



Black Opportunity Fund launches investment firm to support Black Canadian entrepreneurs

JAMESON BERKOW > CAPITAL MARKETS REPORTER

PUBLISHED 4 HOURS AGO



Black Opportunity Fund's managing partner Gajan Kulasingam, left, and CEO Craig Wellington.

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Black entrepreneurs in Canada are getting new sources of financing to help them

build their businesses and buy homes.

The Black Opportunity Fund, a charity formed in 2020 by a group of Bay Street leaders as part of the broader response to the murder of George Floyd, is set to launch a new investment company on Wednesday called BOF Capital, with a mandate to advance economic empowerment for Black Canadians.

Fundraising efforts to establish a \$100-million private equity growth fund and a \$50-million shared equity housing fund are just getting under way. But BOF Capital has set ambitious targets to get both coffers mostly full before the end of the year.

“We know where we are going for that first \$150-million and now what we are doing is bringing them in and having conversations with those anchor investors to get everything papered and do the due diligence,” said Craig Wellington, chief executive officer of the Black Opportunity Fund. “We have essentially been holding them back, some of them for three years.”

He declined to name any potential anchor investors, though the organization has long-standing relationships with some of Canada’s largest institutional investors, including five of the country’s biggest banks, Richardson Wealth and Fidelity Investments.

Gajan Kulasingam, who has been helping to establish BOF Capital since January

and will serve as its first managing partner, said the two funds should lock up anchor investors by late summer and be fully funded by early 2026.

A shared equity housing fund provides money to aspiring homebuyers, usually to cover all or part of a down payment, in exchange for partial ownership of the property. Then whenever the property is sold, the fund gets a portion of the proceeds.

BOF Capital is launching both a traditional private equity growth fund as well as a shared equity housing fund to try to address a systemic barrier facing Black Canadians looking to start their own businesses. Entrepreneurs regularly use their homes as collateral, either for a loan or a second mortgage, when seeking startup funding for a new business.

Yet Black Canadians have some of the lowest home ownership rates in Canada. Just 48 per cent of the country's Black population lived in a home that was owned by a household member in 2018, according to Statistics Canada, while the national home ownership rate of the entire Canadian population for that year was 73 per cent.

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“When you look at the wealth gap, the key driver of that is not the 80 cents on the

dollar that Black people make versus the rest of the population, it is the discrepancy in home ownership,” Mr. Wellington said. “That means that a significant amount of wealth that is used to invest in entrepreneurship is gone.”

Although there has been a recent pullback in corporate diversity, equity and inclusion efforts, Mr. Wellington said the trend could actually help BOF Capital’s fundraising efforts.

“When you see those organizations who are pulling back and tearing down their DEI strategies, that just makes it easier to shop,” he said “We aren’t going to shop there.”

Raising \$150-million will represent only one-tenth of the \$1.5-billion 10-year fundraising target the Black Opportunity Fund set when it was first established in 2020, though Mr. Wellington said the organization has evolved alongside the larger philanthropic community in recent years. The goal, he said, has shifted from stockpiling cash and dispersing it over long periods to spending donations as quickly as possible.

“They are going away from these large endowment funds into paydown funds,” he said. “Instead of talking about how much we want to have in a war chest, it is more about how much has been the impact out the door and that has been our strategy over the last few years.”

With haste in mind, Mr. Kulasingam said the plan is to start deploying capital as soon as late September or early October. Between 80 per cent and 85 per cent of the growth fund will be invested directly into established companies with a solid track record and revenue “and all that stuff that traditional private equity would look for,” he said, with the remainder going to Black-led venture capital funds.

In terms of how BOF Capital will define a “Black-led business,” Mr. Kulasingam said that could vary.

“It could be a co-founder, a senior executive at the company is Black, or it could have some affiliation where the business has a certain level of impact in the community,” he said. “We have a very broad mandate to holistically look and ask is this business a good business that has a meaningful impact, but we have given ourselves the latitude to allocate capital fairly broadly.”

BOF Capital will be a for-profit enterprise that intends to offer its investors market-level returns, and will be independent from the not-for-profit Black Opportunity Fund, with separate governance and leadership. Law firms Miller Thomson LLP and Torys LLP were hired alongside professional services consultancy KPMG to help establish the BOF Capital structure.

“As a charity, we had to develop a structure that wouldn’t jeopardize our charitable status,” Mr. Wellington said.

Mr. Kulasingam said BOF Capital will have two agreements with the charity, one focused on licensing and the other on profit-sharing. The investment company will pay the charity for the right to use its brand and back-office resources, he said, and will also donate a “meaningful proportion” of whatever profits it generates.

Eventually, Mr. Kulasingam said, the hope is for those profits to support the charity’s operations without the Black Opportunity Fund needing to rely on outside donations.

“This allows BOF charity to get closer to becoming a self-funding entity over time and as BOF Capital grows, it could become a fully self-funding entity,” he said.

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