



Astia Edge

OUR FAILURE TO INVEST IN BLACK FOUNDERS AND WHAT WE HAVE DONE ABOUT IT

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TABLE OF CONTENTS

1	 Summary
	<i>Addressing the problem, with support of those who seek change</i>
3	 Astia's History
	<i>Astia's model to remove bias</i>
5	 Astia's Realization
	<i>Market data confirms the problem</i>
7	 Our Pilot Program
	<i>Pilot findings demonstrate significant investment bias</i>
12	 Next Steps - Astia Edge
	<i>The untapped opportunity presented by underinvested founders</i>
	<i>Astia portfolio highlights</i>
15	 Whats Can All Investors Do To Instill Change?
	<i>Our call to action</i>
16	 Appendix
	<i>The Astia organization</i>
	<i>References</i>
	<i>Acknowledgements</i>

In a time of global reckoning as it relates to racial disparities, Astia - a gender equity-focused model of venture capital - shares the stark realization of our own failure when it came to investment in Black founders, and most importantly, what we have done about it. We believe this serves as a call to action for the innovation investment community to reevaluate and change how bias lives in and drives our very processes as investors.

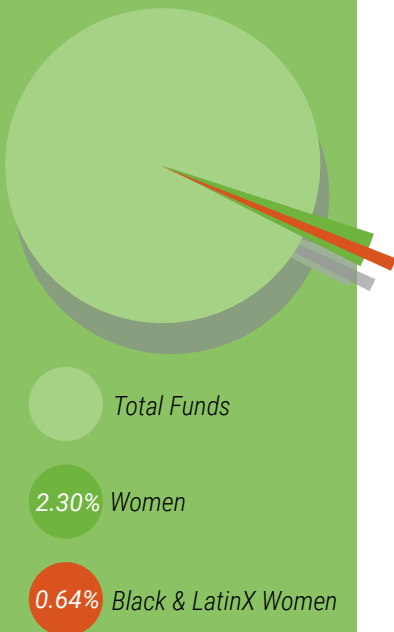
SUMMARY



For over 20 years, Astia's mission has been to champion gender equity and inclusion in venture capital through investment in women. With our documented, rigorous and proven sourcing and screening methodology to remove bias, the Astia Expert Sift™, and the thesis that inclusive teams outperform, Astia commenced its own direct investment activities in 2013. Astia has since invested over \$36M alongside over \$620M in syndicate into a diverse portfolio of 61 high-growth companies with women leaders, and recently launched the \$100M Astia Fund.

Along this journey, we experienced a stark, humbling and far too common realization - that even with the best intentions, and Astia's fundamental mission to remove bias from our investment process, our own racial representation fell flat at the point of actual investment.

Despite growing efforts across the investment landscape, the data around capital directed towards underrepresented founders, especially those facing intersectional forms of bias, remains dismal: women-led startups received 2.3% of venture funding in 2020, but Black and LatinX women received just 0.64%.^[1,2] The disparities in venture capital all but exclude women of color from the wealth, job creation and innovation impact that entrepreneurship uniquely provides - and perpetuate underlying systemic biases.



» ***As investors, we have an obligation and unique agency to lead change. To overhaul our entire model and rethink the inner workings of our industry.***



Addressing the problem, with support from those seeking change

Called to action by our own failures, and backed by our Astia Angels investment community, corporate partner JPMorgan Chase & Co., and support from Google for Startups and Cisco Foundation, Astia ran a pilot program to identify and address how and where systemic change was needed. First and foremost, we invested, meeting the problem at its most critical point: capital for early-stage Black founders. Alongside this capital, we analyzed ways to address internal sources of bias, and tested methods to shift the broader investment landscape.

Our findings bring sobering weight to the hurdles faced by Black founders and the magnitude of this problem, but additionally provide a starting point for us all. As we invest, we have a tremendous opportunity to rethink the impact of how we place our capital, and how it might drive the change we seek.



"Our uniting thesis at Astia Angels is investment in deals missed by over 95% of venture capital, those with women in positions of significant power, equity and influence. Through Astia's organizational learning, we realized our own shortcomings as investors and we collectively embraced the opportunity to look at the intersection of race and gender in our investment portfolio. Today we are better investors for the lessons learned from the pilot, and our portfolio demonstrates the success of doing this hard work; in the year following the pilot, 25% of our new investments were led by women of color."

Victoria Pettibone

*former Managing Director, Astia Angels
and now Managing Partner, Astia Fund*

JPMORGAN CHASE & CO.

"JP Morgan Chase is proud to support Astia's commitment to leveling the investment playing field and driving successful entrepreneurship opportunities for underserved founders"

Cate Costa

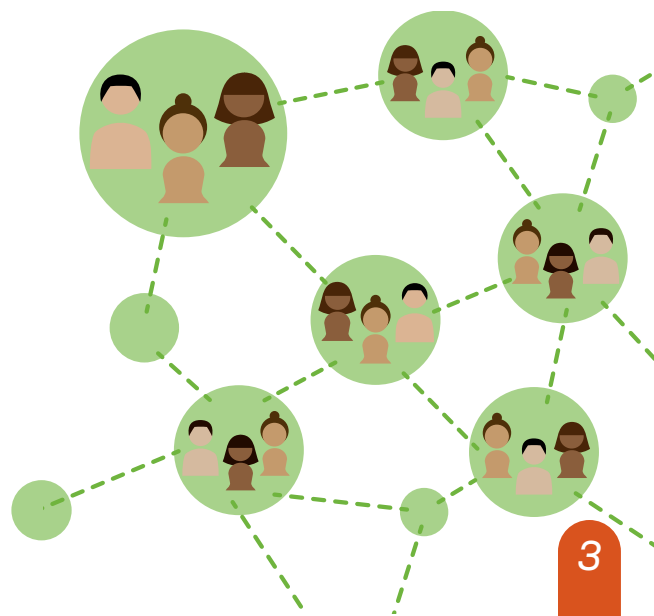
*Vice President, Global Philanthropy at
JPMorgan Chase*

ASTIA'S HISTORY

Unlike most investment firms, Astia brings a unique model and perspective rooted in our history as a nonprofit, values-based organization - even that wasn't enough.



Evolving our model over time, but driven by our founding mission of equity for women leaders in access to capital and networks, Astia has scaled as a global investment model. Our data-driven process, supported by an online platform utilizes the wisdom of an expert crowd, Astia's community of advisors, to annually source and screen more than 1,000 companies led by women through a multi-stage evaluation process. By design, we do not meet with companies prior to this process, we have an open call for applicants for funding, and ensure that the team makeup is "blind" to the reviewers, all to further remove bias.



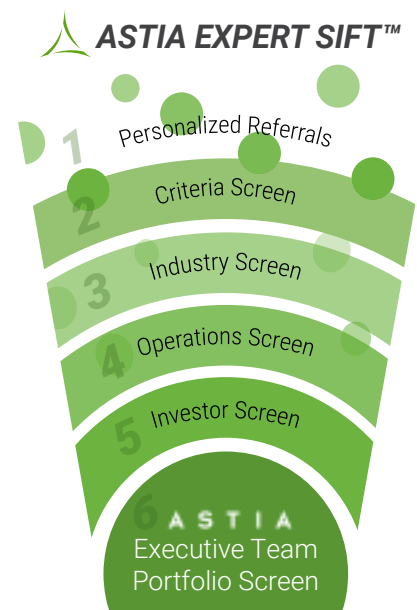
Astia's model to remove bias

Utilizing the Astia Expert Sift™, we democratize access to capital and address a significant hurdle to equity: white, male investors rely on white, male networks for deal sourcing and standard setting.

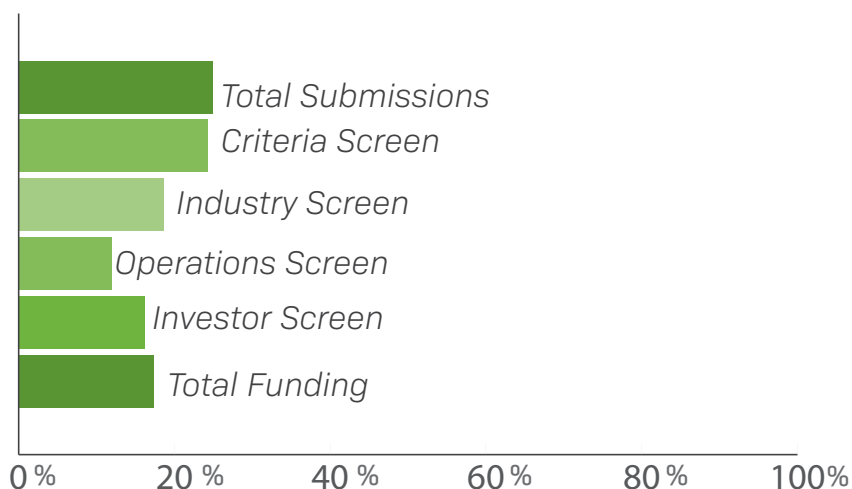
Astia's primary investment vehicles (Astia Angels and Astia Fund) make investment decisions only at the completion of the Expert Sift™ process, accessing highly screened and diverse deal flow - all of which include women in significant positions of power, equity and influence.

With data validating the removal of racial, gender, and geographic bias at each stage of our process, and our mission to intentionally invest in underrepresented teams, we thought we were being thorough. We thought we were removing all the major known biases.

What we were not expecting was the realization ahead of us.



The Astia Expert Sift™ leverages Astia's global community to source and screen companies across a multi-stage screening process. At each stage, Astia applicants are reviewed by and provided real-time feedback from expert Astia Advisors with deep industry, operations, or investment expertise.



Expert Sift™ dealflow report led by Black and LatinX founders Q4 2020.

Note for future work:

We find that applicant companies led by Black and LatinX founders typically enter the Sift at a disproportionately earlier stage with less prior investment; thus the initial drop at "Criteria Screen" which is measuring for high growth potential. We believe this is in part due to societal differences in access to early or "friends and family" capital; validating our call to action to increase pre-seed and seed stage funding for Black and other underrepresented entrepreneurs.

ASTIA'S REALIZATION



In 2018, Astia hosted a dinner for the entrepreneurs who passed our Expert Sift™ process, but who we had not invested in. The original purpose of this dinner was to learn about their progress and consider them again for investment. In fact, it provided us with the opportunity for immense organizational learning as it was at this dinner when our realization occurred.

*"I confess to being quite pleased with Astia, when arriving at the dinner I immediately noticed that 80% of the attendees were Black. Clearly the Sift was racially blind as these were the best-of-the-best that we had seen all year - they were part of the 5% that had made it all the way through the Sift and were considered for investment. It was ten to twenty minutes later that my stomach sank as I started to mentally review the Astia portfolio - and realized that **not one of our investment portfolio CEOs was Black**. I recall turning to my colleague, who herself is Black, and asking her if she noticed the same thing. It was then and there that our work began."*

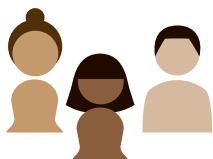


Sharon Vosmek, CEO, Astia

We know Astia is not alone. Market data consistently shows that while investors want to believe that their investments merely follow the trends of the pool of high potential opportunities, **the data tells a different story...**



Market data confirms the problem



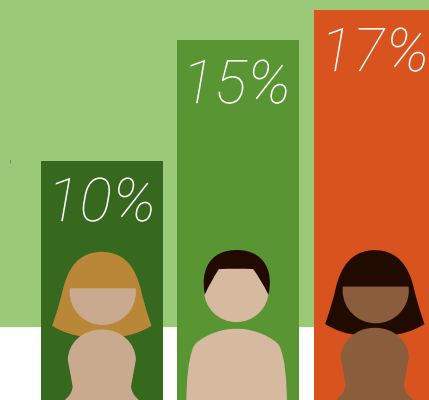
Women and men are nearing parity in their desire to start a business. ^[4]



Median net worth for Black business owners was 12 times higher than for Black non-business owners. ^[7]



Closing the racial wealth gap would add up to \$1.5 trillion to the U.S. economy by 2028. ^[8]



17% of Black women are in the process of starting or running new businesses. That's compared to just 10% of white women, and 15% of white men. ^[6]

Recent efforts mask years of underinvestment, particularly in black women. ^[9]



“ Systemic inequality in the form of personal and family wealth often determines who can afford to embark upon high-growth entrepreneurship. We know that race and gender are significant determinants as it relates to these. ”

Sharon Vosmek, CEO, Astia

OUR PILOT PROGRAM

Once we identified that intersectional bias of race and gender posed a hurdle at the point of investment within our own model, we implemented immediate change internally and commenced testing how we could effect external, systemic change. We knew that we had a long road ahead of us, but we leaned on our long history of impact as it relates to equity.

When asked by our partners how we were going to address our own racial equity disparities, Astia committed to the most critical work to create change in the investment landscape:
to intentionally invest and to encourage others to do the same.



Via the pilot we directly invested in early-stage companies led by Black founders and with at least one woman in a significant position of power, equity and influence.

Alongside this investment we tested activities that leveraged our agency as investors in these companies. We focused on two areas: advocating for the companies with other investors and fact-finding to learn more about the market dynamics for Black CEOs.



Pilot findings demonstrate significant bias in the investment landscape...

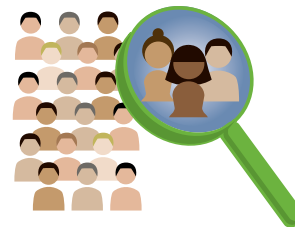
Investor bias creates a significant barrier for companies led by Black CEO's:

Pilot companies required on average, 60+ outside investor introductions by Astia, compared to ~5 in the broader portfolio, to attract syndicate investment.



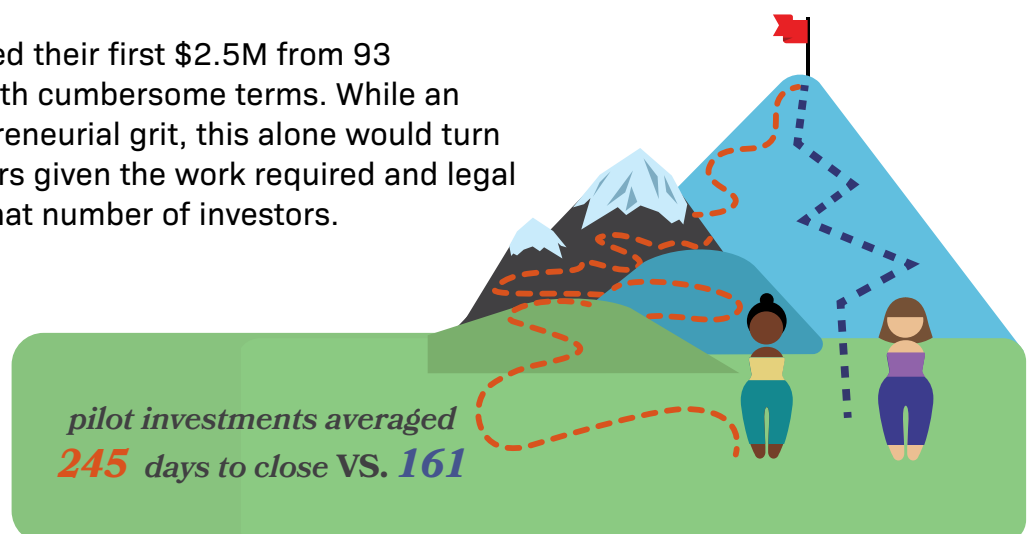
Pairing investment with advocacy was key:

Deals required atypical efforts (on average 100+ hours) by the Astia Investment team - hands on work alongside extremely capable management teams - to merely account for systemic hurdles and bias faced in the investment process.



Systemic inequities present unique hurdles:

One company raised their first \$2.5M from 93 investors, some with cumbersome terms. While an example of entrepreneurial grit, this alone would turn away most investors given the work required and legal expense to align that number of investors.





Astia's model creates impact - but more needs to be done.

Astia's model: (1) novel, bias-removing process, (2) intentional investment in Black founders, and (3) hands on advocacy

Investment:

Especially in the wake of the global reckoning around racial inequities and injustice of 2020, Astia has seen an uptick in conversations by peer investors around investment in Black and other underrepresented founders. Investors seem to agree that something should be done about the dearth of funding, but the difficulties of securing investment for these deals continues to point to a lack of action. Change in the venture industry seems to have stalled at sidecar funds (usually ~\$100M programs sitting alongside billions under management primarily investing in white men), rather than rethinking our methods, means, models and sourcing networks.

Advocacy:

We observed through the pilot, that the bar set by investors for Black CEOs as compared to our white CEOs, was consistently significantly higher in terms of desired company traction and milestones. This was especially notable for Black women CEOs, where the bar was not only higher, it continued to move as milestones were achieved by the company. Our outreach for these companies often required direct and quite personal conversations with investors about bias living in the very questions being asked.

We also saw the bias of advising or mentoring these companies, rather than investing in these companies. All too often, we met with institutions who were very willing to advise our Pilot program companies, yet had not considered them for investment. Our role was to push back on these systems and to continually stress the importance of investment as the real work of investors and the fundamental force for change.

Access:

Leveling the investment playing field for these companies requires great intention, as the barriers to access are predominantly systemic in nature. Historical inequities combined with the racial segregation of business and social networks, meant that our pilot companies often lacked access to early funds (the term of art for this early funding is "friends and family funding," which belies the profound barrier it creates in the market), access to serial entrepreneur networks, or connections to leading business services such as legal advice to enable venture investment into the company. Our work as investors - and as the service providers we are - is to broaden our networks, especially at the earliest stages, to ensure equitable access to entrepreneurship.

>> Impact:

One of our pilot CEOs frames the pilot's impact well. For her, Astia was *the one investor willing to do the work*.

"Before we met Astia, we had been fundraising unsuccessfully for nine months. When we met Astia, they said, "we believe in you," and "we believe in what you're doing," and "we can help you get the right investors at the table to help fuel your growth."

"Not only did they come to the table with the expertise, but they made calls on my behalf and took meetings with me. And that is so important because they breathed life into this funding process for the company and me. Within four months of Astia saying yes, we had significant investors. Now we are in a position where we have major partnerships with major organizations across the country. We are moving mountains."



*Astia's pilot program - which proved the power of the combination of INVESTMENT, ADVOCACY and ACCESS - demonstrated a **22x LEVERAGE** on invested capital, with pilot portfolio companies raising **>\$5M in outside investment.***

By embracing our agency as investors, stepping up as the lead investor for these deals, while also driving the change we seek in the venture landscape for Black female founders, the Edge pilot has immediately become one of our most powerful and successful programs to date.

THE NEXT STEP FOR ASTIA- Astia Edge:

Due to the Astia Edge pilot, today...

- 12% of Astia portfolio CEOs are Black.
- 23% of new investments made since the pilot are led by Black CEOs.
- 50%, or two of the four investments made by Astia Fund since launching in January 2021, are led by Black female CEOs, further and most significantly validating the opportunity this work opened up for the organization and the broader innovation economy.

We continue to see a profound and largely untapped investment opportunity to invest and instill change for Black women at the pre-seed and seed stages of company growth.

Building upon the success and the learnings of the pilot, Astia looks to a full program roll out for Astia Edge. With this additional pool of capital earmarked specifically for Black and LatinX female CEOs, we will address the most critical point of need and disparity-bias at the point of initial outside investment. Alongside this investment capital, we will utilize philanthropic capital to provide advocacy and leadership for systemic change within the venture capital industry.



“The Venture Capital industry has traditionally been a closed community. Investment dollars have typically flowed to a small network of investors and entrepreneurs, a cycle creating barriers to progress that have afflicted women and other underrepresented groups, and kept them from positions of responsibility and opportunity. Breaking this cycle requires decisive action and investment on the part of both VC investors and the Limited Partners who fund them.”

Larry Bettino, Astia Board Chair and longtime venture capital investor



“We simply cannot afford to only fund the innovation and ideas of predominantly white males. Venture capital has failed in addressing a glaring funding gap for women, and underrepresented founders for far too long. We must call on our industry from LPs to GPs to rethink how they source, evaluate and invest in tomorrow’s success stories, and the impact that this has on our global economy.”

Priya Mathur, Astia Board Member and past board president of CalPERS



The untapped opportunity presented by underrepresented **underinvested** founders

Investors often assert that they are experts in finding the undiscovered entrepreneur or innovation in a market ripe for change. Our investment experience proves the point: **as long as mainstream investors fail to source and invest in women and founders of color, our thesis of intentional investment in underrepresented founders alone presents a significant investment opportunity.**

Not only does our portfolio of women-led, and now more racially representative, companies bring a higher likelihood for top tier financial returns^[5], women often lead companies with “real world” solutions as we look to solve our most pressing global needs.

Astia Portfolio Highlights



Candasant[™] Biomedical

Candasant Biomedical is a clinical stage company focused on development of a novel treatment for the non-invasive treatment of excessive sweating or hyperhidrosis. Founded and led by CEO, Niquette Hunt, a successful serial entrepreneur with more than 25 years experience in developing, launching and commercially scaling more than 20 products, who also served on the board of publicly traded, Soliton (acquired by AbbVie in 2021) and currently serves on the board of Minerva Surgical. The company's lead investigational product is a topical patch to conveniently treat excessive sweating with a quick, in-office procedure.

Highlights:

2019: Initial investment from Astia Angels

2020: Top 50 MedTech startups selected by MedTech Innovator

2020: Niquette Hunt recognized by the Aesthetic Society for Black History Month for her leadership driving development and research of a non-invasive treatment potentially benefiting 84 million people who suffer from excessive sweating

2021: Astia Fund initial investment

Astia Portfolio Highlights



*Education-based banking
for the whole family*

Goalsetter is a fintech/financial literacy solution currently serving the \$138B gift card market and the \$197B market in teen debit-card spending, and as of October 2021, a family investment platform as well. Targeting families from all socio-economic backgrounds, and endeavoring to address the wealth gap in the United States, the company is pursuing a B2B and B2C business model. Goalsetter is offering solutions to employers, who can offer Goalsetter as an employee benefit, and to banks and financial institutions, who are using Goalsetter to develop their next generation of customers.

Financial education and financial literacy are key tenets of accumulating assets and growing wealth, but they are not taught in most schools nor in most homes. Goalsetter helps children understand the language of investing and growing wealth, instead of just the language of saving or spending. It is projected that by 2053, African Americans will have a negative net worth, with Latinos projected to reach the same status by 2073. Goalsetter is combating these dire predictions by transforming financial education for every member of the family.

Highlights:

2020: \$3.9M oversubscribed Seed round, led by Astia joined by Astia Angels and others

2020: Victoria Pettibone (Managing Partner, Astia Fund) joins the Board

2021: “One Stock. One Future” campaign to create one million Black and LatinX youth shareholders nationwide launched in partnership with Robert F. Smith

2021: \$15M Series A led by Seae Ventures

What can ALL investors do to instill change? Our call to action:

» **Reconsider your expectation of prior funding:**

it may be that no other firm has yet to invest, and the reason for this may be that she is Black.

Systemic racism in this country has stymied wealth creation over generations. Thus, most Black women founders don't have family and close friends to tap into for the first round of funding. As a result, Black women CEOs tend to raise early stage funding in small amounts over many years. Therefore, if we continue to look at prior funding as an essential criteria, we will only be perpetuating bias in the investment landscape while missing out on amazing entrepreneurs and their businesses.

» **Use your agency as an investor to be an advocate:**

dare to lead, even if it means being a smaller or nontraditional lead.

Venture capital traditionally places significant value on a company having a lead investor who brings in a significant portion of the round. However, since less than .3% of venture capital is invested into Black women CEOs^[10], finding a lead investor who can support a majority of the round is more challenging, if not impossible, for Black women CEOs. Instead, step forward as the lead investor, even if your capital is more limited than what is traditionally expected. By putting a stake in the ground and your reputation behind the investment, you can create an environment that attracts additional capital to the deal.

» **Be cautious when using words like “trust”:**

trust hides all forms of bias - race, gender, age, phenotype. Force yourself to prove your concerns.

A huge driver of early-stage investing is betting on the CEO and their team. But through media and cultural stories and depictions we have been socialized to more easily trust a white male persona. It's up to all of us to fairly and deeply evaluate each entrepreneur's story to help see where they're coming from in an effort to strip out our own biases from the equation.

» **Standardize your questions and the KPIs you measure:**

stick to a formula, deviation hides all forms of bias.

It is our observation that investors tend to judge Black women using a higher bar than their white male and white female counterparts. Rather than being judged for how much she's accomplished with so little, she is judged for what she's achieved to date, reflecting a backward looking stance. Most men, however, are judged on their vision and upcoming plans. It's important to be hyper aware that all CEOs should be judged through the same lens. Practices like standardizing the questions being asked are helpful tools in leveling the playing field.

APPENDIX-

The Astia Organization

Astia has remained committed to continuing this work - across ALL of its investment activities.

The scale of this problem demands constant effort across all activities to move the needle. We must all move past isolated efforts, those typically muted by the power of the mainstream.

Astia continues to commit to:



Measuring and analyzing our ability to remove bias from our sourcing, screening and investment process

The Astia Expert Sift™ enables this work, and we continue to develop our Astia Connect platform, which powers the Sift™ and all of our investment activity to best meet the needs of inclusive teams and investors looking to create impact.



Intentionally investing in racially diverse teams

Astia will ensure diversity within our portfolio. 50% of our initial investments in our new Astia Fund reflect our commitment to investing in Black women. Astia Angels continues to seek equity with new investments in Black-led companies.



“Double-down” our investment and accountability to the added challenges Black women founders face at the earliest stages of capital investment, by further development of Astia Edge as a pillar of Astia’s investment programs.

Astia unites a global community of experts across the entrepreneurial ecosystem to champion equity in access to venture capital. We invest, advise and partner to level the investment playing field.



Astia intentionally invests only in companies with women in significant positions of power, equity and influence:



Astia Fund employs the proven, documented and repeatable processes of Astia's Expert Sift™ in a traditional venture capital structure. Backed by a top tier group of global LPs, Astia Fund invests in the most promising lead and follow-on opportunities across Astia's investment activities.



A global group of accredited investors professionally managed since 2013 by the Astia Investment team. Astia Angels engage with a network of like-minded investors on weekly deal calls, a proprietary technology platform, regular virtual screenings and in-person meetings in San Francisco, New York, London and Oslo.



Astia Edge invests in exceptional seed stage companies led by Black and LatinX women through an evergreen fund backed by our Corporate Partners. With Astia Edge, Astia looks to leverage our expertise and network to advocate for investment equity for underrepresented entrepreneurs.

APPENDIX - References

Resources:

- [1] Harvard Business Review: Women-Led Startups Received Just 2.3% of VC Funding in 2020
- [2] Project Diane 2020 Report “The State of Black and LatinX Women Founders”, digitalundivided - <https://www.projectdiane.com/>
- [3] Harvard Business Review: Institutional Investors Must Help Close the Race and Gender Gaps in Venture Capital
- [4] <https://www.score.org/blog/state-women-entrepreneurs>
- [5] <https://www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet>
- [6] <https://hbr.org/2021/05/black-women-are-more-likely-to-start-a-business-than-white-men>
- [7] <https://www.forbes.com/sites/brianthompson1/2021/06/17/the-key-to-closing-the-racial-wealth-gap-black-entrepreneurship/?sh=77af82c95bec>
- [8] <https://news.crunchbase.com/news/the-business-case-for-closing-the-racial-wealth-gap/>
- [9] <https://www.washingtonpost.com/technology/2020/06/10/racial-gap-vc-firms/>
- [10] <https://techcrunch.com/2021/11/03/vcs-must-do-a-better-job-of-supporting-black-women-founders/>

THANK YOU TO ASTIA'S COMMUNITY OF PARTNERS, ADVISORS, INVESTORS AND COMPANIES WHO MAKE THIS WORK HAPPEN.

In particular, we would like to thank:

JPMorgan Chase & Co. and Google for Startups for support of the Astia Edge pilot.

Cisco Foundation for enabling continued development of our Astia Connect platform.

The Astia Board of Trustees: [Larry Bettino](#), Director, TD Ameritrade; [Karen Clark](#), Advisor to Families and Family Offices; [Aitua Ekhaese](#), Managing Partner, North Hill Advisory Partners Limited; [Margaret H. Kavalakis](#), Founder & Chief Legal Officer, TerViva; [Priya Mathur](#), Past President of the Board at California Public Employees Retirement System (CalPERS) 2003-2019; [Surbhi Sarna](#), Founder & CEO, nVision Medical (acquired by Boston Scientific); and [Jeanne Sullivan](#), Founder, StarVest Partners

[Terence Craig](#), for his leadership as former Managing Director of the Astia Edge pilot program, and current role as Senior Advisor to Astia.

[Cheryl Contee](#), Chief Executive Officer, The Impact Seat Foundation, for her role as Senior Advisor to the Astia Edge program.

[David Marple](#) and [Silvia Restelli](#) for their development work on the Astia Connect platform.

[Barrie Ginsberg](#), for her leadership on this paper during her 2021 Astia summer internship from her MBA program at Columbia University. Barrie now serves as a Consultant at EY-Parthenon.

[Zoe Vosmek Mariotti](#) for her design expertise and passion in bringing this thought leadership piece to life.

Astia Partners:

