

Investment Theory of Change Frequently Asked Questions

1. Do you have a theory of change for the Equality Fund overall? How does the investment theory of change intersect with it?

The Equality Fund is currently developing a theory of change to guide our work as a whole. We are collaborating internally to ensure coherence between these two critical pieces of work. The investment theory of change is a living tool that will be updated and refined over time to reflect organizational learning and key pieces of work, including our organizational theory of change.

2. Financial markets don't exist for the purpose of generating income for feminist movements. Why are you attempting to utilize them for this purpose?

The work of feminist movements is too urgent—and funding them sustainably is too important—not to experiment and innovate with every lever of change we have. While our approach is unique, we are very confident in its promise. Gender-lens investing offers a chance to realize the potential of capital to advance social returns in addition to financial returns. With our model, we make money work twice: capital generation and using capital itself as a tool for change. We are not fundamentally changing the purpose of financial markets; rather, we are demonstrating how changing the power dynamics of financial markets and transforming capital flows can advance global feminist change.

3. There are risks inherent in a market-based approach and in investing. How can the financial markets and investments bring about change?

We are very clear-eyed about the risks of the financial ecosystem. For centuries, it has been a driver of inequality, injustice, and environmental degradation. With thoughtful partners, policies, and protocols, we seek to minimize this risk and maximize untapped potential.

For example, we have an Outsourced Chief Investment Officer, RockCreek, who will manage the investment portfolio to generate targeted investment returns and manage risk within predefined risk tolerances, in accordance with the Investment Policy Statement. We have a number of risk mitigation strategies in our model, including a diverse asset allocation, clearly defined risk tolerance boundaries, a liquidity strategy, and a long-term hold strategy where prudent and appropriate.

We believe that the potential of financial markets to generate income for feminist movements can only be meaningfully realized if we address entrenched power dynamics directly. Gender-lens Investing is presenting opportunities to challenge the assumption that investment choices must be driven exclusively by profits, and to shift how investment decisions are made in ways that address structural inequalities, promote environmental health, and improve people's lives in a holistic manner. Over time, with vigilance and dedication, gender-lens investing can contribute

to lasting change by more effectively integrating the leadership and perspectives of women, girls, and non-binary people into investment decision-making.

4. The Vision refers to global feminist change. Does EF have a definition of “global feminist change”?

The Equality Fund is currently undertaking an inclusive process, guided by input from diverse feminist movement leaders, to fully illuminate the rich meaning of feminisms and “feminist change.”

While we have a working definition of “global feminist change” based on stakeholder input from the investment theory of change, we have chosen not to include this explicitly at this stage so that we can reflect the rich input of the organization-wide process already underway.

The results of all of this work will be integrated into the investment theory of change in future iterations.

5. The Outcomes section reference that the Equality Fund will work with partners and peers to build and showcase a wide array of products and investment strategies that advance global feminist change. Will the Equality Fund be building these products themselves, or will they showcase products built by others in the ecosystem?

While there are opportunities that are aligned with the goals of the Investment program, the Equality Fund will work with our Outsourced Chief Investment Officer to build new products (for example, the Equality Fund RockCreek Fixed Income Strategy). However, we recognize that we are one organization in the broader ecosystem and by no means will we be addressing every gap in the market. As such, we will also endeavour to highlight the work of partners in the ecosystem and their products, to help crowd in capital and grow the field of gender-lens investing.

6. The Activities section refers to Indigenous communities and historically marginalized communities. Does EF have a specific focus to fund Indigenous communities?

The lens we bring to our investment work recognizes that there are multiple groups of historically underrepresented communities, and it very much includes Indigenous communities. At present, we seek opportunities to invest in multiple historically-underrepresented communities simultaneously, rather than focusing on investments targeted to one.

7. How does the investment theory of change relate to the Shared Hopes report?

Our commitment to share the investment theory of change is also an important part of our ongoing accountability to feminist movements. We included this specific commitment in [Shared Hopes](#), a report on the many ways we are responding to over 60 recommendations [gathered from feminist movement leaders across the world](#) about our grantmaking, investment, philanthropy, and governance and accountability.

The highly collaborative process we used to develop the investment theory of change also generated important insights that inform two updates in our journey. First, in the Shared Hopes report (response 7c), we originally noted that “the investment strategy will be reviewed annually.” It is now clear to us that a thoughtful review process takes a few months for each level of governance (including the Investment Advisory Council, the Investment Committee, and the Equality Fund Board). A yearly timeline would effectively mean that we are in a constant state of review and assessment, without meaningful time for implementation and learning. Therefore, we are amending the review process to once every two years.

Second, when we started our process to develop ethical and environmental risk guidelines (*Shared Hopes* response 8a/b) for our investments, we had envisioned three distinct but interconnected pieces of work: the investment theory of change; the gender-lens framework; and, finally, the ethical and environmental risk guidelines.

As we worked through the RFP process, we found that most of the submissions for ethical and environmental risk guidelines were standalone, and were not integrated with the first two pieces. With further reflection, we decided to adjust and evolve the three core tools as follows:

- 1.) **Investment theory of change**
- 2.) **Intersectional investment guidelines**, a set of guidelines that build from the investment theory of change and lay out the high level framework to guide considerations for Equality Fund investments
- 3.) **Gender-lens criteria**, specific screening criteria for Equality Fund investments in private markets

Now that we have completed the first iteration of the investment theory of change, we will focus on developing the second and third tools above. We expect to complete these by summer 2022.