# Letter from Chuck Clough

## Fiscal Q2 Results

### Clough Global Dividend and Income Fund (GLV)

During the fiscal quarter ended April 30, 2018, the total net return of the Clough Global Dividend and Income Fund (the "Dividend and Income Fund"), assuming the reinvestment of all dividends, was -4.27% based on net asset value ("NAV") and -6.45% based on market price. The fund's blended benchmark (50% MSCI World Index and 50% Bloomberg Barclays U.S. Aggregate Index) returned -3.02% during the same period. During the quarter, the fund paid 0.36 per share in distributions. As of April 30, 2018, the fund had a distribution rate on market price of 11.39%.

### Clough Global Equity Fund (GLQ)

During the fiscal quarter ended April 30, 2018, the total net return of the Clough Global Equity Fund (the "Equity Fund"), assuming the reinvestment of dividends, was -3.49% based on net asset value and -3.60% based on market price. The fund's benchmark, the MSCI World Index returned -4.99% during the same period. During the quarter, the fund paid 0.38 per share in distributions. As of April 30, 2018, the fund had a distribution rate on market price of 11.35%.

### Clough Global Opportunities Fund (GLO)

During the fiscal quarter ended April 30, 2018 the total net return of the Clough Global Opportunities Fund (the "Opportunities Fund") was -4.11% based on net asset value and -4.23% based on market price. The fund's blended benchmark (75% MSCI World Index and 25% Bloomberg Barclays U.S. Aggregate Index) returned -4.00%. During the quarter, the fund paid 0.31 per share in distributions. As of April 30, 2018, the fund had a distribution rate on market price of 11.65%.

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The Equity, Opportunities, and the Dividend and Income Funds were all down on net asset value with the market and their benchmarks in the second quarter ending April 30, 2018. The Dividend and Income Fund was down the most of the three funds due to rising interest rates and negative sentiment toward income-oriented equities. We would expect this type of divergence in returns amongst the funds during a period of rising interest rates. All three funds have rallied significantly to date during the third fiscal quarter.

### Top Five Contributors

CRISPR Therapeutics (CRSP) was a top contributor in the Equity and Opportunities Funds. CRISPR, a gene editing company, gained after reiterating it is on track to be the first U.S. based gene editing company to enter the clinical trials. CRISPR plans to initiate a phase 1/2 trial in the European Union in beta-thalassemia in the second half of 2018. Also, CRISPR announced its plans for an investigational new drug ("IND") application in the United States by the end of 2018 for its CRISPR-based CAR-T therapy, CTX101.

Apellis Pharmaceuticals (APLS) was a top contributor in the Equity and Opportunities Funds. Apellis, a rare disease company, announced positive data for its phase 1b trial in paroxysmal nocturnal hemoglobinuria ("PNH"), a rare disease of the blood. Apellis expects to initiate a phase 3 trial in the second half of 2018. Apellis also expects to initiate a phase 3 trial in geographic atrophy in the second half of 2018.

Carvana Co (CVNA) was one of the largest gainers in the Equity Fund. Carvana is an online used car retailer that, despite being founded only five years ago, already serves over 40% of the U.S. market. The company is growing revenues in excess of 100% annually by disrupting a large and fragmented industry (the largest used car retailer has only a 1.7% market share). Carvana entered 23 markets in 2017 and expects to enter 30-40 additional ones in 2018. It offers the customer a very attractive proposition by providing an online platform where a consumer can find, finance, and purchase a car in less than 10 minutes, having chosen from a pooled inventory of over 10,000 vehicles at prices that are on average nearly $1,500 less than Kelley Blue Book values. Its unique business model deploys a capital-light market expansion strategy, building centralized inspection and reconditioning centers that give the company strong competitive advantages of scale. This contrasts with the traditional industry model of committing millions of dollars in investment in inventory, bricks and mortar, and selling, general and administrative expenses at dealerships offering limited inventory in each individual market.

We do not think Carvana's valuation remotely reflects this combination of a huge growth opportunity, a great product offering, and scalable economics. Led by a talented founder-CEO with a significant ownership stake in the business, we anticipate the company is likely to continue to enjoy significant growth in revenue along with rapidly improving unit economics.

Amazon Corp (AMZN) was a top performer in the Opportunities Fund. Amazon is a widely held and well known company. What particularly attracts us at this point in the company's development is the opportunity to leverage its Whole Foods acquisition. Amazon remains one of the world's fastest growing companies, expanding revenues at a 25-30% rate while generating higher gross margins. New initiatives such as international expansion in Brazil, Australia and Singapore, improving convenience via grocery delivery and retailer partnerships, and above 40% growth in Amazon Web Services (Amazon's Cloud Venture) are all contributors to its growth.

Mahindra and Mahindra (MM IN) is India's largest tractor company and a top contributor in all three funds. We believe that Prime Minister's Modi's efforts to improve the efficiency of the economy will benefit a large swath of India's population, but particularly India's farmers. With rising incomes, investments in productivity enhancing products such as tractors will increase. Our thesis was confirmed recently, as the company achieved its highest ever sales level in tractors growing 22% over the previous year's levels. We are strong believers in India's consumption growth and the company should be a beneficiary of these trends over the coming years. In our view, the company is attractively valued versus its growth rates as well as compared to other consumption stories in India.

Starwood Property Trust (STWD) was a top performer in the Dividend and Income Fund. We still see attractive income set at fair prices in the commercial mortgage real estate investment trust ("REIT") and business development company equities like Ares Capital Corp (ARCC) And Starwood Property Trust (STWD). Unlike traditional REITs, whose business models and ability to earn their dividends could come under pressure from rising interest rates, commercial REITs and business development companies are designed to grow earnings and dividends from rising interest rates in a healthy economy. We opt to invest in managers with a proven track record in credit across multiple business cycles. We think these names have the potential to increase in price from current levels in addition to their 8% to 10% dividends.

Airbus (AIR FP) was a top performer in the Dividend and Income Fund. Airbus is at an inflection in margins and cash flow being driven by the ramp of the A320neo as well as diminishing headwinds from the A350 and A400M programs. Investors are beginning to anticipate not only the acceleration in free cash flow but also its possible use for increasing dividends and repurchasing shares. That combination drove outperformance in Boeing shares once it passed the peak of 787 headwinds, and investors are beginning to appreciate a similar dynamic developing at Airbus.

The short position in IBM (IBM) was a top contributor in the Dividend and Income Fund. IBM faces severe industry headwinds and declining revenues in its basic businesses as well as funding demands for investments in its emerging cloud businesses where strong entrenched competitors are already dominant. Cash flow has been poor, generated by one-time items like tax benefits, and balance sheet debt is rising since that cash flow is unable to fund its dividend and stock buyback strategies.

The short position Manhattan Associates (MANH) was a top contributor all three funds. We believe MANH is challenged software provider whose client base, traditional brick and mortar retail are shrinking.

## Top Five Detractors

Baker Hughes Corp (BHI) was a top detractor in all three funds. The position has subsequently been sold. We purchased Baker Hughes thinking that margins would expand in the company's key Turbo Machinery and Process Controls business. But operating problems continue to linger in that business, far longer than they should have, and we decided our investment was premature.

Kinder Morgan (KMI) was a top decliner in all three funds. Kinder Morgan is the largest energy infrastructure company in North America, operating approximately 85,000 miles of pipelines and 152 terminals. We view the business as a great way to gain exposure to North America's prodigious natural gas production with little exposure to the volatile price of natural gas itself. The company derives 90% of its earnings before interest, taxes, depreciation and amortization ("EBITDA") from multi-year fee-based contracts, with minimal re-contracting risk each year. While energy pricing and profitability have been on a roller coaster ride over the last few years, Kinder Morgan has benefited from a remarkably stable business model underpinned by unique assets such as the company's Tennessee Gas and El Paso properties. Given that Kinder Morgan is organized as a C Corporation rather than a master limited partnership ("MLP"), the company pays a standard dividend which can grow over time. In contrast, MLPs pay out the bulk of their earnings and they can become cash short, so distributions are volatile. Founder Rich Kinder, who remains Chairman and retains a significant equity stake in the company, pioneered the use of the MLP structure in the 1990s, and was the first to convert back to a C Corporation, committing to internally fund all growth capital expenditure, share buybacks and dividends. Given these fundamentals, and noting a greater than 5% dividend yield and best-in-class dividend growth and coverage, we view Kinder Morgan's valuation as very attractive.

We wrote down a portion of the private investment in Fairway Energy in all three funds. Fairway is a crude oil storage company in the Houston area with a 10-million barrel storage terminal capable of receiving crude from the Permian Basin, the Eagle Ford Shale formation, as well as Canada/Mid-continent production locations. The company's utilization rates have been depressed by backwardation in the crude oil price curve, wherein deferred futures prices for crude are depressed relative to the price of near term deliveries. This discourages holding crude inventories and of course reduces demand for storage. In addition, the company currently faces intense competitive pressures and higher than expected transportation costs.

Bristol-Myers Squibb Company (BMY) was a top detractor in the Dividend and Income Fund. Bristol-Myers, a large pharmaceutical company, declined after competitor Merck announced positive data for its non-small cell lung cancer ("NSCLC") treatment. This positive data puts Merck in a leadership position for the treatment, and puts Bristol Myers behind Merck as of the most recent data for each company.

Citigroup (C) was a top detractor in all three funds. We are still very bullish and are maintaining our position. Citigroup, along with Bank of America and JP Morgan (also held in all three funds) are three of a handful of well capitalized and strongly franchised U.S. banks which have restructured their way to more consistent and profitable growth. Banks are now generating higher return on equity ("ROE"), they are earning more than their cost of capital and book values are growing. We believe that should lead higher stock prices to book ratios.

Finally, Alibaba (BABA) was a top detractor in the Equity and Opportunities Funds. Alibaba, the premier e-commerce company in China was a strong performer in 2017. But in the most recent quarter, BABA experienced some margin pressure due to increased competition. This, along with recent 'trade war' worries with the United States, led us to exit the position.

## Our Latest Thoughts On China And India

As we noted in earlier letters, we think emerging market equities exposed to Asian consumption are where the best combination of both growth and value are currently found. Equities in both India and China have been underperforming ever since the aluminum and steel tariffs were announced but we think they will soon resume leadership. The contrast could not be starker between the outlook for consumer spending in the U.S. and Asia.

### *INDIA*

We think the best time to invest in emerging markets is when a dysfunctional financial sector is being restructured. In India that began in late 2016 when Prime Minister Modi's demonetization policy drained the economy of most of its currency, forcing people to open bank accounts. This was transformational as people had to become accustomed to electronic payment systems and it put them into a position where they can access credit. People began to use debit and credit cards and e-wallets. It should be no surprise in India's freewheeling capitalist economy that digital payment posts suddenly popped up everywhere to ease the process of adjustment.

The stock of gold in India historically has roughly been equal to the stock of deposits, both as a means of tax avoidance and a store of value. Tax receipts are now growing twice as fast as gross domestic product ("GDP"). The migration of those gold holdings to bank deposits is likely to lead to a sharp rise in the volume of financial assets, since deposits can be mobilized to grow the economy while gold cannot.

Private institutions are at the heart of this revolution. We believe that the best way currently to invest in housing in India is via private banks and mortgage lenders like HDFC Corp. and Indiabulls Financial. Indiabulls is the lesser known of the two companies but it is anticipated to grow 20% while sporting a price to earnings ratio of 12.5x forward earnings. The companies have avoided most of the lending pitfalls in India, hold higher quality assets and as a result enjoy lower funding costs. We think private financial companies can sell at much higher price to book ratios than they do today. They hold 50% of the low cost deposits but make up only 25% of the total market capitalization for banks. Housing for all by 2022 is a major government goal.

Secondly, the very public events surrounding Punjab National Bank, a state owned bank which lent to the promoter of Gitanjali Gems, hurt Indian bank stocks when they were first reported, but the incident provided evidence that the new bankruptcy law, which establishes time limits within which insolvencies have to be resolved, is working. India's public sector banks were notorious for allowing defaulted loans to persist, allowing asset stripping to continue along with them and dragging down bank solvency.

Third, India moved up the World Bank Ease of Doing Business Index, from 142 in 2014 to 100 in 2018. Regulations are being rationalized and infrastructure is improving. Japanese capital has been in India since the 1980s when Suzuki and Honda built facilities. Now these companies are building parts plants inside India to replace imported parts. Stock market and investment cycles tend to go hand in hand.

Fourth, the Goods and Services Tax removed a major productivity barrier and economies of scale can be realized for the first time. Before its implementation, trucks had to line up at each state border to calculate and pay taxes and companies could only build low volume manufacturing and logistics facilities in each of India's 29 states to avoid hefty border taxes. Now they can deliver goods anywhere non-stop and a larger and far more efficient capital stock is being built. New highways are opening up. All of this is starting from a very low and unproductive base but the upside is large. Indian stocks have recently suffered from a bad market selloff and a weak currency and they now offer good value in our opinion.

### *CHINA*

China will continue to be in the news as other nations work out their relationships with this emerging giant and its authoritative political system. In the midst of noise over tariff levels, debt and corporate governance, more positive longer term trends should be kept in mind.

For one, financial regulations are moving in a market friendly direction. The merger of banking and insurance regulatory bodies is a move towards better governance and the clearing up of financial irresponsibility. The crackdown on shadow banking in China is deflationary but we think bullish as asset quality improves. Bank asset growth is slowing and the growth in bank claims on other financial institutions (banks lending to non-banks) has virtually come to a halt. Many loans which were disguised as wealth management products are now on bank balance sheets. All this seems bullish to us, particularly for bank profits. For one, consumer lending, which is far more profitable, rose from 24% of the total in 2014 to 45% in early 2018.

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Chinese households are moving up the income scale and reaching income levels where demand for financial services emerges. The Financial Times estimates that China's mutual fund industry could grow fivefold by 2025. Today, a mere 5% of China households' assets are held in mutual funds. One beneficiary is Ping An, a diversified Chinese financial conglomerate with a strong insurance franchise. We see a major structural change occurring in China's insurance industry. Insurance as a product is changing from a savings product, which can be a volatile source of profits, to a protection product, a far more stable business. The company's growth, we think, can be 25% annually, yet the stock is priced at a 12x to 13x price to earnings multiple.

Secondly, we believe China will ultimately compromise on trade issues for two simple reasons. It is in their best interest and the U.S. has most of the leverage. It is already opening up education, healthcare and financial services to non-Chinese investors. Beijing is also likely to agree to American demands on issues like market accessibility and technology transfer.

The Chinese economy is becoming less imbalanced. The campaign to replace excessive investment by consumption is gaining steam and this should improve China's profit profile. China's GDP is up eight times since its World Trade Organization ("WTO") admission in 2001. Much of that was investment driven but today China's growth engines are far broader-based. Consumption represents 38% of GDP but provided 59% of the year's growth largely due to a boom in services which are far less capital intensive. Private savings rates remain high and now private investment, which rose 9% in the first quarter, is taking up the slack as government investment slows. The value of China's more modern capital stock, particularly in technology, is unquestionably rising. Stock markets are ratifying this by breaking out of ten year trading ranges.

China has to restructure a good part of its capital stock and that will be costly. They are not building capacity haphazardly the way they once did. Some estimates have it that China may have to write down as much as 20% of GDP. We think China has the flexibility to do so. The economy boasts of a large current account surplus, has high domestic savings and a closed capital account and financial system. The U.S. made a similar adjustment from a manufacturing to a services economy in the 1980s with none of those advantages.

## Fixed Income Allocation:

While we still maintain a long term low interest rate bias, we do recognize that rates, especially in the front end of the yield curve, are likely to go higher in 2018. We started repositioning the Dividend and Income Fund as well as the Opportunities Fund for this scenario at the end of 2017. Both funds allocated capital away from fixed income and into equities. The Dividend and Income Fund is now long 56% equities and 46% fixed income while the Opportunities Fund is now long 75% equities and 25% fixed income.

The funds have also taken a more conservative position within their fixed income holdings. In order to protect net asset value in a period when the Federal Reserve is raising interest rates, both the Dividend and Income and Opportunities Funds have reduced their duration to roughly 3 years (the duration of the Bloomberg Barclays U.S. Aggregate Index is roughly 6 years). We do not see significant price appreciation from a tightening in credit spreads and have limited our fixed income investments to U.S. Treasuries and investment grade credit.

## Fund Discount Management Program

The funds have taken a number of steps in the last year to shrink their price discount to net asset value. Throughout the past two years, Clough made a number of changes to reduce the expense ratios of the fund. Last year, the funds' Board of Trustees (the "Board") agreed to a managed distribution rate of 10% for the next two years. History has shown that funds with higher distribution rates tend to trade at more attractive valuations relative to net asset value. Finally, the Board also implemented a significant tender offer in November at 98.5% of net asset value. Clough and the Board will continue to look for other opportunities to take shareholder friendly actions that we believe will also shrink the fund's price discount to net asset value.

If you have any question, please contact Kevin McNally at 617-204-3411.

Sincerely,

Charles I. Clough, Jr.

Robert M. Zdunczyk

# CLOUGH CAPITAL PARTNERS

## Fund Performance (as of 6/30/2018)

### GLV - Global Dividend and Income Fund

| *Inception date 7/28/2004* | 1 Year | 3 Year | 5 Year | Since Inception |
|---|---|---|---|---|
| NAV* | 2.54% | 2.95% | 4.79% | 6.82% |
| MKT | 3.56% | 5.14% | 6.43% | 5.93% |
| 50% MSCI World Index/50% Barclays U.S. Aggregate Index | 5.59% | 5.50% | 6.48% | 6.30% |

### GLQ - Global Equity Fund

| *Inception date 4/27/2005* | 1 Year | 3 Year | 5 Year | Since Inception |
|---|---|---|---|---|
| NAV* | 21.13% | 7.84% | 8.01% | 7.68% |
| MKT | 26.08% | 10.11% | 9.71% | 6.94% |
| MSCI World Index | 11.70% | 9.10% | 10.55% | 7.58% |

### GLO - Global Opportunities Fund

| *Inception date 4/25/2006* | 1 Year | 3 Year | 5 Year | Since Inception |
|---|---|---|---|---|
| NAV* | 14.28% | 5.87% | 6.47% | 5.55% |
| MKT | 15.29% | 8.23% | 7.71% | 4.46% |
| 75% MSCI World Index/25% Barclays U.S. Aggregate Index | 8.63% | 7.32% | 8.53% | 6.02% |

* *Performance returns are net of fees and expenses.*

*The performance data quoted represents past performance. Past performance does not guarantee future results and current performance may be lower or higher than the performance quoted. Performance reflects the deduction of management fees and other applicable expenses.*

*Investment returns and value of the Fund shares will fluctuate so that in investor's shares, when sold, may be worth more or less than their original cost.*

## Top 10 Equity Holdings^ (as of 6/30/2018)

| GLV | % of Total Portfolio | GLQ | % of Total Portfolio | GLO | % of Total Portfolio |
|---|---|---|---|---|---|
| 1. Microsoft Corp. | 3.56% | 1. Starwood Property Trust, Inc. | 3.24% | 1. Starwood Property Trust, Inc. | 3.00% |
| 2. Starwood Property Trust, Inc. | 2.90% | 2. GCI Liberty, Inc. | 3.08% | 2. GCI Liberty, Inc. | 2.94% |
| 3. Citigroup, Inc. | 2.55% | 3. Blackstone Mortgage Trust, Inc. | 2.96% | 3. Citigroup, Inc. | 2.57% |
| 4. Ares Capital Corp. | 2.49% | 4. Ares Capital Corp. | 2.84% | 4. Facebook, Inc. | 2.29% |
| 5. Housing Development Finance Corp. | 2.08% | 5. Citigroup, Inc. | 2.59% | 5. Ares Capital Corp. | 2.24% |
| 6. Larsen & Toubro, Ltd. | 1.98% | 6. Facebook, Inc. | 2.39% | 6. Housing Development Finance Corp. | 2.09% |
| 7. Community Healthcare Trust, Inc. | 1.96% | 7. Carvana Co. | 2.36% | 7. Mahindra & Mahindra, Ltd. | 2.05% |
| 8. Blackstone Mortgage Trust, Inc. | 1.95% | 8. Microsoft Corp. | 2.35% | 8. Blackstone Mortgage Trust, Inc. | 2.02% |
| 9. Pfizer, Inc. | 1.95% | 9. Housing Development Finance Corp. | 2.26% | 9. Amazon.com, Inc. | 2.00% |
| 10. Airbus SE | 1.80% | 10. Amazon.com, Inc. | 2.01% | 10. Microsoft Corp. | 1.93% |

^ *Holdings are subject to change. Only long positions are listed.*
*Please see the full fund portfolio holdings under "Fund Information" on the Clough Global Website.*

***Past performance is no guarantee of future results.***

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## DISCLAIMER

*This letter is provided for informational purposes only and is not an offer to purchase or sell shares. Clough Global Dividend and Income Fund, Clough Global Equity Fund and Clough Opportunities Fund (the "Funds") are closed-end funds, which are traded on the New York Stock Exchange AMEX, and do not continuously issue shares for sale as open-end mutual funds do. The market price of a closed-end Fund is based on the market's value.*

*The information in this letter represents the opinions of the individual Portfolio Managers and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Past performance is no guarantee of future results.*

*MSCI World Index: a stock market index of world stocks. It is maintained by MSCI Inc. and is often used as a common benchmark for world or global stock funds. The index includes a collection of stocks of all the developed markets in the world as defined by MSCI. Source: MSCI. The MSCI information may only be used for internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)*

*The S&P 500 Index: Broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks commonly known as the Standard & Poor's 500® or S&P 500®. Index is unmanaged. It is not possible to invest directly in an Index.*

*The Barclays US Aggregate Bond Index ("Barclays Aggregate Bond"): measures the performance of the U.S. investment grade bond market. The Barclays Aggregate Bond index invests in a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States, including government, corporate, and international dollar denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year.*

*The net asset value (NAV) of a closed-end fund is the market price of the underlying investments (i.e., stocks and bonds) in the fund's portfolio, minus liabilities, divided by the total number of fund shares outstanding. However, the fund also has a market price; the value of which it trades on an exchange. This market price can be more or less than its NAV.*

### *RISKS*

***The Clough Global Dividend and Income Fund, the Clough Global Equity Fund and the Clough Global Opportunities Fund are closed-end funds and closed-end funds do not continuously issue shares for sale as open-end mutual funds do. Since the initial public offering, the Fund now trades in the secondary market. Investors wishing to buy or sell shares need to place orders through an intermediary or broker. The share price of a closed-end fund is based on the market's value. An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain an annual report or semiannual report which contains this and other information visit www.cloughglobal.com or call 1-877-256-8445. Read them carefully before investing.***

*The Fund's distribution policy will, under certain circumstances, have certain adverse consequences to the Fund and its shareholders because it may result in a return of capital resulting in less of a shareholder's assets being invested in the Fund and, over time, increase the Fund's expense ratio.*

*Distributions may be paid from sources of income other than ordinary income, such as net realized short-term capital gains, net realized long-term capital gains and return of capital. Based on current estimates, we anticipate the most recent distribution has been paid from short-term and long-term capital gains. The actual amounts and sources of the amounts for tax reporting purposes will depend upon the Fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. If a distribution includes anything other than net investment income, the Fund provides a Section 19(a) notice of the best estimate of its distribution sources at that time. These estimates may not match the final tax characterization (for the full year's distributions) contained in shareholders' 1099-DIV forms after the end of the year.*

*As a non-diversified investment company under the 1940 Act, the Fund is not limited in the proportion of its assets that may be invested in securities of a single issuer, and accordingly, may invest a greater portion of its assets in a more limited number of issuers than a diversified fund.*

*The Fund's investments in securities of foreign issuers are subject to risks not usually associated with owning securities of U.S. issuers. These risks can include fluctuations in foreign currencies, foreign currency exchange controls, social, political and economic instability, differences in securities regulation and trading, expropriation or nationalization of assets, and foreign taxation issues.*

*The Fund's investments in preferred stocks and bonds of below investment grade quality (commonly referred to as "high yield" or "junk bonds"), if any, are predominately speculative because of the credit risk of their issuers.*

*An investment by the Fund in REITs will subject it to various risks. The first, real estate industry risk, is the risk that the REIT share prices will decline because of adverse developments affecting the real estate industry and real property values. In general, real estate values can be affected by a variety of factors, including supply and demand for properties, the economic health of the country or of different regions, and the strength of specific industries that rent properties. The second, investment style risk, is the risk that returns from REITs—which typically are small or medium capitalization stocks—will trail returns from the overall stock market. The third, interest rate risk, is the risk that changes in interest rates may hurt real estate values or make REIT shares less attractive than other income-producing investments. Credit risk is the risk that an issuer of a preferred or debt security will become unable to meet its obligation to make dividend, interest and principal payments.*

*Interest rate risk is the risk that preferred stocks paying fixed dividend rates and fixed-rate debt securities will decline in value because of changes in market interest rates. When interest rates rise the market value of such securities generally will fall. Derivative transactions (such as futures contracts and options thereon, options, swaps, and short sales) subject the Fund to increased risk of principal loss due to imperfect correlation or unexpected price or interest rate movements. Compared to investment companies that focus only on large companies, the Fund's share price may be more volatile because it also invests in small and medium capitalization companies.*

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