



# REPORT

ON USE OF INVESTMENT FIRMS AND CONTRACTORS OWNED BY MINORITY PERSONS, WOMEN, VETERANS, AND PERSONS WITH A DISABILITY IN FISCAL YEAR 2020

**SEPTEMBER 30, 2020**



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ILLINOIS STATE TREASURER

# TABLE OF CONTENTS

I.	INTRODUCTION.....	3
II.	USE OF INVESTMENT FIRMS OWNED BY MWVD PERSONS.....	4
	Investment Firms Report Summary.....	5
	MWVD Broker/Dealers .....	6-10
	MWVD Asset Managers.....	11-13
III.	USE OF CONTRACTORS OWNED BY MWVD PERSONS .....	14
	Procurement Report Summary .....	15
	Policies and Procedures Related to MWVD Contractors.....	16-18
	Utilization Rates .....	18
	Recommended Improvements .....	18

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## INTRODUCTION

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A core tenet of the mission of the Office of the Illinois State Treasurer (“Illinois Treasurer”) is to promote education, access, and opportunity for individuals and governmental bodies across our state to give families the tools to achieve the American Dream. In furtherance of that mission, the Illinois Treasurer is committed to providing equal access for minority persons, women, qualified veterans, and persons with disabilities (“MWVD Persons”).

The Illinois Treasurer believes that our government should mirror the great diversity in our state. Furthermore, diversity is good for business. Research demonstrates that diverse-owned companies are often well-situated to ascertain capital inefficiencies in the market, and as such, many are primed to outperform their peers. That is why the Illinois Treasurer is focused on providing more opportunities to qualified investment firms and contractors owned by MWVD Persons.

Beyond this fundamental belief in the value of diversity, Section 30 of the State Treasurer Act declares that it be policy of the Illinois Treasurer to promote and encourage the use of businesses owned by or under the control of MWVD Persons and sets forth the aspirational goal of directing 25% of the total dollar amount of funds under management, purchases of investment securities, and other contracts to businesses owned by or under the control of MWVD Persons.

This report summarizes utilization of MWVD businesses by the Office of the Illinois State Treasurer in FY 2020, focusing on the utilization of investment firms, including broker/dealers and asset managers, and contractors procured for goods and services. Notable takeaways include the following:

- **Assets Brokered by MWVD Firms Increased from \$603 million to \$43.1 billion** – Total assets brokered by MWVD firms increased from \$603 million in FY 2014 to \$43.1 billion in FY 2020. That represents a 71-fold increase.
- **Assets Managed by MWVD Firms Increased from \$20 million to \$3.9 billion** – Total assets managed by MWVD firms increased from \$20 million in July 2015 to \$3.9 billion in June 2020. That represents a 191-fold increase.
- **MWVD Procurement Goals Met** – 25% of the Illinois Treasurer’s vendors are MWVD businesses, a number which may very well be higher as the Office continues to seek to obtain data from several of its vendors.

Looking ahead, we are committed to continuing to transform the culture, policies, and operations of the Illinois Treasurer to help ensure equal opportunity. For more information on the Illinois Treasurer’s focus on equity, diversity and inclusion, please visit [www.illinoistreasurer.gov/Financial Institutions/Equity, Diversity Inclusion](http://www.illinoistreasurer.gov/Financial%20Institutions/Equity,%20Diversity%20Inclusion).

Sincerely,



Michael W. Frerichs  
Illinois State Treasurer

# **Use of Investment Firms Owned by MWVD Persons**

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## Investment Firms Report Summary

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The purpose of this section is to illustrate the utilization of investment firms owned by MWVD Persons by the Illinois Treasurer over the course of FY 2015 to FY 2020, with attention paid to historical utilization where data is available.

The two categories of investment firms documented in this report include (1) MWVD Broker/Dealers and (2) MWVD Asset Managers.

- **MWVD Broker/Dealers** – The Illinois Treasurer’s two internally managed investment programs, the State Investment Portfolio and Illinois Public Treasurers’ Investment Pool (also referred to as “The Illinois Funds”), are made up of direct purchases and brokered investments. Tapping diverse-owned broker/dealers is one of the quickest and best ways to ensure MWVD participation.
- **MWVD Asset Managers** – The Illinois Treasurer has made tremendous strides expanding the use of MWVD asset managers. MWVD asset managers are used to assist the Office’s externally managed investment programs, including two Illinois 529 College Savings Plans, Bright Start and Bright Directions, which are designed as “qualified tuition programs” under Section 529 of the Internal Revenue Code, and the Illinois Growth and Innovation Fund, which is an impact investment fund that invests in ways that attract, assist and retain quality technology businesses in Illinois.<sup>1</sup>

Key takeaways for this section include the following:

- **Assets Brokered by MWVD Firms Increased from 1% to 92%** – Only 1% of the Illinois Treasurer’s investment assets were brokered through MWVD firms in FY 2014, compared to 92% in FY 2020.
- **Total Assets Brokered with MWVD Firms Exceeded \$43 Billion in FY 2020** – Total assets brokered with MWVD firms increased from \$603 million in FY 2014 to more than \$43 billion in FY 2020, which represents a 71-fold increase.
- **Under Treasurer Frerichs, \$176 billion has been brokered by MWVD Firms over the course of FY 2015 to FY 2020.**
- **Assets Managed by MWVD Firms Increased from \$20 Million to \$3.9 Billion** – Total assets managed by MWVD firms increased from \$20 million in July 2015 to \$3.9 billion in June 2020. That represents a 191-fold increase.
- **MWVD Firms Manage 41% under Illinois Growth and Innovation Fund (ILGIF)** – Ending June 30, 2020, MWVD firms managed 41% of assets under the ILGIF program.

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<sup>1</sup> For more information on the Office’s investment programs, please visit [www.illinoistreasurer.gov/Office\\_of\\_the\\_Treasurer/Investments](http://www.illinoistreasurer.gov/Office_of_the_Treasurer/Investments).

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## MWVD Broker/Dealers

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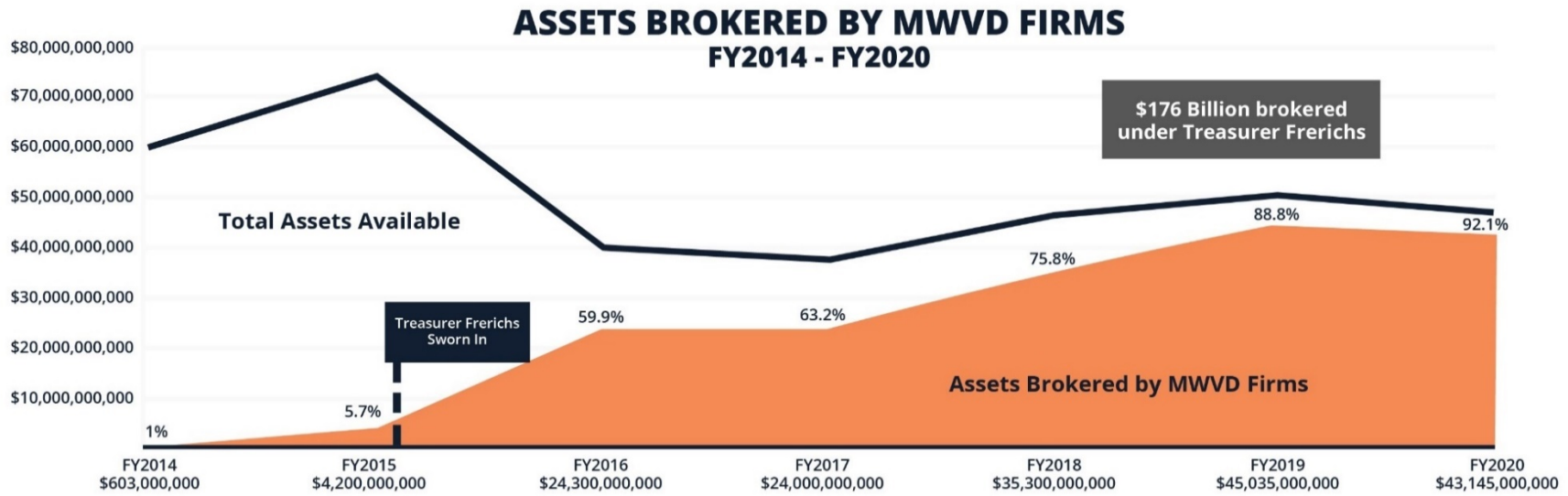
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**TABLE 1: Assets Brokered by MWVD Firms through the State Investments and The Illinois Funds (as of 6/30/2020)**

<b>Year-by-Year Comparison of Assets Brokered by MWVD Firms FY 2014 - FY 2020</b>							
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Assets Brokered by MWVD Firms</b>	\$603 million	\$4.2 billion	\$24.4 billion	\$24.0 billion	\$35.4 billion	\$45.0 billion	<b>\$43.1 billion</b>
<b>Total Assets Available</b>	\$60 billion	\$74.0 billion	\$40.7 billion	\$38.0 billion	\$46.7 billion	\$50.7 billion	<b>\$46.9 billion</b>
<b>% Brokered by MWVD Firms</b>	<b>1.0%</b>	<b>5.7%</b>	<b>59.9%</b>	<b>63.2%</b>	<b>75.8%</b>	<b>88.8%</b>	<b>92.1%</b>

- **Best Year on Record: Assets Brokered by MWVD Firms Increased from 1% to 92%** – There has been impressive growth in the utilization rate of MWVD firms for assets brokered, with consistent gains each year. In FY 2014, only 1% of assets were brokered by MWVD firms. In FY 2020, 92% of assets were brokered with MWVD firms.

**GRAPH 1: Assets Brokered with MWVD Firms for FY 2014 through FY 2020 (as of 6/30/2020)**



- **Assets Brokered by MWVD Firms Increased Exponentially** – Year-over-year, assets brokered by MWVD firms have witnessed notable increases. FY 2020 represented a 71-fold increase relative to FY 2014.

**TABLE 2: Total Assets Brokered with MWVD Firms through the State Investments and The Illinois Funds (as of 6/30/2020)**

Measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>State Investments</b>					
Assets Brokered in the MWVD Space	\$26,192,520,000	\$20,150,689,000	\$25,864,307,000	\$35,786,422,000	<b>\$33,313,218,000</b>
Assets Brokered by MWVD Firms	\$17,001,870,000	\$14,378,589,000	\$23,520,376,000	\$34,513,977,000	<b>\$31,393,953,000</b>
% Brokered by MWVD Firms	64.91%	71.36%	90.94%	96.44%	<b>94.24%</b>
<b>The Illinois Funds</b>					
Assets Brokered in the MWVD Space	\$14,460,182,000	\$17,822,671,000	\$20,792,015,695	\$14,921,264,000	<b>\$13,551,476,745</b>
Assets Brokered by MWVD Firms	\$7,352,425,000	\$9,621,893,000	\$11,854,633,000	\$10,521,272,000	<b>\$11,750,902,750</b>
% Brokered by MWVD Firms	50.85%	53.99%	57.02%	70.51%	<b>86.71%</b>
<b>State Investments + Illinois Funds</b>					
Assets Brokered in the MWVD Space	\$40,652,702,000	\$37,973,360,000	\$46,656,322,695	\$50,707,686,000	<b>\$46,864,694,745</b>
Assets Brokered by MWVD Firms	\$24,354,295,000	\$24,000,482,000	\$35,375,009,000	\$45,035,249,000	<b>\$43,144,855,750</b>
% Brokered by MWVD Firms	59.91%	63.20%	75.82%	88.81%	<b>92.06%</b>

- **Highest Utilization on Record** – Overall utilization of MWVD broker/dealers reached a record high of 92.06% in FY 2020, up from 88.81% in FY 2019.
- **MWVD Utilization Maintained Strong for State Investments and Increased Substantially for The Illinois Funds in FY 2020** –From FY 2019 to FY 2020, MWVD broker/dealer utilization for The Illinois Funds increased substantially, from 71% to 87%. For State Investments, MWVD broker/dealer utilization remained high at 94%. Total utilization has grown consistently on an overall basis for both investment programs.



**TABLE 3: List of Approved MWVD Broker/Dealers (as of 6/30/2020)**

<b>Firm</b>		<b>Certified MWVD Status</b>
1	Academy Securities	Disabled & Veteran-Owned
2	Alamo Capital	Woman-Owned
3	ASL Capital Markets Inc.	Minority-Owned
4	Bancroft Capital LLC	Veteran-Owned
5	Blaylock Van Beal, LLC	Minority-Owned
6	Cabrera Capital Markets	Minority-Owned
7	CastleOak	Minority-Owned
8	Drexel Hamilton	Disabled & Veteran-Owned
9	Great Pacific	Minority-Owned
10	Loop Capital	Minority-Owned
11	MFR Securities Inc	Woman-Owned
12	Mischler	Disabled Owned
13	Multi-Bank	Veteran-Owned
14	Penserra Securities	Minority-Owned
15	R. Seelaus & Co., LLC	Woman-Owned
16	Samuel Ramirez & Co.	Minority-Owned
17	Siebert Williams Shank & Co. LLC	Minority & Women-Owned

**TABLE 4: MWVD Broker/Dealers among All Certified Broker/Dealers (as of 6/30/2020)**

<b>Measures</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Approved Broker/Dealers</b>	34	38	39	49	50	49	45	44
<b>Approved MWVD Broker/Dealers</b>	8	7	7	14	15	15	18	17
<b>Percentage of Total</b>	23.5%	18.4%	17.9%	28.6%	30.0%	30.6%	40.0%	38.6%

## MWVD Asset Managers

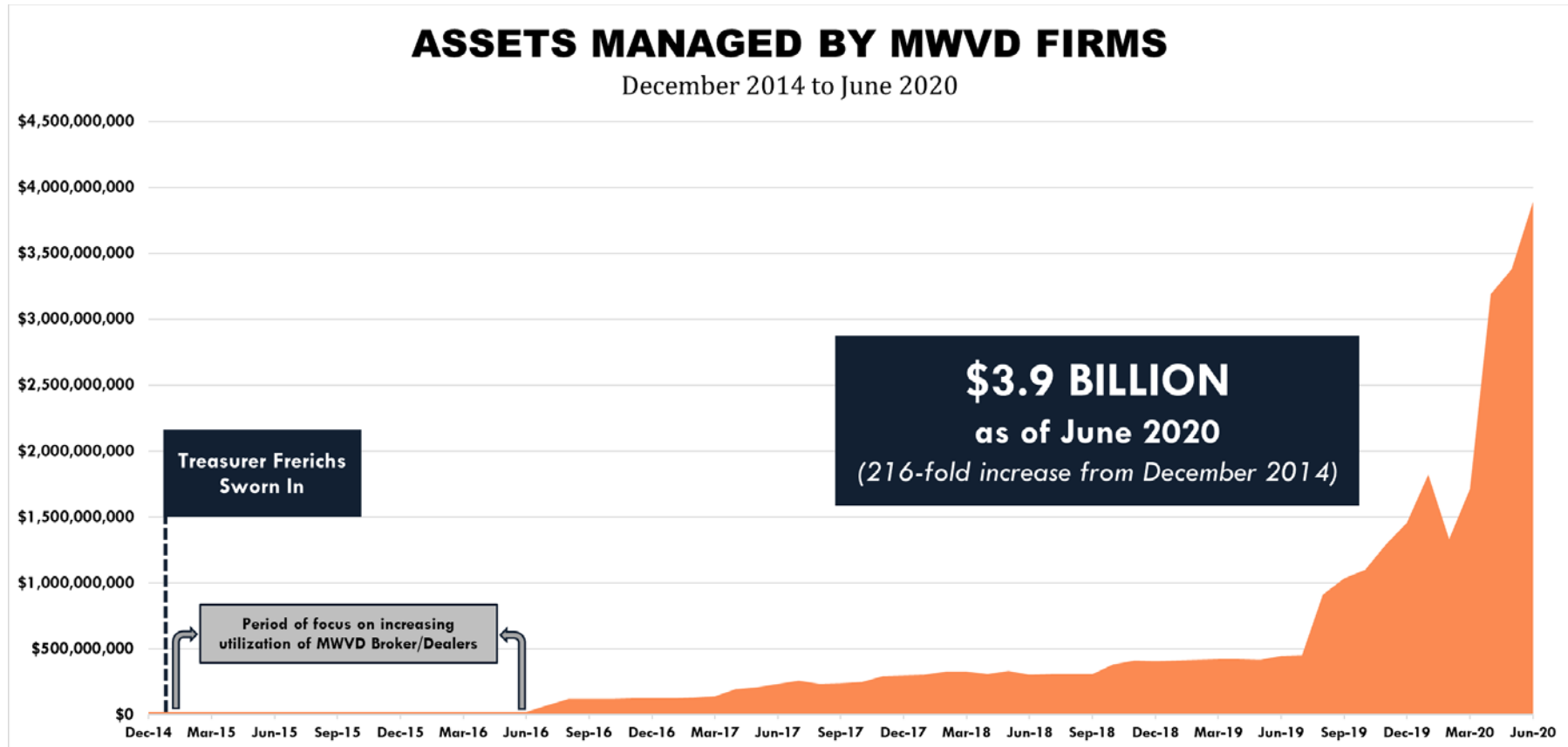
**TABLE 5: Assets Managed by MWVD Firms across all Programs (as of 6/30/2020)**

<b>Comparison of Assets Managed by MWVD Firms July 31, 2015 – June 30, 2020</b>						
	<b>July 31, 2015</b>	<b>July 31, 2016</b>	<b>July 31, 2017</b>	<b>July 31, 2018</b>	<b>July 31, 2019</b>	<b>June 30, 2020</b>
<b>Assets Managed by MWVD Firms</b>	\$20.4 million	\$70.9 million	\$257.9 million	\$306.8 million	\$450.4 million	<b>\$3.9 billion</b>
<b>Total Assets Available</b>	\$23.5 billion	\$26.4 billion	\$28.7 billion	\$30.9 billion	\$32.4 billion	<b>\$37.6 billion</b>
<b>% Managed by MWVD Firms</b>	0.09%	0.27%	0.90%	0.99%	1.39%	<b>10.37%</b>

Note this data includes assets under State Investments, The Illinois Funds, 529 College Savings Plans, and ILGIF.

- **Record-Breaking 10.37% of Assets Managed by MWVD Firms** – Since July 31, 2015, the utilization rate of MWVD asset managers has increased from 0.09% to a record 10.37%.
- **Assets Managed by MWVD Firms Increased 191-fold from July 2015 to June 2020** – Since June 31, 2015, assets managed by MWVD managers have increased from \$20.4 million to \$3.9 billion.
- **Assets Managed by MWVD Firms increased over 8-fold since July 2019** – From July 31, 2019, to June 30, 2020, assets managed by MWVD firms increased from 1.4% of assets to 10.4%. In dollar terms, the increase was from \$450 million to \$3.9 billion, an 8.6x increase, the largest year-over-year increase on record.

GRAPH 2: Assets Managed by MWVD Firms December 31, 2014 – June 30, 2020 (as of 6/30/2020)



- Assets Managed by MWVD Firms Increased Exponentially** – As of June 30, 2020, the Illinois Treasurer had \$3.89 billion with MWVD managers. That represents a 216-fold increase from December 2014, when assets managed by MWVD firms was \$18.1 million.

**TABLE 6: List of MWVD Asset Managers (as of 6/30/2020)**

	<b>Firm</b>	<b>MWVD Status</b>
1	Williams Capital Group	Minority-Owned
2	Garcia Hamilton	Minority-Owned
3	Ramirez Asset Management	Minority-Owned
4	Drexel Hamilton, Goldman Sachs	Veteran-Owned
5	Academy Securities, JP Morgan Prime	Veteran-Owned
6	Cabrera Capital Markets, Blackrock Prime	Minority-Owned
7	Ariel Investments	Minority-Owned
8	Sit Investment Associates	Minority-Owned
9	American Beacon, Garcia Hamilton	Minority-Owned
10	Ceres Venture Fund	Woman-Owned
11	I2A Fund - IL Innovation Accelerator	Minority-Owned
12	Builders Venture Capital	Minority-Owned
13	Moderne Ventures	Woman-Owned
14	Brightwood Capital	Minority-Owned
15	New Enterprise Associates	Woman & Minority-Owned
16	Vistria Group*	Minority-Owned
17	Tensility Venture Partners	Minority-Owned
18	New Mainstream Capital	Minority-Owned
19	Impact Engine	Woman-Owned
20	Chingona Ventures	Woman & Minority-Owned
21	Palladium Equity Partners	Minority-Owned
22	Agent Capital	Woman-Owned
23	Vista Equity Partners*	Minority-Owned
24	Reverence Capital Partners	Minority-Owned
25	Valor Siren Ventures	Minority-Owned
26	Moderne Ventures	Woman-Owned

**Note:** Firms with an asterisk (\*) indicate that the Illinois Treasurer has invested in more than one fund. At Vistria Group, for example, the Illinois Treasurer has invested in Group II and Group III funds. At Vista Equity Partners, the Illinois Treasurer has invested in Fund VII, the Credit Opportunity Fund III and the Foundation Fund IV.

# **Use of Contractors Owned by MWVD Persons**

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## **Procurement Report Summary**

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The following section encompasses information gathered on the use of contractors that are owned by minority persons, women, veterans, and persons with a disability (“MWVD contractors”) by the Office of the Illinois State Treasurer (“Illinois Treasurer”).

This report will: (1) address and reiterate current policies and practices in place to gather MWVD contractor information; (2) highlight policies intended to improve contractor feedback; and (3) describe practices the Illinois Treasurer intends to utilize to increase MWVD contractor participation in the bidding process.

This section includes three parts:

1. Current Policies and Procedures Relating to MWVD Contractors
2. Utilization Rates
3. Recommended Improvements

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### **Policies and Procedures relating to MWVD Contractors**

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#### Policies

Public Act (“PA”) 100-969 established aspirational goals for investments and authorized procurement preferences for the Illinois Treasurer in relation to selecting businesses owned by qualified veterans, qualified service-disabled veterans, minority persons, women, and persons with a disability.

PA 100-969 added Section 30 to the State Treasurer Act [15 ILCS 505], “Preferences for veterans, minorities, women, and persons with disabilities.” Section 30 codifies the Illinois Treasurer’s aspirational goal of directing 25% of the total dollar amount of funds under management, purchases of investment securities, and other contracts to businesses owned by or under the control of qualified veterans, qualified service-disabled veterans, minority persons, women, and persons with a disability. Section 30 also states that the Illinois Treasurer is authorized to incorporate preferences in the scoring process for MWVD contractors as well as for businesses with a record of support for increasing diversity and inclusion in board membership, management, employment, philanthropy, and supplier diversity, including investment professionals and investment sourcing.

Historically, the Illinois Treasurer has given some preference to MWVD contractors that competed in the bidding process. These earlier procurements noted that if MWVD contractors provided proof of the relevant ownership, their score would reflect their status.

Under Treasurer Frerichs, the Office has taken additional steps to encourage MWVD contractor participation and has instituted language in required documents to complete a bid or proposal submission to help keep track of the diversity among the Illinois Treasurer's current contractors and highlight areas in need of improvement.

### Current Procedures

As noted, the Illinois Treasurer currently includes detailed questions regarding diverse ownership in its Requests for Proposals ("RFPs"). These questions allow the Illinois Treasurer to better understand which communities are competing successfully, as well as those that may be falling short. Below is an example of a statement regarding diversity that is included in the Illinois Treasurer's current RFPs:

- "Respondent's diversity score will be based on the answers the Respondent provides to the Diversity & Inclusion questions of this RFP. The Evaluation Team shall award a higher diversity score to Respondents that are female, minority, person with disabilities, or veteran owned or managed. Having a higher percentage of subcontractors that are female, minority, person with disabilities, or veteran owned or managed shall also result in higher scores."

Additionally, below are examples of the Diversity questions that are used in RFPs:

- Is the Respondent or its affiliates female, minority, persons with disabilities, or veteran owned or managed? Please cite with supporting data.
- If publicly owned, please provide the number and percentage of members of the Respondent's governance board who are female, minority, military veterans, or persons with disabilities. Please cite with supporting data.
- If privately owned, is the Respondent or its affiliates female, minority, persons with disabilities, or veteran-owned or managed? For purposes of this RFP, "female, minority, persons with disabilities, or veteran owned or managed" shall mean being owned or managed by 51% or more of a combination of female, minority, persons with disabilities, or military veterans. Please provide the number and percentage of Respondent's owners who are female, minority, military veterans, or persons with disabilities. Please cite with supporting data.
- Please describe the Respondent's prior experience and future capability to participate in Recipient Funds, who are female, minority, persons with disabilities, or veteran owned or managed. For purposes of this RFP, "female, minority, persons with disabilities, or veteran owned or managed" shall mean being owned or managed by 51% or more of a combination of female, minority, persons with disabilities, or military veterans.
- Please provide the number and percentage of Respondent's senior leaders (e.g. partner, president, COO, or managing director) who are female, minority, persons with disabilities, or military veterans. Please cite with supporting data.



- Please provide the number and percentage of Respondent’s professional investment staff who are female, minority, persons with disabilities, or military veterans. Please cite with supporting data.
- Using the definition provided above, what is the percentage of Respondent’s intended use of subcontractors for this Project, if any, that are female, minority, persons with disabilities, or veteran owned or managed? Please cite with supporting data.

Because many of the Illinois Treasurer’s contracts precede the uniform collection of data or are not the product of an RFP, the data on current contractors remains incomplete. The Illinois Treasurer took steps to improve the data collection rate by improving communication internally between departments and externally with contractors. Following this improved communication, the Illinois Treasurer is pleased to report that it has seen an increase in responses to its requests for diversity data, and the accuracy of the existing active contracts has improved.

A new electronic submission system has been identified and purchased to help with better monitoring of MWVD status once the office returns to in-person operations. The program is in early discussions on how to best implement the many features.

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### **Utilization Rates**

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The Illinois Treasurer distributed a diversity assessment to all current contractors with active contractual agreements with the Illinois Treasurer. Out of 75 contractors, the Illinois Treasurer obtained the MWVD status of 55, with 19 claiming MWVD status. This shows a significant increase in the data obtained regarding contractors to the previous fiscal year. In addition, slightly more than 25% of the contractors claim MWVD status, which is a 5% increase from the prior fiscal year. While several responsive contractors from the previous year did not respond to a data request this year, many new contractors released their data for the first time.

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### **Recommended Improvements**

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The Illinois Treasurer plans to improve outreach and education to MWVD business owners as well as making the MWVD data easily accessible by necessary staff members. The Illinois Treasurer will continue to take steps to encourage its current contractors to report on their ownership status. The following steps will also be taken:

- 1. Electronic Implementation of Diversity Assessment** – A vendor has been selected to begin the necessary steps to increase submission accessibility. This will allow the diversity assessment answers to be required, saved, and pulled from the system for easy access.

- 2. Enhanced Outreach and Promotion** – Continue efforts to enhance coordination between the Illinois Treasurer’s Chief Procurement Officer and Civic Engagement Division to promote opportunities for MWVD-owned organizations to do business with the Illinois Treasurer.
  
- 3. Contractual Provisions** – The Illinois Treasurer intends to begin attempting to negotiate a contractual term with contractors that would require response to the Illinois Treasurer’s requests for MWVD data.