

CASE STUDY: The Rooted Fund

The Black-led integrated capital fund investing in overlooked entrepreneurs and community wealth builders.

Headquarters: Chicago, Illinois

Founded: 2024

AUM: \$8.48M

Website: rootedfund.family

Investment area: US, starting with the Greater Chicago

Funders: Foundations, Impact investors

Themes: Food and Consumer Packaged Goods · Restaurants · Catering · Retail · Events · Wellness

CATALYTIC ROLE OF GRANTS

Grants fund the community relationships and culturally informed processes used to identify promising entrepreneurs in Black communities. They also support advising, training, site visits, and repayment assistance. By absorbing early costs and risk, this supportive infrastructure helps the fund **structure appropriate financing and improve borrower outcomes**.

ABOUT

The Rooted Fund is the first in-house integrated capital fund of RUNWAY Root, Inc., a Black woman-founded financial innovation group. Launched in 2024, the fund grew out of more than a decade of raising and redistributing philanthropic capital. The fund operates in Chicago and lends to small businesses building community wealth in Black communities across Greater Chicago, Greater Boston, the San Francisco Bay Area, Lower Alabama, and Richmond, VA. Its portfolio spans specialty retail, catering and full-service restaurants, consumer packaged goods, event planning, business services, and wellness.

The structure includes three entities: Runway Root, Inc., the nonprofit, receives and administers grants that fund operations, technical assistance, and reserves. The Rooted Fund, LLC issues investor notes and makes loans, and Runway Investment Advisory LLC serves as the fund manager. Community-appointed Stewardship and Investment Committees of Chicago entrepreneurs and finance advisors help direct investments. *(Runway Rooted Fund Impact Report 2025)*



INTEGRATED CAPITAL MODEL

RAISE

Issues mission-aligned investor notes — the 0% Rooted Note and the 1% Generational Note — alongside philanthropic grants.

INVEST

Provides direct loans of \$20K to \$250K to businesses in Black communities at interest rates of 4% or less.

STEWARD

Offers advice, training, and community governance support through the loan process, guided by trained, community-appointed investment and stewardship committees. Alongside lending, RUNWAY Roots convenes entrepreneurs through Fertile Ground, its community learning and advocacy gatherings.

THE ECOSYSTEM NEED

Viable Black-led businesses are often undercapitalized. Generations of exclusion from wealth-building through discriminatory lending, housing policy, and intentionally limited access to credit mean many Black founders come to the table without the inherited wealth, savings, collateral, or long-term banking relationships that financing has traditionally rewarded. Conventional underwriting compounds the gap by relying on the collateral and credit histories that these conditions have made harder to build. As a result, businesses are judged on their viability without accounting for assets they were structurally denied the opportunity to accumulate.

FINANCING APPROACH



Community trust

The Rooted Fund's regional committees know the neighborhoods and founders they serve, allowing them to weigh character and context alongside financial statements.



Tailored financing

Different businesses need different capital. **Grant dollars can absorb early risk, low-interest notes keep borrowing affordable, and revenue-based terms flex with a company's sales.**

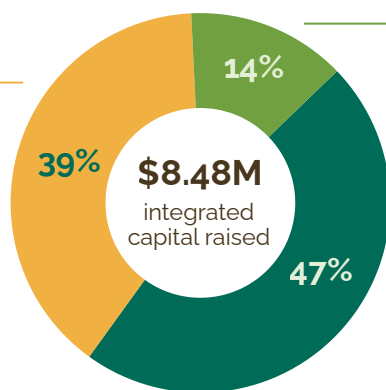


The integrated capital mechanism

Philanthropic dollars and below-market investor capital work together, funding both the loans and the advising, site visits, and training that help borrowers succeed.

FINANCIAL PROFILE

\$3.33M - The Rooted Note



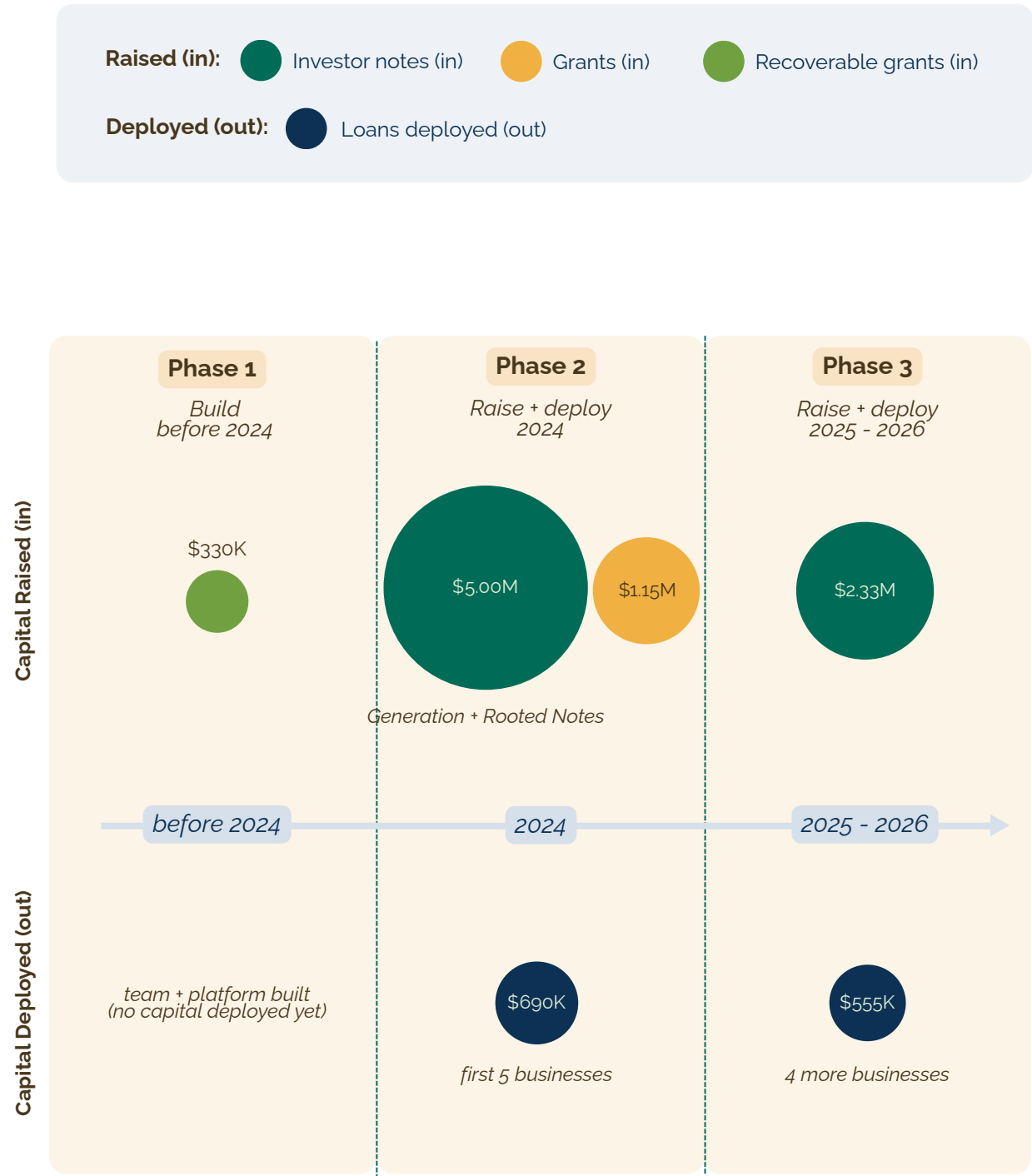
\$1.15M - Grant capital

\$4.00M - The Generation Note

As of May 31, 2026, the fund held \$7.6M in total assets and \$7.6M in liabilities, chiefly the \$7.4M in issued investor notes. About \$6.2M was held in reserve awaiting deployment. After operating losses in its first two years, the fund posted positive net income of \$22.6K in the first five months of 2026.

The fund is seeded by a dedicated grant pool of roughly \$1.15M raised for the Rooted Fund, which sits alongside the investor notes and allows the fund to lend at below-market rates while absorbing risk. On the lending side, the fund maintains a loss allowance against every loan, totaling \$24.9K across the portfolio to date. (*Rooted Fund, LLC financials*)

INTEGRATED CAPITAL PATHWAY & TIMELINE



LENDING APPROACH



The capital stack: Grants and recoverable grants form a first-loss base, while deeply restorative note rates lower the fund's blended cost of capital. Together, this capital funds the loans. The sequence is the point: **non-repayable and zero-cost dollars take the first risk, which is what makes patient, below-market lending possible.**

Why it matters: The capital stack lets the fund back borrowers a bank might turn away, those without collateral or an established credit record, while still offering affordable terms.

Impact: As of May 31, 2026, the fund had deployed \$1.25M across nine Chicago businesses, a portfolio concentrated in consumer-facing, main-street enterprises spanning food and beverage, consumer products, and events, carried at \$1.22M net of loss reserves, with every reported loan current and in good standing. *(Rooted Fund, LLC financials; Impact Report 2025)*

BORROWER EXAMPLE — HOMEGIRL'S HUMMUS



The business: Niehla Ollie built Homegirl's Hummus from a farmers market favorite into a Chicago gourmet hummus brand now stocked in stores across the city.

The financing gap: Growing beyond farmers markets required peak-season hiring, focused marketing, and a mobile vending van — the kind of working capital that early-stage, founder-led food businesses struggle to secure on conventional terms.

The Rooted Fund's role: The Fund provided a \$50K uncollateralized loan at 3%, made possible by the fund's grant and restorative capital.

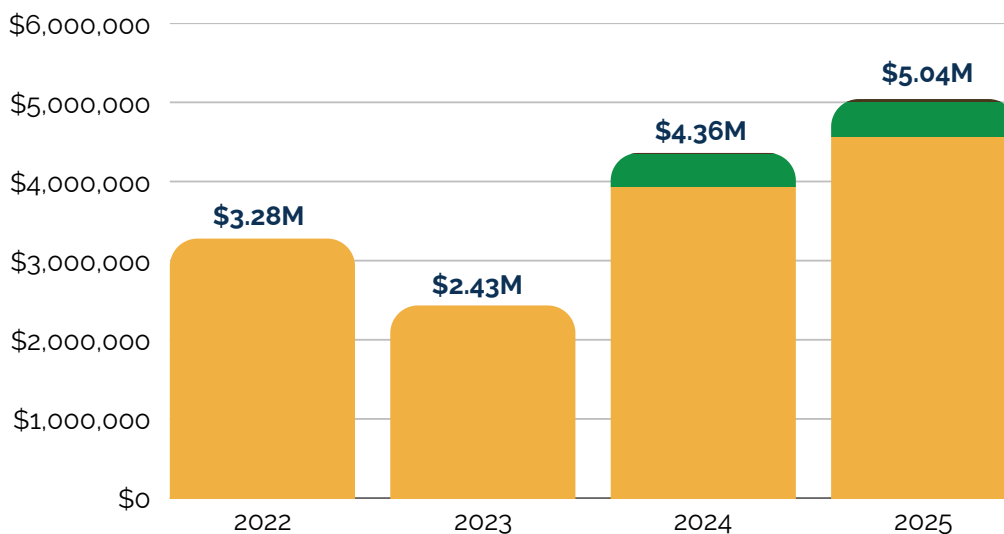
The outcome: The loan paid for staff, marketing, and the van that lifted off-season sales, advancing Niehla's goal of creating good jobs in her community.

(Impact Report 2025; Rooted Fund, LLC financials)

BUSINESS MODEL



*Earned income (non-grant): 2024: \$418K - 2025: \$475K
Grants remain the base; earned revenue builds on top from 2024.*



*Full calendar years shown, 2026 excluded as partial.
Source: Runway Root, Inc. and Related Entities, Statement of Activities.*

The fund's earned income has increased since launch. The Rooted Fund, LLC earns interest on its loans and reserves and makes profit-share and dividend payments to the parent nonprofit for seeding the fund. It also generates revenue from services such as education, training, advising, and fund services. Grants and dividends flow into the nonprofit, which funds the Runway team and loss reserves and allocates those costs across the fund and its advisory arm. **That philanthropic investment is what makes earned income possible in the first place.** The roughly \$48.6K in loan interest generated to date exists only because grant-funded staff and reserves made the lending possible.

Since the nonprofit absorbs much of the operating overhead, the fund LLC carries a light cost base and can run at a modest planned loss while it grows. Its expenses, chiefly interest owed to noteholders, initially outpaced the income it earned from loans and reserves, producing small losses in its first two years. As the reserve base and loan portfolio began generating more income, that shortfall closed, and the fund LLC posted a small operating surplus in the first five months of 2026.

FUTURE DIRECTIONS

Having launched in Chicago, the Rooted Fund plans to extend its model to additional markets:

- Deepen place-based lending to Black communities across Greater Chicago, Greater Boston, the Bay Area, Lower Alabama, and the Richmond/Hampton Roads, VA region;
- Recruit and train local investment committees as it enters new markets; and
- Grow entrepreneur training and power-building so capital and community wealth-building reinforce one another through a reparative lens.

(Runway Rooted Fund Impact Report 2025; The Rooted Fund, LLC and Runway Root, Inc. financials)