

# Our Journey from Gender Lens to Queer Lens Investing



Dreilinden

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Photography by Ise Bosch, Founder and CEO of Dreilinden

Ever since we launched Dreilinden back in 2006, we have aspired to make an outsized impact on queer communities through our grant-making and investment activities. While our grant-making activities have been well documented in various publications (see examples [here](#), [here](#), and [here](#)), we have not yet published a great deal about our investment strategy. What better opportunity to shed some light than now, as we embark on our journey to a queer-lens-focused investment strategy?

When we started out, our investment strategy was focused on an actively managed portfolio of equities and fixed income, and a portfolio of impact fund investments. The managed portfolio was selected based on a filter from one of the leading rating agencies, with as much gender focus, diversity focus and inclusion focus as the available criteria would allow.

On the impact fund side, despite our best efforts we were unable to source funds with a specific queer focus. In the absence of any suitable opportunities, we decided to pursue a gender lens investment strategy, which at that time was just beginning to gain momentum. Our aim was to support strategies tangential to LGBTQIA\* causes (e.g. economic empowerment of women and girls, promoting independent media).

In the long run, we felt that incorporating a broader, queer-inclusive lens would ultimately lead to better investment decisions. Hence, from an early stage we proactively engaged our fund investees in discussions related to LGBTQIA\* topics, in order to advance the dialogue and sensitise investment managers.

In 2012, we conducted an initial social monitoring study. We asked fund managers to report on the economic empowerment of women and girls. In addition, we included some specific questions about the fund's value proposition for LGBTQIA\* communities and about their efforts to fight discrimination on the basis of sexual orientation, gender identity and expression, or sex characteristics.

Feedback on the empowerment of women and girls was encouraging and very much in line with the increasing momentum in gender lens (or "gender smart") investing. However, the data on LGBTQIA\* was thin. We were encouraged by the fact that our questionnaire sparked a number of internal debates about LGBTQIA\* representation within the respective organisations. We also found that funds with a clearly defined technical assistance strategy generally benefited from stronger relationships with their portfolio investees, which resulted in richer discussions about LGBTQIA\* topics.

We repeated the study in 2015. The positive trend in women's and girls' empowerment continued, while very little had changed with regard to specific initiatives to promote LGBTQIA\* causes. Around the same time, we found ourselves in a bit of a predicament. On the one hand, we were excited by the ever-increasing profile of gender lens investing, but on the other we were concerned about the direction the movement was taking. Our

hope had been that LGBTQIA\* would play a major role within gender lens investment approaches — not least given the diversity among leading figures in the field. However, instead of propagating a dynamic gender spectrum, the movement's efforts seemed to focus on a very binary view of gender.

The Dreilinden understanding of gender lens investing is not that it is purely about investing in women and girls. Instead, it is about recognising the complexity of gender, societal implications, and power dynamics. Our priority has always been for our investments to have an impact across the entire spectrum, and in particular on the most marginalised groups in the Global South and East.

With the ten-year anniversary of Dreilinden coming up, we decided to re-evaluate our investment strategy. We were intent on bringing our investment approach closer to the mission of Dreilinden.

Following an intense three days' discussion in Berlin, we decided to embark on a queer lens investment strategy where LGBTQIA\* issues and concerns would take centre stage. When it came to implementation, we agreed on three different investment buckets: public securities, impact fund investments, and direct impact investments.

## Public Securities

We actively manage our liquidity through our public equities and fixed income portfolio. As of now, this portfolio is our largest position, although that is not so much by design as the result of our lack of internal resources and suitable investment opportunities. Any future commitments to impact funds or direct impact investments will be funded through a reduction in this portfolio.

We are using a custom filter from ISS Oekom, one of the leading rating agencies, to define our investment universe. When choosing a provider, we focused on human rights and gender category filters. Our dialogue with ISS Oekom continues, not least to ensure our feminist views are heard.

The portfolio selection and allocation from this investment universe is performed by a trusted asset manager via a bottom-up approach. The portfolio is also screened and reviewed by the Dreilinden investment committee at our bi-annual meetings. In addition, we actively use our shareholder rights to vote on issues close to our heart. We

have worked with ICCR, PRI, the Association of Ethical Shareholders, and Ethos to collectively influence the direction of our equity holdings with like-minded investors.

Whenever there is an opportunity, we have highlighted our approach in publications discussing socially responsible investments by foundations, as we feel that foundations should pay more attention to the actual impact of their investment portfolio.

## Impact Fund Investments

As we were analysing how best to include a queer lens in our impact fund due diligence, we decided to make it an integral part of the process. We felt the time was right to start pushing our existing and future investees a little more on LGBTQIA\* concerns. To do so, we developed a questionnaire on diversity and inclusion (“D&I”), with a specific focus on LGBTQIA\* topics and how they are addressed by fund managers.

We are particularly keen for D&I to disseminate down from the investment manager to the investment teams and investments committees, and all the way down to the portfolio companies. In the past, we have received pushback from some existing and potential investees. Certain topics, in particular relating to LGBTQIA\* or even the term “gender”, cannot be broached in specific regions or countries. While we understand that local context is important, we also take the view that these topics can be framed in a respectful way while at the same time challenging inherently discriminatory attitudes. We are seeing activists around the globe standing up for the most marginalised (they would be well suited to give advice on where local context is required) and believe more can be done by investors. Our future allocations will come with the clear expectation and understanding between our partners and ourselves that D&I be a part of investment and portfolio management processes.

In addition, we have introduced a new and revised social monitoring questionnaire where we ask our investees to report on D&I in general, and LGBTQIA\* in particular, across the entire investment supply chain. This marks a clear change in our strategy. It is based on our conviction that greater D&I across the entire spectrum results in better decision making and in higher social and economic returns. Whereas we previously asked investees to report on gender (mainly binary), we are now pushing for concrete data on LGBTQIA\* and the more marginalised LGBTQIA\*.

## Direct Impact Investments

Our direct impact investment strategy is our newest tool in our efforts to more closely align the asset side with Dreilinden's grant-making efforts. The overarching goal of our impact investments is to provide a proof of concept that a queer lens is a viable direct investment strategy — in its own right or as an additional investment lens.

In 2019, we commissioned studies in Eastern Europe, Mexico and South Africa to scope out the LGBTQIA\* investment universe in those regions (we have published excerpts from the studies [here](#), [here](#), and [here](#)). As this idea originally started out as a mere hunch supported by some anecdotal evidence, we needed these studies to shed additional light and provide more concrete indication of whether LGBTQIA\* communities had access to finance and investments. The studies and a subsequent pilot in South Africa found that there is an entire cohort of LGBTQIA\* entrepreneurs and businesses serving the communities that has been completely overlooked by investors and financiers.

As mentioned above, it is not our intention to build a substantial direct investment portfolio; instead we hope to empower local investment teams in the respective countries or regions. We realise that the proof of concept will play an integral part in making the broader investment strategy more viable.

## Final Thoughts

Our journey towards queer lens investing has only just started, and it will continue. We appreciate that our approach may be perceived as too risky according to conventional risk metrics. However, we hope that over time we can demonstrate that investments should be assessed with a broader (i.e. “queerer”) perspective. This will lead to a more holistic assessment of opportunities and risks while also leading to better, more impactful investments.

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## About Dreilinden gGmbH

*Dreilinden is a Hamburg-based foundation dedicated to advancing societal acceptance of gender and sexual diversity. Founded in 2007, Dreilinden has been at the forefront of*

*supporting sexual orientation, gender identity and expression, and sex characteristics with grants and investments. Kindly note that Dreilinden does not accept any grant applications at this time.*

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