed to senior partner roles, we may incorrectly label the group as minority-owned for the period prior to this appointment. As the founders of a group do not change over time, it is appropriate to view the classification based on founders as the most robust. However, most of the groups we identify as minority-owned have been launched in the past decade, greatly limiting the importance of this concern. Additionally, there is a large overlap between groups classified as minority-owned based on founders or based on senior partners. In the PitchBook sample, for example, 88 percent of groups classified as minority-owned using the founder definition are also classified as minority-owned using the senior partner definition.

Finally, we reclassify a small number of groups as minority owned that do not meet our criteria above, but where we learn from a reliable LP or consultant that they are at least 50% minority owned (and understand why they do not meet our criteria).

B. Burgiss Sample

We rely on Burgiss and PitchBook data to test the intensive margin: for existing private capital groups, to what extent does minority ownership impact the probability of raising a follow-on fund and the size of the fund, if one is raised?

Our Burgiss sample contains 3,882 funds in total through the end of the third quarter of 2020, the end of our sample. For these funds we have information about the type of fund, the size of the fund, and information about the fund sequence number within a given fund family. Having fund sequences within a fund family allows us to cleanly identify events when a follow-on fund is raised.[14]

Importantly for our purposes, Burgiss maintains a comprehensive database containing timely fund valuations and cash flows, which allows us to measure fund performance at the time of a potential fundraising attempt (e.g. Barber and Yasuda, 2017). This data-set is widely regarded as a "gold standard" database for private capital performance research. The importance of using contemporaneous measures of interim performance is highlighted in the context of performance persistence by Harris et al. (2020).

We measure performance as the public market equivalent following Kaplan and Schoar (2005). The PME is defined as the ratio of the present value of distributions to the present value of capital calls, using realized returns on the S&P500 as the discount

[14] This mapping allows us to link the fundraising success of, for example, "Blackstone Capital Partners V" to "Blackstone Capital Partners VI," even if the Blackstone group raised other funds in between. We are grateful to Tim Jenkinson for sharing his work of sequencing Burgiss funds and classifying fund families, which he developed for Harris et al. (2020). We complement his sequencing for funds not covered by that project.

rate. As an alternative performance measure, we similarly construct the total value to paid-in capital (TVPI) by taking the ratio of all distributions to all capital calls, treating any remaining NAV as a final distribution.

For the purpose of the performance evaluation in Section IV, we construct this measure at the time the fund is fully liquidated, or at the third quarter of 2020 (the end of our sample). For the purpose of evaluating the relationship of performance to fundraising success in Section V, we construct a sample at the fund-quarter level. A fund is included in the analysis up until the quarter in which a follow-on fund is raised, 10 years has passed since its inception, or we reach the end of our sample. In total, we have 61,575 fund-quarters in this analysis, and we measure the intermediate PME at the beginning of every fund-quarter.

Burgiss does not have information on the diversity in ownership of the private capital groups in their database, so we match our master list of minority-owned groups to Burgiss via names. In the sample for which cash-flow information is available, minority-owned groups constitute 72 of the 3,882 funds in our sample.

As Burgiss maintains data on deal-level performance, we may be able to complement the deal-level PitchBook analysis described below, and compare the performance of investments by funds owned by minorities to that of investments by funds owned by non-minorities using a more precise measure of performance than in the PitchBook sample. We hope to explore this possibility in future work.

One limitation of the Burgiss data, however, is that (like most commercial databases), most of the institutions contributing data tend to invest in larger and more established funds (see the discussion in Brown et al., 2015). As noted above, there are relatively few Black- and Hispanic-owned funds in the sample, which limits the kinds of analyses we can do. For this reason, we complement the Burgiss sample with one from PitchBook.

C. *PitchBook Sample*

PitchBook has a broader set of private capital groups than Burgiss, with considerably greater representation of smaller groups. These additional groups allow us to expand our sample of minority-owned groups.

Specifically, we construct a group-year panel of private capital (venture capital, buyout, and growth equity) groups that raised at least one fund between 2000 and 2020. (We do not include earlier periods because of concerns about potential "back-fill bias," as PitchBook was founded in 2007.) If a group is founded post-2000, then it is included from its founding year. Funds are included until the third quarter of 2020 (the end of our sample) or it has been 10 years since it last raised a fund. Our PitchBook sample comprises 30,415 group-year observations. We merge our set of minority-owned groups to the PitchBook sample through group names, which we manually verify to ensure accuracy. Note that in our process of identifying minority-owned groups, we manually inspected every group in PitchBook for which we could find a website.

Unlike in Burgiss, we cannot measure fund performance using PMEs or TVPI in PitchBook, as we do not observe fund-level cash flows. Instead, we employ a proxy commonly used in the venture capital literature: the number of portfolio company investments that have gone public and/or been acquired in the recent time period. To mitigate the concern of counting acquisitions that generate modest returns as successes, we only count an acquisition if we observe the sale price and if the sale price is at least twice the total investment amount in the company.

For the purpose of the performance evaluation in Section IV, we look at the eventual outcomes of deals by private capital groups by the second quarter of 2021. For example, we look at whether an investment made in 2000 generates a successful exit in the form of an IPO or a successful M&A. For the purpose of evaluating the relationship of performance to fundraising success in Section V, we construct a contemporaneous

measure of performance at the group-year level. Specifically, for each group-year we count the number of portfolio companies that have gone public or been acquired over the previous four years, excluding the current year.

Of course, this is a highly imperfect measure, as some acquisitions may generate very high returns while others may capture some very modest value, even with our filter on the ratio of acquisition price to investment amount. Nonetheless, it is a frequently employed metric to assess the performance of private capital groups (see e.g., Hochberg et al., 2007; Gompers et al., 2016; Farre-Mensa et al., 2020).

D. Form D Sample

We also focus on the extensive margin. Our goal is to capture the extent to which groups owned by minorities and non-minorities differ in their ability to enter the market by raising a first fund. For this purpose, we need to observe groups that failed to raise a fund at all, as well as those raising such small funds that they are not tracked by Burgiss, PitchBook, or other commercial databases.

To this end, we turn to Form D data. Form D filings are a very common by-product of raising private capital for a U.S. fund or a company, though in some cases groups raise capital for a fund without filing Form D. In Appendix A, we discuss Form D filings, focusing on the legal framework behind these filings and on which funds file Form D.

To construct our sample of first-time filings by private capital (venture capital or private equity) funds between 2009 and 2020, we proceed in several steps outlined here and detailed in Appendix A.1. First, we exclude all filings where the fund name and other characteristics indicate that it is not a first-time filer. Second, we search for the private capital group's website, which we link to specific filings and use to extract the year the group was founded. Third, we ensure that the team page contains pictures that allows us to verify whether any minorities work at the group. Finally, we collect

information about minority ownership status following the process outlined in Section III.A.

Note that we drop filings for which we are unable to verify the ethnicity of owners, or could not find information about the year the group was founded, leaving us with 3,917 unique filings belonging to 1,988 unique groups. Finally, to ensure that only first-time funds are included in our analysis, we use the first filing by each private capital group, and drop all funds for which the group filed its first Form D more than five years after its founding year. Our final sample comprises 1,100 first-time funds, of which 74 are minority-owned.

IV. A First Look

To set the scene, we initially look at the differences in the representation, fundraising, and performance of minority and non-minority owned funds. We highlight the very modest representation of Black- and Hispanic-owned funds and the challenges that these first-time funds face, despite the comparable performance of these groups.

A. Overall Representation

Table 1 takes an initial look at these patterns. Panel A looks at Burgiss data at the level of the individual fund. It highlights that the number of diverse-owned funds we have identified is very small, only 1.7% of the total. On a size-weighted basis, the share increases to 3.1%. At the same time, the performance is very similar, with no significant difference between the two: the performance of the minority-owned finds is slightly higher. The only statistically significant difference is in vintage year, where minority-owned funds are on average younger.

Panel B finds similar patterns in the PitchBook data, where the sample is about three times larger. Black- and Hispanic funds represent 1.6% of the total number of funds raised (2.1% when size weighted). Again, we see the tendency of the diversely

owned funds to be younger. As in the Burgiss sample, we see no significant difference in performance between minority and non-minority owned funds, whether we measure performance as the fraction of the private capital group's investments that have exited via an IPO or an acquisition as of the second quarter of 2021, or investments that have exited only via an IPO.

[INSERT TABLE 1 ABOUT HERE.]

Figure 2 looks at the time trend in the share of minority funds raised in Burgiss and PitchBook. The results highlight that the paucity of funds documented in Table 1 is not just a historical phenomenon. Panel A shows that the share of diversely owned funds by number has increased over time, but even in the 2015-2020 period, these represented only 3.2% (1.9%) of the total number of funds raised in Burgiss (PitchBook).

[INSERT FIGURE 2 ABOUT HERE.]

It is worth highlighting that minority-owned funds are not only modest in number, but also highly concentrated. Panel B of Figure 2 looks at the share of AUM held by the five largest groups in each period in the PitchBook sample. The five largest minority-owned private capital groups represent on average 65% of the capital raised by minority-owned groups. This can be contrasted with 8% for non-minority groups. Another way to look at relative concentration is to look at the distribution of AUM at the end of 2020 by group, which we do using Preqin data. The top five largest Black-owned private capital groups accounted for 88.3% of Black-owned PE group AUM and the top 5 Hispanic-owned PE groups accounted for 81.9% of Hispanic-owned PE group AUM. This compares to 13.1% for the top five groups in PE overall.

B. Ability to Raise a First-Time Fund

We next turn to the extensive margin: do minorities struggle to enter the private capital market by raising a first-time fund? Looking at first-time funds may give

a better sense of the relative success of fundraising, as follow-on funds can only be raised by the selected subset of groups that raise an initial funds.[15]

As discussed above, a group that fails to raise their first fund, or raises only a very small one without institutional investors, may not be included in commercial databases like PitchBook, Burgiss, and Preqin. We therefore turn to Form D filings to study this question. Form D filings provide a fairly comprehensive picture of U.S. private capital fundraising.[16]

The process of assembling this data-set is detailed in Appendix A.1. Table B.3 presents summary statistics for this sample. Minority-owned groups make up 6.7% of first-time fundraisers, a higher share than their overall share of the market. The table highlights that minorities raise a smaller fraction of the capital sought, raise smaller funds, have fewer investors participating, and have fewer executives on the team. It should be noted that only the fraction raised is statistically different between the two groups.

Figure 5 presents the number of first-time funds filing a Form D over time for minority-owned groups and others. Overall, there appears to be a a slight upward trend in the number of minority-owned funds over time, though as a fraction of all first-time fundraisers there is little change.

To test whether minority ownership affects fundraising amongst first-time funds, we estimate the following reduced-form model by pooled OLS:

$$\textit{Fundraising Outcome}_i = \beta \textit{Minority Owned}_i + \Gamma \text{Controls}_i + \lambda_j + \eta_t + \epsilon_{it}. \quad (1)$$

[15] We seek to look at the fundraising success of as broad of a set of first-time funds as possible, including high- and low-quality prospective managers. Of course, some aspiring groups may be discouraged by lawyers or other advisers from initiating the process. To the extent that minority-owned and other funds receive different advice, our interpretation of the results in this section may need to be nuanced.

[16] To emphasize the coverage of Form D data, we show in Appendix Table B.2 that Form D filings captures more than 80% of all private capital (buyout, growth, and VC) groups in PitchBook that are formed between 2010 and 2020.

The unit of observation, i, is an initial Form D filing by a first-time private capital fund from 2009 to 2020. We proxy for fundraising difficulty by examining three dependent variables: *Ln(Funding Raised)* is the log amount of funding raised in dollars; *Ln(# Investors)* is the log number of investors participating in the fundraising; and *Percent Raised* is the amount of funding raised, expressed as a fraction of the fund's fundraising target which is indicated in the original Form D filing.[17]

The key independent variable is $Minority\ Owned_i$, which is an indicator variable that equals one if at least 50% of the founders or senior partners of the group are Black or Hispanic. λ_j and η_t are state and year (vintage year) fixed effects. Control variables include an indicator that takes the value of 1 if the Genderize algorithm predicts that a majority of the executives signing off on the Form D are women, and 0 otherwise; an indicator that is 1 for venture capital funds, and 0 for private equity funds (buyout or growth); the natural logarithm of the number of executives listed in the Form D filing; and the log of group age, defined as one plus the number of years between when the group was founded and the Form D filing.

If minority-owned funds struggle to raise capital, we expect β to be negative for the amount of capital raised, the fraction of sought capital raised, and the number of investors participating in the fund. As discussed earlier, a possible confounding variable is manager quality, which we cannot control for using the limited fund and group-level variables in the Form D data.

Table 2 presents the results of estimating (1). The first column focuses on the percentage of capital sought that is ultimately raised, the second column examines the amount of capital raised, while the third column looks at the number of investors participating in the fund.

[INSERT TABLE 2 ABOUT HERE.]

[17] Some funds report seeking to raise an indefinite amount. If such funds raise any capital we code the fraction raised as 100 percent, while we code it as 0 for those that raised nothing.

The results in Table 2 indicate that minority-owned groups raise a smaller percentage of the amount sought, raise smaller funds, and have fewer investors participating in their funds. These results are consistent with the notion that minority-owned groups face barriers to enter the market.

C. Performance of Diverse Private Capital Fund Managers

Table 1 gives the impression of few major differences in performance between Black- and Hispanic-owned funds on the one hand, and majority-owned ones on the other. This initial observation requires more careful analyses as the two group of funds differs, particularly with minority-owned funds being of more recent vintages. This analysis is borne out in Tables 3 and 4. As discussed above, with Burgiss, we are able to measure the PME and TVPI for each fund; with Pitchbook, we present the share of transactions that went public or were acquired.

In Table 3, we use each fund as an observation; in Table 4, the first investment by a private capital group in a portfolio company. In Table 3, we first undertake the regressions controlling for vintage year fixed effects; in Table 4, the year of the original investment. In the second regression, we add fixed effects for the state of the private capital group. Finally, we add a set of additional controls at the fund level (Burgiss) or deal level (PitchBook). In the Burgiss sample, these are the *Log of Fund Size*, the *Log of Fund Sequence*, and indicator variables for whether it is a buyout or venture capital fund (with growth funds being the omitted category). For PitchBook, the deal-level controls include *Log of Firm Age*, the number of years since the portfolio company was founded, indicators indicating the stage of a deal (buyout, late-stage venture/growth, and early-stage venture, with seed being the omitted category), and indicators for the sector of the portfolio company as one of the following: Business Products and Services (B2B), Consumer Products and Services (B2C), Energy, Financial Services, Healthcare, Information Technology, and Materials and Resources.

Table 3 presents the results for the Burgiss sample, measuring fund performance as the PME (columns 1 to 3) and TVPI (columns 4 to 6) at the time the fund is fully liquidated, or at the end of the sample (Q3 2020). We only include vintages of 2015 or earlier to allow funds to have enough time to generate meaningful performance measures. The table documents there there is no significant performance difference between funds owned by minorities and non-minorities. As a robustness check, Table B.4 confirms that this is not due to the exclusion of recent vintages.

[INSERT TABLE 3 ABOUT HERE.]

When we turn to the performance analysis using the PitchBook data in Table 4, we observe a similar pattern. In Columns (1) to (3), the dependent variable, *I(IPO or M&A)*, is an indicator that equals 100 if the portfolio company exits via an IPO or an acquisition, while in Columns (4) to (6), the dependent variable, *I(IPO)*, equals 100 if the exit is via an IPO and zero otherwise. Similar to the Burgiss analysis, we only include investments made in 2017 or earlier to allow allow enough time to observe an exit. Once we account for the characteristics of the portfolio company, in Columns (3) and (6), the performance differences between the minority-owned and other funds are statistically insignificant.

[INSERT TABLE 4 ABOUT HERE.]

Figure 3 presents the PitchBook performance data graphically. The figure plots the average difference in the performance of investments initially made in a given year by minority and non-minority groups. We measure performance as the fraction of investments that exited through an IPO or an acquisition, as of the second quarter of 2021. For each year's investments, we subtract the proportion of investments by non-minority groups that exit via an IPO or acquisition (our definition of a successful acquisition follows section III.C) from the corresponding proportion for minority groups. For transactions made in 2000, for example, 55% and 40% of all

minority- and non-minority group investments respectively exited by the second quarter of 2021. Therefore, the figure displays the 15% difference for 2000. The grey area shows 95% confidence intervals. We see little sustained differences between minority and non-minority owned investments.

[INSERT FIGURE 3 ABOUT HERE.]

D. Implications for Entrepreneurial Financing

One final analysis underscores the initial observation that the importance of diverse-owned funds extends beyond the individual partners and their returns. Using the investment activity and portfolio company location data from PitchBook, we look at Census tracts to examine where companies that are recipients of private capital investments are located.[18]

Table 5 contrasts the tracts of investments made by minority-owned and by other private capital groups.[19] It highlights that investments made by minority-owned groups are more likely to be in companies located in Census tracts with a significantly greater minority population. The regions are also more urban, with a higher share of the population being college-educated. These effects are somewhat sharper when we exclude the ten largest minority private equity groups in Panel B. The fact that the differential is greater in Panel B make sense: while the largest groups (whether majority- or minority-owned) are likely to generate the bulk of their transactions through auctions intermediated by investment banks, middle-market groups are likely to rely much more on personal networks to identify transactions.

[INSERT TABLE 5 ABOUT HERE.]

[18] PitchBook provides the company address, but not its Census tract. To map addresses to census tracts, we use ArcGis to obtain the exact longitude and latitude of all companies in the PitchBook database. We then use this information to assign companies to Census tracts.

[19] A unit of observation in this analysis is a portfolio company. We classify a company as belonging to a minority-owned group if it received at least one round from a minority-owned private capital group. Thus, Table 5 shows portfolio company weighted census tract averages across minority and non-minority investments.

V. Follow-On Fundraising Analysis

Our main analysis focuses on the intensive margin: the propensity of private capital groups to raise follow-on funds, and the size of funds they raise. By focusing on follow-on funds, we are able to control, at least partially, for differences in managerial quality, using the different measures of performance we introduced above for the Burgiss and PitchBook samples.

A. Empirical Strategy

To test the extent to which minority ownership affects the probability of raising a follow-on fund, we estimate the following model:

$$\begin{aligned} \textit{Fundraising Outcome}_{it} = \quad & \beta_1 \text{Minority Owned}_i \times \text{Performance}_{it} \\ & + \beta_2 \text{Minority Owned}_i + \beta_3 \text{Performance}_{it} \\ & + \Gamma \text{Controls}_{it} + \lambda_j + \eta_t + \epsilon_{it}. \end{aligned} \tag{2}$$

The unit of observation is a private capital fund-quarter (Burgiss) or a private capital group-year (PitchBook). In the Burgiss sample, we include all fund-quarters from the fund's inception until the quarter a follow-on fund is raised, ten years has passed since its inception, or the third quarter of 2020 (the end of the sample). For PitchBook, we include all group-years from the maximum of the year after the group is founded and 2000 to the minimum of ten years after the group raises its last fund or 2020. The sample is restricted to U.S.-based private capital (venture capital, buyout, and growth equity) groups that raised at least one U.S.-focused fund between 2000 and 2020.[20]

[20] One subtle difference between the Burgiss and PitchBook data-sets is that while the former allows us to carefully distinguish between different fund families of the same private equity group (e.g., Sequoia Capital raised a number of US-focused funds in different families between 2018 and 2020, including Sequoia US Growth VIII, Sequoia US/Europe Seed Fund IV, Sequoia US Venture XVI,

We examine fundraising outcomes by examining the probability of raising a follow-on fund, and the size of a fund if one is raised. In the analysis of the probability of raising a fund, the dependent variable takes the value 1 if a fund is raised in a given period, and 0 otherwise. When examining the size of funds that are raised, we replace this indicator with $Ln(New\ Fund\ Size\ +\ 1)_{it}$, the size of the fund raised.

Our empirical focus is the extent to which fund performance, as computed at the time of the observation, affects the ability to raise follow-on capital. As noted above, it is reasonable to assume that for many funds, past performance will be a proxy for expected future returns (and will be used by many potential investors as such). For the Burgiss sample, we use the PME of the most recent fund that the private capital group had raised, measured as of the quarter of the observation.[21] For the PitchBook sample, we use the number of investments made by a private capital group that have gone public over the last four years, excluding the current year. We explore the robustness of the results to other performance measures below. As before, we define a group as minority-owned if at least 50 percent of the founders or senior partners are Black or Hispanic. λ_j and η_t denote state and year fixed-effects.

Included in $Controls_{it}$ for both the Burgiss and the Pitchbook samples are the logarithm of the size of the most recent fund, the logarithm of the most recent fund's number, indicators for whether the group is a venture capital or buyout organization, and whether the prior fund is a first-time fund. For the PitchBook analysis, we additionally include the private capital group's age and the logarithm of the number of deals the group invested in over the past ten years.

and Sequoia Scout III), the latter does not. The analyses in Table 5 thus look specifically at whether the group raises another fund within the same family, while in Table 6 (and subsequent tables), we look only at whether the private capital group raised a fund in a given year. As a result, we feel much more comfortable running a hazard analysis in columns 1-3 of Table 5, while in the corresponding analysis in Table 6, we simply look at whether a fund was raised in any given year.

[21] Another possibility would have been to also look at the performance of the fund prior to that one, which would be more mature. Unfortunately, this step would have sharply shrunk the sample size.

B. Results

We present the results of our estimations in Tables 6 and 7.

Table 6 looks at the fundraising using Burgiss data. We follow Barber and Yasuda (2017) and model the fundraising probability as a Cox proportional hazard rate model. This is an appropriate model for two reasons. First, a fund is included only up until a follow-on fund is raised, and then leaves the sample. A fund may also be included until the end of the sample period. This is much like what happens in medical studies when a patient dies and leaves the sample, or survives until the end of the observation period, situations that the model was developed to deal with. Specifically, we define the "failure" of a fund as the quarter in which a follow-on fund is raised. A fund is allowed to fail at any point of its life, up until and including its tenth year.

[INSERT TABLE 6 ABOUT HERE.]

The table highlights how more successful funds, measured using contemporaneous PME, are more likely to raise funds and to raise larger follow-on funds, echoing results in Barber and Yasuda (2017) and Brown et al. (2019). We see no significant relationship between the interaction between minority-owned funds and PME and the probability of raising a new fund. But this interaction term is strongly negatively associated with the size of the next fund. Summing the coefficients indicates that inflows to minority-owned funds have no positive relationship with performance. For instance, in the fourth column, a one standard deviation increase in PME is associated with raising a 24.1% larger follow-on fund for non-minority owned groups, while for minority-owned groups that effect is 29.6 percentage points smaller and close to zero (-5.5%).

Table 7 similarly examines fundraising patterns using PitchBook data. Again, better performing funds are more likely to raise a fund and to raise larger funds, while the effect of performance is much reduced for minority-owned funds, both when examining the likelihood of raising a fund and the size of funds raised. Looking again

at the fourth column, a standard deviation increase in the log number of IPOs is associated with raising a follow-on fund that is about 30.8% larger for non-minority groups, while the gain for minority groups from such an increase in performance is 34.9 percentage points smaller and close to zero (-4.1%).

[INSERT TABLE 7 ABOUT HERE.]

B.1. Robustness

We conduct several robustness tests to ensure that our results are not sensitive to the specific performance measure employed. Table B.5 repeats the Burgiss analysis using TVPI in place of PME and finds qualitatively similar results. Table B.6 examines the robustness of the PitchBook analysis to alternative measures of success. In particular, we report results with success based on a dummy denoting an above-median number of IPOs, the number of IPOs and acquisitions, and the quartile ranking of the number of IPOs, and generate qualitatively similar results.[22] Table B.7 shows that our results are robust to controlling for state-year fixed effects in place of state and year fixed effects. Table B.8 shows the PitchBook results do not change when we employ a logit specification in regressions 1 through 3 and a Tobit one in regressions 4 through 6.

As we discuss in the introduction, the interpretation of this pattern must be cautious. It may be that these patterns reflect differences in the informativeness of performance metrics of minority-owned funds. This concern motivates the next analysis.

[22] It is worth noting that while the PitchBook analysis is robust to variations in how we construct the sample, the relatively small number of minority-owned funds in Burgiss makes that analysis much more sensitive to changes in the sample composition. In particular, the results of Table 6 are qualitatively similar but do not remain significant if we drop the pre-2000 vintages.

C. *Racial Awareness, Minority Ownership, and Fundraising*

As suggested above, we want to create an exogenous measure of racial awareness across time and space, and examine whether this affects the willingness of investors to place capital with minority-owned funds. To be sure, there is considerable heterogeneity in awareness of racial issues over time.

Figure 4 illustrates this point by showing the quarterly time-series of the number of Wall Street Journal (WSJ) articles that are related to racial issues. We utilize Factiva to count the number of articles in the WSJ that contain keywords indicating that racial issues are discussed.[23] We see numerous spikes over time, which we relate to major events that triggered an increased focus on racial issues.

[INSERT FIGURE 4 ABOUT HERE.]

While there is temporal variation, these shifts would not help us much for identification purposes, since they occur nationally at the same time. Confounding events would be another concern, as noted in the introduction.

Rather, we follow the sociology literature and use crowd-sourced data on fatal encounters between citizens and the police to proxy for the awareness to racial issues. We identify 4600 fatal encounters between police and unarmed Black or Hispanic civilians between 2000 and 2020.[24] We weight these stories by the log of one plus the total number of articles in Lexis-Nexis that mentioned the name of the deceased, together with the either the keywords "police and death" or "police and killed," in the

[23] Specifically, we conduct the search quarter-by-quarter for articles using the following terms: "racism" or "racial inequalities" or "antiracism" or "racial inequality" or "race inequality" or "race inequalities" or "racial bias" or "race bias" or "racial discrimination" or "race discrimination" or "racialism" or "racial equality" or "race equality" or "black discrimination" or "african american discrimination" or "asian discrimination" or "latino discrimination." We conduct the search for articles in any of the following categories: Analyses, Columns, Commentaries/Opinions, Country Profiles, Economic Predictions/Forecasts, Editorials, News Agency Materials, News Digests, Page One Stories, Routine General News, Routine Market/Financial News, Corporate/Industrial News, Economic News, or Political/General News.

[24] We combine and process these data from three main sources: Mapping Police Violence, The Fatal Encounters Database, and The Washington Post Police Shootings Database.

first 30 days following the date of the event. Table 8 shows the 25 cases in the sample involving Blacks and Hispanics that measure highest on this score. As is evident from the table the distribution of news coverage is highly skewed. A case is mentioned in an average of 13.4 articles, but 66.3% of the events have no coverage at all.

[INSERT TABLE 8 ABOUT HERE.]

We aggregate this measure to a state-year level. Specifically, for each state and year, we sum all fatal encounters between police and citizens that involve unarmed Blacks or Hispanics, applying a weight to each event based on how well-covered it is. The weight applied is the log of one plus the total number of articles mentioning the encounter. As states vary significantly in the amount of fatal encounters between citizens and the police, we normalize this measure by dividing by the total number of all such events involving individuals of all races. Thus, if in a given year, there was one shooting of an unarmed minority, which generated two news stories, and nine other fatal encounters, the measure would be 0.069 (ln(2)/10). The average state-year HRA measure is 0.055, with 53.5% of all state-years having an HRA measure of 0.

We proxy for the sensitivity to racial issues by defining an indicator for high racial awareness, *HRA*, which equals one for states in which this measure is above the median of all states in that year.[25] To ensure the *HRA* events have already taken place at the time of the observation, we lag this measure by one year: the *HRA* measure of 2005 is used to predict fundraising in 2006 and so forth. Hehman et al. (2018) show that a similar measure is associated with the racial attitudes of residents in the regions where such fatal encounters occur. Thus, we assume that our measure will capture the relative attention to racial issues across states over time. Given the localization of fundraising discussed in the introduction, we assume this will affect the fundraising

[25] The continuous *HRA* measure is 0 for slightly more than 50% of all state-years. These are never recorded as being above the median. In some years, however, more than 50% of the states have a positive *HRA*,so some positive *HRA* states are still below the median. In total, 42.9% of all state-years have an above-median *HRA*.

environment for the groups based in the state.

We wish to examine how changing racial attitudes affects the inflow-performance relationship documented above. To do so, we augment the specification in the previous section with a triple difference that interacts the minority ownership and performance measures with a dummy indicating periods and states with high racial awareness. Because of the modest number of minority-owned funds in the Burgiss sample (as highlighted above), we focus on the PitchBook sample for this analysis.

Table 9 presents the results. As before, we see that success positively affects both the probability of raising new funds and their sizes, while minority status leads to success having less of an impact on the probability of raising a new fund and the fund size.

[INSERT TABLE 9 ABOUT HERE.]

However, the effects of high racial awareness are striking. During these periods, the lack of sensitivity of fundraising and fund size to performance disappears. To illustrate this relation we focus on the effect in the fourth regression from a one standard deviation in our measure of success: the log number of IPOs over the previous four years. During periods of low racial awareness, an increase in success for non-minority group is associated with raising a 40.5% larger fund. By contrast, an increase in success for a minority-owned group has a very small effect (a decline of 10.5%). During periods of high racial awareness, an increase in success for non-minority groups is associated with raising a 42.3% (40.5% + 1.8%) larger fund, while the corresponding figure for a minority group is 34.7% (40.5% + 1.8% - 51.0% + 43.4%), a figure significantly closer to non-minorities than in non-*HRA* periods. We see a similar pattern for the probability of raising a fund in columns one through three, where minority groups gain nearly as much from high performance as non-minority groups in *HRA* periods, but significantly less in other periods.

These results are consistent with the anecdotal suggestions that minority-owned

private capital groups may find it difficult to succeed on their merits during ordinary periods. There appears to be a different dynamic in fundraising patterns in periods of high racial awareness. It is hard to imagine that the information environment has changed during these periods in a way that would make their track record more illustrative of underlying quality.

D. Public Pension Fund Participation, Racial Awareness, and Fundraising

If the results in the previous section reflect consideration to racial issues, we would expect them to be most pronounced for funds with a strong representation of public pension funds in their investor base. Papers such as Hochberg and Rauh (2013) and Andonov et al. (2018) suggest that public pension funds are sensitive to additional considerations, such as economic development, when making private capital investment decisions.

While it is difficult to ascertain exactly which private capital groups are highly exposed to public pension funds, we focus on groups located in states where the number of pension funds allocating to private capital is above the median. For each state-year, we use PitchBook data to sum the number of unique public pension funds in a state allocating funds to private capital groups. If allocations by public pension funds tend to be localized, as Hochberg and Rauh (2013) suggest, funds located in these states should be most dramatically affected by their presence.

Table 10, Panel A, presents the results when we restrict the sample to states with above median public pension fund allocation to private capital, while Panel B presents the results when we restrict the sample to states with below median public pension fund allocation to private capital. It is clear from the table that the patterns observed in the previous section are stronger in states where public pension funds are important investors in private capital funds. In states with above-median involvement

with pension funds to private capital, and during periods of high racial awareness, the inflow-performance relationship of minority-owned funds resembles those owned by non-minorities more closely.

[INSERT TABLE 10 ABOUT HERE.]

These patterns do not appear for funds raised in states with below-median involvement with private capital by public pension funds. The sensitivity of inflows to the performance of minority-owned funds is essentially unchanged during periods of high attention to racial issues.

These results further support the importance of the demand channel as an explanation of why there are few minority-owned private capital funds. While we cannot rule out that managerial quality confounds our results, it would have to be the case that the quality of minorities attempting to raise funds not only changes during periods of high and low racial attention in a pattern consistent with our results, but also changes depending on whether the fundraising takes place in a state with a high or low involvement of public pension funds with private capital funds.

D.1. Robustness

Tables B.9 and B.13 examine the robustness of the analyses in Tables 9 and 10 to the definition of high racial awareness. In particular, we report the impact of normalizing the *HRA* variable by the minority population of the state rather than the number of fatal encounters between police and civilians.[26] The tables confirm that our results are qualitatively similar using this alternative normalization.[27] Table B.10 repeats the analysis in Table 9, now using logit (in regressions 1 through 3) and Tobit specifications (regressions 4 through 6). Tables B.11 and B.12 repeat the analysis,

[26] In years when fewer than 26 states have non-zero *HRA* scores, this alternative normalization does not affect the states (and funds) designated as *HRA*. In the other years, this approach may lead to the selection of different states and funds.

[27] Given the relatively few minority groups in states with below-median number of pension funds allocating to private equity, the remaining robustness tests in this section focus on using the pooled sample of all private equity groups instead of the sample split by pension fund presence.

now confining the *HRA* designation to those funds in state-years in the top tercile and quartile using the high racial awareness measure.

VI. Conclusion

This paper examines the extent and nature of diversity in the private capital industry, a sector that has been a major source of wealth creation and a driver of growth. We explore the racial mixture of founders and senior partners of these groups, drawing information from major private capital databases, our own research, and Form D filings.

We begin by pointing out the small share of diversely owned private capital funds, despite their competitive performance. We acknowledge that several explanations can be offered for this pattern. We then show, using data from Burgiss and PitchBook to control for group success to date, that the inflow of capital to follow-up funds raised by minorities is less sensitive to performance than for other private capital groups. These patterns reverse sharply during periods of high racial awareness, a result that seems inconsistent with any potential explanation based on the quality of information about minority-owned funds. Together, the results support the hypothesis that the limited representation of Black- and Hispanic-owned groups in private capital can at least partially be explained by the demand side.

The findings raise many questions, which deserve future exploration. While the ways in which behavioral considerations affect the decisions of individual investors have been extensively scrutinized, we know relatively little about the nature of private capital investment decision-making. A deeper exploration of the investment process is certainly needed. A second important area for research concerns the consequences of the paucity of minority-owned private capital funds. To what extent does their under-representation impact the investment levels in, and the success of, minority entrepreneurs?

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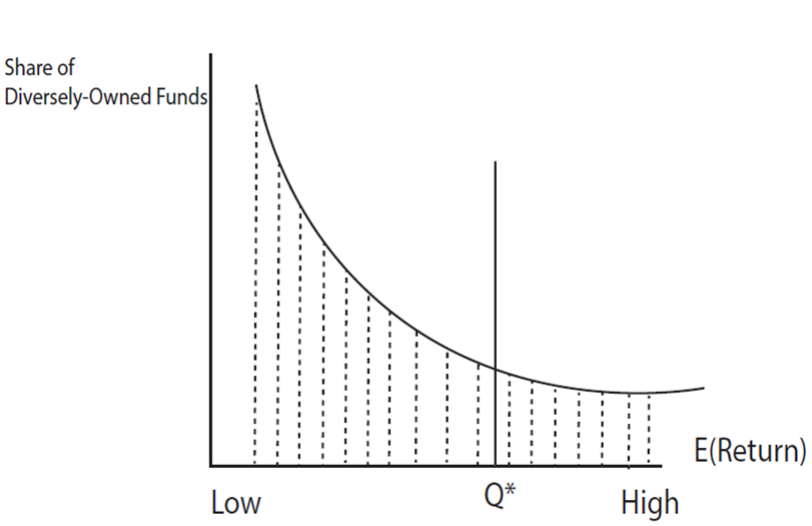
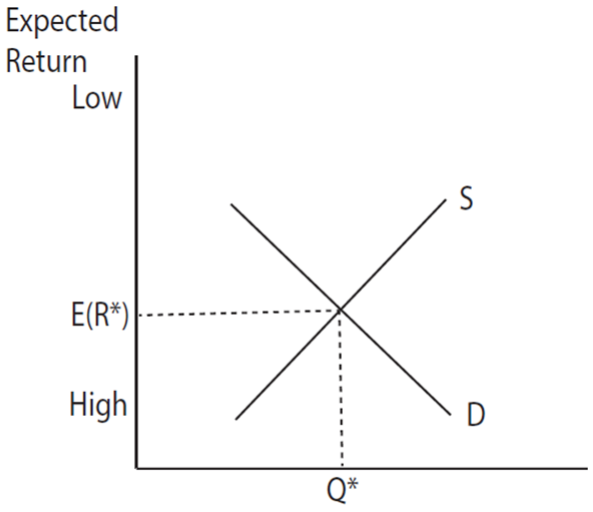
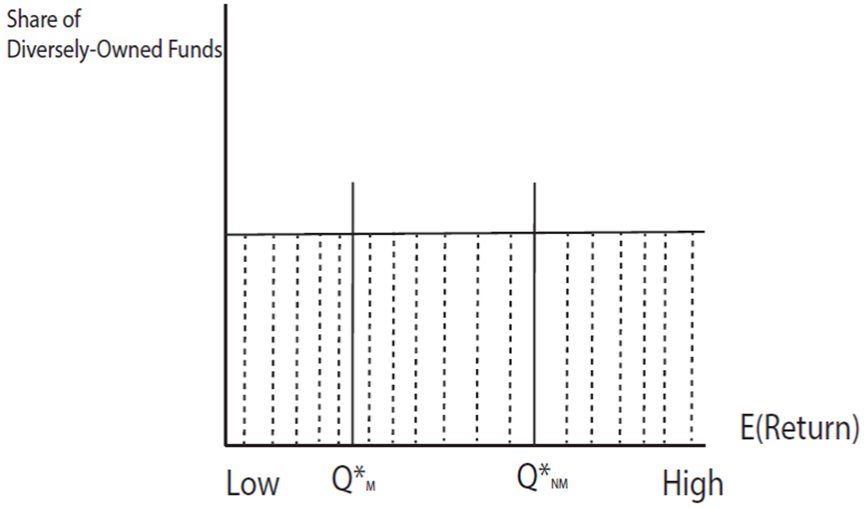
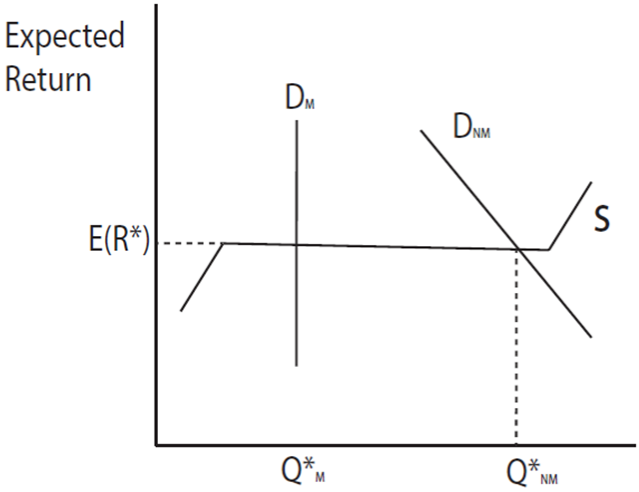




Panel A: Supply Hypothesis

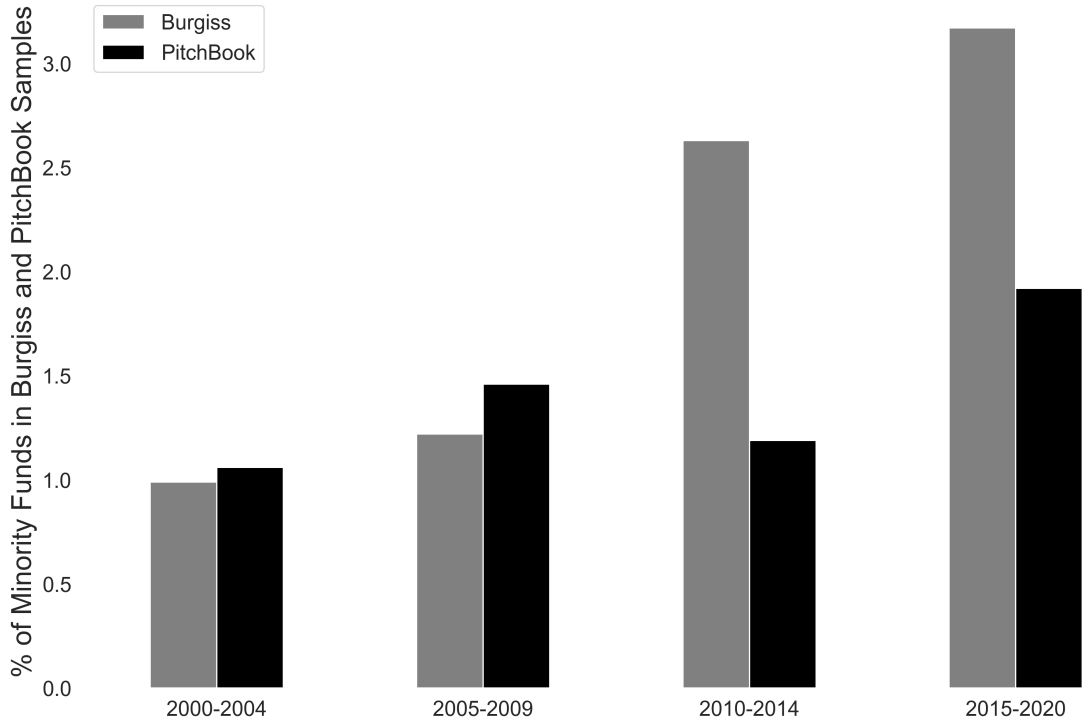




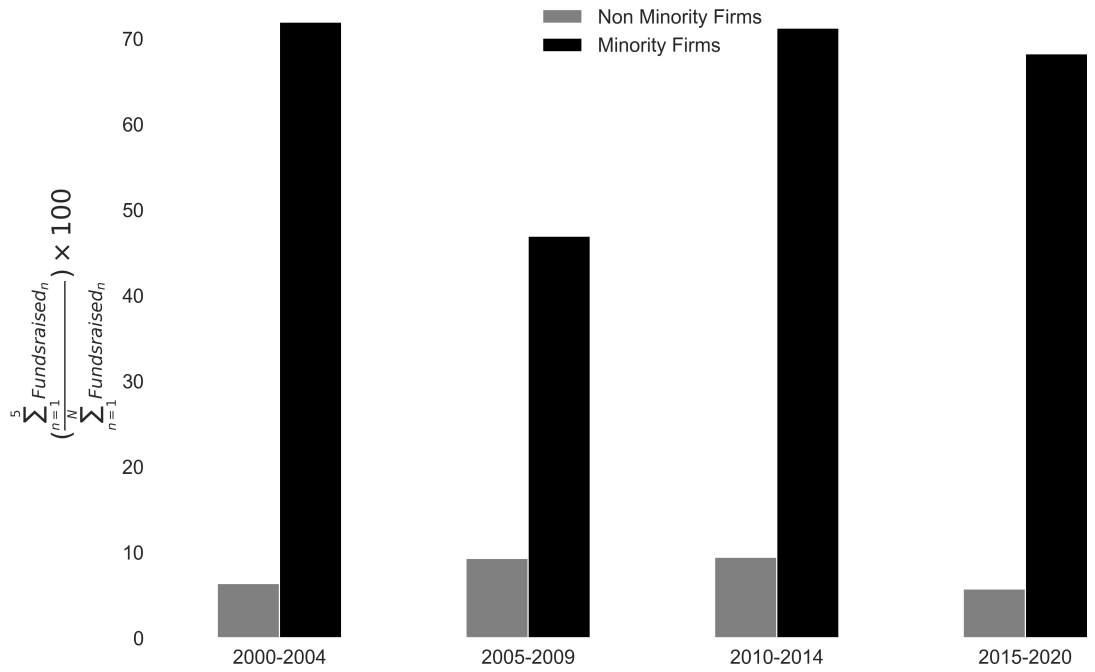
Panel B: Demand Hypothesis

Figure 1: Demand and Supply Hypothesis for Lack of Minority Group Owners

Panel A plots the supply hypothesis for a lack of diverse minority group owners, while Panel B plots the demand hypothesis, the main focus of this paper.



Panel A: Fraction of Funds Raised by Minorities (Burgiss and PitchBook Samples)



Panel B: Fundraising Concentration by Minority and Non-Minority Groups (PitchBook Sample)

Figure 2: Count and Concentration of Minority and Non-Minority U.S. Private Capital Groups

Panel A plots the fraction of all U.S.-based and -focused funds raised between 2000 and 2020 by private capital groups owned by minorities. The figure separately reports these numbers for the Burgiss and the PitchBook samples. Panel B plots the fraction of all capital raised that by the five largest groups in each period for minority-owned groups and non-minority owned groups in the PitchBook sample. A group is defined as minority-owned if at least 50 percent of the founders or senior partners are Black or Hispanic.

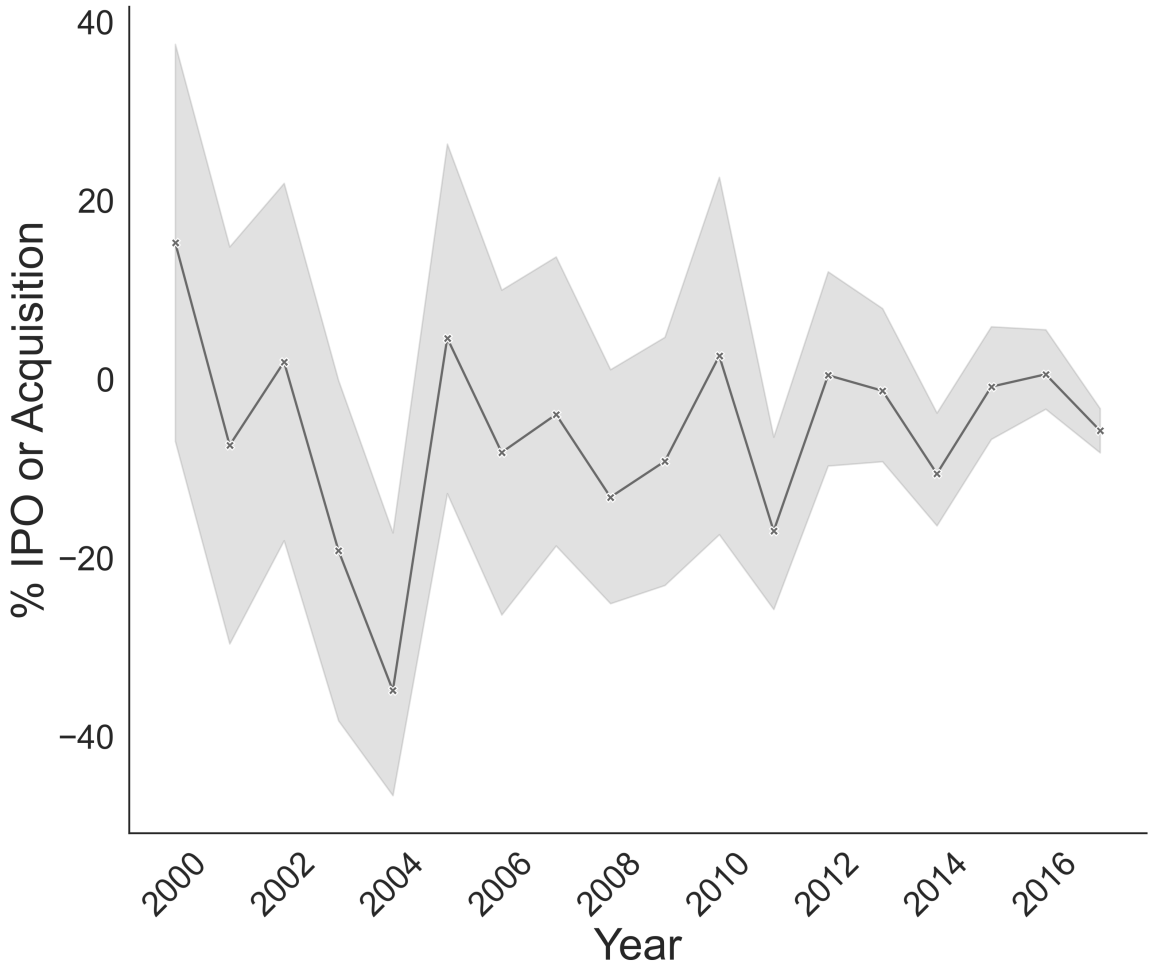
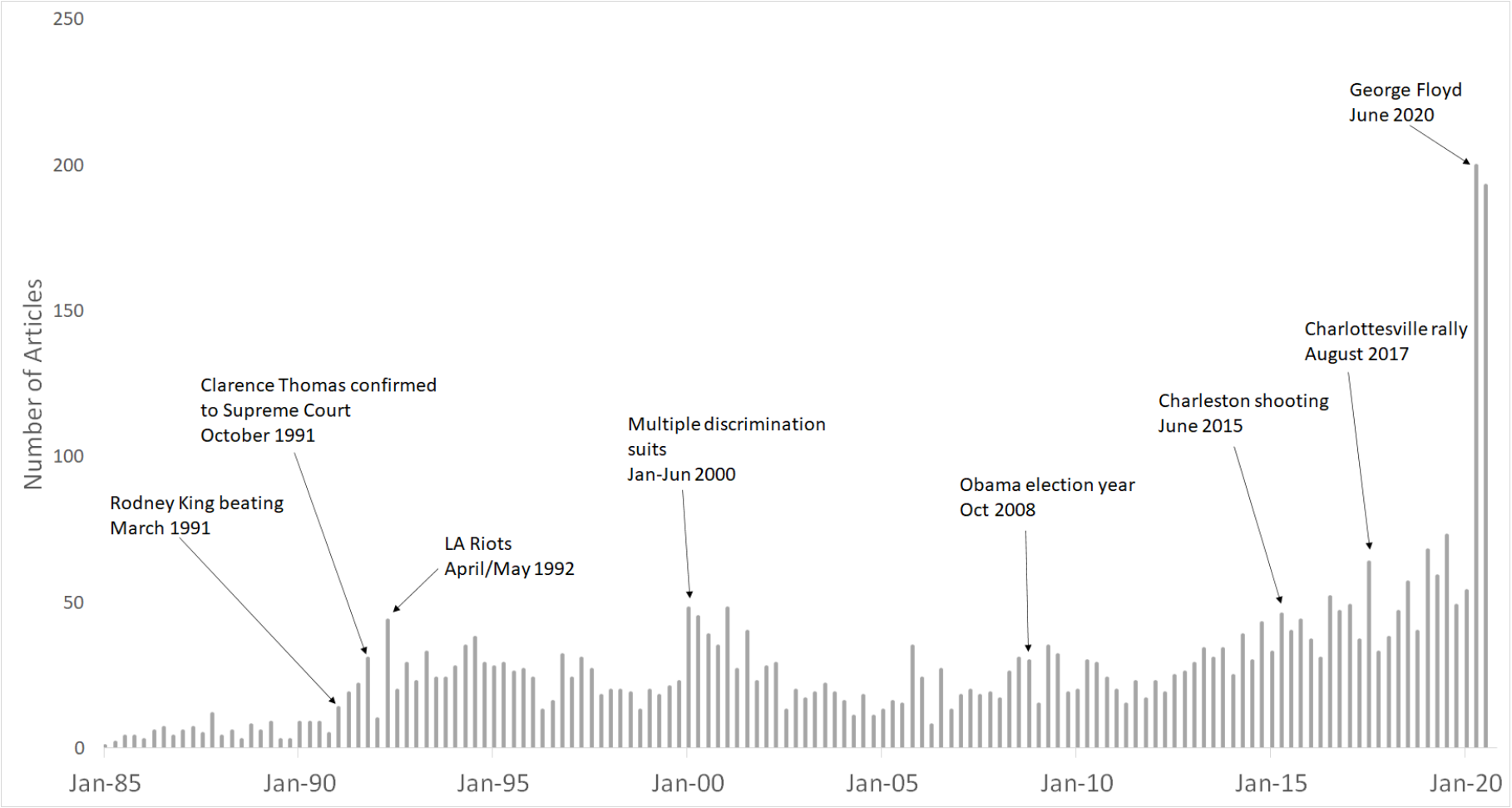


Figure 3: Performance Difference between Minority and Non-minority Group Investments by Year of Initial Investment

This figure plots the average difference in the performance of investments by minority and non-minority private capital groups over time in the PitchBook sample. A group is defined as minority-owned if at least 50 percent of the founders or senior partners are Black or Hispanic. We measure performance as the fraction of investments that exit through an IPO or Acquisition, *% IPO or Acquisition*. For each investment year, we subtract the proportion of investments by non-minority groups that exit via an IPO or acquisition from the corresponding proportion for minority groups.The grey area shows 95% confidence intervals, where the standard error of the difference in exits is calculated as: $SE_{IPOAcq_m - IPOAcq_{nm}} = \sqrt{\frac{s_m^2}{n_m} + \frac{s_{nm}^2}{n_{nm}}}$, where s_m (s_{nm}) is the sample standard deviation of exits for portfolio company investments by minority groups (non-minority groups) and n_m (n_{nm}) is the number of minority group (non-minority) investments.

Figure 4: WSJ Index of Racial Attention
This figure presents the quarterly time-series of the number of Wall Street Journal (WSJ) articles that are related to racial issues. The time-series goes from Q1 1985 to Q3 2020. We utilize Factiva to search for articles containing keywords indicating mentions of racial issues in WSJ and count the number of articles. Specifically, we conduct the search quarter-by-quarter for articles using relevant keywords (see text for details).



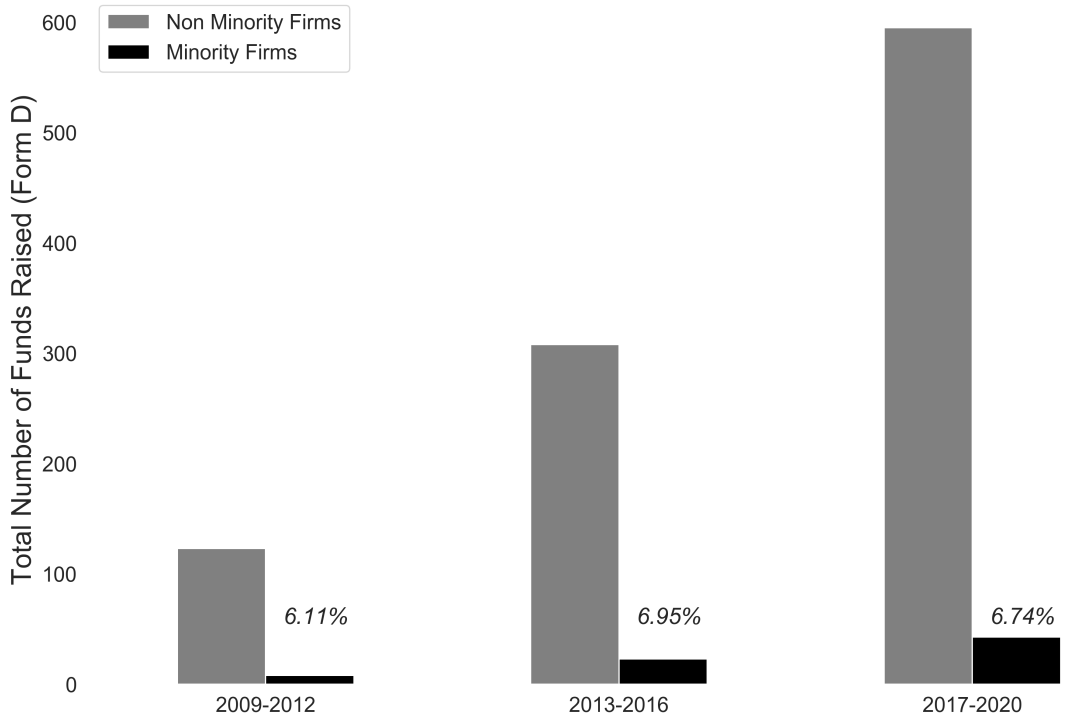


Figure 5: Total Fundraising by First-Time Minority and Non-Minority U.S. Private Capital Groups Filing Form D

This figure plots the number of funds raised over time by U.S.-based and -focused private capital groups that raised a first fund between 2009 and 2020 and filed a Form D. The figure also splits the number of funds raised by the ethnicity of the private capital groups owners. *Minority* is an indicator that equals one if at least 50 percent of the senior partners or founders are Black or Hispanic. The percentage figures report the share of the total in each period that are minority owned.

Table 1: Summary Statistics of Burgiss and PitchBook Samples by Race

This table reports summary statistics for our sample of US-based and -focused private capital funds. Panel A presents statistics for the Burgiss sample as of the third quarter of 2020, and Panel B presents statistics for the PitchBook sample as of the same tme. The table reports summary statistics by unique funds, split by whether or not the fund is managed by a minority-owned private capital group. A group is designated as a *Minority Group* if at least 50% of the founders or senior partners are Black or Hispanic. *Fund Size* is the total amount of funding the fund raised, in $ million. *Vintage Year* is the year the fund is closed. *Fund Sequence* is the number of the fund within a given fund family (Burgiss sample) or the fund number of funds raised by the group (Pitchbook sample). *I(Venture Capital)* and *I(Buyout)* are indicators for whether a fund is a venture capital or buyout fund. *I(First-time fund)* is an indicator that equals one for first-time funds and zero otherwise. *TVPI* is the total value to paid-in capital of the fund as of the end of the sample period. It is defined as the sum of distributions and any remaining NAV, divided by the sum of all contributions. PME is the public market equivalent of Kaplan and Schoar (2005), using realized values of the S&P500 to discount cash flows. *%IPOs & Acquisitions* is the fraction of private capital group's investments that have exited via an IPO or acquisition as of the second quarter of 2021. *%IPOs* is the fraction of the private capital group's investments that have exited via an IPO as of the second quarter of 2021. The final column reports the t-statistic for a test of differences in means of the variables. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

Panel A: Burgiss Sample

	Non-Minority Groups		**Minority Groups**		
	N = 3,810		**N = 72**		
	Mean	Median	Mean	Median	T-stat
Vintage Year	2006.7	2008.0	2011.7	2014.0	4.97***
Fund Size ($ Millions)	684	263.0	1135.0	310.0	1.47
I(Venture Capital)	0.49	0.0	0.46	0.0	−0.54
I(Buyout)	0.49	0.0	0.54	1.0	0.83
Fund Sequence	3.5	3.0	3.2	2.0	−1.17
I(First-time fund)	0.15	0.0	0.14	0.0	−0.24
PME	1.25	1.06	1.42	1.03	0.63
TVPI	1.78	1.43	1.95	1.29	0.46

Panel B: PitchBook Sample

	N = 10,453		**N = 164**		
Vintage Year	2011.93	2014.0	2013.01	2015.00	1.81*
Fund Size ($ Millions)	391.01	100.0	550.14	136.84	0.60
I(Venture Capital)	0.53	1.0	0.46	0.00	−0.88
I(Buyout)	0.47	0.0	0.54	1.00	0.88
Fund Sequence	8.29	3.0	5.80	3.00	−1.16
I(First-time fund)	0.25	0.0	0.24	0.00	−0.15
%IPO & Acquisitions	12.81	6.66	8.94	2.56	−1.55
%IPOs	7.25	0.00	4.69	0.00	−1.33

Table 2: Association Between Minority Ownership and Fundraising For First-Time private capital Funds - Evidence from Form D Filings

This table presents coefficients from OLS regressions run at the fund level, with standard errors reported in parentheses. A unit of observation is a Form D filing made by a first-time private capital fund between 2009 to 2020. The dependent variable in column 1, *Percent Raised*, is the amount of funding raised, divided by the fundraising target, times 100. For funds that raised some funding but reported seeking to raise an indefinite amount, this measure is 100 percent. For funds that raised nothing, it is 0. In column 2, *Ln(Funding Raised)* is the log amount of funding raised by the fund, as reported on its most recent Form D filing. In column 3, it is the log number of investors investing in the fund. The key independent variable is *Minority Owned*, which is an indicator that equals one if at least 50 percent of the founders or senior partners are Black or Hispanic. *Controls* include *Female*, an indicator that takes the value of 1 if the Genderize algorithm predicts that a majority of the executives signing off on the Form D are women, and 0 otherwise; *Venture Capital Fund*, an indicator taking the value 1 if a venture capital fund files the Form D, and 0 if it is a private equity fund (buyout or growth); *Ln(Executives)*, which is the natural logarithm of the number of executives listed in the Form D filing; and *Ln(Age)*, which is the log of the number of years since the group was founded. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

	Percent Raised	Ln(Funding Raised)	Ln(# Investors)
Minority Owned	-17.454***	-0.504**	-0.406**
	(5.152)	(0.210)	(0.191)
Observations	1,100	1,100	1,100
Adjusted R^2	0.069	0.106	0.079
Controls?	X	X	X
Year FE?	X	X	X
State FE?	X	X	X

Table 3: Association Between Minority Ownership and Fund Performance - Evidence from Burgiss

This table presents coefficients from OLS regressions of fund-level performance for the Burgiss sample, with standard errors reported in parenthesis below the estimates. A unit of observation is a fund at the time it is fully liquidated, or Q3 2020, which is the end of our sample. Only funds from 2015 or earlier vintages are included. Any remaining NAV at the end of the sample is accounted for as a final distribution in the performance calculations. The dependent variable in columns one to three, PME, is the public market equivalent of Kaplan and Schoar (2005), using realized values of the S&P500 to discount cash flows. The dependent variable in columns four to six, *TVPI*, is the total value to paid-in capital of the fund, defined as the sum of distributions and any remaining NAV, divided by the sum of all contributions. The key independent variable is the indicator *Minority owned*, which equals one if at least 50 percent of the founders or senior partners are Black or Hispanic. *Controls* include the log of the fund sequence, log of fund size, and indicators for venture capital funds and buyout funds, with growth funds being the omitted category. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**PME**			**TVPI**		
Minority owned	0.495	0.456	0.458	0.725	0.680	0.685
	(0.545)	(0.516)	(0.509)	(0.798)	(0.749)	(0.716)
Observations	3,010	3,010	3,010	3,010	3,010	3,010
Adjusted R^2	0.043	0.052	0.054	0.056	0.070	0.075
Controls?			X			X
Vintage Year FE?	X	X	X	X	X	X
Group State FE?		X	X		X	X

Table 4: Association Between Minority Ownership and Performance - Evidence from PitchBook

This table presents coefficients from OLS regressions run at the group-company level, with standard errors reported in parentheses below the estimates. A unit of observation is a portfolio company-private capital group pair. The dependent variable in columns one to three, *I(IPO or M&A)*, is an indicator that equals one if an investment made between 2000 and 2017 eventually exits via an IPO or a sufficiently attractive acquisition by June 2021 (see text for details). The dependent variable in columns four to six, *I(IPO)*, is an indicator that equals one if an investment made between 2000 and 2017 eventually exits via an IPO by June 2021. The key independent variable is the indicator *Minority owned*, that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Controls* include the log of group age, an indicator for whether it is a buyout, late-stage venture, or early-stage venture deal (seed deals are the omitted category), and indicators for the industry of the portfolio company. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(IPO or M&A)**			**I(IPO)**		
Minority owned	-4.859*	-5.686**	-1.485	-3.686***	-3.942***	-0.896
	(2.650)	(2.577)	(1.578)	(0.966)	(0.933)	(0.562)
Observations	75,601	75,601	75,601	75,601	75,601	75,601
Adjusted R^2	0.001	0.076	0.144	0.000	0.019	0.105
Controls?			X			X
Deal Year FE?	X	X	X	X	X	X
Group State FE?		X	X		X	X

Table 5: Census Tract-Level Characteristics of Investments by Minority-Ownership Status of Private Capital Group

This table reports statistics of Census tracts that are recipients of investments made by private capital groups in our PitchBook sample, using data from the 2010 Census. We used ArcGis and the address of each portfolio company to obtain the longitude and latitude of the company's headquarters, which we then mapped to a Census tract. The table reports the mean and median divided by whether the investment is made by at least one minority-owned group, where minority-owned is an indicator that equals one if 50% or more of the founders or senior partners of the group are minorities, and the associated t-statistic from a test of equality of means. *White* is the fraction of the population that is white. *Black*, *Hispanic*, and *Asian* are defined analogously. *Population* is the population of the census tract in thousands. *College graduate* is the fraction of residents that have a bachelor's degree or higher. *Income LT 25K* is the fraction of residents in the tract that have an annual income below $25,000. Panel A looks at all transactions; Panel B excludes from the minority transactions those made by the ten groups that raised the most capital between 2000 and 2020.

	OTHERS		**MINORITY**		**t-test**
% Sample (Number of Deals)	**96.08 (25,298)**		**3.92 (1,033)**		
	A Mean	B Median	C Mean	D Median	C-A
White (%)	66.04	62.60	61.26	69.10	−7.87***
Black (%)	7.06	2.81	6.90	2.84	−0.51
Hispanic (%)	10.57	6.61	10.80	6.24	0.67
Asian (%)	12.62	9.86	14.92	8.15	5.39***
Population (000)	4.92	4.53	5.06	4.54	1.50
College graduate (%)	56.26	61.40	59.06	59.05	4.65***
Income LT 25K (%)	18.45	14.00	19.00	14.10	1.30
Panel B: Excluding the Top 10 Minority Private Capital Groups					
White (%)	66.04	58.90	59.37	69.10	−9.64***
Black (%)	6.95	2.79	6.48	2.83	−1.22
Hispanic (%)	10.49	7.62	11.22	6.16	1.69*
Asian (%)	12.77	12.38	16.94	8.26	7.26***
Population (000)	4.92	4.51	5.04	4.54	1.03
College graduate (%)	56.27	62.30	59.48	59.00	4.67***
Income LT 25K (%)	18.44	14.80	19.61	14.10	2.35**

Table 6: Association Between Minority Ownership, Performance, and Raising a Follow-on Fund - Evidence from Burgiss

This table presents estimates of the fundraising success of private capital funds, with standard errors reported in parentheses. Columns one to three report estimates from a Cox Proportional Hazard model using quarterly observations. A fund is included until its 40th quarter, the quarter in which it raises a follow-on fund, or the third quarter of 2020. Estimates represent hazard ratios. Columns four to six are OLS regressions on the size of a follow-on fund, conditional on one being raised. A follow-on fund is defined at the fund-family level. The dependent variable is the log amount of capital raised by the follow-on fund, *Ln(New Fund Size +1)*. The key independent variables are the indicator for whether the private capital group is minority owned, fund performance expressed as the public market equivalent (PME) of Kaplan and Schoar (2005), and the interaction between the two. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners are Black or Hispanic. *Controls* include the log of the fund sequence, indicators for venture capital funds and buyout funds, with growth funds being the omitted category, and an indicator for whether it is a first-time fund. *Ln(Current Fund Size)* is the log of the current fund's size. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
PME × Minority Owned	-0.021	-0.026	-0.058	-0.257***	-0.245***	-0.210***
	(0.046)	(0.048)	(0.046)	(0.040)	(0.039)	(0.037)
PME	0.235***	0.235***	0.252***	0.209***	0.202***	0.176***
	(0.036)	(0.038)	(0.036)	(0.033)	(0.033)	(0.030)
Minority Owned	0.201	0.145	0.142	0.309*	0.307*	0.280*
	(0.153)	(0.141)	(0.147)	(0.171)	(0.173)	(0.155)
Number of Fund-Quarters	61,575	61,575	61,575			
Number of Funds	3,297	3,297	3,297	2,408	2,408	2,408
Pseudo R^2 / Adj. R^2	0.026	0.030	0.036	0.799	0.803	0.813
Controls?			X			X
Ln(Current Fund Size)?			X	X	X	X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table 7: Association Between Minority Ownership and Raising a Follow-on Fund - Evidence from PitchBook

This table presents coefficients from OLS regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount of capital raised by the follow-on fund, *Ln(New Fund Size +1)*. For group-years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, and the interaction between the two. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *Controls* include the log of the most recent fund number, the log of the group's age, the log of the number of years since a fund was last raised, the log of the number of deals made by the group in the past ten years, an indicator for whether it is a first-time fund, and an indicator for whether it is a venture capital group (buyout groups are the omitted category). *Ln(Current Fund Size)* is the log of the size of the most recently raised fund by the group. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned	-0.052**	-0.052**	-0.048**	-0.349*	-0.349*	-0.332**
	(0.022)	(0.022)	(0.020)	(0.179)	(0.181)	(0.165)
Success	0.056***	0.054***	0.012***	0.308***	0.305***	0.124***
	(0.004)	(0.004)	(0.004)	(0.029)	(0.029)	(0.023)
Minority owned	0.024	0.021	0.012	0.113	0.117	0.114
	(0.024)	(0.024)	(0.022)	(0.155)	(0.156)	(0.151)
Observations	30,451	30,451	30,451	30,451	30,451	30,451
Adjusted R^2	0.032	0.034	0.072	0.049	0.053	0.106
Controls?			X			X
Ln(Current Fund Size)			X	X	X	X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table 8: Top 25 Fatal Police Encounters by Newspaper Coverage

This table lists the 25 most-publicized fatal encounters between unarmed minorities and the police and the total number of news articles covering each fatal encounter. Number of Articles is the total number of articles, in the 30 days following each event, in LexisNexis that mention the name of the deceased and either the keywords "police and death" or "police and killed." See section V.C for data sources and additional details.

Name	Date	Number of Articles	Ethnicity	Age	Gender
George Floyd	May 25, 2020	37026	Black	46	M
Michael Brown	Aug 09, 2014	5937	Black	18	M
Daunte Wright	Apr 11, 2021	3144	Black	20	M
Walter Scott	Apr 04, 2015	1342	Black	50	M
Terence Crutcher	Sep 16, 2016	867	Black	40	M
Stephon Clark	Mar 18, 2018	828	Black	23	M
Jamar Clark	Nov 15, 2015	796	Black	24	M
Eric Garner	Jul 17, 2014	622	Black	43	M
Tony Robinson	Mar 06, 2015	451	Black	19	M
Atatiana Jefferson	Oct 12, 2019	387	Black	28	F
Samuel Dubose	Jul 19, 2015	366	Black	43	M
Antwon Rose	Jun 19, 2018	365	Black	17	M
Eric Harris	Apr 02, 2015	290	Black	44	M
Akai Gurley	Nov 20, 2014	269	Black	28	M
Jordan Edwards	Apr 29, 2017	259	Black	15	M
Bettie Jones	Dec 26, 2015	241	Black	55	F
Christian Taylor	Aug 07, 2015	214	Black	19	M
Nathaniel Jones	Nov 30, 2003	192	Black	41	M
Alfred Olango	Sep 27, 2016	189	Black	30	M
Rigoberto Alpizar	Dec 07, 2005	141	Hispanic	44	M
Andy Lopez	Oct 22, 2013	130	Hispanic	13	M
Antonio Zambrano-Montes	Feb 10, 2015	119	Hispanic	35	M
Ezell Ford	Aug 11, 2014	116	Black	25	M
Rudy Eugene	May 26, 2012	107	Black	31	M
Tyre King	Sep 14, 2016	107	Black	13	M

Table 9: Association Between Minority Ownership, Performance, Racial Awareness, and Raising a Follow-on Fund - Evidence from PitchBook

This table presents coefficients from OLS regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is an private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount of capital raised by the follow-on fund, *Ln(New Fund Size +1)*. For group-years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, an indicator for high racial awareness (HRA), and the interactions between the three. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *HRA* (high racial awareness) is an indicator that equals one if the news-weighted number of fatal encounters between police and Blacks or Hispanics (minorities), divided by the total number of all fatal encounters in a state, is above the median of all states in that year. The weight applied to a given fatal encounter is the log of 1 plus the total number of articles mentioning the event: see the text for details. *Controls* include the log of the most recent fund number, the log of the size of the most recently raised fund, the log of the group's age, the log of the number of years since a fund was last raised, the log of the number of deals made by the group in the past ten years, an indicator for whether it is a first-time fund, and an indicator for whether it is a venture capital group (buyout groups are the omitted category). $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned × HRA	0.075*	0.077*	0.079*	0.434**	0.438**	0.452**
	(0.039)	(0.039)	(0.043)	(0.198)	(0.198)	(0.218)
Success × Minority Owned	-0.076***	-0.077***	-0.073***	-0.510***	-0.500***	-0.474***
	(0.023)	(0.023)	(0.020)	(0.185)	(0.184)	(0.159)
Minority Owned × HRA	-0.032	-0.039	-0.032	-0.209	-0.254	-0.173
	(0.045)	(0.045)	(0.045)	(0.228)	(0.225)	(0.230)
Success × HRA	-0.000	0.000	-0.003	0.018	0.022	-0.000
	(0.006)	(0.006)	(0.006)	(0.045)	(0.044)	(0.038)
Success	0.056***	0.054***	0.013***	0.405***	0.390***	0.124***
	(0.005)	(0.005)	(0.004)	(0.035)	(0.035)	(0.027)
Minority owned	0.042	0.042	0.031	0.342*	0.351*	0.215
	(0.028)	(0.028)	(0.024)	(0.195)	(0.193)	(0.166)
HRA	0.006	0.001	0.001	0.090***	0.013	0.011
	(0.005)	(0.005)	(0.005)	(0.029)	(0.026)	(0.026)
Observations	30,451	30,451	30,451	30,451	30,451	30,451
Adjusted R^2	0.032	0.034	0.072	0.049	0.053	0.106
Controls?			X			X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table 10: Association Between Minority Ownership, Performance, Racial Attention, and Raising a Follow-on Fund, by High and Low Public Pension Fund Involvement in State with Private Capital - Evidence from PitchBook

This table presents coefficients from OLS regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount of capital raised by the follow-on fund, *Ln(New Fund Size +1)*. For group-years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, an indicator for high racial awareness (HRA), and the interactions between the three. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *HRA* (high racial awareness) is an indicator that equals one if the news-weighted number of fatal encounters between police and Blacks or Hispanics (minorities), divided by the total number of all fatal encounters in a state, is above the median of all states in that year. The weight applied to a given fatal encounter is the log of 1 plus the total number of articles mentioning the event: see the text for details. Panel A presents estimates for groups in states where the number of public pension funds allocating to private capital is above the median of all states in that year, while Panel B presents estimates for groups in states where the number of public pension funds allocating to private capital is below median. *Controls* include the log of the most recent fund number, the log of the size of the most recently raised fund, the log of the group's age, the log of the number of years since a fund was last raised, the log of the number of deals made by the group in the past ten years, an indicator for whether it is a first-time fund, and an indicator for whether it is a venture capital group (buyout groups are the omitted category). $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

	Panel A: Above-Median Public Pension Fund Investment					
Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned × HRA	0.092**	0.090**	0.094**	0.497***	0.491**	0.517**
	(0.039)	(0.039)	(0.043)	(0.192)	(0.192)	(0.211)
Success × Minority Owned	-0.081***	-0.079***	-0.079***	-0.547***	-0.525***	-0.527***
	(0.024)	(0.024)	(0.021)	(0.200)	(0.199)	(0.177)
Minority Owned × HRA	-0.033	-0.032	-0.022	-0.238	-0.238	-0.134
	(0.050)	(0.049)	(0.049)	(0.254)	(0.251)	(0.252)
Success × HRA	0.002	0.002	-0.002	0.044	0.044	0.014
	(0.007)	(0.007)	(0.006)	(0.047)	(0.046)	(0.041)
Success	0.054***	0.052***	0.013***	0.391***	0.385***	0.121***
	(0.005)	(0.005)	(0.004)	(0.034)	(0.035)	(0.028)
Minority owned	0.051	0.046	0.033	0.421*	0.407*	0.247
	(0.031)	(0.032)	(0.026)	(0.224)	(0.226)	(0.187)
HRA	0.009	0.002	0.003	0.114***	0.024	0.024
	(0.006)	(0.006)	(0.006)	(0.033)	(0.029)	(0.029)
Observations	25,251	25,251	25,251	25,251	25,251	25,251
Adjusted R^2	0.031	0.032	0.070	0.048	0.050	0.103
Controls?			X			X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table 10 - *continued*

	Panel B: Below-Median Public Pension Fund Investment					
Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned × HRA	-0.074	-0.097	-0.059	-0.017	-0.191	-0.076
	(0.128)	(0.136)	(0.113)	(0.552)	(0.611)	(0.552)
Success × Minority Owned	-0.061	-0.056	-0.003	-0.294	-0.275	0.025
	(0.108)	(0.109)	(0.104)	(0.522)	(0.454)	(0.497)
Minority Owned × HRA	-0.147**	-0.155**	-0.175***	-0.720**	-0.807**	-0.909***
	(0.066)	(0.070)	(0.056)	(0.334)	(0.357)	(0.288)
Success × HRA	-0.020	-0.016	-0.011	-0.196	-0.155	-0.123
	(0.018)	(0.018)	(0.016)	(0.122)	(0.117)	(0.096)
Success	0.073***	0.067***	0.019*	0.493***	0.438***	0.165*
	(0.016)	(0.015)	(0.011)	(0.150)	(0.140)	(0.087)
Minority owned	0.044	0.040	0.055	0.157	0.152	0.237
	(0.076)	(0.077)	(0.074)	(0.330)	(0.283)	(0.342)
HRA	-0.021	-0.020	-0.017	-0.088	-0.112*	-0.095
	(0.013)	(0.014)	(0.014)	(0.068)	(0.062)	(0.061)
Observations	5,171	5,171	5,171	5,171	5,171	5,171
Adjusted R^2	0.033	0.041	0.082	0.051	0.058	0.114
Controls?			X			X
Vintage Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Appendix A. Details on Form D Filings

The Securities Act of 1933 requires groups selling securities to register the sales with the SEC or rely on an exemption. Section 4(a)(2) of the Act, which generates no SEC filing, describes the characteristics that exempt private offerings from registration: investors have enough knowledge to evaluate investment risks or are wealthy enough that they can afford to lose their investment; investors can access information about the issuer that the issuer would have included in a public offering prospectus; the issuer does not publicly advertise the offering; and the number of investors is consistent with a private offering. These requirements are vague in several areas. For example, an issuer would have to guess whether the number of investors is "consistent with" a private offering.

In addition to meeting federal guidelines, issuers relying on Section 4(a)(2) must comply with state securities laws. Thus, an issuer may have filing or reporting requirements in each state where it has investors.

Unlike Section 4(a)(2), Regulation D (Reg D) is a bright-line rule (a safe harbor exemption) on when an offering is a private placement. Any offering that follows Reg D requirements is unambiguously exempt from registration. Reg D stipulates that issuers must raise most of their funding from qualified investors (investors that earn $200,000 or more each year) and file a Form D within 15 days of fundraising.[28] Although the filing is not a condition for the exemption, Reg D allows a court to disqualify issuers from future use of any Reg D exemption if they do not comply with the Form D filing requirement (Rule 507). Nevertheless, it is possible that some groups simply ignore filing Form D, even without relying on other exemptions, because Rule 507 is rarely enforced.

In addition, Rule 506 of Reg D exempts issuers from state securities laws. Given that Reg D has clear guidelines on when an offering qualifies as a private placement,

[28] See SEC guidelines for filing a Form D notice.

Form D data likely captures a representative cross-section of private capital groups' fundraising activities.[29]

To check how representative the Form D data is for private capital funds, we collect a list of all private capital groups with at least one fund in the PitchBook data and match the fund names to Form D.[30] Table B.2 shows our results. From Panel B, we see that, for 83 percent of groups formed between 2010 and 2020, we match at least one of the group's funds to a Form D filing.[31]

Form D identifies the company, its directors and officers, the type of security sold, the minimum investment amount, the total offering amount, the total amount sold, the number and type of investors participating in the offering, and any intermediaries. Over ninety percent of investors in Reg D are accredited. Accredited investors can be institutional or individual. Institutional investors can be any pooled investment vehicle such as pension funds, hedge funds, or private equity funds. Reg D requires individual accredited investors to have a regular yearly income of at least $200,000 ($300,000 if married) or a net worth of over $1 million, excluding home equity. Firms advertising can only accept investments from accredited investors and must take steps to verify that each investor is accredited. Many types of entities raise capital using Reg D, including public and private non-financial and financial firms and investment companies such as hedge funds, private equity funds, venture capital funds, and other pooled investment vehicles such as real estate investment trusts.[32]

[29] Issuers can use other, more restrictive offering exemptions to avoid filing Form D, including 1) SEC Rule 701, provided that security sales are to the group's officers, advisers, employees, and consultants, and that the sales are for compensation purposes; 2) SEC Rule 147, Rule 147A, and the 1933 Act Section 3(a)(11), the intra-state exemption, provided that all investors are in the same state as the issuer; 3) SEC Rule 1001, provided that the group is raising less than $5 million and is located in California, and that a majority of its shareholders are located in California; and 4) SEC Reg S, provided that all investors are non-US residents.

[30] We match all funds by U.S.-focused private capital groups in PitchBook to Form D filings on fund name and geographic location. Note that because name-matching is not exact, we manually verify all matches to improve accuracy. Also note that this exercise uses all Form D filings by private capital funds, not just the set of first-time funds in the Section IV.B analysis.

[31] Note that several private capital data services such as Refinitiv, Preqin, PitchBook, etc. make extensive use of Form D filings to track private capital activity.

[32] This article about firms "forgetting" to file Form D focused on start-ups rather than funds (in

Appendix A.1. Constructing a sample of first-time funds

This section details how we construct our sample of first-time funds from Form D filings submitted between 2009 and 2020 by funds attempting to raise capital and indicating that they are a venture capital or a private equity fund. We start in 2009, as that is when electronic Form D filings first become available.

There are a few complicating factors worth mentioning. Form D filings are made for individual funds but do not necessarily contain information on fund number or the age of the sponsoring private capital group. Additionally, it is common to see multiple filings for the same fund by different fundraising vehicles (e.g. a Cayman and a Delaware vehicle raising capital for the same fund may make two different filings on the same day), each with its own identifying number (a "CIK"). We take several steps to ensure that we only include first-time funds and at most one filing per group.

1. We exclude all filings where the fund name indicates a follow-on fund, which leaves us with 10,201 filings. We search the fund name for stand-alone keywords such as "II", "III," or the like. Our search looks for roman numerals, or ordinal numbers in numeral or string form.

2. We manually inspect all filings with individual executives linked to 20 or more unique CIKs, and drop the 1,075 CIKs belonging to groups founded before 2005 or that we identify as intermediaries.[33] This process identifies older groups such as Blackstone and Apollo, as well as several intermediaries doing the administrative work for multiple funds for which we cannot identify the sponsoring private capital group.

the latter case, we might anticipate that the legal and reputational consequences of regulatory non-compliance would be much higher), but is nonetheless something to be aware of.

[33] Executives are any non-promoter natural persons listed on Form D, including in the signature field. We used a keyword search to exclude all non-natural persons listed on Form D. Appendix Table B.1 shows that signatories on Form D filings are predominantly founders and senior executives. Promoters appear to largely be corporate sponsors of funds, or external managers of private offerings.

3. For each filing, we searched for a website of the private capital group responsible for the filing. We hire UpWorkers for this task. Specifically, we provide them with a Google search and ask them to look at the top five results, identifying the team page and verifying that at least 2/3rds of executives listed on the Form D filing are present on the team page.[34]

4. To identify multiple filings made by the same group, we require that either

    a. The two filings have the same identified website linked to them; or

    b. At least two of the following three criteria are fulfilled:

        i. At least 75% of the executives appear on two filings;

        ii. The listed contact street address ("STREET1") and city are the same;

        iii. The fund names have a score of at least 90% match in a fuzzy comparison of the filing names after applying some cleaning.[35]

5. For each URL we ensure that the team page contains pictures that allow us to verify whether any minorities work at the group.

6. We collect data on the year the group was founded by matching groups based on the website URL to Preqin. For 650 unique group websites, this was not possible, so we manually collect this information. We find this information

[34] The search we provide to UpWorkers is generated using the names of the executives together with the first two words of the fund name, after applying some cleaning to take out common and uninformative terms such as LLC, LTD, and the like. To increase the likelihood of identifying a group's website, we restrict the Google search to not display results from common websites that aggregate information from filings, such as "aum13f.com/" and "whoisraisingmoney.com," and websites that aggregate information about private capital groups such as "crunchbase.com" and "pitchbook.com." For additional details on the cleaning and the search process, please contact the authors.

[35] We utilize the "fuzz" and "scorer" from the Python package "fuzzywuzzy", using the scorer "fuzz.ratio" to calculate the similarity of names. To clean the fund names we remove punctuation, parentheses, dashes, and any extra spaces. We further remove the fund number as well as the following words to avoid false positives: "lp," "td," "llc," "partnership," "plc," "inc," "fund," "limited," "l p," "lps," "side," "sidecar," "side car," "trust," "capital," "ventures," "venture," "partners," "investment," "growth," "opportunity," "coinvestment," "equity," "street," "investors," "holdings," "special," "opportunities," and "private."

either on the group's website, the founder(s)' Linkedin profile(s), or from the group's Linkedin or Crunchbase page.

7. Finally, we collect information about minority ownership status following the process outlined in Section III.A.

We drop filings for which we are unable to verify the ethnicity of owners, or for which we cannot find information about the year the group was founded, leaving us with 3917 unique CIKs belonging to 1988 unique groups. To ensure that we only include one filing per group in our analysis, we use the first filing by each private capital group. If multiple filings are made at the same time, we keep the one that raised the largest amount of capital.[36] To ensure that only first-time funds are included, we further drop all funds for which the first Form D filing made by the group is more than five years after its founding year. Our final sample comprises 1,100 first-time funds, of which 74 are minority owned.

[36] We considered alternative approaches such as aggregating the total amount of capital sought and raised over the different vehicles. However, we found that sometimes a single target amount is listed in all filings, representing the aggregate amount sought, while the amount sold is separate for each vehicle. Alternatively, there is a main vehicle that raises the largest amount of capital. Therefore, we opted for our current approach.

Appendix B. Tables

Table B.1: Which Executives are listed on Form D?

FullTitle	Pitchbook	Pitchbook-FormD	Total	PercentFormD
All	2732	312	3044	10.0
Co-Founder & Managing Partner	67	134	201	67.0
Managing Partner	82	77	159	48.0
Partner	407	49	456	11.0
Managing Director	178	33	211	16.0
Principal	378	10	388	3.0
Vice President	324	6	330	2.0
Analyst	171	1	172	1.0
Senior Associate	243	1	244	0.0
Venture Partner	243	1	244	0.0
Associate	639	0	639	0.0

Table B.2: Which private capital groups file Form D? Evidence from PitchBook

This table reports characteristics of U.S.-based private capital groups in the PitchBook database with data on founding year split by whether a group can be matched exactly on name and location to at least one Form D filing, or for which we could verify a fuzzy match. To facilitate comparison across rows, *Diff* reports the normalized difference (difference between the two groups normalized by the pooled standard deviation) in means of the characteristics in column one. Panel A reports statistics for all groups in PitchBook that have at least one fund. Panel B reports statistics for groups that were founded between 2010 and 2020, matching the time period of our Form D data during which we look for attempts to raise first-time funds.

	Other			**Has Form D**			**Tests**	
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	Diff	T-stat
Panel A: All Private Capital Groups in Pitchbook								
Year Founded	2,137	1999.04	12.81	2,439	2008.64	11.13	0.80	26.88***
# Investments	2,137	52.12	102.08	2,439	76.19	174.24	0.17	5.78***
# Exits	2,137	22.93	41.90	2,439	24.96	65.37	0.04	1.26
PE Hub	2,137	0.48	0.50	2,439	0.58	0.49	0.19	6.50***
Venture Capital	2,137	0.48	0.50	2,439	0.55	0.50	0.14	4.73***
Buyout	2,137	0.40	0.49	2,439	0.37	0.48	-0.06	-1.94*
Real Estate	2,137	0.12	0.33	2,439	0.08	0.27	-0.14	-4.65***
Panel B: Pitchbook Private Capital Groups Founded between 2010 to 2020								
Year Founded	312	2014.82	2.85	1,599	2014.54	2.69	-0.10	-1.62
# Investments	312	21.29	30.41	1,599	39.27	98.52	0.20	5.98***
# Exits	312	5.08	9.42	1,599	8.76	27.50	0.14	4.23***
PE Hub	312	0.60	0.49	1,599	0.60	0.49	0.00	0.03
Venture Capital	312	0.75	0.44	1,599	0.66	0.47	-0.18	-3.16***
Buyout	312	0.23	0.42	1,599	0.30	0.46	0.15	2.49**
Real Estate	312	0.02	0.14	1,599	0.04	0.19	0.11	2.20**

Table B.3: Summary Statistics of the Form D Samples by Group Owner's Race

This table reports summary statistics for our sample of US-focused private capital funds that filed a Form D for the first time between 2009 and 2020. The table reports summary statistics by unique funds, split by whether the fund is minority owned. A group is designated as a *Minority Group* if at least 50% of the founders or senior partners are identified as black or Hispanic. *Fund Size* is the total amount of funding the fund has raised, in $ million. *Vintage Year* is the year the fund is closed. *I(Venture Capital)* and *I(Buyout)* are indicators for venture capital and buyout funds respectively. *Percent Raised*, is the amount of funding raised, divided by the fundraising target, times 100. For funds that raised some funding but reported seeking to raise an infinite amount, this measure is 100 percent. For funds that raised nothing it is 0. *# Executives* is the total number of executives that are listed on Form D, and *Age* is the total number of years since the private capital group was founded. The final column reports the t-statistic for a test of differences in means of the variables. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level.

	Non-Minority Groups		**Minority Groups**		
	N = 1,036		**N = 74**		
	Mean	Median	Mean	Median	T-stat
Vintage Year	2016.54	2017.00	2016.69	2017.00	0.39
Fund Size ($ Millions)	43.99	6.12	30.95	1.21	−1.46
I(Venture Capital)	0.58	1.00	0.61	1.00	0.49
I(Buyout)	0.42	0.00	0.39	0.00	−0.49
Percent Raised (%)	55.09	64.00	36.58	10.00	−3.57***
# Investors	20.02	10.00	16.96	3.00	−0.76
# Executives	2.15	2.00	2.03	2.00	−0.89
Age (Years)	2.35	2.00	2.49	2.00	0.79

Table B.4: Association Between Minority Ownership and Fund Performance - Evidence from Burgiss Including all Vintages

This table presents coefficients from OLS regressions of fund-level performance for the Burgiss sample, with standard errors reported in parenthesis below the estimates. A unit of observation is a fund at the time it is fully liquidated, or Q3 2020, which is the end of our sample. Any remaining NAV at the end of the sample is accounted for as a final distribution in the performance calculations. The dependent variable in columns one to three, PME, is the public market equivalent of Kaplan and Schoar (2005), using realized values of the S&P500 to discount cash flows. The dependent variable in columns four to six, *TVPI*, is the total value to paid-in capital of the fund, defined as the sum of distributions and any remaining NAV, divided by the sum of all contributions. The key independent variable is the indicator *Minority owned*, that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Controls* include the same set of variables as in Table 3. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**PME**			**TVPI**		
Minority owned	0.247	0.187	0.193	0.361	0.263	0.282
	(0.334)	(0.323)	(0.319)	(0.487)	(0.470)	(0.451)
Observations	3,882	3,882	3,882	3,882	3,882	3,882
Adjusted R^2	0.057	0.066	0.067	0.084	0.096	0.100
Controls?			X			X
Vintage Year FE?	X	X	X	X	X	X
Group State FE?		X	X		X	X

Table B.5: Association Between Minority Ownership, Performance, and Raising a Follow-on Fund - Evidence from Burgiss with TVPI

This table presents estimates of the fundraising success of private capital funds, with standard errors reported in parentheses. Columns one to three reports estimates from a Cox Proportional Hazard model using quarterly observations. A fund is included until its 40th quarter, the quarter in which it raises a follow-on fund, or the third quarter of 2020. Estimates represent hazard ratios. Columns four to six are OLS regressions on the size of a follow-on fund, conditional on one being raised. A follow-on fund is defined at the fund-family level. The dependent variable is the log amount of capital raised by the follow-on fund, *Ln(New Fund Size +1)*. The key independent variables are the indicator for whether the private capital group is minority owned, fund performance expressed as the total value to paid-in capital (TVPI), and the interaction between the two. TVPI is measured as the the ratio of all distributions to all contributions that has taken place until the beginning of the quarter in which the fundraising could take place. Any remaining NAV reported in the quarter is accounted for as a final distribution. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners are Black or Hispanic. *Controls* include the same set of variables as in Table 6. *Ln(Current Fund Size)* is the log of the current fund's size. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
TVPI × Minority Owned	-0.011	0.003	-0.031	-0.197***	-0.186***	-0.160***
	(0.044)	(0.048)	(0.045)	(0.032)	(0.031)	(0.029)
TVPI	0.190***	0.170***	0.194***	0.153***	0.146***	0.128***
	(0.037)	(0.041)	(0.039)	(0.024)	(0.023)	(0.021)
Minority Owned	0.203	0.150	0.139	0.288*	0.288*	0.263*
	(0.152)	(0.142)	(0.147)	(0.168)	(0.170)	(0.152)
Number of Fund-Quarters	61,575	61,575	61,575			
Number of Funds	3,297	3,297	3,297	2,408	2,408	2,408
Pseudo R^2 / Adj. R^2	0.025	0.029	0.035	0.799	0.803	0.813
Controls?			X			X
Ln(Current Fund Size)?			X	X	X	X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table B.6: Association Between Minority Ownership and Raising a Follow-on Fund: Evidence from PitchBook (Alternative Measures of Success)

This table presents coefficients from OLS regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount of capital raised by the follow-on fund, *Ln(New Fund Size +1)*. For group years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, and the interactions between the two. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Success* varies in the three Panels. In Panel A it is an indicator taking the value of 1 if the number of IPOs by the group over the last four years exceeds the median number. In Panel B it is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO or an acquisition. In Panel C is constructed as a quartile ranking of the number of IPOs by the group over the last four years relative to other groups. *Controls* include the same set of variables as in Table 7. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Panel A: Success as above median # of IPOs						
Success × Minority Owned	-0.085*	-0.086*	-0.064	-0.626*	-0.611*	-0.464
	(0.046)	(0.047)	(0.048)	(0.363)	(0.362)	(0.334)
Success	0.084***	0.078***	0.002	0.599***	0.560***	0.032
	(0.007)	(0.007)	(0.006)	(0.047)	(0.046)	(0.031)
Minority owned	0.051*	0.047	0.035	0.427**	0.399*	0.268
	(0.029)	(0.031)	(0.025)	(0.217)	(0.224)	(0.178)
Adjusted R^2	0.032	0.031	0.070	0.049	0.045	0.100
Panel B: Success as standardized Ln(# IPOs and Acquisitions +1)						
Success × Minority Owned	-0.022	-0.021	-0.018	-0.185	-0.164	-0.143
	(0.020)	(0.019)	(0.018)	(0.167)	(0.163)	(0.153)
Success	0.064***	0.063***	0.016***	0.446***	0.437***	0.134***
	(0.004)	(0.004)	(0.004)	(0.029)	(0.029)	(0.022)
Minority owned	0.025	0.022	0.018	0.236	0.218	0.150
	(0.024)	(0.025)	(0.023)	(0.176)	(0.177)	(0.154)
Adjusted R^2	0.038	0.040	0.072	0.056	0.060	0.106
Panel C: Success as quartile ranking of #IPOs						
Success × Minority Owned	-0.038**	-0.038**	-0.032*	-0.275*	-0.264*	-0.226*
	(0.018)	(0.018)	(0.017)	(0.146)	(0.145)	(0.129)
Success	0.037***	0.035***	0.002	0.263***	0.249***	0.027**
	(0.003)	(0.003)	(0.002)	(0.020)	(0.020)	(0.013)
Minority owned	0.092**	0.088**	0.070*	0.723**	0.683**	0.519*
	(0.042)	(0.044)	(0.037)	(0.323)	(0.331)	(0.270)
Observations	30,451	30,451	30,451	30,451	30,451	30451
Adjusted R^2	0.038	0.040	0.072	0.056	0.060	0.106
Year FE?	X			X		
State FE?		X	X		X	X

Table B.7: Association Between Minority Ownership and Raising a Follow-on Fund: Evidence from PitchBook (State by Year Fixed Effects)

This table presents coefficients from OLS regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount of capital raised by the follow-on fund, *Ln(New Fund Size +1)*. For group-years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, and the interaction between the two. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *Controls* include the same set of variables as in Table 7, with the exception that we include State × Year fixed effects in place of year fixed effects and state fixed effects. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned	-0.052**	-0.049**	-0.045**	-0.378**	-0.345*	-0.318*
	(0.022)	(0.023)	(0.020)	(0.189)	(0.192)	(0.167)
Success	0.056***	0.054***	0.012***	0.412***	0.402***	0.123***
	(0.004)	(0.004)	(0.004)	(0.031)	(0.032)	(0.023)
Minority owned	0.024	0.019	0.011	0.228	0.210	0.110
	(0.024)	(0.025)	(0.023)	(0.174)	(0.181)	(0.154)
Observations	30,334	30,334	30,334	30,334	30,334	30,334
Adjusted R^2	0.032	0.031	0.070	0.049	0.045	0.100
Controls?			X			X
Year FE?	X			X		
State × Year FE?		X	X		X	X

Table B.8: Association Between Minority Ownership and Raising a Follow-on Fund: Evidence from PitchBook (Logit and Tobit Regressions)

This table presents coefficients from Logit (columns one to three) and Tobit (columns four to six) regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount of capital raised by the follow-on fund, *Ln(New Fund Size +1)*. For group-years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, and the interaction between the two. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *Controls* include the same set of variables as in Table 7, with the exception that we include State × Year fixed effects in place of year fixed effects and state fixed effects. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned	-0.310**	-0.313**	-0.269**	-1.656**	-1.623*	-1.311*
	(0.138)	(0.143)	(0.124)	(0.843)	(0.864)	(0.714)
Success	0.336***	0.322***	0.053**	1.604***	1.534***	0.262***
	(0.021)	(0.021)	(0.021)	(0.095)	(0.096)	(0.087)
Minority owned	0.184	0.166	0.118	0.979	0.909	0.590
	(0.148)	(0.152)	(0.140)	(0.752)	(0.770)	(0.649)
Observations	30,393	30,393	30,393	30,393	30,393	30,393
Pseudo R^2	0.033	0.037	0.075	0.019	0.022	0.043
Controls?			X			X
Year FE?	X			X		
State FE?		X	X		X	X

Table B.9: Association Between Minority Ownership, Performance, Racial Awareness, and Raising a Follow-on Fund - Evidence from PitchBook (HRA Normalized by Minority Population)

This table presents coefficients from OLS regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount funding raised by the new fund, *Ln(New Fund Size +1)*. For group years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, an indicator for high racial awareness (HRA), and the interactions between the three. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *HRA* (high racial awareness) is an indicator that equals one if the news-weighted number of fatal encounters between police and blacks or Hispanics (minorities), divided by the minority population in the state, is above the median of all states in that year. The weight applied to a given fatal encounter is the log of 1 plus the total number of articles mentioning the event, see Table 8 for details. *Controls* include the same set of variables as in Table 9. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned × HRA	0.043	0.047	0.045	0.393**	0.397**	0.396**
	(0.036)	(0.036)	(0.037)	(0.188)	(0.185)	(0.179)
Success × Minority Owned	-0.065***	-0.066***	-0.062***	-0.500**	-0.480**	-0.454**
	(0.025)	(0.025)	(0.022)	(0.211)	(0.210)	(0.179)
Minority Owned × HRA	-0.034	-0.043	-0.036	-0.243	-0.298	-0.250
	(0.047)	(0.046)	(0.046)	(0.241)	(0.237)	(0.231)
Success × HRA	-0.003	-0.004	-0.002	-0.025	-0.027	-0.016
	(0.006)	(0.006)	(0.005)	(0.038)	(0.038)	(0.035)
Success	0.057***	0.055***	0.013***	0.420***	0.407***	0.129***
	(0.005)	(0.005)	(0.004)	(0.035)	(0.035)	(0.026)
Minority owned	0.035	0.034	0.023	0.304	0.308	0.191
	(0.028)	(0.028)	(0.024)	(0.198)	(0.198)	(0.164)
HRA	0.001	-0.002	0.000	0.033	0.017	0.017
	(0.005)	(0.005)	(0.005)	(0.027)	(0.025)	(0.025)
Observations	30,451	30,451	30,451	30,451	30,451	30,451
Adjusted R^2	0.032	0.034	0.072	0.049	0.053	0.106
Controls?			X			X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table B.10: Association Between Minority Ownership, Performance, Racial Awareness, and Raising a Follow-on Fund - Evidence from PitchBook (Logit and Tobit Regression)

This table presents coefficients from Logit (columns one to three) and Tobit (columns four to six) regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount funding raised by the new fund, *Ln(New Fund Size +1)*. For group years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, an indicator for high racial awareness (HRA), and the interactions between the three. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *HRA* (high racial awareness) is an indicator that equals one if the news-weighted number of fatal encounters between police and blacks or Hispanics (minorities), divided by the minority population in the state, is above the median of all states in that year. The weight applied to a given fatal encounter is the log of 1 plus the total number of articles mentioning the event, see Table 8 for details. *Controls* include the same set of variables as in Table 9. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned × HRA	0.472**	0.488**	0.473*	1.871**	1.897**	1.808*
	(0.213)	(0.214)	(0.247)	(0.861)	(0.845)	(0.933)
Success × Minority Owned	-0.466***	-0.479***	-0.427***	-2.298**	-2.296**	-1.946**
	(0.149)	(0.152)	(0.135)	(0.928)	(0.936)	(0.780)
Minority Owned × HRA	-0.220	-0.269	-0.232	-1.076	-1.250	-0.980
	(0.275)	(0.274)	(0.282)	(1.089)	(1.053)	(1.068)
Success × HRA	-0.017	-0.014	-0.034	-0.060	-0.036	-0.133
	(0.034)	(0.033)	(0.031)	(0.149)	(0.147)	(0.128)
Success	0.343***	0.327***	0.067***	1.628***	1.548***	0.314***
	(0.024)	(0.025)	(0.024)	(0.110)	(0.110)	(0.099)
Minority owned	0.290*	0.295*	0.232	1.481*	1.499*	1.060
	(0.165)	(0.165)	(0.144)	(0.835)	(0.831)	(0.725)
HRA	0.040	0.006	0.016	0.337**	0.074	0.088
	(0.037)	(0.036)	(0.037)	(0.161)	(0.153)	(0.148)
Observations	30,393	30,393	30,393	30,393	30,393	30,393
Pseudo R^2	0.033	0.037	0.075	0.019	0.022	0.043
Controls?			X			X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table B.11: Association Between Minority Ownership, Performance, Racial Awareness, and Raising a Follow-on Fund - Evidence from PitchBook (HRA as Top Tercile)

This table presents coefficients from OLS regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount funding raised by the new fund, *Ln(New Fund Size +1)*. For group years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, an indicator for high racial awareness (HRA), and the interactions between the three. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *HRA* (high racial awareness) is an indicator that equals one if the news-weighted number of fatal encounters between police and blacks or Hispanics (minorities), divided by the minority population in the state, is in the top tercile of all states in that year. The weight applied to a given fatal encounter is the log of 1 plus the total number of articles mentioning the event, see Table 8 for details. *Controls* include the same set of variables as in Table 9. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned × HRA	0.012	0.010	0.037	-0.091	-0.126	0.048
	(0.070)	(0.071)	(0.074)	(0.366)	(0.360)	(0.373)
Success × Minority Owned	-0.062***	-0.063***	-0.060***	-0.405**	-0.397**	-0.383**
	(0.023)	(0.023)	(0.020)	(0.196)	(0.195)	(0.171)
Minority Owned × HRA	-0.103*	-0.112**	-0.085	-0.601**	-0.672**	-0.511*
	(0.053)	(0.053)	(0.056)	(0.290)	(0.285)	(0.292)
Success × HRA	0.000	0.000	-0.004	0.017	0.018	-0.012
	(0.008)	(0.008)	(0.007)	(0.059)	(0.058)	(0.048)
Success	0.056***	0.054***	0.013***	0.409***	0.394***	0.127***
	(0.004)	(0.004)	(0.004)	(0.033)	(0.033)	(0.025)
Minority owned	0.056**	0.056**	0.041*	0.401**	0.412**	0.273
	(0.027)	(0.027)	(0.024)	(0.201)	(0.200)	(0.175)
HRA	0.008	-0.000	-0.000	0.126***	0.017	0.010
	(0.006)	(0.006)	(0.006)	(0.036)	(0.033)	(0.033)
Observations	30,451	30,451	30,451	30,451	30,451	30,451
Adjusted R^2	0.032	0.034	0.073	0.050	0.053	0.106
Controls?			X			X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table B.12: Association Between Minority Ownership, Performance, Racial Awareness, and Raising a Follow-on Fund - Evidence from PitchBook (HRA as Top Quartile)

This table presents coefficients from OLS regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount funding raised by the new fund, *Ln(New Fund Size +1)*. For group years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, an indicator for high racial awareness (HRA), and the interactions between the three. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *HRA* (high racial awareness) is an indicator that equals one if the news-weighted number of fatal encounters between police and blacks or Hispanics (minorities), divided by the minority population in the state, is in the top quartile of all states in that year. The weight applied to a given fatal encounter is the log of 1 plus the total number of articles mentioning the event, see Table 8 for details. *Controls* include the same set of variables as in Table 9. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned × HRA	-0.013	-0.016	0.011	-0.031	-0.073	0.115
	(0.047)	(0.047)	(0.053)	(0.313)	(0.310)	(0.349)
Success × Minority Owned	-0.059**	-0.060**	-0.057***	-0.414**	-0.404**	-0.387**
	(0.023)	(0.023)	(0.021)	(0.199)	(0.198)	(0.174)
Minority Owned × HRA	-0.124***	-0.133***	-0.108***	-0.669***	-0.744***	-0.584**
	(0.034)	(0.035)	(0.038)	(0.254)	(0.252)	(0.256)
Success × HRA	-0.002	-0.002	-0.005	-0.006	-0.008	-0.030
	(0.008)	(0.008)	(0.007)	(0.059)	(0.058)	(0.050)
Success	0.057***	0.054***	0.013***	0.413***	0.400***	0.130***
	(0.004)	(0.004)	(0.004)	(0.032)	(0.032)	(0.024)
Minority owned	0.052*	0.051*	0.038	0.378*	0.384*	0.256
	(0.027)	(0.027)	(0.025)	(0.200)	(0.198)	(0.174)
HRA	0.007	-0.003	-0.001	0.119***	0.009	0.008
	(0.006)	(0.007)	(0.006)	(0.037)	(0.034)	(0.033)
Observations	30,451	30,451	30,451	30,451	30,451	30,451
Adjusted R^2	0.032	0.034	0.073	0.049	0.053	0.106
Controls?			X			X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table B.13: Association Between Minority Ownership, Performance, Racial Attention, and Raising a Follow-on Fund in States by High and Low Public Pension Fund Allocation to private capital - Evidence from PitchBook (HRA Normalized by Minority Population)

This table presents coefficients from OLS regressions run at the group-year level, with standard errors reported in parentheses. A unit of observation is a private capital group-year. The dependent variable in columns one to three, *I(Raised a follow-on fund)*, is an indicator that equals one if the private capital group raised a new fund in a given year. The dependent variable in columns four to six is the log amount funding raised by the new fund, *Ln(New Fund Size +1)*. For group years in which no new fund is raised, this variable is zero. For groups that raised multiple funds in a year, this variable is the sum of all funds raised. The key independent variables are minority ownership, success, an indicator for high racial awareness (HRA), and the interactions between the three. *Minority owned* is an indicator that equals one if at least 50 percent of the founders or senior partners of the private capital group are Black or Hispanic. *Success* is the standardized (standardized to have a mean of zero and standard deviation of one) log of one plus the number of deals over the previous four years that successfully exited through an IPO. *HRA* (high racial awareness) is an indicator that equals one if the news-weighted number of fatal encounters between police and blacks or Hispanics (minorities), divided by the minority population in the state, is above the median of all states in that year. The weight applied to a given fatal encounter is the log of 1 plus the total number of articles mentioning the event, see Table 8 for details. Panel A presents estimates for groups in states where the number of public pension funds allocating to private capital is above the median of all states in that year, while Panel B presents estimates for groups in states where the number of public pension funds allocating to private capital is below median. *Controls* include the same set of variables as in Table 9. $^{***}p < 0.01$ denotes significance at the 1% level, $^{**}p < 0.05$ denotes significance at the 5% level, and $^{*}p < 0.10$ denotes significance at the 10% level. We cluster standard errors by private capital group.

	Panel A: Above-Median Public Pension Fund Investment					
Dependent Variable:	**I(Raised a follow-on fund)**			**Ln(New Fund Size + 1)**		
Success × Minority Owned × HRA	0.035	0.038	0.036	0.390**	0.387**	0.384**
	(0.030)	(0.030)	(0.032)	(0.175)	(0.172)	(0.167)
Success × Minority Owned	-0.064***	-0.062***	-0.061***	-0.516**	-0.487**	-0.486***
	(0.022)	(0.023)	(0.020)	(0.216)	(0.216)	(0.188)
Minority Owned × HRA	-0.041	-0.046	-0.036	-0.289	-0.323	-0.250
	(0.050)	(0.050)	(0.050)	(0.261)	(0.257)	(0.251)
Success × HRA	-0.002	-0.003	-0.002	-0.012	-0.014	-0.006
	(0.006)	(0.006)	(0.006)	(0.039)	(0.040)	(0.037)
Success	0.056***	0.054***	0.013***	0.411***	0.406***	0.128***
	(0.005)	(0.005)	(0.004)	(0.035)	(0.036)	(0.028)
Minority owned	0.044	0.041	0.028	0.376*	0.367*	0.230
	(0.030)	(0.030)	(0.026)	(0.218)	(0.221)	(0.179)
HRA	0.004	0.000	0.003	0.052*	0.030	0.030
	(0.006)	(0.006)	(0.005)	(0.030)	(0.029)	(0.028)
Observations	25,251	25,251	25,251	25,251	25,251	25,251
Adjusted R^2	0.031	0.032	0.070	0.048	0.050	0.103
Controls?			X			X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X

Table B.13 - *continued*

	Panel B: Below-Median Public Pension Fund Investment					
Dependent Variable:	I(Raised a follow-on fund)			Ln(New Fund Size + 1)		
Success × Minority Owned × HRA	0.235	0.229	0.253	0.752	0.691	0.851
	(0.253)	(0.258)	(0.255)	(1.084)	(1.124)	(1.104)
Success × Minority Owned	-0.134	-0.134	-0.080	-0.445	-0.452	-0.170
	(0.133)	(0.131)	(0.132)	(0.646)	(0.572)	(0.621)
Minority Owned × HRA	-0.033	-0.038	-0.056	-0.166	-0.216	-0.374
	(0.118)	(0.120)	(0.119)	(0.515)	(0.531)	(0.522)
Success × HRA	-0.012	-0.010	-0.005	-0.147	-0.126	-0.094
	(0.016)	(0.016)	(0.015)	(0.107)	(0.104)	(0.093)
Success	0.069***	0.065***	0.016	0.466***	0.421***	0.149*
	(0.015)	(0.014)	(0.010)	(0.142)	(0.131)	(0.080)
Minority owned	0.015	0.011	0.024	0.014	-0.001	0.100
	(0.075)	(0.074)	(0.077)	(0.348)	(0.293)	(0.364)
HRA	-0.022*	-0.019	-0.018	-0.101*	-0.094	-0.079
	(0.012)	(0.013)	(0.013)	(0.060)	(0.062)	(0.061)
Observations	5,171	5,171	5,171	5,171	5,171	5,171
Adjusted R^2	0.033	0.041	0.082	0.051	0.058	0.114
Controls?			X			X
Year FE?	X	X	X	X	X	X
State FE?		X	X		X	X