

**REPORT TO THE  
GOVERNOR AND  
GENERAL ASSEMBLY**

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**Emerging & Minority Investment Managers Annual Report**



**December 31, 2024**

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**Illinois State Board of Investment  
180 N. LaSalle St., Suite 2015  
Chicago, IL 60601**

*As Required by 40 ILCS 5/1-109.1(8)*



December 31, 2024

The Honorable J.B. Pritzker  
Governor of Illinois  
207 Statehouse  
Springfield, IL 62706

Dear Governor Pritzker,

The Illinois State Board of Investment (“ISBI”) is pleased to submit this report to the Governor and General Assembly regarding its use of emerging and minority investment managers, in accordance with the requirements of Section 1-109.1 of the Illinois Pension Code (40 ILCS 5/1-109.1).

In accordance with Public Act 96-0006, ISBI’s Board of Trustees (the “Board”) first adopted the Diversity Policy (“Policy”) in 2001, with the purpose of encouraging utilization of and increasing opportunities for emerging and minority investment managers. The Policy sets forth aspirational goals for the utilization of emerging and minority investment managers as well as minority broker/dealers and non-investment service providers. The Board reviews this Policy annually and seeks continued improvements when appropriate. Most recently, the Board updated the Policy to increase the utilization targets for specific asset classes.

ISBI is committed, within the bounds of fiduciary prudence, to providing opportunities for emerging and minority managers. ISBI is pleased to report that its total allocation to emerging and minority-owned firms, including assets managed on behalf of ISBI, is approximately \$12.1 billion, representing 46.4% of the overall fund, as of June 30, 2024. ISBI continues to look for ways to improve its diversity efforts, both internally and in the industry at large. Below, please find further detail on ISBI’s efforts, as well as a listing which includes the names, addresses, and percentage of AUM for each of ISBI’s current emerging and/or minority investment managers (Exhibit A). A copy of the Policy is also attached as Exhibit B. ISBI appreciates the opportunity to report on its ongoing efforts. Please do not hesitate to contact ISBI with any questions regarding this report.

Sincerely,

ILLINOIS STATE BOARD OF INVESTMENT



Dipesh Mehta  
Executive Director & Chief Investment Officer

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Exhibit A: ISBI's Emerging and Minority Investment Managers

Exhibit B: ISBI Diversity Policy

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## Investment Manager Utilization

ISBI is pleased to report that its allocation to minority-owned firms,<sup>1</sup> including assets managed on behalf of ISBI, totals approximately \$12.1 billion as of June 30, 2024, representing 46.4% of the overall fund. Currently, ISBI either meets or exceeds all Policy goals with respect to minority investment managers. Further detail on utilization by asset class and by status as a minority-owned firm, women-owned firm, or firm owned by a person with a disability (“MWDBE”) is provided in the chart below.

### Emerging and Minority Investment Manager Utilization As of June 30, 2024

Category	Emerging Managers (\$)	Minority Managers (\$)	ISBI Goal	Emerging Managers (%)	Minority Managers (%)
<b>Minority-Owned</b>	749,859,395	2,508,319,560	5-10%	2.9%	9.6%
Asian American	408,651,568	996,591,429		1.6%	3.8%
African American	252,405,541	492,622,351		1.0%	1.9%
Latino	88,802,287	1,019,105,779		0.3%	3.9%
<b>Disabled</b>	-	-	0-2%	0.0%	0.0%
<b>Non-Minority Female-Owned</b>	137,470,182	9,604,694,544	3-8%	0.5%	36.8%
<b>Total</b>	<b>887,329,577</b>	<b>12,113,014,104</b>		<b>3.4%</b>	<b>46.4%</b>

Category	Emerging Managers (\$)	Minority Managers (\$)	ISBI Goal	Emerging Managers (%)	Minority Managers (%)
<b>Equity</b>	281,451,348	7,059,882,248	10-20%	2.4%	59.5%
<b>Fixed Income</b>	-	1,193,129,409	10-12%	0.0%	19.2%
<b>Alternatives</b>	605,878,229	3,860,002,447	5-15%	7.6%	48.1%
<b>Total</b>	<b>887,329,577</b>	<b>12,113,014,104</b>			

ISBI remains committed, within the bounds of fiduciary prudence, to providing opportunities for emerging and minority managers, and recognizes that there continues to be much room for improvement across the industry. As the most recent study by the Knight Foundation noted, only 1.4% of U.S.-based assets under management (“AUM”) are managed by diverse-owned firms, out of \$82.24 trillion in total AUM.<sup>2</sup> ISBI seeks to be part of the solution to this ongoing challenge. ISBI regularly commits and allocates capital to top-tier investment managers, including emerging and minority-owned investment firms. ISBI encourages and monitors its consultants and strategic partners to ensure a robust pipeline of diverse and emerging investment opportunities. During

<sup>1</sup> An “emerging investment manager” is defined by the Pension Code as “a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a ‘minority-owned business’, ‘women-owned business’, or ‘business owned by a person with a disability’ as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.” A “minority investment manager” includes emerging investment managers and is defined by the Pension Code as “a qualified investment manager that manages an investment portfolio and meets the definition of ‘minority-owned business’, ‘women-owned business’, or ‘business owned by a person with a disability’, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.”

<sup>2</sup> Data as of September 2021. For the full report, visit [https://knightfoundation.org/wp-content/uploads/2021/12/KDAM\\_Industry\\_2021.pdf](https://knightfoundation.org/wp-content/uploads/2021/12/KDAM_Industry_2021.pdf).

Fiscal Year 2024, ISBI made commitments to thirteen MWDBE managers, for a total value of \$455 million, detailed in the chart below.

MWDBE Fund Managers	MWDBE Status	Emerging	Commitment Amount
Brasa Real Estate Fund III LP	Latino(a)	Yes	\$ 20,000,000
JLC Infrastructure Fund II	African American	Yes	\$ 20,000,000
CIVC Partners Fund VII, L.P.	African American		\$ 25,000,000
3 Boomerang Capital I, LP	African American	Yes	\$ 30,000,000
Grain Communications Opportunity Fund IV, L.P.	African American		\$ 35,000,000
Bregal Sagemount Direct Lending Series 2023 LP	Asian American	Yes	\$ 20,000,000
Bregal Sagemount Credit Opportunities Series 2023 L.P.	Asian American	Yes	\$ 20,000,000
Long Wharf Real Estate Partners VII, L.P.	Latino(a)		\$ 30,000,000
JVP Credit Fund I, LP	Asian American	Yes	\$ 70,000,000
Elion Industrial Fund II, LP	Latino(a)	Yes	\$ 20,000,000
RC ABL Fund LP	Asian American	Yes	\$ 60,000,000
Ascend Capital Partners Fund II, LP	Asian American	Yes	\$ 30,000,000
WhiteHawk IV Onshore Fund, LP	Asian American	Yes	\$ 75,000,000
<b>Aggregate Allocation/Commitment Amount</b>			<b>\$ 455,000,000</b>

### Investment Management Fees

ISBI is very conscious of investment management fees paid and always seeks to pay fees for value. ISBI will seek to pay investment fees at or below market rate for all investment managers. As a data reference point alongside AUM, ISBI monitors fees paid to emerging and minority-owned firms. In aggregate, emerging and minority-owned investment firms received 21.29% of ISBI's total investment management fees in Fiscal Year 2023. When evaluating fees paid, ISBI believes it is crucial to further divide the data by active vs. passive investment management. While the size of mandates, or AUM, for passive management are typically substantial, fees are typically very low. Conversely, actively managed assets are subject to substantially higher fees, because those managers are seeking to generate returns which exceed market benchmarks. As of June 30, 2023, ISBI invested 56% of its total assets in low-cost passive index funds,<sup>3</sup> while the remaining 44% of ISBI's assets were actively managed. Of the fees paid to passive managers, 11.5% were paid to a woman-owned firm. On the active side, minority and woman-owned firms received 21.4% of active management fees.

### Brokerage Utilization

The Policy establishes minimum goals for the utilization of minority-owned broker/dealers in ISBI's equity and fixed income portfolios. Investment managers that report less than the directed utilization target are required to submit written explanations for their shortfall to the Board. Furthermore, managers in violation of the Policy may be brought before the Board. During Fiscal Year 2024, ISBI's investment managers combined to meet or exceed the minority brokerage

<sup>3</sup> Includes less than 0.5% cash, residual holdings, and transition assets.

targets for each asset class.<sup>4</sup> The chart below summarizes minority brokerage utilization by asset class for Fiscal Year 2024:

Asset Class	MWDBE Utilization	Goal
U.S. Equity	75.3%	30%
Domestic Investment Grade Fixed Income	57.9%	20%
International Developed Equity	35.5%	20%
Emerging Market Equity	0.6%	0-5%
Domestic Below Investment Grade Fixed Income	0.0%	0-5%

Additionally, the Policy sets forth a best effort goal of 25% for the utilization of Illinois-based broker/dealers for the equity and fixed income portfolios. The chart below summarizes the utilization of Illinois-based brokerage firms by asset class in Fiscal Year 2024:

Asset Class	Illinois-Based Utilization
U.S. Equity	60.9%
Domestic Investment Grade Fixed Income	34.7%
International Developed Equity	28.4%
Emerging Market Equity	0.5%
Domestic Below Investment Grade Fixed Income	0.0%

### Investment Bank Initiative

ISBI continues to lead in expanding diversity efforts to new areas of the investment industry, best illustrated by its Investment Bank Initiative. In September of 2021, ISBI’s Board adopted a new initiative encouraging ISBI’s private markets investment advisors to utilize MWDBE investment banks to the greatest extent possible, subject to best execution and within the bounds of fiduciary prudence. Since that time, ISBI’s staff and strategic partners have worked diligently to implement this policy with managers, highlighting its importance to ISBI.

In the first quarter of 2023, these efforts culminated in a first-of-its-kind event, titled **Inclusion and Partnership in Private Markets**, hosted by ISBI. Through the event, ISBI sought to break down barriers to inclusion in the private markets. Approximately 70 investment professionals attended from a wide array of diverse-owned investment banks, private equity managers, institutional investors, and other guests. Attendees took part in a robust exchange of ideas as part of three lively panels and an open exchange forum.

ISBI is now in the process of planning a second event, aimed at building on the success of the first event and continuing to expand opportunities for diverse-owned investment banks. ISBI hopes this initiative will encourage broader positive change, and continues to seek ways to disrupt the industry, allow greater competition, and improve pricing and services across the board. Please see the 2023 event fact sheet, attached as Exhibit C, for more information.

<sup>4</sup> Equity utilization calculated using commissions. Fixed Income utilization calculated using par value.

## Recent Diversity Initiatives

ISBI continues to seek creative ways to improve upon its efforts to advance diversity and inclusion in the financial industry. In addition to new investment commitments made to emerging and minority-owned firms, below please find additional recent initiatives:

- Hosted the first-of-its-kind **Inclusion and Partnership in Private Markets** event, bringing together diverse-owned investment banks with ISBI general partners to foster new connections and hold partners accountable.
  - Has upcoming plans in place to host a second event centered on generating opportunities for diverse-owned investment banks in the private markets.
- Following three consecutive years as the top performer nationwide, achieved the second-place ranking for private equity performance among all public pension plans, while maintaining a diverse slate of private equity managers.
- Received the following recognitions and awards:
  - ISBI's Executive Director was named to Blueprint Capital's DEI Power 100 List, which recognizes capital allocators that produce strong returns while continuing to create opportunity and close social and economic equity gaps.
  - ISBI's Senior Investment Officer for Public Markets was named a 2024 Influential Women in Institutional Investing by Pensions & Investments, in large part for her work to advance diversity efforts both within ISBI and in the industry at large.
- Hosted introductory meetings with diverse-owned managers as part of an LP Meet-Up organized by the National Association of Investment Companies (NAIC), the largest network of diverse-owned alternative investment firms.
- Joined the New America Alliance (NAA) to speak at their Fall 2024 Capital Allocators Summit. The NAA is committed to building on American Latino success and increasing capital access for women and minority-owned firms.
- Represented ISBI on the U.S. Allocator Panel at Faegre Drinker's Inaugural DEI Summit, alongside other allocators committed to advancing diversity in the industry.
- Spoke on the LP Panel at the Accelerate Investors Fall Investor Insights Summit. Accelerate Investors focuses on disrupting the status quo and accelerating access to capital for differentiated investment firms.
- Joined Avante Capital at their Women's Operating Network event, speaking on ISBI's efforts to hold its investment partners accountable for diversity and inclusion efforts.
- Participated in the Illinois State Treasurer's 2024 Diversity in Investments Forum.
- Updated the ISBI Diversity Policy target allocations to reflect new opportunities within the industry.
- Selected two highly qualified, diverse candidates for ISBI's 2024 summer internship program. This program has now thrived for several years, creating pathways to success for diverse and talented young professionals interested in a career in financial services.

- Ongoing participation in the Midwest Investors Diversity Initiative (MIDI), a coalition led by the Illinois State Treasurer, which seeks to improve diversity on corporate boards of companies headquartered in the Midwest.
- Founded and continues to actively participate on the BlackRock Emerging Broker Council.
- Serves as a resource to endowments, foundations, and other pension funds seeking to establish diverse manager programs.
- Considers a diverse pool of candidates for all positions within the organization.
- Communicates with the NAA, National Association of Securities Professionals, Women Investment Professionals, and National Organization of Blacks in Government for searches including job vacancies, RFIs, and RFPs.

### **Fiduciary Diversification**

Within the Policy, the Board pledges to use its best efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including consultants and senior investment staff. As of fiscal-year end, ISBI employed thirteen individuals, including seven minority persons and three non-minority women, which combined represents 77% of ISBI's workforce. ISBI also strongly values diversity in leadership. The Board is made up of gubernatorial and statutory appointees, 50% of whom are minority or female, with two minority individuals and two non-minority women out of a total of eight trustees. Furthermore, ISBI is led by Executive Director Dipesh Mehta, a minority person who took on the role after serving as ISBI's Deputy Executive Director and General Counsel for six years. ISBI is proud of its strong culture of inclusivity and support and continues to make concerted diversity and inclusion efforts in its hiring practices, such as posting job vacancies with diverse affinity organizations, mandating a diverse hiring slate, and ensuring ISBI uses an inclusive interview process.

### **Service Provider Diversity**

In accordance with the Policy, ISBI requests the racial, ethnic, and gender diversity of its consultants and investment managers, as well as their respective diversity plans, annually.

In furtherance of the Policy and of Public Act 98-1022, ISBI requires the following disclosures from its strategic partners, investment advisors, and consultants (collectively, the "Vendor") prior to contracting with or receiving a commitment directly from the Board:

- The number of the Vendor's investment and senior staff and the percentage of its investment and senior staff who are a (i) minority person, (ii) woman, or (iii) person with a disability;
- The number of contracts, oral or written, as well as fund expenses to date that the Vendor has in place for investment services, consulting services, and professional and artistic services that constitute a (i) minority-owned business, (ii) women-owned business, or (iii) business owned by a person with a disability; and



- The number of contracts, oral or written, as well as fund expenses to date that the Vendor has in place for investment services, consulting services, and professional and artistic services where more than 50% of services performed pursuant to the contract are performed by a (i) minority person, (ii) woman, or (iii) person with a disability but do not constitute a business owned by a minority, woman, or person with a disability.

Lastly, the Policy sets forth goals for the utilization of businesses owned by minorities, women, and persons with a disability for all contracts and services of the Board. Thanks to the efforts of the Staff Diversity Committee, ISBI has greatly increased its utilization of MWDBE businesses over the past six years. In FY 23, ISBI’s IT service provider, a woman-owned business, was purchased by a majority-owned firm, leading to the decline in utilization in FY 23 and FY 24. Despite its impact on ISBI’s utilization, the acquisition was a success for the company and for ISBI’s efforts to assist in the growth of diverse-owned businesses. Furthermore, the previous owner remains active with the new company in a leadership position. ISBI looks to support women and minority persons in leadership positions at majority-owned businesses while continuing to source new MWDBE businesses wherever possible and prudent.

<b>Fiscal Year</b>	<b>MWDBE Vendor Utilization</b>
<b>FY 2024</b>	<b>18.1%</b>
<b>FY 2023</b>	<b>22.2%</b>
<b>FY 2022</b>	<b>37.3%</b>
<b>FY 2021</b>	<b>24.6%</b>
<b>FY 2020</b>	<b>24.1%</b>
<b>FY 2019</b>	<b>3.5%</b>

ISBI takes seriously its role in promoting diversity internally and among its investment advisors and partners. ISBI will continue to evaluate and improve upon the Policy, while seeking opportunities to grow the utilization of emerging and minority investment advisors, broker/dealers, investment banks, and non-investment service providers.

## List of Emerging and Minority Investment Managers

MWDBE Managers	Market Value (6/30/24)	Percent of Total ISBI AUM	Emerging (<\$10 B)	MWDBE Status	Illinois	Asset Class	Active/Passive	Address
3 Boomerang Capital I, LP	\$ 72,420.00	0.0%	Emerging	African American		Alternatives	Active	382 Greenwich Ave., Ste. 1, Greenwich, CT 06830
Aldrich Capital Partners Fund II, LP	\$ 8,861,000.00	0.0%	Emerging	Asian-American		Alternatives	Active	1 1st St., Ste. 16, Los Altos, CA, 94022
Ariel Investments	\$ 130,829,577.60	0.5%		African American	Illinois	Equity	Active	200 E. Randolph Dr., Ste. 2900 Chicago, IL 60601
Ascend Capital Partners Fund I, LP	\$ 34,847,497.00	0.1%	Emerging	Asian-American		Alternatives	Active	300 Park Avenue, Suite 2501, New York, NY 10022
Banneker Partners Fund I, LP	\$ 32,570,248.00	0.1%	Emerging	African American		Alternatives	Active	480 Pacific Ave., Ste. 200, San Francisco, CA 94133
Banneker Partners Fund II, LP	\$ 27,182,038.00	0.1%	Emerging	African American		Alternatives	Active	480 Pacific Ave., Ste. 200, San Francisco, CA 94133
Bregal Sagemount Credit Opportunities Series 2023 LP	\$ 446,325.00	0.0%	Emerging	Asian-American		Alternatives	Active	200 Park Ave., New York City, NY 10166
Bregal Sagemount Direct Lending Series 2023 LP	\$ 2,405,929.00	0.0%	Emerging	Asian-American		Alternatives	Active	200 Park Ave., New York City, NY 10166
Centre Lane Credit Partners III	\$ 4,076,564.00	0.0%	Emerging	Asian-American		Alternatives	Active	60 E 42nd St, Suite 1250, New York, NY 10165
Channing Capital	\$ 8.40	0.0%	Emerging	African American	Illinois	Equity	Active	10 S. LaSalle St., Ste. 2650, Chicago, IL 60603
CIVC Partners Fund VII, LP	\$ 1,503,880.00	0.0%		African American	Illinois	Alternatives	Active	71 S. Wacker Dr., Ste. 3750, Chicago, IL 60606
Clearhaven Fund I, LP	\$ 21,563,465.00	0.1%	Emerging	Non-Minority Female		Alternatives	Active	111 Huntington Ave., 6th Floor, Boston, MA 02199
Clearlake Capital Partners III, LP	\$ 898,959.00	0.0%		Latino(a)		Alternatives	Active	233 Wilshire Blvd, Suite 800, Santa Monica, CA 90401
Clearlake Capital Partners IV, LP	\$ 13,505,746.00	0.1%		Latino(a)		Alternatives	Active	233 Wilshire Blvd, Suite 800, Santa Monica, CA 90401
Clearlake Capital Partners V, LP	\$ 55,666,360.00	0.2%		Latino(a)		Alternatives	Active	233 Wilshire Blvd, Suite 800, Santa Monica, CA 90401
Clearlake Capital Partners VI, LP	\$ 79,563,267.00	0.3%		Latino(a)		Alternatives	Active	233 Wilshire Blvd, Suite 800, Santa Monica, CA 90401
Clearlake Capital Partners VII, LP	\$ 22,333,027.00	0.1%		Latino(a)		Alternatives	Active	233 Wilshire Blvd, Suite 800, Santa Monica, CA 90401
Clearlake Flagship Plus Partners, LP	\$ 21,683,416.00	0.1%		Latino(a)		Alternatives	Active	233 Wilshire Blvd, Suite 800, Santa Monica, CA 90401
Clearlake Opportunities Partners II, LP	\$ 25,275,267.00	0.1%		Latino(a)		Alternatives	Active	233 Wilshire Blvd, Suite 800, Santa Monica, CA 90401
Clearlake Opportunities Partners III, LP	\$ 6,833,779.00	0.0%		Latino(a)		Alternatives	Active	233 Wilshire Blvd, Suite 800, Santa Monica, CA 90401
Digital Alpha Fund II, LP	\$ 26,303,725.00	0.1%	Emerging	Asian-American		Alternatives	Active	3535 Executive Terminal Dr, Suite #110, Henderson, Nevada 89052
Durable Capital Partners Onshore Fund, LP	\$ 46,111,810.00	0.2%		Latino(a)		Equity	Active	4747 Bethesda Avenue, #1002, Bethesda, MD 20814
Elion Industrial Fund II LP	\$ 2,359,593.17	0.0%	Emerging	Latino(a)		Alternatives	Active	3323 NE 163rd St., Ste. 600, Miami, FL 33160
Fernbridge Capital Onshore Fund LP	\$ 57,033,599.00	0.2%	Emerging	Latino(a)		Equity	Active	11111 Santa Monica Blvd, Suite 1150, Los Angeles, CA 90025
Garcia Hamilton	\$ 638,101,791.57	2.4%		Latino(a)		Fixed Income	Active	5 Houston Center, 1401 McKinney St. Suite 1600, Houston, TX 77010
Georgetown Equity Alternatives Fund LLC - Enhanced Long Series	\$ 1.00	0.0%		Non-Minority Female		Equity	Active	1133 Connecticut Avenue NW, Washington DC 20036
GQG Partners	\$ 375,834,162.00	1.4%		Asian-American		Equity	Active	450 East Las Olas Boulevard Suite 750 Fort Lauderdale, FL 33301
Grain Communications Opportunity Fund II, LP	\$ 53,160,589.35	0.2%	Emerging	African American		Alternatives	Active	1900 K Street NW, Suite 650, Washington, DC 20006
Grain Communications Opportunity Fund III (Parallel), LP	\$ 26,778,714.57	0.1%	Emerging	African American		Alternatives	Active	1900 K Street NW, Suite 650, Washington, DC 20006
Grain Spectrum Holdings III, LP	\$ 22.01	0.0%	Emerging	African American		Alternatives	Active	1900 K Street NW, Suite 650, Washington, DC 20006
Grain Communications Opportunity Fund IV-A, LP	\$ 31,019,113.40	0.1%	Emerging	African American		Alternatives	Active	1900 K Street NW, Suite 650, Washington, DC 20006
Harbourview Royalties Fund I, LP	\$ 18,290,941.03	0.1%	Emerging	African American		Alternatives	Active	110 Edison Place, Newark, NJ 07102
Heard High Conviction Long Only Fund LLC	\$ 59,163,581.00	0.2%	Emerging	African American	Illinois	Equity	Active	1 N Wacker Dr, Ste 3650, Chicago, IL 60606
JLC Infrastructure Fund I, LP	\$ 16,303,169.96	0.1%		African American		Alternatives	Active	125 Park Ave., Ste. 320 New York, NY 10017
JLC Infrastructure Fund II LP	\$ 4,167,864.91	0.0%		African American		Alternatives	Active	88 Pine St., 25th Floor, New York City, NY 10005
JVP Credit Fund I, LP	\$ 46,830,864.00	0.2%	Emerging	Asian-American		Alternatives	Active	767 5th Ave., 12th Floor, New York City, NY 10153
K4 Private Investors, LP	\$ 82,275,739.00	0.3%		Asian-American		Alternatives	Active	875 Manhattan Beach Blvd, Manhattan Beach, CA 90266
K5 Private Investors, LP	\$ 36,874,156.00	0.1%		Asian-American		Alternatives	Active	875 Manhattan Beach Blvd, Manhattan Beach, CA 90266
Lapis Municipal Opportunities Fund V, LP	\$ 15,778,864.00	0.1%	Emerging	Non-Minority Female		Alternatives	Active	811 E 17th Avenue, Denver, CO 80218
Long Wharf Real Estate Partners VI, LP	\$ 16,715,914.03	0.1%	Emerging	Latino(a)		Alternatives	Active	One Federal Street, 26th Floor, Boston, MA 02110
Long Wharf Real Estate Partners VII, LP	\$ 8,205,345.16	0.0%	Emerging	Latino(a)		Alternatives	Active	One Federal Street, 26th Floor, Boston, MA 02110
MB Special Opportunities Fund II, LP	\$ 9,277,330.00	0.0%	Emerging	Non-Minority Female		Alternatives	Active	1325 Avenue of the Americas, 23rd Floor, New York, NY 10019
Merit Hill Self-Storage, LP	\$ 18,202,974.67	0.1%	Emerging	Non-Minority Female		Alternatives	Active	41 Flatbush Ave., Suite 3C, Brooklyn, NY 11217
NewView Capital Fund II, LP	\$ 24,464,147.00	0.1%	Emerging	Asian-American		Alternatives	Active	1201 Howard Avenue, Suite 101, Burlingame, CA 94010
NewView Capital Fund III, LP	\$ 10,018,102.00	0.0%	Emerging	Asian-American		Alternatives	Active	1201 Howard Avenue, Suite 101, Burlingame, CA 94010
Oak HC/FT Partners IV, LP	\$ 21,692,590.00	0.1%	Emerging	Non-Minority Female		Alternatives	Active	2200 Atlantic Street, Suite 300, Stamford, Connecticut 06902
Oak HC/FT Partners V, LP	\$ 3,651,348.00	0.0%	Emerging	Non-Minority Female		Alternatives	Active	2200 Atlantic Street, Suite 300, Stamford, Connecticut 06902
Peachtree Distressed Opportunity Fund, LP	\$ 35,165,280.00	0.1%	Emerging	Asian-American		Alternatives	Active	3500 Lenox Road, Suite 625, Atlanta, GA 30326
RC ABL Fund LP	\$ 5,421,183,747.11	20.8%	Emerging	Asian-American		Alternatives	Active	1430 Plaza V, Jersey City, NJ 07311
Rhumblin Russell 3000	\$ 11,213,291.57	0.0%		Non-Minority Female		Equity	Passive	265 Franklin Street, Floor 21, Boston, MA 02110
Rubicon First Ascent LP	\$ 7,863,996.53	0.0%	Emerging	Non-Minority Female		Alternatives	Active	55 2nd Street, Suite 1900, San Francisco, CA 94105
SIMFA Parallel I, LP	\$ 82,054,061.00	0.3%	Emerging	Latino(a)		Alternatives	Active	21750 Hardy Oak Blvd. #104-28567, San Antonio, TX 78258
SRS Partners	\$ 6,269,737.14	0.0%	Emerging	Asian-American		Equity	Active	One Bryant Park, 39th Floor New York, NY 10036
Stabilis Fund V, LP	\$ 4,829,184.00	0.0%	Emerging	Asian-American		Alternatives	Active	140 East 45th Street, Suite 22-C, New York, NY 10017
Sunstone Partners III-Main, LP	\$ 83,200,099.00	0.3%	Emerging	Latino(a)		Alternatives	Active	400 S El Camino Real, Suite 1500, San Mateo, CA 94402
Think India Opportunities Fund, LP	\$ 36,090,318.67	0.1%	Emerging	Asian-American		Equity	Active	1 Letterman Dr. Bldg C, Ste CM-420, San Francisco, CA 94129

MWDBE Managers	Market Value (6/30/24)	Percent of Total ISBI AUM	Emerging (<\$10 B)	MWDBE Status	Illinois	Asset Class	Active/Passive	Address
Turning Rock Fund II, LP	\$ 43,708,237.68	0.2%	Emerging	Non-Minority Female		Alternatives	Active	350 Madison Ave. Fl 21, New York, NY, 10017
Valor Equity Partners III, LP	\$ 12,124,725.00	0.0%		Latino(a)	Illinois	Alternatives	Active	875 North Michigan Ave., Suite 3214, Chicago, IL 60611
Vista Equity Partners Fund VII, LP	\$ 52,053,804.00	0.2%		African American		Alternatives	Active	401 Congress Ave., Ste. 3100, Austin, TX 78701
Vista Equity Partners V, LP	\$ 39,526,379.00	0.2%		African American		Alternatives	Active	401 Congress Ave., Ste. 3100, Austin, TX 78701
WindAcre Partnership International Fund	\$ 92,955,804.42	0.4%		Asian-American		Equity	Active	2200 Post Oak Blvd, Suite 1580, Houston, TX 77056
Rock Creek (Less MWDBE Rock Creek Managers)	\$ 4,046,040,614	15.5%		Non-Minority Female		Alternatives	Active	1133 Connecticut Avenue NW, Washington DC 20036
Equity (Less MWDBE Rock Creek Managers)	\$ 711,515,797	2.7%		Non-Minority Female		Equity	Active	1133 Connecticut Avenue NW, Washington DC 20036
Fixed Income (Less MWDBE Rock Creek Managers)	\$ 555,027,617	2.1%		Non-Minority Female		Fixed Income	Active	1133 Connecticut Avenue NW, Washington DC 20036
Alternatives (Less MWDBE Rock Creek Managers)	\$ 2,779,497,199	10.6%		Non-Minority Female		Alternatives	Active	1133 Connecticut Avenue NW, Washington DC 20036
<b>Total MWDBE Exposure</b>	<b>\$ 12,113,014,103.84</b>	<b>46.4%</b>						



DIVERSITY POLICY

Adopted:

September 21, 2001

Last Amended:

September 30, 2022

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## **Objective**

The Illinois State Board of Investment (“ISBI”), through its Board of Trustees (the “Board”), has adopted this Diversity Policy (the “Policy”) to increase access and opportunities for managers, broker/dealers, and investment banks, which are owned by minorities, women, and persons with a disability as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575) and the Illinois Pension Code (40 ILCS 5/1 et seq). The Board and ISBI’s staff (“Staff”) are committed to advancing the public policy of the State of Illinois to promote diversity and inclusion in all aspects of managing ISBI’s assets and operations within the bounds of financial and fiduciary prudence.

### **A. Emerging and Minority Investment Managers**

It is the primary goal of ISBI to develop and maintain an investment program that will help secure the retirement benefits of the participating retirement plans. To achieve this objective, investment managers are selected based on their long-term records of performance, depth of investment staff, and consistency of approach, among other characteristics.

However, ISBI recognizes that even large, experienced, and successful investment firms were once small firms with few assets under management. Today many such firms are owned by minorities, women, and persons with a disability. These firms are often started by experienced investment professionals who show great promise but find it difficult to compete with large majority-owned organizations. These firms typically do not meet the minimum standards set for investment managers by large investment programs such as ISBI. Consequently, they are not considered. To gain access to these firms, and in accordance with 40 ILCS 5/1-109.1(4) and 40 ILCS 5/1-109.1(9), ISBI has adopted the following minimum goals for the utilization of emerging and minority investment managers. These goals will be reviewed annually.

#### **By Ownership Classification**

<b>Classification</b>	<b>Percent of Total Portfolio</b>	
	<b>Emerging</b>	<b>Minority</b>
Minority-Owned	5% - 10%	5% - 10%
Woman-Owned	3% - 8%	3% - 8%
Persons with a Disability	0% - 2%	0% - 2%

#### **By Asset Class**

<b>Asset Class</b>	<b>Percent of Asset Class</b>	
	<b>Emerging</b>	<b>Minority</b>
Equities	10% - 20%	10% - 20%
Fixed Income	10% - 12%	10% - 12%
Alternatives*	5% - 15%	5% - 15%

Further, pursuant to 40 ILCS 5/1-109.1(10), effective January 1, 2016, it shall be ISBI's aspirational goal to utilize emerging investment managers and firms owned by minorities, women, and persons with a disability for not less than 20% of ISBI's total fund assets.

### Qualifications

For the purposes of this Policy, the following definitions apply:

Pursuant to 40 ILCS 5/1-109.1(4), "emerging investment manager" is defined as a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a "minority-owned business," "women-owned business," or "business owned by a person with a disability" as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

Pursuant to 40 ILCS 5/1-109.1(9), "minority investment manager" is defined as a qualified investment manager that manages an investment portfolio and meets the definition of "minority-owned business," "women-owned business," or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

Minority investment managers are required to provide a certification to ISBI demonstrating that the investment manager is a minority firm. In place of a certification, ISBI may accept an attestation on a form prescribed by ISBI stating that the investment manager is a minority firm and containing further information as required by ISBI. Such certifications and attestations must be provided in a timely manner when requested by ISBI. Minority investment managers are required to immediately notify ISBI of any change in matters covered by any such certifications or attestations. ISBI is relying on certifications and/or attestations for reporting purposes. In the event it is discovered an investment manager has misrepresented information to ISBI, such misrepresentation shall be grounds for termination of the relationship.

### Implementation & Review

- Subject to ISBI's fiduciary responsibility, ISBI will seek to use minority and emerging investment managers in each of the broad asset classes in which ISBI is invested and not concentrate in any particular asset class.
- For searches conducted by Staff, the requirements for investment manager searches will be reviewed as needed to provide better access to minority investment managers that have appropriate products. Staff will use reasonable best efforts to include at least one minority investment manager in final Staff interviews. Staff will inform the Board of all minority investment manager candidates.
- Staff will regularly meet with Illinois-based minority investment managers and learn more about the Illinois-based minority investment manager community.
- Staff will direct and encourage ISBI's consultants and strategic partners to be proactive and use creative approaches in achieving ISBI's objectives with respect to the use of minority and emerging investment managers.

## B. Minority and Illinois-Based Brokerage

ISBI seeks to increase access to and business with minority broker/dealers and Illinois-based broker/dealers. Therefore, ISBI has adopted minimum expectations for the use of minority broker/dealers by investment managers. The minimum expectations are established based on the asset class in which the investment manager invests. In addition, ISBI will encourage its investment managers to direct 25% of their trades to Illinois-based broker/dealers.

Transactions completed with minority broker/dealers on behalf of ISBI must be completed at rates fully competitive with the market. Subject to best execution, investment managers for ISBI's separately managed investment portfolios are strongly encouraged to direct the below percentages of total eligible commission dollars or eligible trading volume to minority broker/dealers. These goals will be reviewed annually.

<b>Asset Class</b>	<b>Minimum Goal as a Percentage</b>
U.S. Equity	30%
International Developed Equity	20%
Emerging Market Equity	0 - 5%
Domestic Investment Grade Fixed Income	20%
Domestic Below Investment Grade Fixed Income	0 - 5%
International Developed and Emerging Market Fixed Income	0 - 5%
Hedged Equity	0 - 5%

### Qualifications

For the purposes of this Policy, the following definitions apply:

Pursuant to 40 ILCS 5/1-109.1(7), a "minority broker/dealer" means a qualified broker-dealer who meets the definition of "minority owned business," "woman-owned business," or "business owned by a person with a disability," as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act."

An "Illinois-based broker/dealer" is a qualified broker/dealer who is headquartered in Illinois pursuant to the definition of an "Illinois business" found in 40 ILCS 5/1A-108.5(a).

To be considered a minority broker/dealer, documentation of a certification must be provided to ISBI.



### Implementation & Review

- Staff will strongly encourage ISBI's public markets investment managers to directly utilize minority brokers/dealers and Illinois-based broker/dealers.
- Staff will provide minority broker/dealers with the contact information for ISBI's public markets investment managers.
- Staff will monitor the use of Illinois-based broker/dealers and minority broker/dealers by ISBI's investment managers and report results to the Board on a quarterly basis. If an investment manager reports less than their encouraged percentage of minority broker/dealer utilization, Staff will require the manager to state the reason for the shortfall. The Board will decide if the manager's practices are in accordance with this Policy.
- Staff will consider the use of Illinois-based broker/dealers and minority broker/dealers when evaluating existing investment managers.
- Step-outs and correspondence are prohibited.
- With regard to international developed and emerging market fixed income, below investment grade domestic fixed income, emerging market equity, and hedged equity allocations, best efforts by ISBI's investment managers shall be applied.
- With regard to commingled fund structures, best efforts by ISBI's investment managers shall be applied.

### Compliance

ISBI monitors investment managers' compliance with this Policy and has established a series of consequences for those managers who fail to meet expectations. The investment managers are expected to achieve the desired levels of brokerage usage over a fiscal year period. The following steps will occur if the investment manager continues to fall short of expectations:

1. Investment managers will be notified of their shortfall and asked to provide the reasons for not achieving the expected level of brokerage usage. Additionally, Staff may conduct a meeting with the investment manager to further discuss the shortfall.
2. If an investment manager fails to comply with the request, they may be invited to appear before the Board to explain why they are unable to achieve the expected level of brokerage usage.
3. Investment managers may be subject to a moratorium on additional funding.
4. Investment managers may be placed on the Investment Advisers Watch List.

### **C. Minority-Owned Banks, Woman-Owned Banks, and Banks Owned by Persons with a Disability (“MWDBE Investment Banks”)**

Above and beyond promoting the utilization of minority and emerging investment managers and minority broker/dealers as required by the Illinois Pension Code, ISBI also seeks to promote the utilization of MWDBE Investment Banks within its private markets portfolio.

Therefore, as a part of this Policy, ISBI encourages its investment managers to utilize MWDBE Investment Banks to the greatest extent possible, subject to best execution, and within the bounds of financial and fiduciary prudence. Engagement of MWDBE Investment Banks should be completed with terms competitive with the market. In addition to encouraging investment managers to utilize MWDBE Investment Banks, ISBI will also seek to foster opportunities for increased access for MWDBE Investment Banks within the industry.

Furthermore, ISBI shall encourage its investment managers to be proactive and use innovative approaches in achieving ISBI’s objectives with respect to the use of MWDBE Investment Banks. Staff and ISBI’s strategic partners will periodically monitor the utilization of MWDBE Investment Banks. ISBI may direct its strategic partners to provide publicly available fee data and other information about MWDBE Investment Banks, if available and requested. For purposes of this Policy, a MWDBE Investment Bank shall certify its status by the same process referenced in Section A.

### **D. Contracts and Services with Minority-Owned Businesses**

40 ILCS 5/1-109.1(6) states that ISBI shall adopt a policy which sets forth goals for the utilization of businesses owned by minorities, women, and persons with disabilities for all contracts and services. According to statute, “The goals shall be based on the percentage of total dollar amount of all contracts let to minority-owned businesses, woman-owned businesses, and businesses owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.”

Therefore, as part of this Policy, ISBI, subject to its fiduciary responsibility, has set forth a minimum goal of 0-1% of the total dollar amount for all contracts for the utilization of businesses owned by minorities, women, and persons with disabilities. This goal will be reviewed annually.

In addition, pursuant to 40 ILCS 5/1-109.1(10), ISBI has set an aspirational goal to have no less than 20% of the total service contracts awarded for information technology, accounting, insurance brokerage, and legal services to be let to businesses owned by minorities, women, and persons with a disability, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

## **E. Fiduciary Diversity**

40 ILCS 5/1-109.1 encourages ISBI to increase the racial, ethnic, and gender diversity of its fiduciaries. Therefore, to the greatest extent feasible within the bounds of financial and fiduciary prudence, it is the goal of ISBI to use its best efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its consultants, strategic partners, and senior staff.

As vacancies occur, ISBI will make every effort to increase the racial, ethnic, and gender diversity of its consultants, strategic partners, and senior staff in accordance with this Policy and within the bounds of financial and fiduciary prudence.

In accordance with its Affirmative Action Plan, ISBI submits quarterly Workforce Analysis and Workforce Transaction Reports to the Department of Human Rights. ISBI will continue to report to the Department of Human Rights on both a quarterly and an annual basis.

This goal will be monitored and reviewed annually in conjunction with the annual Affirmative Action Plan.

## **History of Amendments**

Adopted: September 21, 2001.

Amended: October 24, 2003; June 22, 2005; March 20, 2009; December 18, 2009; March 19, 2010; December 16, 2011; June 21, 2013; September 26, 2014; September 17, 2015; June 16, 2016; March 3, 2017; February 23, 2018; September 29, 2021; September 30, 2022.

## Inclusion and Partnership in Private Markets

On February 8th, 2023, the Illinois State Board of Investment hosted Inclusion and Partnership in Private Markets, an event that brought together private equity firms, industry stakeholders, and a wide array of diverse-owned investment banks in the first of its kind event. Panelists from private equity firms and investment banks spoke frankly on their experiences in the industry and ways to make inroads against traditional models which exclude diverse-owned investment banks.

The event is the newest effort of the Diverse Investment Banks Initiative, established by ISBI's Board of Trustees in 2021. ISBI's Board and staff are proud to be part of the effort to move the needle on issues of diversity and inclusion, and will continue to explore new ways to foster connections and create opportunities for partnership in the industry.

## Feedback



### **Martin Cabrera, CEO and Founder, Cabrera Capital Markets**

"ISBI will be able to look back at this moment in time and know that ISBI led the country in opening up opportunities for MWDBE firms that they didn't even know existed. This initiative will have a major impact on Wall Street and give firms opportunities to compete in private markets."



### **Reginald Scantlebury, Sr. Managing Director, Stern Brothers**

"It was a great event for the minority and WBE brokerage/investment banking community. We came away feeling very positive about the prospect of building meaningful relationships. We can't thank the ISBI team enough."



### **Reggie Love, Senior Manager, Apollo Global Management**

"Such a great conversation around a very important topic. Inclusive and equitable economies are key components breaking down so many of this country's historical barriers."