

People of Color and SRI

New Markets for Investments and Investors

SRI in the Rockies Conference

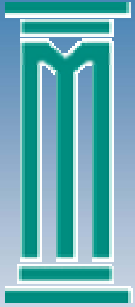
October 20, 2002

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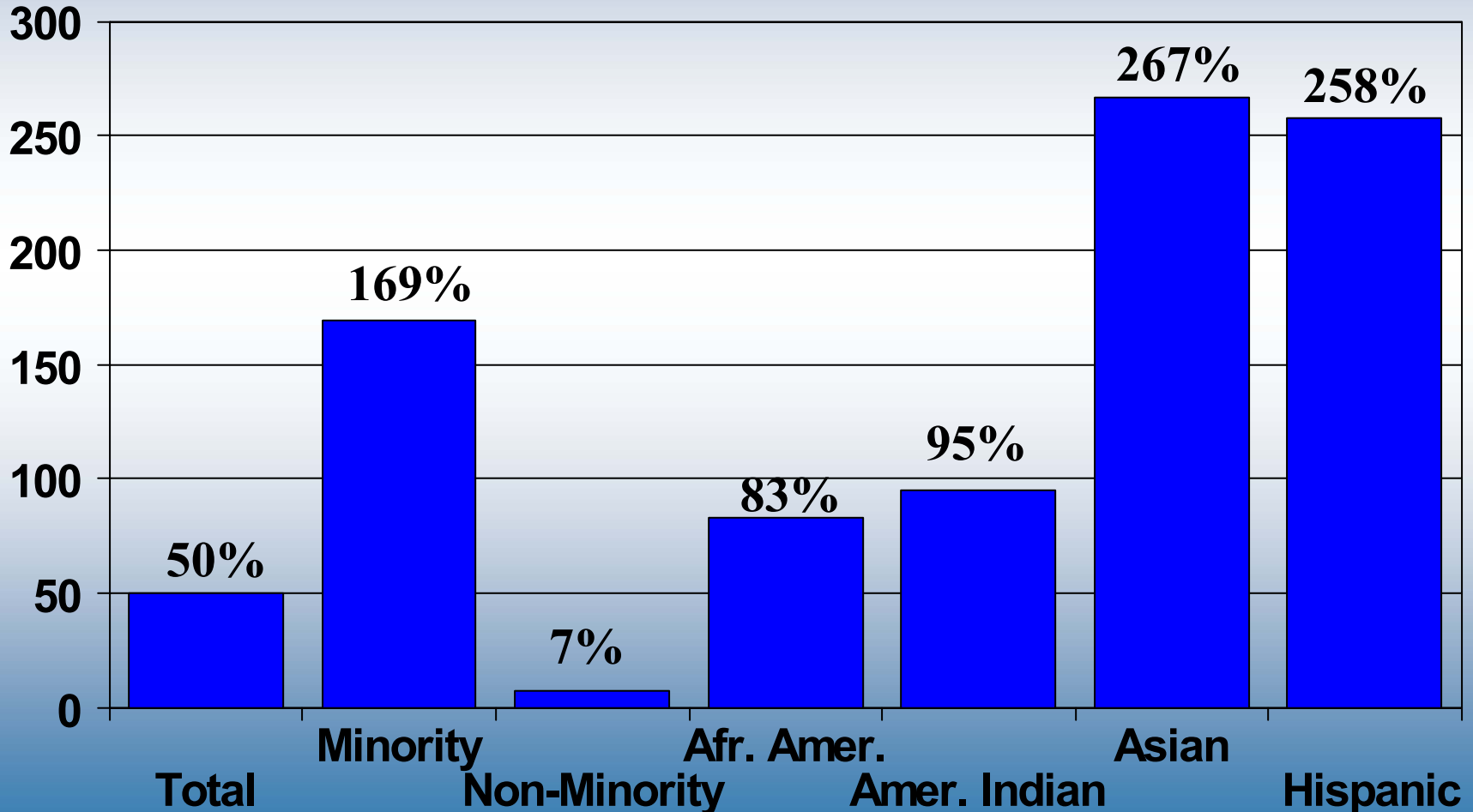
Emerging Domestic Markets

*People, places or enterprises that have
been undervalued and/or
undercapitalized in unexplored and/or
underdeveloped ethnic, regional and
national markets.*

The Emerging Marketplace in America

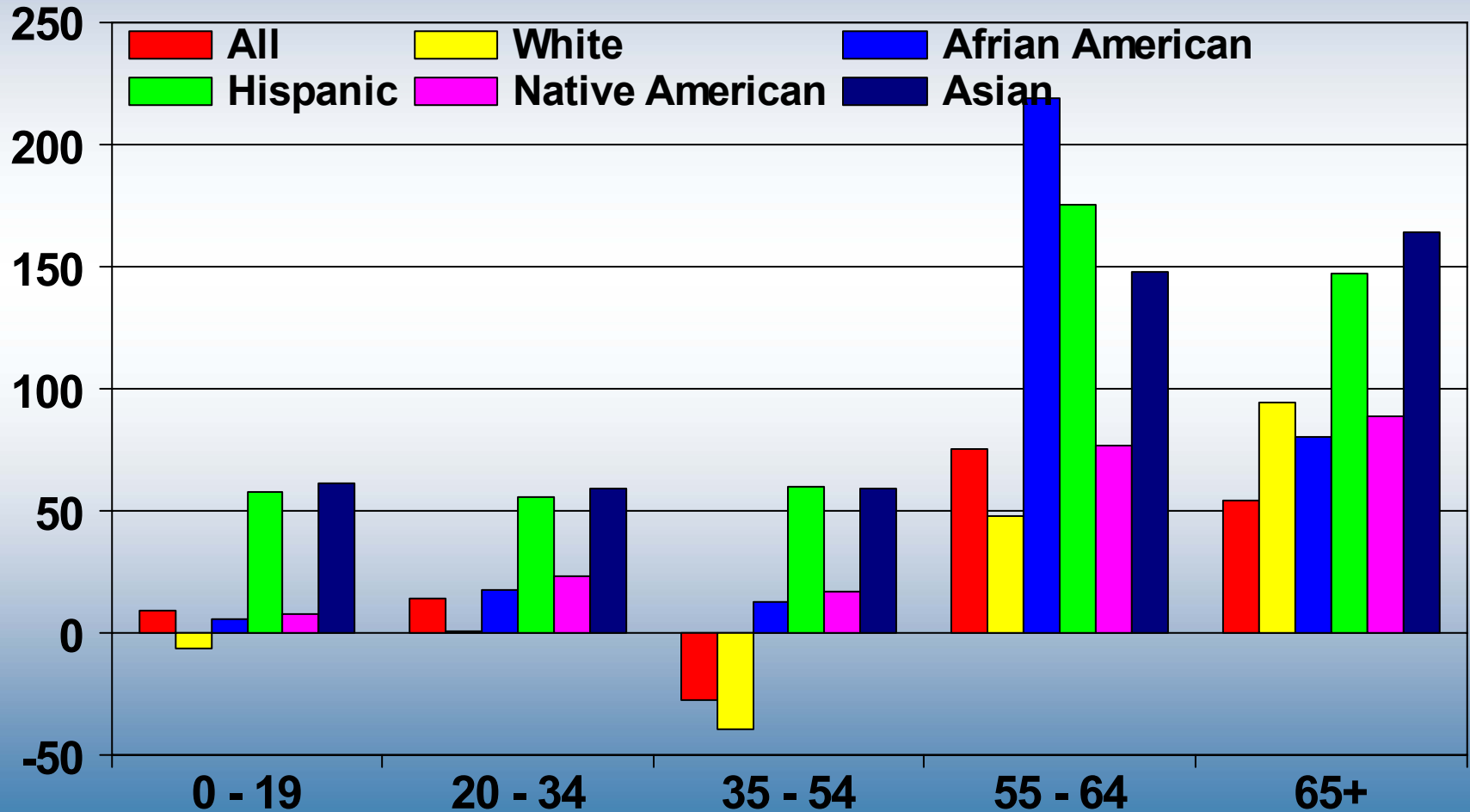
People of color will account for nearly 90 percent of the total 131 million growth in the U.S. population from 1995 to 2050.

Percent Increase



Diversifying U.S. Population

Percent Change



Increasing Role of EDM in the Labor Market

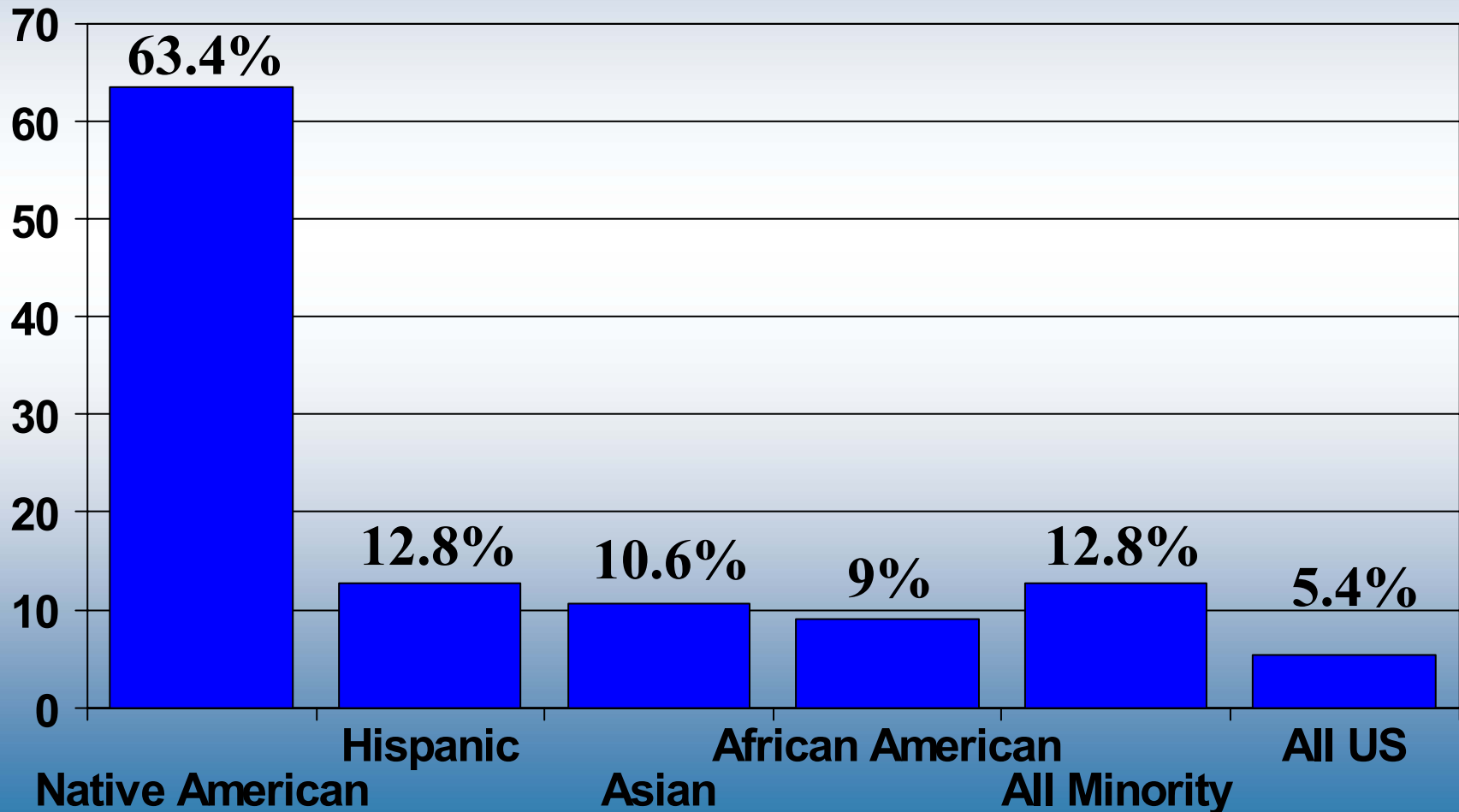
- Labor Supply Constraint
 - Since the 1970s, the U. S. workforce growth rate has been declining--from 2.7% in the 1970s, to 1.6% in the 1980s, to between 1.0-1.5% today. Projections over the next decade predict continued low rates of increase.
 - Meanwhile, by 2020, 70% of the workforce growth will occur among ethnic groups.
 - Unless this workforce can be tapped, the lack of labor will act as a brake on economic growth.

Average Annualized Growth Rates:

Emerging Domestic Market Firms

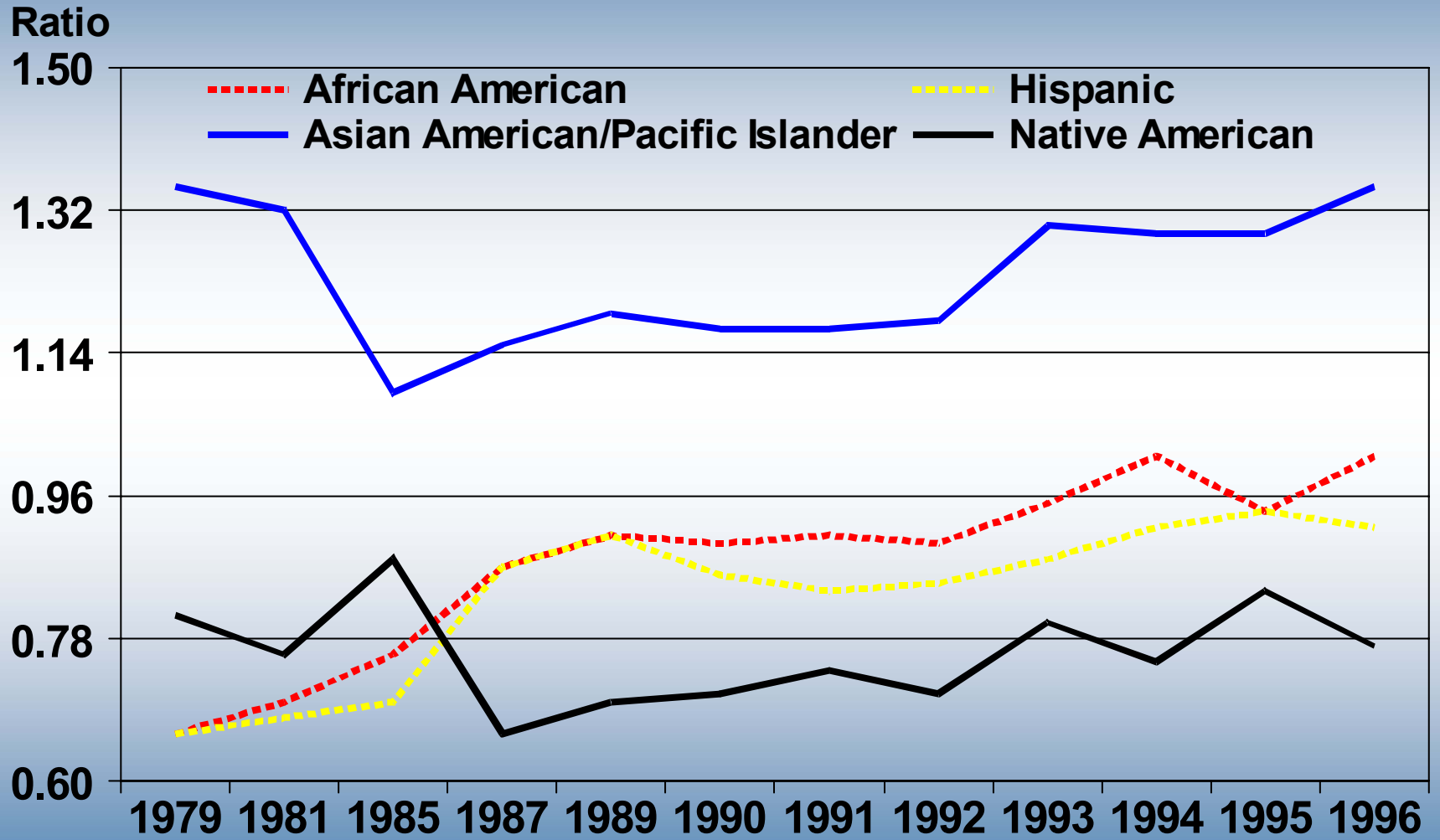
1992-1997

Percent Growth



Growth of Ethnic MBAs

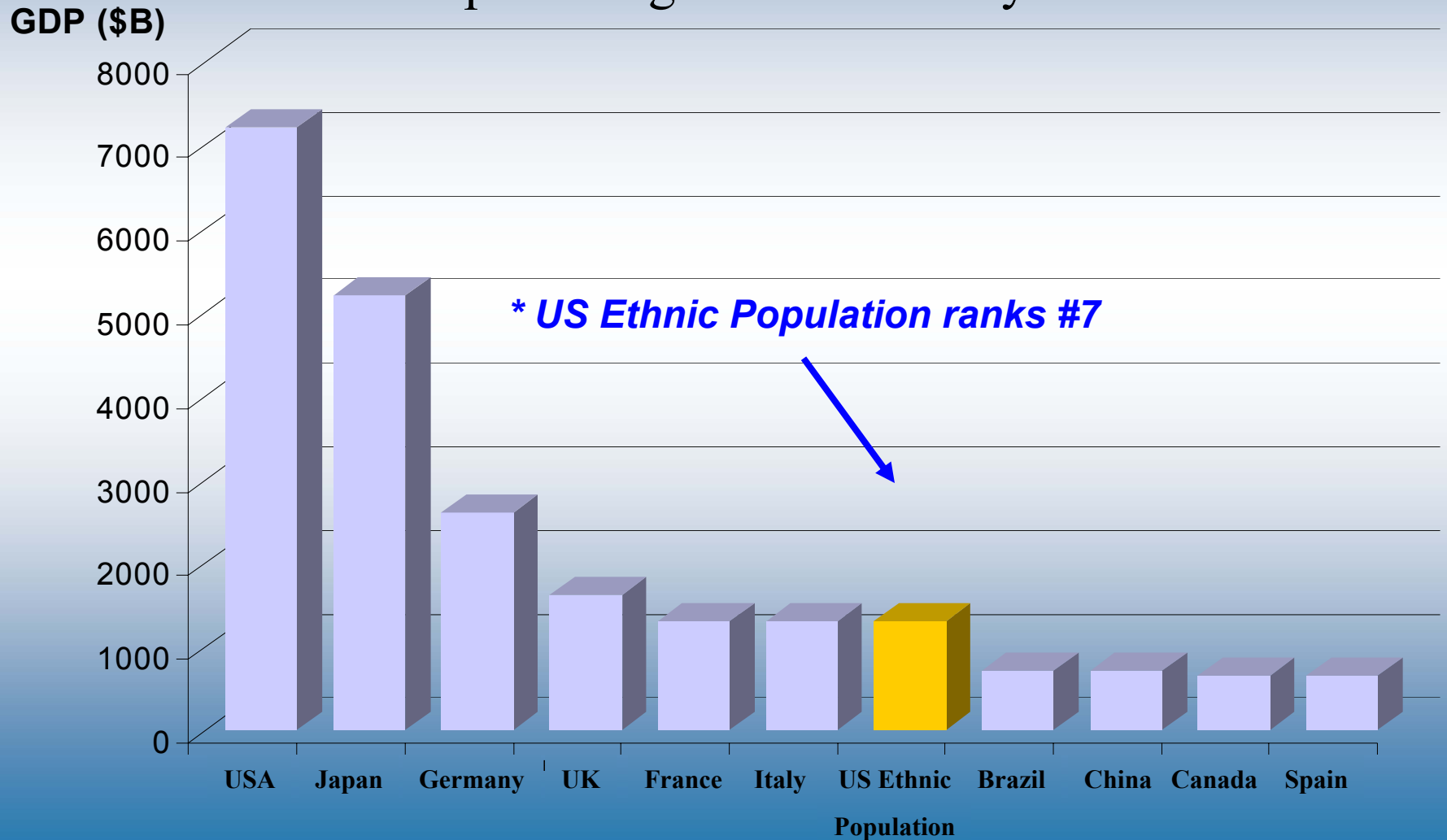
Ratio of % Ethnic MBAs to % Caucasian MBAs by Ethnicity



Purchasing Power of Ethnic Markets:

Estimated at \$1.3 Trillion (Larger than Canada's GDP)

Top 10 Largest Countries by GDP



EDM vs. International Markets

The U.S. inner-city retail market is \$85 billion, larger than Mexico's entire consumer market.



The Inner City Opportunity

Purchasing Power Comparison

| | Pacific Palisades | Central Los Angeles |
|-----------------------------|--------------------------------------|----------------------------|
| Square Miles | Same | Same |
| Population | 22,826 | 184,060 |
| Number of Households | 9,128 | 49,892 |
| Median House Income | \$122,942 | \$23,500 |
| Purchasing Power | \$1.1 Billion = \$1.1 Billion | |

Domestic vs. International Markets

Risk Factors

Emerging Domestic Markets

Emerging International Markets

Political Risks

No

Yes

-Expropriation

No

Yes

-Regime Volatility

No

Yes

-Legal Contract

No

Yes

Currency Risk

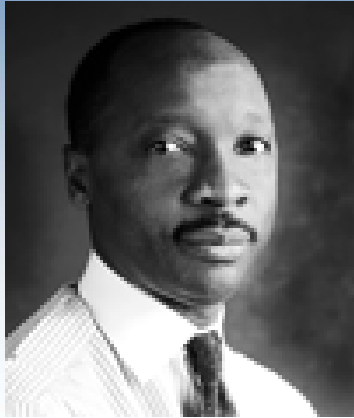
No

Yes

Financial Risk

Yes

Yes



“If we do not invest in Emerging Domestic Markets, we risk this country’s ability to compete. Minority groups are the consumers of the future.”

-- Francisco Borges
Landmark Partners

Milken Institute 2002 Global Conference

Opportunities for EDM Investing Using All Current SRI Strategies

- Screening
- Shareholder Activism
- Community Investing
- Social Venture Capital

Opportunities Apply to Full Range of Asset Classes

- Public Equities
- Fixed Income
- Alternative Investments
 - Real Estate
 - Private Equity
- Cash

Screening

- Non-discrimination policies
- Diverse workforce, management and Board
- Minority suppliers
- Investments in minority-owned businesses
- Use of minority fund managers

Shareholder Advocacy

- South Africa divestment campaign
- EMC shareholder resolution on women and minority board representation
- Citigroup shareholder resolution on predatory lending

Fixed Income

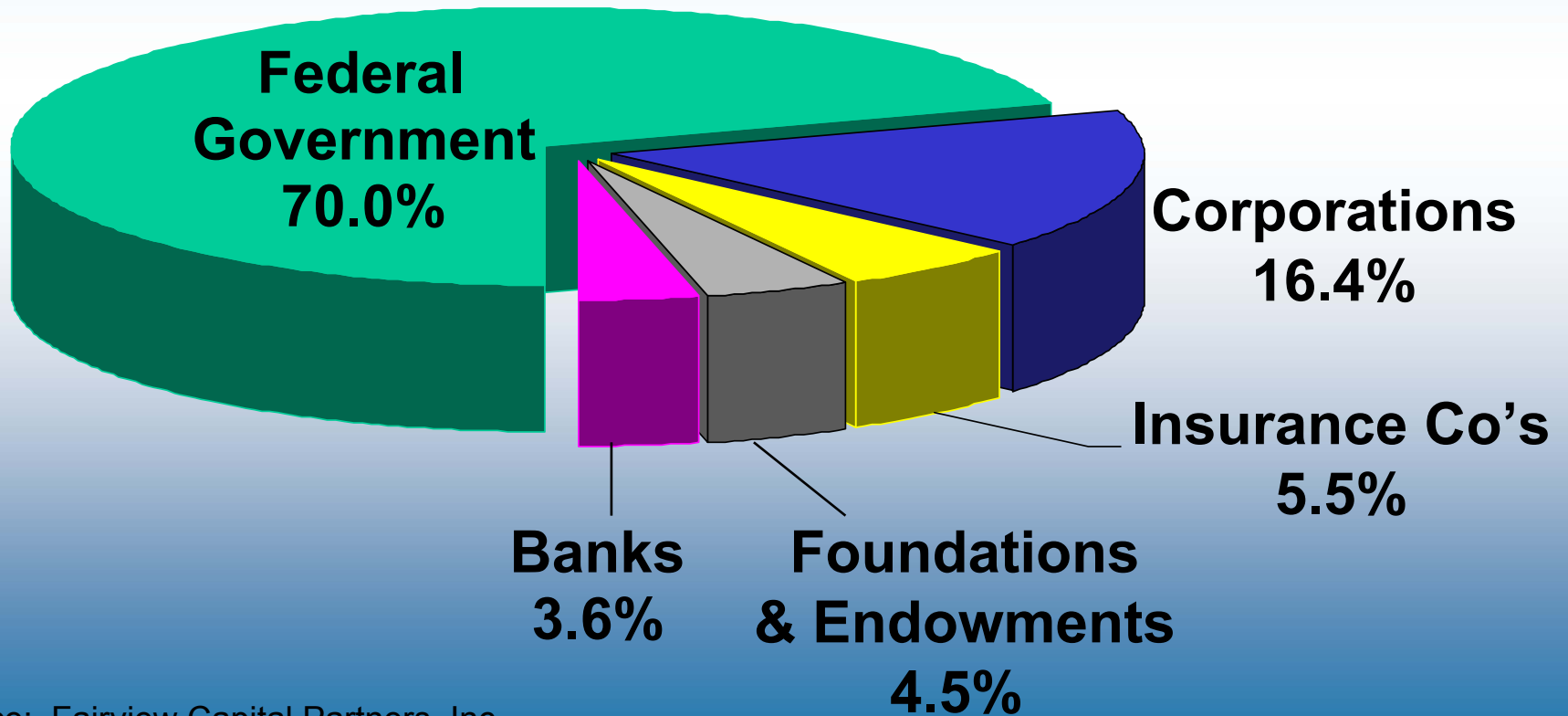
- Community Reinvestment Act Qualified Mutual Fund
- Private placement debt offerings supporting minority-owned/friendly businesses

Alternative Investment: Community Investing

- Purchase of mortgages for affordable housing rental and ownership
- Forward-rate commitments with reasonable terms to facilitate construction lending in low-to-moderate income areas
- Credit enhancements and loan guarantees to support economic development and minority lending
- Investments in ethnic-targeted loan funds/CDVCs
- New Markets Tax Credit-eligible investments

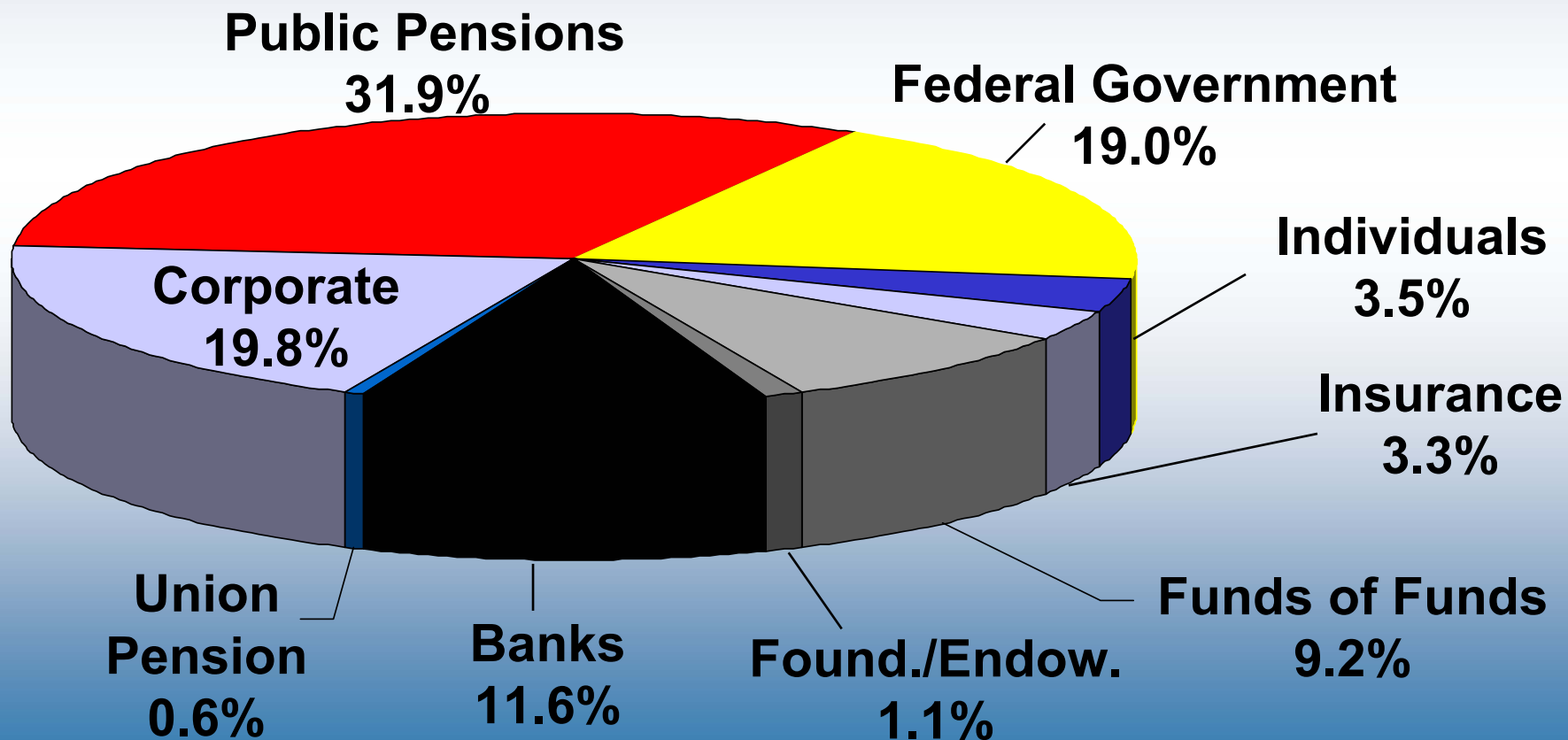
Alternative Investing: Targeted Private Equity (1990)

\$550 Million goes to Private Equity
Firms that invest in EDM



Alternative Investing: Targeted Private Equity (2000)

\$3.4 Billion goes to Private Equity Firms
that invest in EDM



Alternative Investment: Targeted Private Equity

- ICV Capital
 - New York based private equity firm, 51% minority owned
 - \$130 million in assets
 - Invests in ethnic-owned or operated businesses, businesses serving ethnic groups and located in urban areas
- TSG Capital Group
 - Largest fund devoted to minority entrepreneurs – over \$700 million on assets
 - Examples of investments:
 - Z-Spanish Media Corp (Spanish-language radio network)
 - Urban Brands, Inc. (Retail focusing on urban women and girls)
 - Vista Media Group (Largest Operator of billboards focusing on African American and Hispanic market)

Alternative Investment: Real Estate

- Investments in real estate located in underdeveloped urban areas
- Includes housing, commercial and industrial construction investments
- May generate multiplier effects, attracting additional investments
- Examples:
 - CalPERS' California Urban Real Estate Initiatives
 - \$1 billion invested in urban infill
 - Canyon Johnson Urban Fund

Cash

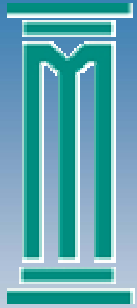
- Deposits in minority-owned banks and community banks

Minority, Emerging Money Managers Outperform Peers

- Top performers in eight of the 10 stock and bond categories for \$14.8 billion Ohio Bureau of Workers Compensation fund

Three Year Return Ending March 31, 2002

| Manager | Return | Benchmark |
|---------------------------------|---------------|------------------|
| Ariel Capital Management | 18.9% | 18.8% |
| Conning Asset Management | 10.2% | 7.0% |
| Edgar Lomax Co. | 6.7% | 1.3% |



Center for Emerging Domestic Markets

- Definitive source of information, innovation, and interaction for financing Emerging Domestic Markets
 - Clearinghouse for information
 - Gathering place for education and networking
 - Laboratory for innovation in financing businesses in Emerging Domestic Markets

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