

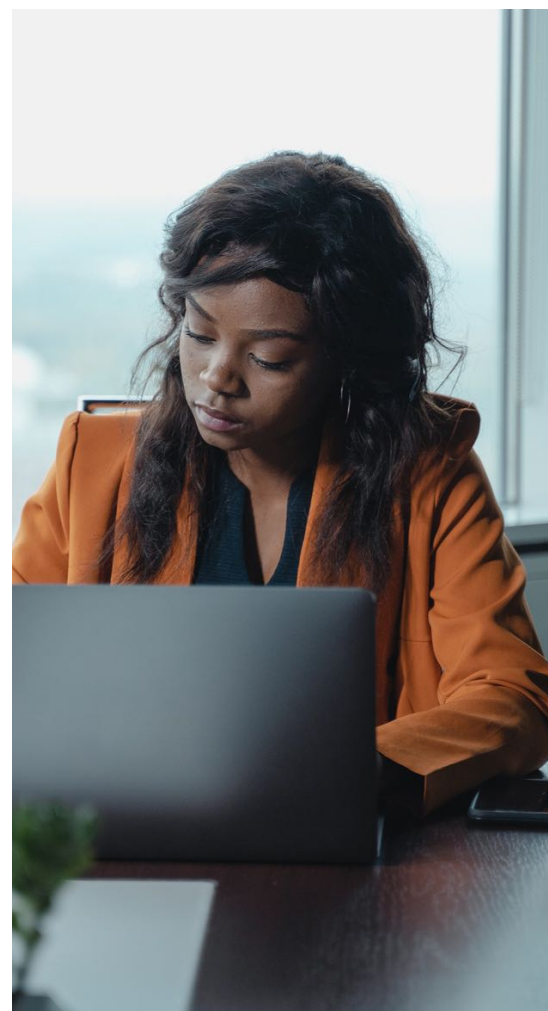
The JEDI investing toolkit was designed for investors who want to apply a justice, equity, diversity, and inclusion lens to their processes and portfolios.

Like the GenderSmart working group of the same name, it comes at a time of increasing scrutiny for both the systems of finance, and the people working within them. As the sector gets more serious about sustainable investing – and more nuanced about what that actually means, beyond climate factors – there is an opportunity to incorporate a broader diversity lens to improve investment decision making and outcomes. Impacts sought can range from reaching more diverse and first-time fund managers and reducing inter-generational and racial/ethnic* wealth gaps, to altering capital allocation and supporting more inclusive value chains.

JEDI investing is in large part about who is investing, who receives investment, which investments make it into portfolios, how investments are structured and how all those decisions are made. Regional and cultural context is another influencing factor. In the Global North, for example, priorities might include enhancing racial diversity at the investment team or fund manager level, while the Global South perspective often focuses on expat versus local founders, or other socially excluded groups.

JEDI investing builds on the momentum of gender lens investing (GLI), and is not a distinct asset class but an investment approach that cuts across all asset classes. Crucially, applying a JEDI lens should not de-prioritise gender. They are interconnected and there is no opportunity cost to adding a JEDI lens to an existing GLI strategy. Rather, this is about placing a deeper emphasis on intersectionality within gender equity, and looking at gender across dimensions of race, class, and ethnicity. It is also about addressing power dynamics across gender, racial, and socioeconomic divides.

While there is no comprehensive aggregation of assets under management with a gender and JEDI lens, we have attempted to size this by taking the estimated USD\$35 trillion in ESG finance as a proxy starting point. We then aggregated allocations across



*We acknowledge that racial/ethnic diversity is just one form of diversity, lived experience and identity, but it was identified by working group members as the most pressing place to start, in the aftermath of George Floyd's murder and ensuing Black Lives Matter protests. Other segmentation will follow.

'sustainability-themed investing', 'norms-based screening' and 'impact investing/community investing', which produced a total of roughly \$6 billion. This is less than .02% of the \$35 trillion total. While a very rough estimation, it serves to illustrate that the capital being allocated with a gender and JEDI lens is still a drop in the ocean. Similarly, as at the end of 2020, the aggregate volume of gender-smart capital deployed across private and public markets totals around \$20B.

Yet the opportunities are growing: in 2018, when gender lens private capital and VC funds were surveyed in Project Sage 2.0, 8% said they explicitly considered LGBTQIA+ factors in their investments, and 21% reported their investment criteria included racial/ethnic considerations. In the 2021 study, 47% of respondents had a dual gender and race/ethnicity lens, and 15% had a dual gender/LGBTQIA+ lens.

Investors we've spoken to all have a different story about what brings them to this work, depending on their asset class, stakeholders, or role within the financial ecosystem. These motivations can generally be categorised into three main areas. The first is the perceived diversity dividend: that investing in gender alongside racial and ethnic diversity yields inclusive, equitable, and often sustainable companies, funds or solutions. There is a growing business case for this, and we've gathered some of the most compelling data points [here](#).

The second is the recognition that women, particularly women of colour, and other underrepresented groups, are an overlooked opportunity. As Paula Groves, GP at UK-based VC firm Impact X noted in a [recent interview](#), "Mainstream entrepreneurs are getting most of the capital, and certain deals are oversaturated. When deals become oversaturated, they become overvalued. If we can find these hidden gems, we can take advantage of a valuation arbitrage, if you will, providing capital at a lower valuation, working with businesses to grow, and creating strategic value." Last but not least, this is a risk mitigation strategy: reducing exposure to investments that exacerbate racial inequities and other social injustices can protect investors from portfolio risk.

However, we also urge the field to move beyond the need to "prove" the financial benefits of diversity. The connection between financial rewards and diversity can only establish correlation, not causation, and thus can never serve as definitive proof. It can also often be countered with other, similarly correlative data. Besides, after over two decades of making the case, none of the evidence or arguments seem to be enough. No-one is asking for "proof" that homogeneous white male teams and boards are good for business. Instead of simply looking to increased financial returns

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"I think people are still skeptical that you can truly have a product with the right risk return profile"

**Simba Marekera
 Investment Director,
 Brightlight Impact**

as the reason for adopting a gender and JEDI lens, progressive business leaders are embracing a broader vision of success and impact that encompasses learning, innovation, creativity, flexibility, equity, and human dignity.

So, what can you do to get started? Depending on your experience and familiarity with JEDI lens investing, we have organised the toolkit into three possible action pathways, each with accompanying case studies, resources, and investing Principles:



Awareness

Acknowledge that current financial and economic systems are founded on a spectrum of systemic and other historical and geographic factors such as racism, discrimination, colonialism. This creates power and structural imbalances.



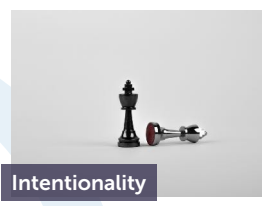
Specificity

The investment strategy and approach can be tailored to reflect geographical and socio-economic dynamics. This includes material JEDI issues such as workplace equity, flexible policies, inclusive cultures and diverse pipelines.



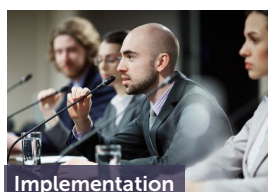
Participation

Strive for participation of all representative voices and actors at the table, supported by thorough and contextualised investment and organisational processes.



Intentionality

Align on the starting point and define the baseline, and then set progress goals and bigger vision around JEDI's transformative potential for results and/or impact. Existing structures, processes and resources may not permit a fully integrated JEDI approach: the key is to get started.



Implementation

Ensure the JEDI approach has widespread buy-in and accountability is built in. This could involve a public JEDI commitment with clear goals, allocation volumes, and actions. It could also consider underlying policies and processes like recruitment, retention, and succession.



Accountability

Monitor milestones and progress against concrete goals and allocation volumes, if applicable. Where possible, refer to measurable benchmarks and other industry standards.



Iteration

Investing with a JEDI lens involves integrating feedback loops and committing to building a cohesive culture of reflection, accountability and action over the long term. This is in part about tracking progress, measuring against goals and considering shifts in power dynamics inside the organisation (and out).

The seven Principles were co-created by members of the Working Group with the vision of broad and wide applicability. The goal is to provide a harmonised way of thinking about JEDI investing and equip allocators and intermediaries with a framework for their strategies and approaches. The Principles were designed to be non-performative and move beyond box-checking, ultimately becoming part of business-as-usual planning cycles. They can also be used to inform internal frameworks and policies, and eventually into legal documentation as they become more widely adopted.

This movement is not only about tapping into this growing market demand and opportunity but ultimately about facilitating the transition towards a more participatory, equitable and sustainable financial ecosystem. Wherever you are on the risk/return spectrum there is a place for you, and each actor has a role to play. We look forward to supporting you on this journey and welcome any feedback you might have for making the toolkit more useful.