Investors are adding a gender lens strategy to their overall investment approach for several reasons. They may view it as a way to leverage market systems to support progress towards gender equality. They may regard the addition of gender related variables to their investment process as a way to identify potential areas of opportunity while seeking investment alpha, sustainable growth and lower risk.

**KEY POINTS**

In this white paper we examine a number of factors including:

- How evaluating investments from the perspectives of diversity and gender can drive value.
- The financial and economic benefits that can accompany gender equality.
- Steps to take to engage in gender lens investing to create long term impactful portfolios.

**WOMEN HAVE MADE IMPORTANT ADVANCES IN THE U.S. WORKPLACE.**

Whereas upper management in large U.S. corporations was once populated almost entirely by men, nowadays women represent 5.4% of chief investment officers, 25% of executive/senior-level officials and managers, and one-fifth of board members.¹ Whereas women in 1960 earned an average of 60 cents to every dollar men earned, as of 2016, they made approximately 80 cents.²

Of course, while these numbers do show progress, it is difficult to read them without thinking that they should be far better. The pay gap may have shrunk significantly, from 40 cents to approximately 20 cents, but the fact that it took approximately 50 years to do so is hardly cause for celebration.

**We can all imagine a more equitable world**

In such a world, companies no longer operate with the kind of implicit bias that can create patterns in hiring and promotion that favor men. There, the workplace supports the talents and contributions of men and women in equal measure, giving them the same access to jobs, similar membership on corporate boards, and equal pay for equal work. But that is not the world today.

**Why these inequities remain is a bit of a paradox**

Corporate bias against women, a leading cause of gender inequality, remains deep-seated and tenacious, even in the face of a growing body of evidence (see next page) suggesting that adding more women at various levels, including the executive suite, can

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Impactonomics is a lens to examine the relationship between economic growth, investing for impact and profit, and the measurable social and environmental change it can bring. This new thought leadership series, published quarterly by the Impact Investing Council within the Global Wealth and Investment Management Chief Investment Office (GWIM CIO), and U.S. Trust, Bank of America Private Wealth Management, will probe emerging trends, research and analyses with the goal of identifying actionable impact investing ideas for investors and wealth managers.
benefit companies in any number of areas. More broadly, think how many more of the best and brightest corporations could attract and keep by offering equal opportunity and equal pay. Imagine if the advances women have made in education (see below) were not at risk of being squandered in the marketplace. It is not a stretch to think that building on such advances would have a materially beneficial impact for society and the economy.

If there is one upside amid this enduring inequity, it is the following: With gender disparity ever more in the headlines, discussed in social media, or included in corporate mission statements, awareness is growing. Moreover, that is important because it means consumers, Chief Executive Officers (CEOs) and investors are more likely to take action.

**Consumers**, especially women, who control up to 80% of all consumer purchases, can choose to buy from companies that are addressing gender issues—an example of womenomics™ in action.

**Corporations** can be more inclusive in hiring, branding and product development, potentially improving their standing in the marketplace, especially among women consumers. A global consumer products company, for instance, recently announced it would drop sexist stereotypes from its advertising.

**Investors** can analyze gender related data, pinpointing those companies that are making progress in this area and those that are not. They may also engage in gender analysis as a way to strengthen a portfolio, increase diversification and fine-tune risk.

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**DEFINITIONS**

**Gender** is a socially constructed concept, fluid rather than fixed (see Criterion Institute definition, page 3).

A **lens** is a way to find additional information and highlight patterns.

**Gender lens**, or gender analysis, can help present new perspectives, highlight poorly understood inequalities, uncover new opportunities, and find value where none was found before.

**Gender lens investing** (GLI) is the intentional incorporation of gender-based factors into investment analysis with the intention of driving financial performance and social benefit.

**Womenomics™** is the study of the growing economic power of women and of underlying gender-related trends in education, social status, employment and entrepreneurship.

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A **RANGE OF GENDER LENSES**

A lens is a point of view by which we can analyze investments and seek opportunities. Dominant gender lenses look for gender and diversity as a driver of corporate value, attractive investment characteristics, and domestic and global economic growth.

**Gender and diversity as a driver of corporate value**

The employment of women, especially in leadership roles, can positively affect the financials of companies. Studies have found the following:\[4,5\]

- Over a five-year period (2011-2016), U.S. companies that began the period with at least three women on the board experienced median gains in return on equity (ROE) of 10 percentage points and earnings per share (EPS) of 37%. (Three women is considered a “tipping point” of sorts in terms of improving performance.)

- Companies that had no female directors as of 2011 experienced median changes of -1 percentage point in ROE and -8% in EPS over the study period.

- Considering 366 public companies, those in the top quartile for gender diversity (defined as having a greater share of women in their leadership) were 15% more likely to have financial outperformance above their respective national industry medians between 2010–2013.

- Companies in the U.K. showed a 10% increase in senior management gender diversity corresponded with a 3.5% increase in EBIT [earnings before interest and taxes] between 2010–2013.

- Companies in the bottom quartile for gender, ethnicity and race were statistically less likely to achieve above-average returns over the mean between 2010–2013.

**What’s the connection?**

Some studies hypothesize that strong performance may derive from better decision-making by a more diverse group of directors. Outperformance may also be tied to greater gender diversity among senior leadership and the rest of the workforce, which has been correlated with reduced turnover and higher employee engagement. Leadership behaviors more often applied by women may reinforce a company’s organizational performance on several dimensions, and gender diverse teams may make better decisions.

While the advantages of women in the boardroom are reasonably well documented, the benefit of adding women may extend across an entire company, from management through the supply chain. Exploring the policies, practices and results of a company in...
areas from promotion practices to flexibility, from sourcing contracts to board nominations, can provide just a few examples of workplace equity lenses that can drive stronger businesses.

**Gender diversity and access to capital**

Using a gender lens to review the patterns of capital flows in a sector enables investors to find potentially attractive investments as well as opportunities to shift social benefit. Women entrepreneurs and inclusive teams often represent worthwhile investments—whether they run micro or high growth businesses in the developed or the developing world—yet they are continually capital constrained compared to men entrepreneurs. Here is some meaningful “gendered” data.

**60% not 90%**: While many people think 90% of microfinance loans are made to women, the number has been near 60%—and drops even lower for larger loans.6

**Higher revenues with less capital**: In the United States, the average venture-backed company run by a woman had annual revenues 12% higher than those run by men in 2014, while using one third less committed capital.7

**Fewer funds, outperformance**: Women represent just 21% of Chief Investment Officer (CIO)/portfolio manager roles in alternative-investment funds. Even so, between 2007 and 2015, an index focused on women-run hedge funds, the HFRI Women Index, had a total return of 59.43% while two broader industry benchmarks, the HFRI Fund Weighted Composite Index and the HFRX Global Hedge Fund Index, had total returns of 36.69% and -3.28%, respectively.8

**Gender** is a social construction that assigns value. Counting sex is about whole numbers (how many women, how many men), but gender is a dynamic concept that defines norms, behaviors, identities and how those are (or are not) valued in a culture. Gender analysis, like financial analysis, seeks to assess how value is constructed and assigned.”

*The Criterion Institute*

### Gender and diversity as a driver of attractive investment characteristics

Various reports find differences in corporate performance at companies with more gender diversity:

**Return on equity**: Corporations with at least one woman on their board outpaced those with no women on their board. Larger companies (those with a market capitalization above $10 billion) outperformed by 5% and smaller companies (below $10 billion) outperformed by 2.5% between 2005–2013.9

**Dividends**: Earnings paid out as dividends between 2005–2013 were higher at companies with more than 10% of women in top management positions compared to those with fewer.9

**M&A**: In terms of mergers and acquisitions, female CEOs tend to acquire less and divest more operations than their male counterparts. This may equate to a more considered approach to growing a business.9

**Products and Services**: With women making 80% of consumer decisions, companies are finally looking beyond “pink products” to design for the female consumer. The use of gendered data promises innovation in fields from life sciences to software—innovations that benefit all consumers. There is also opportunity in investment in products that address issues disproportionately affecting women such as maternal mortality, clean water, indoor air pollution, safety and human trafficking. Investing with a gender lens can help scale up the companies that significantly improve the lives of women and girls.

**Diversity and Volatility**: Companies with high gender diversity had less stock price volatility and fewer drawdowns, or price declines, than companies with medium gender diversity and low gender diversity. (See Exhibit 1) Commonly, adding stocks with lower price volatility to a portfolio can lower the overall risk component.10

**Millennials and Diversity**: The millennial generation (aged 21 to 35) may feel more empowered and actively engaged when they believe an organization fosters an inclusive culture. This is significant as estimates put millennials at close to 75% of the workforce by 2025, significantly weighing on the war for talent.11 Moreover, unhappy workers cost the U.S. about half a trillion dollars in lost productivity every year.12

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**Exhibit 1**: High Gender Diversity Companies had Lower Volatility and Fewer Drawdowns

Gender and diversity as a driver of economic strength

Gender parity not only can help companies become stronger, it may strengthen national and global economies, as well. According to a McKinsey report, the U.S and global economies could grow significantly if action is taken toward gender parity in society and the workplace.13

U.S. Economy and Parity. Growth could be $2.1 trillion in additional gross domestic product (GDP) by 2025 if all U.S. states match the states with the fastest progress toward gender parity in the workplace over the past decade—a best-in-class scenario. That’s a GDP growth rate of 3.1% by 2025 versus a 2.3% GDP growth rate in a business-as-usual scenario.

Global Economy and Parity. By advancing women’s equality at a pace that matches that of nations showing significant regional advances today (versus continuing with “business as usual”), the global gross domestic product (GDP) could grow by $12 trillion, or 11%, through 2025, compared to 2014 GDP. In a “full potential” scenario, with women participating in labor markets at the same rate as men, the report finds that the number could rise by $28 trillion, or 26%, through 2025, versus the 2014 rate. That impact is similar in size to the combined U.S. and Chinese economies today, the report says.

Corporate equality: multiple factors

Reviewing the array of elements in the relationship between gender diversity and corporate performance in the marketplace, RobecoSAM, an asset management company, constructed a scoring system. The RobecoSAM Gender Score ranks companies based on their performance on a range of key labor and gender-related criteria: 1. Diversity among executives, management and workforce (this category makes up a 28% weighting in the RobecoSAM scoring system); 2. Diversity consideration in the board nomination process (12%); Retention of female talent (24%); Equality of remuneration (16%); Approach to employee health, safety, well-being and satisfaction (20%).

RobecoSAM used these criteria to score companies between 2004 and 2014. They found that a high gender score portfolio outperformed a lower gender score portfolio by 11%. (See Exhibit 2.) While analysis of this kind is fairly limited today, it is growing in both frequency and importance.

Gender diversity and equality are becoming increasingly important issues for corporations. As evidence mounts that including men and women equally in the workforce has a positive effect on corporate performance, we believe more companies will make increasing gender diversity a top priority, especially at the management level.
Their commitment to gender diversity may be at a record high, yet many businesses are struggling to put that commitment into practice, and many employees may not be onboard. To level the playing field, companies need to treat gender diversity like the business imperative it is, and that starts with better communication, more training, and a clearer focus on achieving results.

WHAT CAN BE DONE?

Much has been accomplished in the U.S. to improve gender equality, especially in business and education. Women of working age are now almost half of the workforce (46.8%, according to U.S. Department of Labor statistics for 2015) and they are better educated than men (see sidebar: “Women and Education”). Yet much more needs to be done: The World Economic Forum’s Global Gender Gap Index 2015 places the United States at No. 28 out of 145 economies. Moreover, while the top quartile is an achievement in relative terms, we believe the nation should rank significantly higher.

To fix gender inequality

Researchers and practitioners have aligned on the most efficient means by which to progress towards inclusion, and offer the following suggestions:15

- Track metrics: Data brings the challenges and opportunities to light.
- Demonstrate gender diversity is a top priority: Visible commitment and engagement from senior management leads to broad buy in and employee engagement.
- Identify and interrupt gender bias: Many male and female workers do not see bias. Training and support, especially in hiring and performance management, creates new patterns. For instance, eliminating questions around what job candidates think they should earn, as women consistently ask for less than men.
- Rethink work: Holistic solutions, which are flexible and family friendly create more opportunity for all workers, especially if the culture clarifies they are expected to be used.
- Create a level playing field: Training and rewarding managers in using mentorship and sponsorship supports the women on their team. Employee networks also have been shown to foster engagement, retention and advancement.

Real world actions

Here are steps companies in diverse industries have taken that have advanced gender equality. While we cannot assume that these actions were taken as a result of companies doing research or simply believing they were good for the business model, nevertheless they hold the potential to advance the empowerment of women, in the workplace and beyond.

- A global consumer products firm recently pledged to remove sexist stereotypes from its advertising (40% of women do not identify with how they are portrayed in ads, the company says).16
- A number of technology giants, including social media and search engine companies, are promoting diversity and inclusion, by changing hiring practices and running “unconscious bias” and other workshops.
- A major mining company recently announced plans for half its workforce to be female by 2025.17
- A U.S. based, global beverage company has established women’s empowerment programs in 40 or more countries to enable the economic empowerment of 5 million women entrepreneurs by 2020.18
- A U.S. based clothing company plans to educate one million women worldwide, in ways they can help advance in business and society, with programs on communication skills, financial literacy, problem solving, and health and wellness.19
- A clean energy company headquartered in Brazil is seeking to advance women’s participation in the development of environmentally friendly technologies. As part of this advancement, the project ensured that women made up half of leadership roles.20

Changes at the national level

Corporations are beginning to address gender-related issues and investors are finding that investing with a gender lens can achieve generally positive results. However, where gender inequality is deeply entrenched at a social level, it can often be a result in part of long-standing government regulation. Some 155 economies, for example, have laws impeding women’s economic opportunities.21 These can range from requiring a husband’s signature to work to an inability to inherit property to challenges in getting children’s citizenship. The World Bank counted 65 governments taking legal action, between 2014 and 2016, to combat gender inequality in the workplace and elsewhere. In instances where such structural inequity exists, government policy, in addition to broader societal bias, needs to be addressed.
The following are some examples of specific steps promoting equality that governments have taken in this century:

- **Vietnam’s “Law on Gender Equality”** went into effect in 2007 and was designed to promote women’s advancement in the fields of labor, education and healthcare.

- **France’s “Law on real gender equality,”** implemented in 2014, includes gender quotas with respect to corporate boards of medium and large firms.

- **The U.K.’s “Equality Act of 2010”** highlights the right for men and women to equal pay for equal work.

These are positive steps, obviously, and yet parity can be hard to come by. The U.S. has long been a champion of pay equality in the workplace—the “Equal Pay Act of 1963,” for example, was designed “to prohibit discrimination on account of sex in the payment of wages by employers engaged in commerce or in the production of goods for commerce”—and yet discrepancies by gender persist, and are proving tenacious. Clearly, federal (and state) laws that support diversity or women’s empowerment in any part of the world must be accompanied by consistent implementation, and accurate measurement of that implementation—otherwise change will continue to come all too slowly.

### WOMEN AND EDUCATION

#### Higher Education

Higher education is considered a gateway to advancement in the workplace. The underrepresentation of women in business, particularly in the upper levels of management, points to a notable waste of talent. As organizations do a better job of incorporating women’s skills, they stand to benefit from it on the financial bottom line.

#### Science, technology, engineering and mathematics (STEM)

Expanding the ranks of women in science, technology, engineering and mathematics (STEM) is particularly important, for the economy as well as for women themselves. According to “Women in STEM,” a communication formerly available on whitehouse.gov: “Supporting women STEM students and researchers is not only an essential part of America’s strategy to out-innovate, out-educate, and out-build the rest of the world; it is also important to women themselves. Women in STEM jobs earn 33 percent more than those in non-STEM occupations and experience a smaller wage gap relative to men. Increasing opportunities for women in these fields is an important step towards realizing greater economic success and equality for women across the board.”

According to a Pew Research Center study and Census Bureau data:

- 55% of undergraduates enrolled at four-year colleges are women (as of 2014).
- 37% of U.S. women ages 25 to 34 have at least a bachelor’s degree, compared with 30% of men in the same age range (2013).
- 12% of U.S. women ages 25 to 34 have a master’s, doctorate or professional degree, compared with 8% of men in the same age group (2012).
BENEFITS OF EDUCATION IN LOW-INCOME/ HIGH-CONFLICT COUNTRIES22

- One additional school year can increase a woman's earnings by 10%-20%.
- Girls with secondary schooling are three times less likely to marry as children compared to girls who have little or no education.
- The child of a mother who can read is 40% more likely to live past age five.
- Investing in girls' education in Sub-Saharan Africa can boost agricultural output by 25%.

ACHIEVEMENTS IN EDUCATION IN LOW-INCOME/ HIGH-CONFLICT COUNTRIES (2002-2014)23

- An additional 9.3 million girls enrolled in school.
- Percentage of girls completing primary school increased from 57% to 71%.
- The number of out-of-school girls dropped by 22%.
- The number of girls completing school for every 100 boys rose from 74 to 88 for primary, and from 68 to 82 for lower secondary.

GENDER LENS INVESTING ON THE BRINK

Gender lens investing is a fairly new investment approach—experts trace its origin to 2009 or thereabouts—but it seems poised for the spotlight, and we believe the data support this view.

AUM: Gender lens mandate-focused assets under management (AUM) grew from $100 million in Sept 2014 to $560 million in June 2016, close to a 500% increase, according to a report from Veris Wealth Partners.24

Data: Reliable data that highlights the potential benefits of gender parity in corporations, once quite scarce, is far more available today. Where once there were few if any metrics on GLI, there is now a range of gender-focused data including indexes such as the MSCI Women's Leadership Index. The index "aims to represent the performance of those companies that exhibit a commitment towards gender diversity among their board of directors and among the leadership positions."25

Facts on investing with a gender lens

- The number of public market (equity and debt) gender lens focused mandate solutions rose from nine in September, 2014 to 15 in June, 2016.25
- Private debt and equity strategies increasingly are incorporating gender—from approaches to invest in gender diverse entrepreneurial teams to funds targeting areas such as women's health or technology innovation driven by female consumers.
- Private equity investing, including venture capital (VC), an important source of innovation in the economy, offers investors opportunities to seek equitable practices within firms as well as in the portfolio companies in which they invest. Diverse partners may provide an advantage not only in sourcing deals but in delivering returns. According to a Harvard Business Review report, "With start-ups financed by all-male VCs, there is a whopping 25 percentage-point difference in the exits of female-led and male-led start-ups. However, when start-ups are financed by VCs with female partners, that difference disappears. There is no meaningful difference in the success rates of female- and male-led start-ups when they're financed by VCs with women partners. These findings suggest that, somehow, VCs with female partners are better able to evaluate or advise female-led start-ups, or both, to the point that there's no performance gap between start-ups led by women and those led by men."27
- Investors may also look for funds managed by women and/or investment firms with women as significant owners. However, they may have to look quite hard. A 2015 study by Morningstar found that among 7,410 portfolio managers of U.S. mutual funds, just 9.4% were women. In addition, while 77.9% of funds were run by men only, just 2.5% were run by women only. The reasons for this vary, including investors' own biases about who they trust to manage capital. Even so, gender lens investors should seek out talented women investors across all asset classes, as well as fund programs that allow women investors the training and capital they need to launch funds.

INVESTING IN GLI

Do you find the growing economic case of gender equality compelling? Does the opportunity to support companies that are improving the lives of women and girls by, for example, shrinking the corporate gender gap, producing products that are focused on the needs of women and girls, or supplying capital to companies owned or founded by women connect with your values? If so, you can begin to integrate gender lens strategies into your portfolio.
TYPES OF STRATEGIES GENDER LENS INVESTORS EMPLOY

Strategies can use different types of gender lenses.

Gender mandate strategies are those with an overarching hypothesis around gender equality as a driver of long term performance. Mandate strategies might take the form of seed stage funds investing in inclusive founding teams, public equity strategies looking for leading companies in their industries or venture investors incorporating gender analysis in their product review—but they are differentiated in starting from a clear hypothesis. For example:

- An emerging markets (EM) fund manager sees an opportunity in closing the capital gap for women-led small and growing enterprises.
- A fund investing in women film directors sees the audience they may find as underserved.
- An agriculture fund focuses on borrowers who specifically empower women small-scale farmers.

Gender aware strategies deliberately incorporate gender factors, as well as many other factors into their analysis. For instance, a public equity manager searching for companies with potential could look for ESG data such as the percentage of women in management and support for family leave, or whether a company is signatory to the Women’s Empowerment Principles. Or a private equity fund manager might question companies on their gender differentiated data and opportunities to create product leadership through a gender lens. These strategies, while not driven by a particular hypothesis of gender factors such as driving return or impact, are aware of the value of including the data analysis.

Gender advocacy strategies use a shareholder engagement strategy, such as voting against all-male board slates or pushing for positions on equal pay. While most prevalent in public equity, examples of venture investors building inclusive ecosystems among their portfolio companies are becoming more common. For example, Kapour Ventures requires all portfolio companies to sign a “founder’s pledge” and seek diversity in board, executive and policies from the start.

Gender systems strategies seek to address social challenges that disproportionately affect women, such as low income housing (given that women are disproportionately poor, single heads of household, when compared to men), urban design or transportation.

Institutional review. Investors may also ask questions about the policies and practices of the investment firms themselves. Some gender lens investors specifically seek out women-owned firms or women fund managers. Others ask for the breakdowns of gender diversity by role and the ways in which the firm is demonstrating its own commitment to reap the benefits of diverse teams.

TRENDS

The potential benefits of inclusion
A growing body of evidence points to female leadership and gender diversity in corporations as factors for growth. Large corporations with at least one woman on the board have shown 5% greater return on equity versus those with none.28

Interest among investors
58% of wealthy investors say that environmental or social impact (including gender) are important in their investment decisions.29

Interest among female investors
77% of women say they want to invest in companies with diversity in leadership.30

Interest among millennials
85% of millennials say they currently own or are interested in owning impact investments.31

Investment in gender strategies
GLI affects the management of nearly $132 billion in money manager assets, and $397 billion in institutional investor assets.32

Gender lens mandate strategies (equity and fixed income)
Rose from a handful a few years ago to about 15 in 2015, with more in development.33

Data reporting
Examining the historical impact of including gender factors in financial analysis has been challenging due to lack of data. However, the increasing interest among investors, as well as growing commitment to managing diversity for business benefit, has expanded. The proportion of companies reporting indicators on pay equity either publicly or directly to RobecoSAM for the Dow Jones Sustainability Index rose from 21% to 31% between 2012 and 2016, and the proportion of companies reporting very detailed breakdowns of their management level workforce grew from 29% to 44%.34
CONCLUSION

We find the evidence to be compelling: When companies take steps that can benefit women—by reducing workplace inequity (especially in the executive suite), developing and manufacturing products inclusive of women’s needs, or providing capital to businesses founded or run by women—they stand to strengthen not only their own bottom lines but, more broadly, national and global economies, as well.

Investing in ways that support these outcomes—in other words, investing with a gender lens—is a relatively new strategy, with only modest assets under management but with growing ways to invest. Notably, evidence suggests that women and millennials favor impact investing, which includes gender lens investing. We believe that more investors—and not just female or young investors—will see the benefits of the approach and add more of these investments to their portfolios.

It is important to recognize that strategies such as gender lens investing do not eliminate the risks involved with investing. All investments carry some degree of risk and can lose some or all of their value. For example, investment value might rise or fall because of market conditions, corporate decisions or political or economic events (to name a few).

If you are considering investing with a gender lens, be sure to talk with your advisor about your plans and understand how gender lens investing may align with your overall investment strategy, investment timeline, and appetite for risk. The field is continually emerging and we believe that the economic drivers fueling its growth remain sound. Your questions and interest may become part of the movement.
ENDNOTES

2. Census Bureau reports and data, 2016.
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Past performance is no guarantee of future results.

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Social impact investing is a relatively new and evolving investment opportunity which is highly speculative and involves a high degree of risk. An investor could lose all or a substantial amount of their investment. Investments focused in a certain industry may pose additional risk due to lack of diversification, industry volatility, economic turmoil, susceptibility to economic, political or regulatory risks and other sector concentration risks.

The investments discussed have varying degrees of risk. Some of the risks involved with equities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Bonds are subject to interest rate, inflation and credit risks. Investments in high-yield bonds may be subject to greater market fluctuations and risk of loss of income and principal than securities in higher-rated categories. Historically, municipal bonds have been high-quality investments relative to other fixed income securities. However, not all municipal bonds are high grade, and when deciding whether to invest in municipal bonds, you should consider: default risk, market risk and liquidity risk. Income is generally exempt from federal taxes and state taxes for residents of the issuing state. While the interest income is tax-exempt, capital gains, if any, will be subject to taxes. Income for some investors may be subject to the federal Alternative Minimum Tax (AMT). Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging and frontier markets. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates and risk related to renting properties, such as rental defaults. There are special risks associated with an investment in commodities, including market price fluctuations, regulatory changes, interest rate changes, credit risk, economic changes and the impact of adverse political or financial factors.

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