



DIVERSITY REPORT



Prepared For

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M25
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Chicago, IL 60654

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ABOUT 25

M25 is an early-stage venture firm based in Chicago, investing solely in tech startups headquartered in the Midwest. Since we launched in 2015, we've become the most active investor in our region. We are led by two of the youngest fund managers in the industry, and we enjoy challenging traditions. We invest broadly, and our unique, analytical approach aims to reduce risk while maintaining the high returns typically associated with this stage

of investing. We emphasize our expansive networks and thrive on collaboration, helping to syndicate deals, encouraging fair terms as a best practice, and prioritizing relationships.

As a firm, we committed in 2020 to embrace transparency in our pipeline and processes as they relate to diversity and inclusion. The diversity benchmark report is part of that commitment, highlighting our data on underrepresented founders in the Midwest.



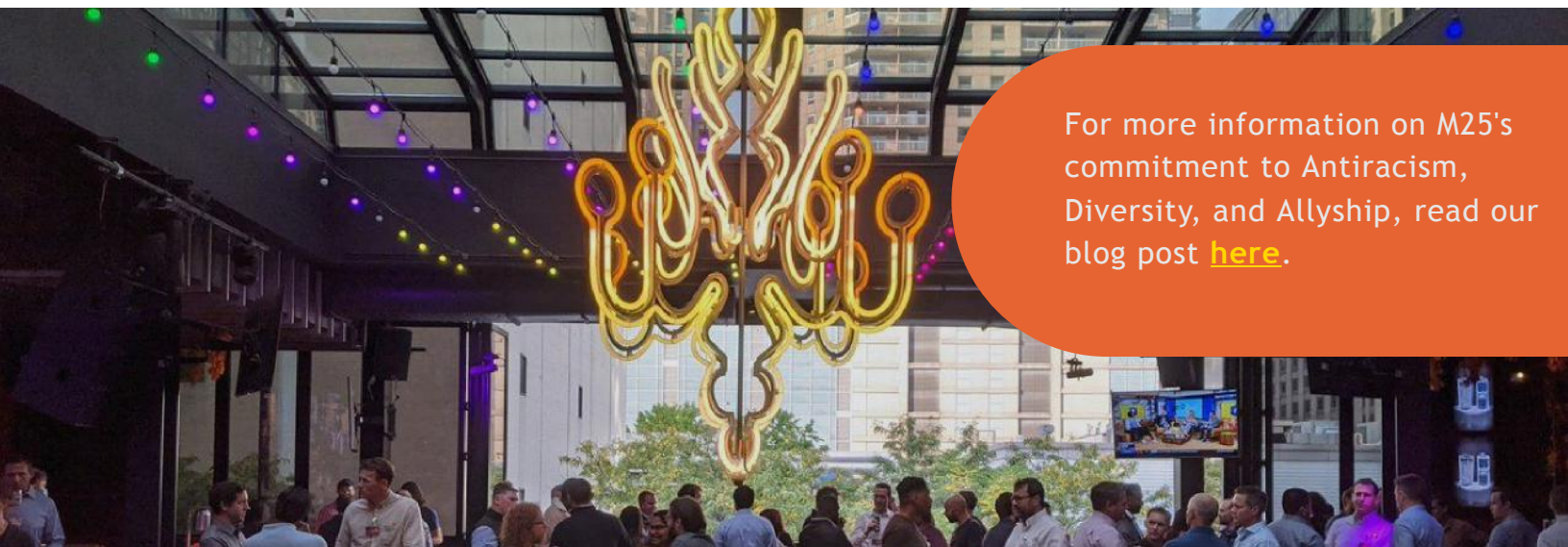
ABOUT THE REPORT

As a firm, we believe that transparency is a key component of addressing gaps in funding for underrepresented founders. Since October 2020, the investment team has actively tracked demographic information for the deal opportunities in our pipeline. In addition, M25 has always tracked demographic information for our portfolio companies.

This data has been aggregated into our first ever Diversity Report. In this report, you'll find data broken down by the prospective deals we've seen, our portfolio, the Midwest as a whole, and fund distribution. These metrics will serve as a reference point for our own firm moving forward.

For us, this isn't a victory lap or a pat on the back for our efforts. Rather, it is a first glimpse into how we're doing as a firm to increase dealflow and ensure we see ALL founders - particularly those that are overlooked - raising capital.

We acknowledge that while we're committed to investing in underrepresented founders, we will always have work to do when it comes to racial and gender parity. One goal of this report is to help us understand how to improve our own investment processes to ensure we are seeing all deal flow from all types of founders and analyzing them objectively.



For more information on M25's commitment to Antiracism, Diversity, and Allyship, read our blog post [here](#).

“

As our first investor, M25 set the bar extremely high. Victor and Mike have demonstrated a willingness to roll up their sleeves and partner with me through raises, business challenges and scaling a high growth company. I can't imagine where I'd be without them...to say they are 'founder friendly' is an understatement."

- Amy Brown, CEO at Authenticx

ABOUT THE REPORT *continued*

“It wasn’t a long, drawn out process; rather, it was intentional, thoughtful, and objective.”
- Yemi Adewunme, Co-Founder and COO at Civic Eagle



Our Process

M25's funds are not diversity funds; nor do we operate in a way that gives preferential consideration to racial or gender minorities during the investment process. Rather, we place emphasis on two areas of our process—leads and an objective scoring method—to find and evaluate opportunities.

Our investment team fields leads from all sources: community champions, portfolio founders, personal networks as well as inbound inquiries from social media, our web form, and we always welcome cold emails. In addition, members of the investment team proactively mentor or attend accelerator programs, judge pitch competitions, and guest speak at events.

As a firm, we set annual goals for inbound leads, speaking opportunities, and participation in programs.

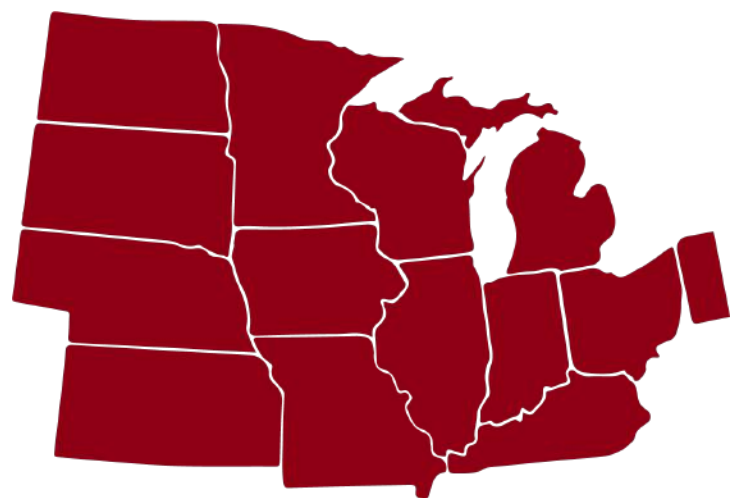
During our evaluation process for startups, we strive for objectivity with a data-driven scorecard that we re-evaluate quarterly. While no tool or method will be truly fully objective, we believe our scorecard aids significantly in reducing bias and increasing the diversity of our portfolio.

For more information
on our investment
process, visit
m25vc.com

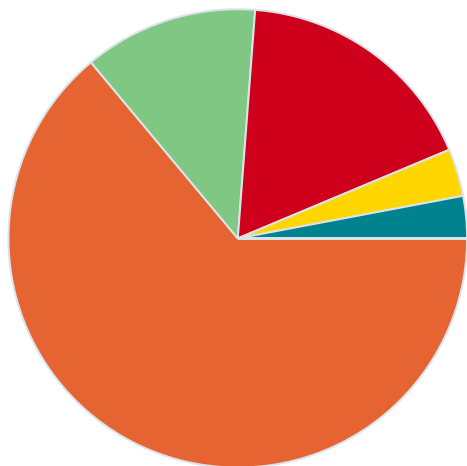
INTRO CALL ANALYSIS

As a firm, M25 invests in companies headquartered in the Midwest United States. While the exact geography of what is included in the Midwest is debatable, we define it as the states included in this map along with the western half of Pennsylvania.

We've included the demographic information of our investment geography here as an additional data set for comparison of both our deal flow in terms of intro calls as well as our portfolio founder demographics.



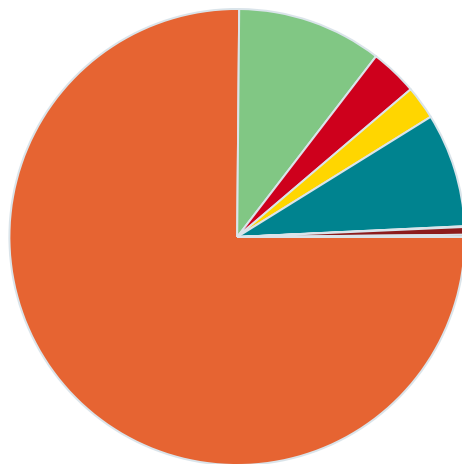
M25 Intro Calls



Data collected since 15 Oct. 2020

White	64%
Black or African American	12%
Asian	17%
Two or More Races	3%
Hispanic or Latino	3%
Native Hawaiian or Other Pacific Islander	0%
American Indian or Alaska Native	0%

Midwest Population



According to Census Reporter 2019 Data

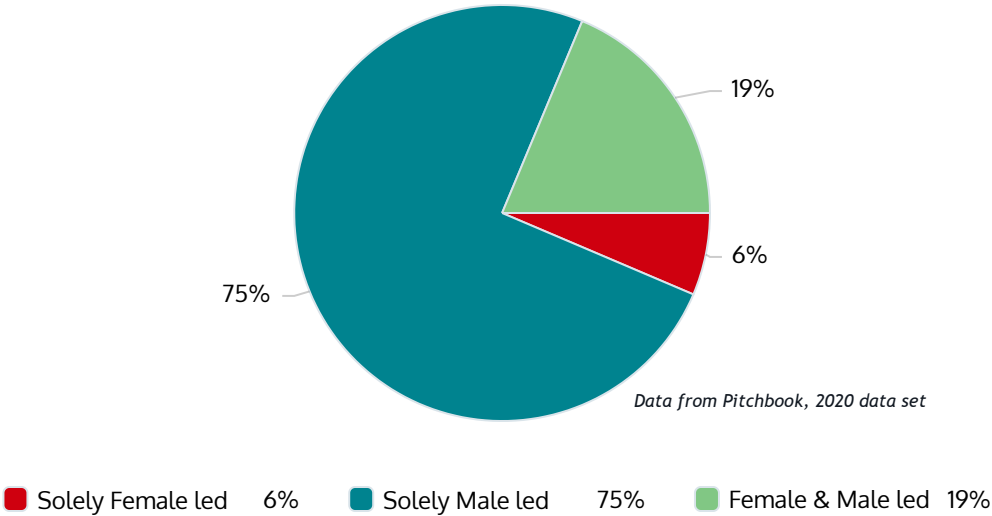
White	75%
Black or African American	10%
Asian	3%
Two or More Races	2%
Hispanic or Latino	8%
Native Hawaiian or Other Pacific Islander	0%
American Indian or Alaska Native	1%
Other	0%

INTRO CALL ANALYSIS *continued*

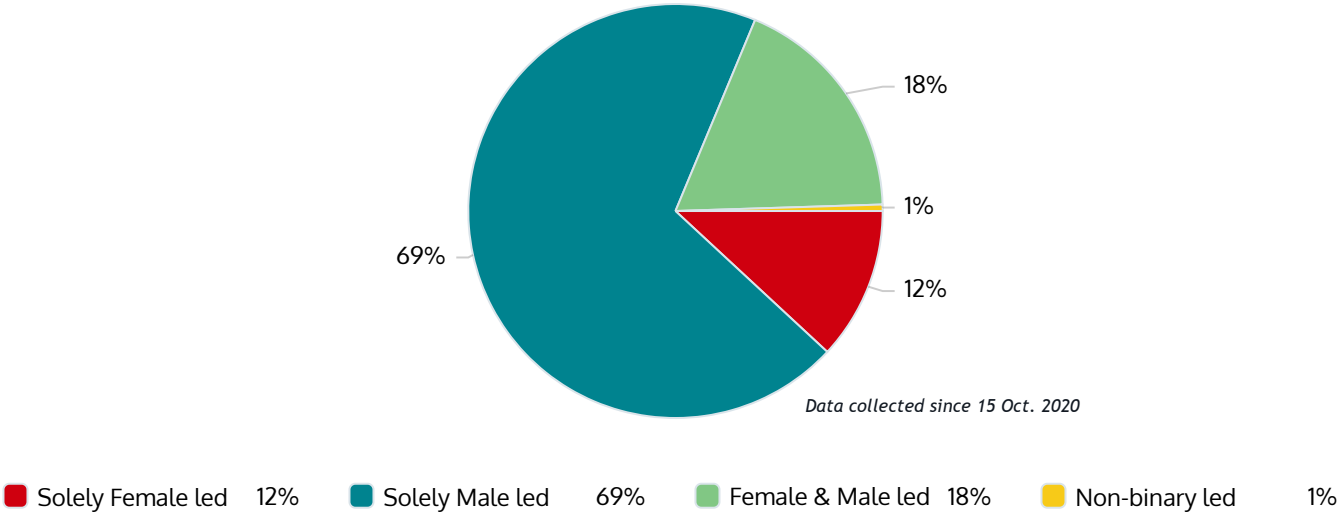
In addition to highlighting the breakdown of our intro calls by racial identity as compared to the racial demographics of the Midwest, we've also analyzed intro call data by gender below. As an industry comparison, we sourced data from Pitchbook's Female Founders Dashboard.

A note on methodology for both gender and racial identity of founders on intro calls: starting October 2020, M25 included in our intro call process a follow-up survey to founders immediately after our calls with them. While not all founders responded, this serves as a starting point for our data collection.

United States VC Funding By Gender



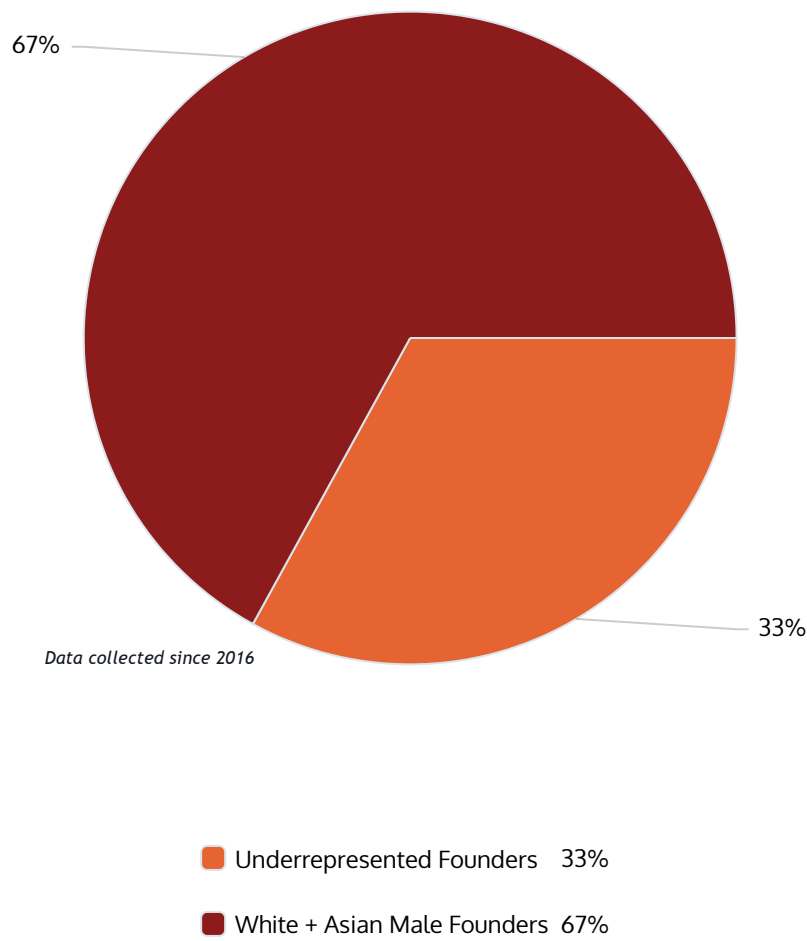
Intro Calls by Gender



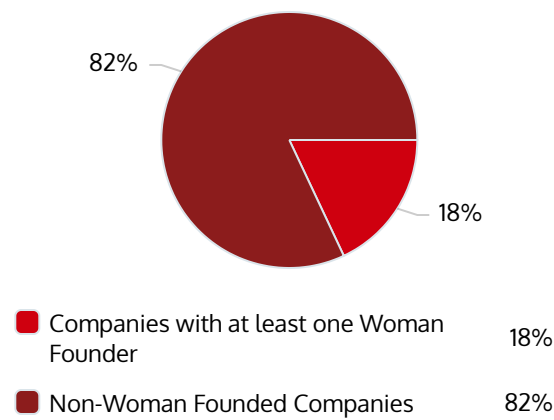
PORTFOLIO ANALYSIS

M25's portfolio includes investments headquartered in 24 cities across 11 states.

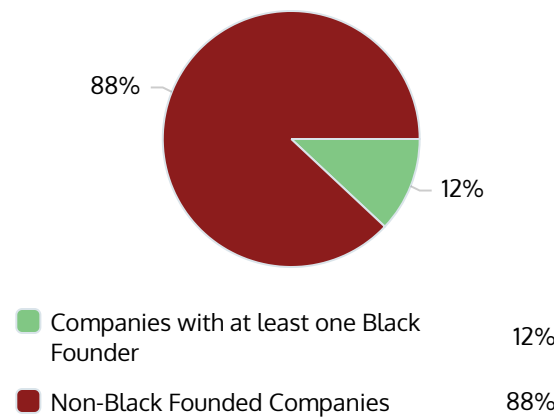
2016 & 2019 Funds



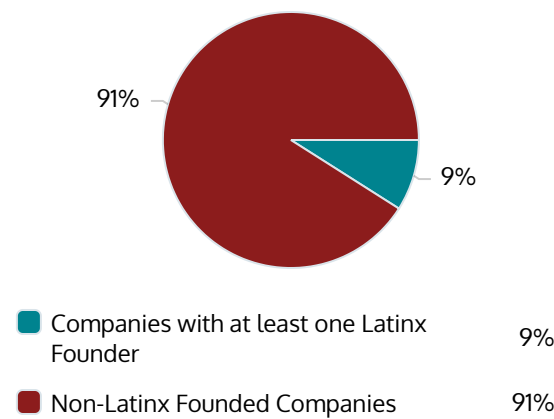
Woman Founder



Black Founder



Latinx Founder



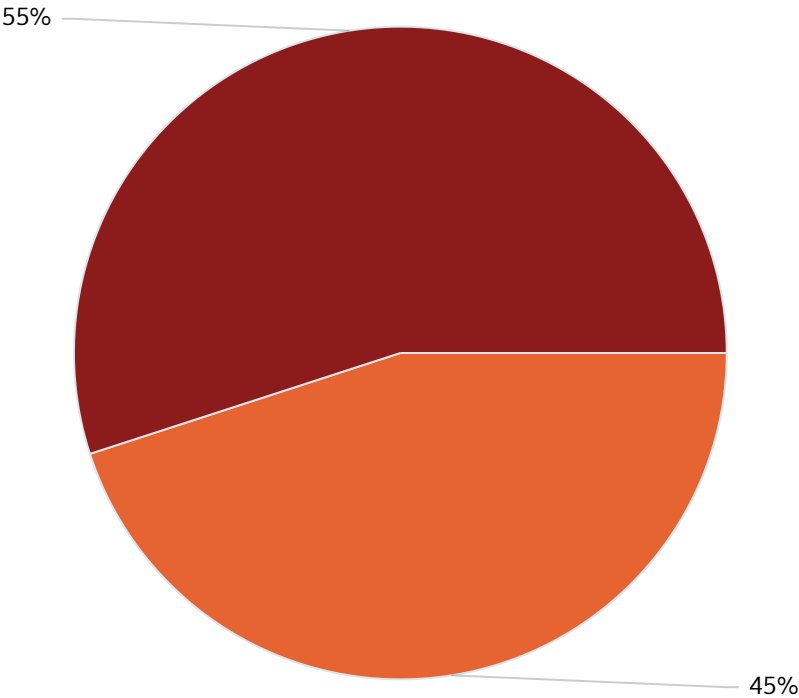
“As a first-time founder raising VC funding, M25 remained approachable and straightforward throughout the diligence process. It was rewarding to have a Black woman internally who not only understood our product but was willing to try it and advocate on our behalf.”

- Ciara May, CEO at Rebundle

PORTFOLIO ANALYSIS *continued*

In addition to the full analysis of our 2016 and 2019 vintage funds combined, we've also included on this page statistics from our current (2019) fund separately.

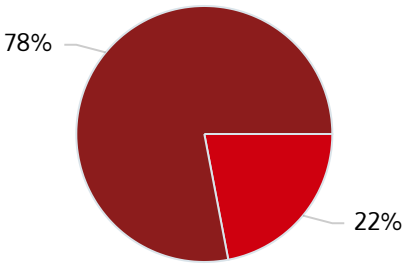
Current (2019) Fund



Data collected since 2019

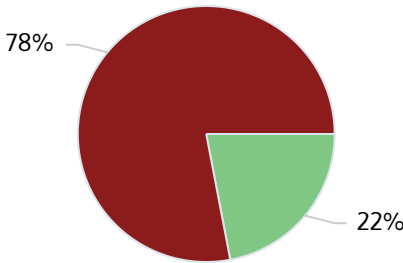
- Underrepresented Founders 45%
- White + Asian Male Founders 55%

Woman Founder



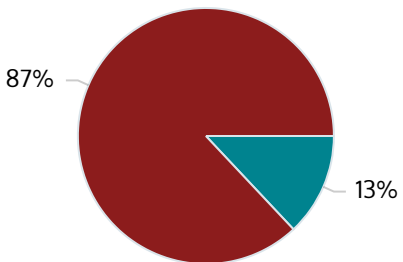
- Companies with at least one Woman Founder 22%
- Non-Woman Founded Companies 78%

Black Founder



- Companies with at least one Black Founder 22%
- Non-Black Founded Companies 78%

Latinx Founder



- Companies with at least one Latinx Founder 13%
- Non-Latinx Founded Companies 87%

PORTFOLIO ANALYSIS *continued*

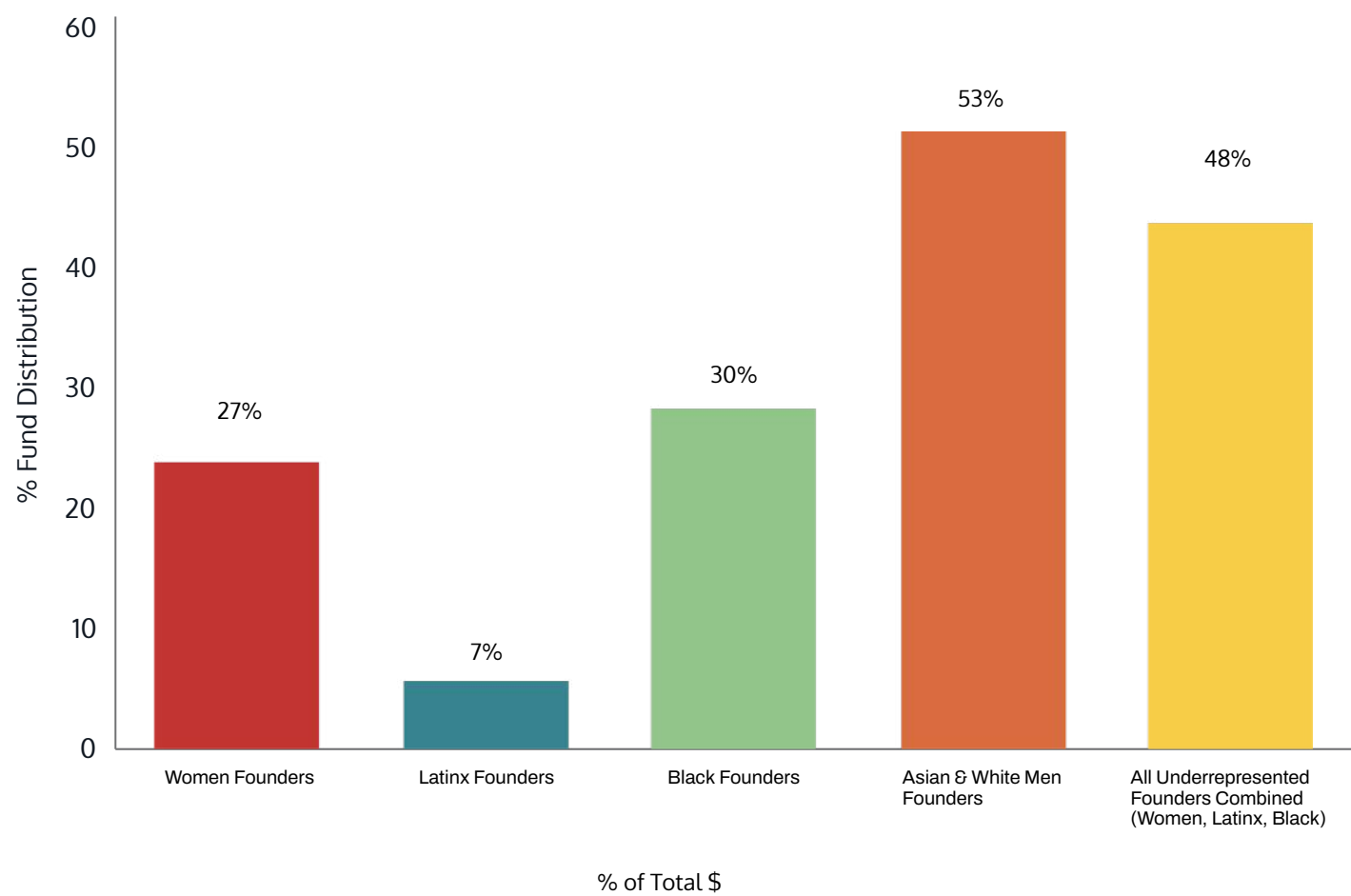
In addition to benchmarking the number of underrepresented founders in both our pipeline and our portfolio, we also wanted to show the percentage of fund distribution to those founders as it compares to adequately represented founders.

We show this data to emphasize that while much attention is paid to the number of underrepresented founders, more work needs to be done to show what percentage of funding is actually going their way.

The data here includes our initial checks as well as follow on funding and the SPVs (Special Purpose Vehicles) M25 has coordinated for additional funding. This chart shows the combined total percentages. Note that as many teams are comprised of multiple founders, the total here is greater than 100%.

This data is specific to M25's investments in each company and does not represent amounts that other firms contributed to any particular funding rounds.

Fund Distribution (Initial, Follow-on, and SPVs)





OUR COMMITMENT

To Anti-racism, Diversity and Allyship

First published in Summer 2020, what follows is M25's original commitment to anti-racism, diversity, and allyship. M25 considers this our driving document towards the transparency and data analysis in this report. Read on to learn more about M25's ongoing efforts in addition to this report.

We're good investors, but today we at M25 are proclaiming that in the same way "good people aren't good enough," good investors simply aren't good enough in the context of anti-racism and equity. Today, we're announcing that M25 isn't just a good firm, but an anti-racist firm, and one who's committed to taking specific action in support of anti-racism here and now, for the long term. Roughly two and a half years ago, M25's partners Victor Gutwein and Mike Asem stood with other investors in our industry and took the "Stewardship Pledge for the Innovation Investor," a pledge that was birthed by the leaders at Kauffman Fellows, of which Victor and Mike are both a part of. In the wake of more recent events and societal discourse around racism, injustice, and oppression of underrepresented minorities outside of and within our industry, our firm has spent the last several weeks in contemplation — looking inwardly at what we've done, and what is yet still ours to own.

Today we move forward as a firm, announcing a few torches we're committing to carry in an effort to stand as leaders in our industry as we partner with others to chart a course for a better future. You can learn more about the Anti-Racism Ownership Framework and how M25 used it to arrive at these initiatives / commitments by checking out Mike Asem's personal blog (RIRTs), where he's written and posted "The Diversity, Inclusion and Anti-Racism Framework for VC".

Goals, Reporting and Accountability

Starting this year (2020), we commit to transparent goals and annual results around our deal flow sourcing and portfolio construction. To this end, we'll be partnering with organizations like BLCK VC to follow best practices in tracking our top of funnel deal flow (the makeup of the founders who even get a shot with us), setting targets that drive a fair and objective investment process, and the results — aka "who got money." So far in our current fund we are happy to report that out of all investments so far (14 to date) 50% are founded by Black, LatinX, and/or female founders. While investing in diversity has never been a specific mandate of our firm, we're honored by the diverse founders who have trusted us as partners, and encouraged by where we sit in this measure compared to our peers. Our first post outlining our goals there and how we're tracking will follow this.

Conduit for Black VCs

Our first post outlining our goals there and how we're tracking will follow this. While we're a small firm now, and will likely be so for the next several years —

we still see an opportunity to help more aspiring Black venture capitalists break into the industry. Today we're proud to announce that we are working towards a partnership with the Black Venture Capital Consortium (BVCC). Through HBCU curriculum, summer internships, paid fellowships and pitch competitions, BVCC works to increase the number of Black investment professionals in the venture capital industry. Our goal is to finalize a commitment as a host firm for an annual paid fellow, through which one new Black individual annually will work full time with us, train with us, and hopefully through our work and that of BVCC — find a long-term role in a VC firm.

Subsidizing Diverse Hiring Incentives

As a partner to our companies, we feel compelled to help them tackle diversity within their own teams in the most impactful way we can. While learning from thought leaders in the space like



M25 has been a great partner to 86 Repairs — not just as an investor of capital, but as an investor of time and energy into crucial topics like DEI to help us be a better company."

-Daniel Estrada,
CEO of 86 Repairs



As a Latina founder building a consumer business for a female audience, it was incredibly tough for most VCs to understand the depth of the problem we were solving. M25 saw our vision, saw our market, and supported us throughout our journey."

-Desiree Vargas Wrigley, CEO of
Pearachute

Kapor Capital, it came to our attention that one of the best ways for companies to successfully create a more diverse culture is through employee referral bonuses. The data suggests that if companies add a referral bonus as a net increase to their existing employee referral bonus program for hires that are diverse to that organization... well, it works. We're going to step out and experiment with this as a firm by financially contributing to bonuses like these that our portfolio companies want to opt in to, and our portfolio companies will be learning more about this over the coming weeks.

Creating a Platform for Black & LatinX Entrepreneurs

While the results within our portfolio suggest we might not have as much of a pipeline problem as our industry peers on average, we see an opportunity to push ourselves help the market more broadly

get better here. Today we are happy to announce that we will be partnering with both BLCK VC and LatinX VC to leverage our existing M25 Summit in a way that showcases Black and LatinX entrepreneurs, within and outside of our portfolio. Our summit regularly attracts well over 100 VC firms from all over the country, and we're hoping to seize this opportunity help direct some of our bi-annual attention towards diverse founders that may not already have the networks and access to get in front of VCs like these by creating an additional event connected to the summit.

Senior Investment Team Expectations

Finally, M25 is a firm run by individuals. Diversity and inclusion are values that are shared not just in our organizational brand and rhetoric, but by those individuals that are core to it. We're saying here publicly that it is an expectation that all senior members of our investment team (present and future) not only hold these values, but support these initiatives with their own time, capital, resources, etc. Updates on this will be included in our annual reporting previously discussed, and below we've listed out just a couple ways in which each of our current senior investment team members already live this out.

Victor Gutwein, Managing Partner —
Supporter @ [PicDiversity](#), Supporter
@ [Sunshine Gospel](#)

Mike Asem, General Partner —
Non-Profit Board Member, [BLCK VC](#)
& [PicDiversity](#). Writer @ RIRTs
([supporting.philanthropic efforts](#)).

Abhinaya Konduru, Senior Associate —
Volunteer @ [Chicago: Blend](#), Volunteer
@ [Women in VC](#)



“We're proud to be associated with a firm that shares our company's passionate commitment to diversity. This alignment of values, along with M25's support of Rheaply more broadly, make M25 an ideal partner for us as we continue to grow and scale.”

- Dr. Garry Cooper, CEO at Rheaply

It's our hope that given the limited resources we have as a small firm in the broad venture capital landscape we're able to outpunch our weight class and be leaders in driving the industry towards a better, more merit-based realization of this ecosystem — one that better reflects the society we all live in every day. We know that we can't do it alone, and we know that we'll surely fall short and make mistakes along the way. That said, we're asking in advance for the support and grace from our community, and "in the words of Alexander Hamilton...

"We're not throwin' away our shot."

“

We're committing to carry in an effort to stand as leaders in our industry as we partner with others to chart a course for a better future."



LOOKING FORWARD



As mentioned before, M25 doesn't operate a diversity fund. The current and continued diversity of our fund is not due to a specific focus in this area; rather, it is our commitment to improving our processes and cultivating relationships that make venture investing more objective, consistent, and successful.

Our team continues to ask critical questions about how to grow an increasingly diverse pipeline, and we know there will always be more work to do. We welcome conversations and dialogue following the release of this report. In addition, we challenge ourselves to keep exploring new avenues for meeting founders where they are and broadening our Midwest startup pipeline further.

This report serves as a first step in tracking our own accountability as a firm, and we will continue to hold ourselves responsive to this data as we track it over time. We look forward to continuing to meet and invest in the best founders across the region.

Visit the [M25 website](#) for more info

Have a funding update? Fill out [this form](#)