



## ANGEL CAPITAL ASSOCIATION

### Angel Investors are Narrowing the Gender and Racial Funding Gaps: More Progress is On the Horizon

Kansas City, KS (21 February 2022) – The Angel Capital Association, the largest network of angel investors in the world, confirms that angel investors are investing in more diverse founders than ever before.

According to ACA's Angel Funders Report, an annual data initiative that studies investments from leading angel investors across the United States, representation from females and Black led businesses has grown significantly in the last few years. In 2020, **29% of funded CEOs were female**, an increase of 10%; and female CEOs raised **93 cents for every dollar** raised by male CEOs.

The angel community is also making progress on increasing the ethnic diversity of funded companies. 2020 was a notable year for Black entrepreneurs, whose **first-round funding increased to 15% of total dollars, higher than their percentage of representation within the population, with a 5x increase from 2019**. This marks a major increase from prior years. Asians have been the largest ethnic segment outside of Whites, ranging from 6-8% of total investment dollars. Latinx founders represent a small percentage of total investments.

The progress made in ethnic diversity did not come at the expense of one group over another, and total investments grew for all segments. More diverse CEOs did not trigger a change in the top investment sectors, with more than 90% of dollars going to the top three segments: medical/ healthcare, health care technology, and software as a service.

These trends are headed in the right direction, although more work is needed. ACA is committed to increasing the speed and agility of progress over the coming years. "As angel investors, we recognize our role in the startup ecosystem as the catalyst for companies at the earliest stages. Today, access to resources and opportunities needed to start a company are not equitably distributed in society," said ACA Executive Director Patrick Gouhin. "We must actively expand our partnerships and deal sourcing channels to be more inclusive of entrepreneurs from underserved backgrounds and challenge our members to actively assess entrepreneurial teams' diversity within their diligence process."

As part of implementing ACA DEI policy, ACA has also formed a DEI task force, led by board member Eli Velasquez, founder of Investors of Color (IoC). The Investors of Color exists to bridge the funding gap for diverse founders, including members of the Black, Latinx, and Asian communities. The group invests in the health, wealth, and social mobility of communities of color by investing directly in companies and as limited partners in emerging diversity focused funds. Within ACA, IoC addresses the need to expand by engaging new, diverse investors and mobilizing capital.

The task force has several important goals, including conducting research and publishing reports on the current state of the DEI angel community, designing metrics for the organization's consideration of DEI in its leadership, building a coalition of education partners, and establishing a "Growing Diverse Capital" syndication call for investors of color. The group wants to recruit more investors of color and increase access to funding for entrepreneurs of color. "Together, we're working to eliminate the silos in capital and improve deal flow across the ecosystem by creating a trusted community of accredited investors of color that are actively syndicating and investing," said Velasquez. "Our shared aspiration is to activate 10,000 investors of color to invest \$10K each, deploying \$100 million into the ecosystem by 2025."

"Confronting the diversity challenges we face is a critical part of ACA's mission. We believe we can expand the angel investing community. We also believe that diversity strengthens results, so we want to do everything we can to support diverse founders of new businesses and connect them with the capital they need to be successful," said Gouhin.

For more information on diversity in early stage investing, read the [2021 Angel Funders Report](#). Stay updated on ACA's diversity initiatives by following their social handles: Twitter & Facebook - @ACAAngelCapital LinkedIn - @Angel\_Capital\_Association