Hiding in plain sight: More than 100 funds that are investing in the creative economy

Dasic Fernandez/Rubin415 mural in Greenpoint, Brooklyn | Photo credit: StreetArtNews.com

Dennis Price

100+ creative economy investors, Omidyar’s simple complexity, microfinance in Pakistan and Mexico, Clarmondial’s food fund

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Today’s Brief

If you think “arts and culture” when you hear “creative economy,” you’re not thinking big enough.

Think creative places, ethical fashion, impact media, sustainable food and other creative businesses. The creative economy is a $768 billion market in the U.S. alone, where it accounts for 10 million jobs.

“The more we look, the more we find,” says Laura Callanan, founder of Upstart CoLab, an artist/entrepreneur/investor collaborative. Callanan has been making the case for years that investments in creative people and businesses drive innovation that gives companies and investors an edge, and impact, such as jobs for low-income groups. “It seems clear that a creative lens is a good way to be looking for investment opportunity.”

> > Creative economy at SOCAP18. Upstart CoLab’s Laura Callanan, LISC’s Sam Marks and others will discuss investing in the creative economy (https://socap18.pathable.com/meetings/905698) Thursday in San Francisco.
Callanan and other advocates for the ‘creative economy’ are recasting artists as innovators and a source of business and social value, much as gender-lens investors say they are finding hidden value in equity and inclusion for women and girls.


Separately, Nesta, a U.K. foundation, has launched [a £3.7 million ($4.8 million) Cultural Impact Development Fund](https://www.nesta.org.uk/blog/head-heart-social-investment-announcing-cultural-impact-development-fund/) to lend to arts, culture and creative organizations seeking positive social change in their communities.
Hidden value

Many other investors also have stakes in the creative economy, sometimes without even knowing it. Upstart CoLab’s new report, “Hiding in Plain Sight (https://www.upstartcolab.org/hiding-in-plain-sight/),” catalogs 107 funds that either explicitly target a sector of the creative economy or have made at least two investments in creative economy ventures. The set of funds, culled from ImpactAlpha’s ImpactSpace, Crunchbase and other sources, hold total assets of about $60 billion.

Upstart’s report found a link between creative economy investments and inclusive opportunity. One in five of the 107 funds making creativity investments had an explicit inclusivity strategy. A deeper look at the traditionally-structured venture capital funds found that...
women and people of color combined to account for almost half of senior investment leadership.

There’s a misconception that art is for the elites, says Callanan. “In fact, it’s a pathway to diversity.”

More than half of the funds have invested in sustainable food, “reflecting the mainstreaming of organics and growing interest in local and craft foods and beverages.”

The roster include both impact funds like Nesta’s earlier Nesta Arts Impact Fund and the Media Development Investment Fund, as well as conventional funds from firms including Khosla Ventures and Lerer Hippeau. The list also includes ‘sustainable and responsible’ with ESG (for environmental, social and governance) strategies like the TAU Opportunities (Asia) Fund.

LISC, for example, had long financed the creative economy – without knowing it. With Callanan, the firm reviewed its national portfolio and found 98 projects related to arts, culture, and creativity representing $139 million in direct lending volume. The new fund, which
attracted investments from small foundations, family offices and impact investing networks, is the first fund from LISC dedicated to the creative economy.

It’s a “more intentional version of what LISC was already doing,” LISC NYC’s Sam Marks told ImpactAlpha. The fund “gives impact investors a chance to support the creative economy and create quality jobs,” he says, while earning a return (2.75% annually) comparable to other fixed-income products.

LISC NYC will use proceeds from the sale of Creative Economy Notes to lend to nonprofits like ArtBuilt NYC, which provides affordable work spaces with long-term leases to artists, artisans, and creative entrepreneurs. The fund will also back developers like Brooklyn Navy Yard Development Corp. and Greenpoint Manufacturing & Design Center, which lease affordable space to small-batch manufacturing firms that connect ‘knowledge workers’ with fabricators, machine operators, and craftspeople. Already the community lender has identified about $15 million in dealflow.
Cultural leaders

For some investors, a creative lens means enlisting creatives with track-records for finding ‘what’s next.’ Cultural leaders know something of value, says Callanan. They’re the “canaries in coal mine of innovation.”

Early this year Andreessen Horowitz, a top Silicon Valley venture-capital firm, tapped as limited partners African American cultural leaders Sean “Diddy” Combs, Shonda Rhimes, Will and Jada Smith, Quincy Jones, Kevin Durant, Chance the Rapper, Nasir Jones and others for its Cultural Leadership Fund. The fund itself will only invest in Andreessen Horowitz portfolio companies interested in partnering with those cultural leaders.

African Americans are “responsible for more cultural influence than any other and perhaps all other groups combined,” wrote a16z’s Ben Horowitz and Chris Lyons in a post announcing the fund (https://a16z.com/2018/08/22/introducing-the-cultural-leadership-fund/). It made logical sense, said the Horowitz and Lyons, “that as software eats the world and technology’s primary target audience becomes consumers we would focus on this unique talent pool.”

Separately, Essence Ventures, a Black-owned investment firm, tapped Singer/songwriter Queen Latifah’s production company, Flavor Unit Entertainment, as first creative partner (https://impactalpha.com/queen-latifah-backs-essence-fund-for-women-of-color-in-the-arts/) for Essence Ventures’ $20 million fund for film, television and documentary pro-

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productions by women of color. The new fund will back media projects that reflect the experiences of women of color and share ownership rights to combat power imbalance in entertainment.

**Broader view**

A narrow focus on arts and culture fails to recognize the “creative economy as an on-ramp to wealth building for entrepreneurs, including women, people of color and others who benefit from lower barriers to entry to a sector of the economy more interested in merit than advanced degrees and pedigrees,” Callanan writes in a new series of essays (https://cornerstonecapinc.com/wp-content/uploads/Creativity-and-the-Arts-October-2018.pdf) on creativity and the arts curated by Cornerstone Capital.

‘Arts & Culture’ account for just 0.3% of the $228 billion in impact assets under management in this year’s investor survey from the Global Impact Investment Network. Callanan says she’s identified 125 ‘creative economy’ opportunities seeking more than $3 billion of debt and equity.


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One of the most successful examples (https://impactalpha.com/santa-fe-funhouse-meow-wolf-raises-17-5-million-to-expand-its-creative-economy/) of the creative economy has blossomed in Santa Fe, New Mexico’s Meow Wolf. The trippy, choose-your-own adventure, art installation employs more than 300 full-time and part-time “creatives,” counts 125 employee-owners, and supports more than 60 artists, selling their products in the gift shop. Earlier this year the firm closed $17.5 million in convertible debt to expand to Denver and Las Vegas, and is now raising $100 million to expand to other cities as well as to launch new platforms digital media and amusement park rides.

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Such models can fill gaps left by the ‘knowledge economy,’ says Cornerstone’s John Wilson in the opening essay to the Cornerstone series. “The role of these entities is to empower people to transform local artistic, design and cultural resources into sustainable businesses that serve their communities and create engaging work opportunities that will not be lost to outsourcing or automation.”

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