ENDING DEVASTATING CRISES WHILE EARNING INVESTMENT RETURNS

Beyond Borders Investment Strategies and Clients: *The Few. The Proud. The Crisis Fighters. Earning Returns While Helping People in Crisis-Stricken Countries Recover from Devastating Crises by Investing in Companies That Create Jobs.*

Beyond Borders Investment Strategies (BBIS) is a boutique investment firm that provides internationally diversified equity strategies that many institutional investors, family offices, and individual investors called unique. *Please see the firm's leadership bios in Appendix A.* We run portfolios built from single-country Exchange Traded Funds (ETFs) of developed, emerging, and frontier market nations, where stock markets trade at low valuations. Most countries we invest in are stricken by major economic, political, financial, environmental, public health, and social crises. The firm and our clients aspire to achieve two goals: help countries and their citizens recover from crises and earn attractive returns.

PART 1: PROBLEMS WITH PREVALENT FOREIGN-AID-BASED APPROACH TO HELPING COUNTRIES RECOVER: Historically, developed countries' governments, multilateral organizations such as the International Monetary Fund (IMF) and World Bank, and charities tried to help crisis-stricken countries and their citizens recover from crises by providing them with various types of financial aid. Unfortunately, their efforts were not very efficient or successful. According to the World Bank, foreign aid distributed during the 60 years from 1960 to 2019 constituted an extraordinary amount of $5.15 trillion. [1] Regrettably, the aid did not raise the majority of countries out of poverty. Most countries that were receiving aid at the beginning and in the middle of the period continued to receive aid at the period's end. [2] Out of 179 countries and territories that received official development assistance (ODA) during the 60 years, only 42 countries (23.5% of the total number of countries) graduated from the group and ended their dependence on the aid by the period's end. [3] A strikingly high number of countries, 137 (76.5% of the total number of countries), continued to receive assistance by the end of 60 years in 2019.

Yet, despite the lack of success, most financial assistance continues to flow into the hands of the crisis-stricken countries' governments rather than companies. The foreign-aid-based approach of helping countries recover from crises – and cutting their dependency on foreign largesse year after year and crisis after crisis – does not work in most cases for many reasons. Some of them are listed below.

- **The Public Sector – Neither Larger Nor More Efficient Job Creator than the Private Sector – Receives Most Financial Aid**: In every country in BBIS' 49-country universe, more jobs are created by the private sector rather than the public one. As a matter of fact, private sector companies generate more than two-thirds of the jobs in every single country, ranging from 97.4% in Singapore to 68.0% in Israel. [4] While there are stark exceptions, governments, for the most part, are not good capital allocators. Most government employees in countries worldwide have no or limited experience in job creation. At best, the crisis-stricken countries' governments may forward some of the money to state-owned enterprises, known for their inefficiency compared to profit-seeking private sector companies. State-owned enterprises create very few jobs compared to profit-driven companies, and even those jobs are often given to political allies of the government regardless of these people's competence or even interest in the subject matter. If a government stays in power for a while, state-owned enterprises are often filled with incompetent employees, who, in addition to their incompetence, are also entirely uninterested in their jobs and indifferent to what their employers are trying to achieve.

- **Countries' Higher Debt Levels Lead to Higher Taxes That Repel Private Sector Investments and Lower Economic Growth Rates:** Low-interest loans – a popular form of foreign aid provided to crisis-stricken countries by governments of wealthy countries, IMF and other multilateral organizations – increase crisis-stricken countries' government debt levels, often to astronomic levels. High debt levels often make countries increase or keep high taxes, repelling investments in companies, and making crises and post-crisis recessions last longer. High debt levels mean that countries have to use significant percentages of their revenues to service the debt, i.e., make interest payments. To lower Debt-to-GDP ratios to manageable levels, indebted countries must either cut government spending through austerity measures or increase taxes to service higher debt. While austerity often does not work well, increasing taxes works even worse!

  According to a study, *"Climbing Out of Debt,"* published by Alberto Alesina (Harvard University), Carlo A. Favero, and Francesco Giavazzi (Bocconi University in Milan) based on the analysis of 16 out of the 35 countries belonging to the

[1] World Bank, "Net Official Aid Received (Constant 2020 US Dollars)." Downloaded on February 21, 2023.
[2] We considered that a country stopped receiving aid if it did not receive it during the last five years (2015-2019) of the 60-year period from 1960 to 2019.
[3] World Bank, "Net Official Aid Received (Constant 2020 US Dollars)." Downloaded on February 21, 2023.
[4] International Labor Organization (ILO), Organization for Economic Cooperation and Development (OECD), China - National Bureau of Statistics of China, Hong Kong - Census and Statistics Department of the Government of the Hong Kong Special Administrative Region, and Taiwan - The Examination Yuan of ROC.

Organization for the Economic Cooperation and Development (OECD) from 1981 and 2014, tax increases lead to *"large and long-lasting recessions. A tax-based plan"* for lowering countries' debt levels *"amounting to 1 percent of GDP was followed, on average, by a 2 percent decline in GDP relative to its pre-austerity path. This large recessionary effect tends to last several years."* [5] According to the study, recessions caused by increased taxes were deeper and longer than the ones caused by government expenditure cuts that are part of the austerity measures.

Foreign Aid Is Often Stolen: In an eye-opening paper, *"Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts,"* published by Jørgen Juel Andersen (BI Norwegian Business School) and Niels Johannesen (The University of Copenhagen and CEBI), and Bob Rijkers, the World Bank's own Senior Economist, the authors identified sharp increases in bank deposits in offshore financial centers known for bank secrecy and private wealth management, or havens, from the aid-dependent countries during the quarters when the World Bank aid is disbursed. [6] The havens include such countries as Switzerland, Luxembourg, the Cayman Islands, and Singapore. The authors convincingly made a case that part of the aid is diverted from the aid packages to financial accounts in the havens. The 'leakage' was estimated to be 7.5% on average and exceeded 15% in some cases. Specifically, the higher the aid was as a percentage of GDP, the higher was the leakage. When the aid was around 1% of GDP, the leakage was about 4%. When the aid-to-GDP ratio increased to 3%, the leakage increased to 15%. Notably, the leakage does not include money corrupt government officials and their cronies used to buy real estate, cars, and other luxuries after the reduced funds arrived in the recipient countries' government accounts. [7] In the book *"Adapt: Why Success Always Starts with Failure,"* its author Tim Harford focused on the work of Ben A. Olken, an economist from the Massachusetts Institute of Technology (MIT), who measured how much money was being stolen from large World Bank projects. [8] Professor Olken focused on an Indonesian road-building project across 600 villages. [9] He compared the on-the-ground costs with those submitted to the World Bank. He found out that around 25% of the funds were missing. [10]

- **Governments That Often Are Most Responsible for Crises Get Enlarged and Entrenched by Having Access to Financial Aid:** Distributing foreign aid to government allies leads to governments' enlargement and entrenchment, making them the largest controllers of capital regardless of whether they have any good ideas of how to employ the money. If a government that made mistakes that require it to ask for foreign aid gets entrenched, it does not bode well for the country's prospects and the prospects of ordinary individuals not close to it. While the governments and their allies reap the benefits, the ordinary people bear the costs of servicing the debt. These costs could include fewer social services, higher taxes, lower economic growth, higher debt levels that make countries prone to crises, currency depreciation, high inflation, etc. In 2021, Kenyans petitioned the IMF to cancel its approval of a $2.34 billion loan for Kenya, citing the mismanagement of funds by the government and the country's increasing debt load. [11] More than 240,000 people have signed the "*Petition to the IMF to Cancel the KSHS. 255 Billion Loan to Kenya."* [12] "KSHS" stands for Kenyan Shillings, and KSHS 255 Billion translated to $2.34 Billion, as mentioned at the beginning of the section.

The petition explained how the government entrenched itself by spreading some funds to make new allies and support existing ones. *"Just recently the President dished out luxury cars to thousands of junior lawmakers to have them support controversial changes to the Constitution, thus punching another hole on an already shoestring budget... Indeed, some of the President's close associates have been adversely implicated in the so-called "Covid Billionaires" scam, where billions of shillings from international donors were lost in irregular tenders for PPE at the height of the first wave of the Covid-19 pandemic."* [13] People who wrote and signed the petition may also be correct about corruption on a grand by their rulers. According to Wikipedia's page on Kenyan President Uhuru Kenyatta, *"In October 2021, his name appeared in the Pandora Papers, among more than 330 current and former politicians and senior officials using hidden accounts in tax havens. He and six family members, including his mother, a brother and two sisters, have at least $30 million in several offshore companies. He also owns a secret 'foundation' in Panama, holding over $30 million."* [14]

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[5] Alberto Alesina, Carlo A. Favero, and Francesco Giavazzi, IMF Finance and Development, "Climbing Out of Debt," Page 9, March 2018.
[6] Jørgen Juel Andersen, Niels Johannesen, and Bob Rijkers, World Bank, "Elite Capture of Foreign Aid: Evidence from Offshore Bank Accounts," Page 1, March 26, 2021.
[7] Ibid. Page 4.
[8] Tim Harford, ""Adapt: Why Success Always Starts with Failure," Farrar, Strauss and Giroux, 2011.
[9] Noble World, "Business Book Review: Adapt: Why Success Always Starts with Failure." Downloaded on July 29, 2022.
[10] Tim Harford, ""Adapt: Why Success Always Starts with Failure," Farrar, Strauss and Giroux, 2011.
[11] Carlos Mureithi, Quartz Africa, "Thanks But No Thanks: Kenyans Are Furious with the IMF over Billions More in Loans," April 28, 2021.
[12] Jefferson Murrey, Change.org, "Petition to the IMF to Cancel the KSHS. 255 Billion Loan to Kenya." Downloaded on October 13, 2022.
[13] Ibid.
[14] Wikipedia, "Uhuru Kenyatta." Downloaded on August 4, 2022. The Information on Uhuru Kenyatta's Corruption on Wikipedia is Based on the Following Document: Simon Bowers, Finance Uncovered, "Pandora Papers: The Kenyatta Files," October 8, 2021.

- **Misguided Economic Reforms Introduced at the 'Barrel of a Gun' and That Are Not Subject to Questions or Debate Often Backfire:** Multilateral organizations, such as the International Monetary Fund (IMF), have been known to be very tough negotiators and impose reforms on crisis-stricken countries – regardless of whether the reforms fit the local context - in exchange for loans. Many reforms backfired spectacularly, prompting the Council on Foreign Relations to publish a report with a telling title, *"The IMF: The World's Controversial Fire Fighter."* [15] The IMF's own Acting Managing Director, Anne O. Krueger, echoed the sentiment in a speech titled *"Meant Well, Tried Little, Failed Much: Policy Reforms in Emerging Market Economies."* [16] While she talked about emerging markets, some reforms are considered failures in developed countries (i.e., Greece during and after the European Sovereign Debt Crisis). [17]

- **Fiscal Austerity Has Been Shown Not to Work, Yet is Still Used Widely:** The IMF continues to impose austerity – severely reduced government spending – on crisis-stricken countries with government budget deficits. The use of the policy continues despite IMF's own Chief Economist, Olivier Blanchard, authoring a 2013 blockbuster paper, *"Growth Forecast Errors and Fiscal Multipliers,"* saying that austerity causes economic contraction rather than expansion. [18] [19] No surprise there: wealthy countries try to increase spending during crises to stimulate their economies monetarily - by lowering interest rates, printing money (Quantitative Easing), or fiscally – by reducing tax rates, spending on infrastructure construction, or giving employers low-interest loans, often forgivable, for staying afloat and not firing people. For example, the US government distributed loans to small businesses via the Paycheck Protection Program (PPP), Economic Injury Disaster Loans (EIDL), SBA Debt Relief, and Shuttered Venue Operations Grants during the COVID-19 pandemic. [20] The purpose of the PPP loans was to *"help small businesses and non-profits keep their workers employed."* At BBIS, we incentivize the management of large and medium-sized corporations in countries worldwide to do the same – keep their workers employed.

- **Replacement of Competence by Politics in the Financial Aid Distribution Often Leads to Disastrous Outcomes:** Politics and politicians often replace competence and competent professionals in governments and multilateral lenders distributing financial aid and loans with predictably disastrous results. The story of how the IMF extended a giant loan to Argentina - with no appropriate checks and balances - can be an example of how many smaller loans were given to various countries – and wasted – by the IMF, other multilateral organizations, and wealthy donor countries' governments. The IMF, under the leadership of its Managing Director, Christine Lagarde – a lawyer and a politician rather than a macroeconomist or financier – extended a loan of $57 billion to Argentina in 2018. [21] It was the largest loan in the IMF's history. It was given to the country that defaulted on its sovereign obligations eight times, more than most countries worldwide. [22] In line with history, Argentina defaulted on its debt in less than two years in May 2020. [23]

  In addition to the massive loss of taxpayers' money that the IMF collects from the member states, the most troubling part of the story was that some members of the IMF's Executive Board, which consists mainly of trained economists, financiers, and business people – professionals whose expertise is better aligned with credit assessment and specifically sovereign loan analysis than that of their former boss – disagreed with Ms. Lagarde in their evaluation of the merits of giving the largest loan to the troubled country, but stopped short of vetoing the loan. [24] [25] Not a single member of the IMF's Executive Board found moral fortitude or professionalism to tell their boss that Argentina or any other country that has been known to default often and quickly on its obligations should not be a recipient of the IMF's largest loan, especially before showing that it was reforming its economy rather than just giving promises to do it. Without the checks and balances mechanism the Executive Board is supposed to provide, the loans can be extended based on interpersonal relations rather than standards applied consistently across different countries. According to the Time News article *"The Christine Lagarde Case: From One Disaster to Another," "the speed with which this loan*

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[15] Jonathan Masters, Andrew Chatzky, and Anshu Siripurapu, Council on Foreign Relations, "The IMF: The World's Controversial Financial Firefighter," September 8, 2021.
[16] Anne O. Krueger, IMF, ""Meant Well, Tried Little, Failed Much: Policy Reforms in Emerging Market Economies," March 23, 2004.
[17] Lesley Wroughton, Howard Schneider and Dina Kyriakidou, Reuters, "How the IMF's Misadventure in Greece is Changing the Fund," August 28, 2015.
[18] Rebecca Ray, Kevin P. Gallagher, and William N. Kring, Boston University's Global Development Policy Center, "IMF Austerity Since the Global Financial Crisis: New Data, Same Trend, and Similar Determinants," November 2020.
[19] Olivier Blanchard and Daniel Leigh, IMF, "Growth Forecast Errors and Fiscal Multipliers," January 2013.
[20] USA Government, "COVID-19 Small Business Loans and Assistance," February 8, 2023. Below is the link to the website: https://www.usa.gov/covid-small-business-loans
[21] Dave Graham and Nicolás Misculin, Reuters, "IMF Boosts Argentina Program to $57 Billion in Bid to Halt Peso Slide," September 26, 2018.
[22] Hugh Bronstein and Rodrigo Campos, Reuters, "Argentina Looks to Rewrite History as Default No. 9 Looms," May 21, 2020.
[23] The Economist, "Argentina Defaults Yet Again, but Hopes to Get off Lightly," May 23, 2020.
[24] Time News, "The Christine Lagarde Case: From One Disaster to Another," July 14, 2022.
[25] IMF Annual Report 2018, "Building a Shared Future," "IMF Executive Directors List as of April 30, 2018," Pages 92-94.

was developed and the exceptional bond that was created between her and Mauricio Macri, ex-president of Argentina, continue to be disconcerting. Because the 2018 loan was guaranteed under completely atypical conditions for the fund, with part of the [Executive] Management Board dissenting, however refraining from vetoing. Lagarde, who is not an economist, found herself in favor of a more heterodox approach, including societal components … but very little reform aimed at the stability of the currency." [26]

PART 2: FINANCIAL MECHANISM FOR ACHIEVING BBIS GOALS: As a youth, I lived through a disastrous economic crisis that engulfed all former Soviet republics after the collapse of the USSR in 1991. Foreign governments and multilateral organizations provided the new countries with humanitarian aid. Unfortunately, most of it was stolen. According to a statement by Richard L. Palmer, an expert on Russian organized crime, up to 60% of Western humanitarian assistance delivered to Russia during the winter of 1991-1992 – the first winter after the collapse of the USSR when the country badly needed it – was resold at free market prices. The money was laundered through the banks, and an estimated $15 billion was transferred abroad in 1991-1992. [27] The crisis, which seemed endless, abated and later ended only when investments started flowing into the republics, leading to the creation of new jobs. Investments and jobs ended the crisis! I have seen the incredible power of investments in ending a monster crisis. At BBIS, we work on ending crises worldwide, not by providing the countries with aid but by investing in their companies that create jobs.

We believe that investing in equities of all public companies in stock indices of crisis-stricken countries is both a sustainable and efficient method of ending crises and creating jobs that allow countries to recover from crises and not slide back into them. Building portfolios from equity ETFs is a more efficient way of helping countries recover than investing in several individual stocks per country, as stock pickers often do. From a country's economic recovery standpoint, it is more powerful to stimulate job creation in companies across the country rather than just in several companies. The jobs help people develop skills that make them employable even when a new crisis hits their country. We firmly believe that by creating jobs, our approach does not just feed people but gives them skills they may use to get themselves, their families, and even communities provided for the rest of their careers. Also, unlike debt investors, we do not impose financial obligations on companies. These debt obligations may force companies to close some of their offices and factories – and fire people.

- **Goal 1: Exerting Upward Pressure on Stock Prices That Are Positively Correlated with Corporate Investments Helps to End Crises:** We consider the firm's strategy the best for ending crises – BBIS' Goal 1 – in almost 50 countries, with at least one ETF representing their stock markets. By investing in countries via single-country ETFs, we can quickly infuse capital into stocks of all large and medium-sized companies in a country. We contribute to arresting stock price falls and stabilizing stock prices. Companies rarely expand operations and hire people when their stock prices decline significantly. More often, they fire people, thus exacerbating crises. When prices stabilize after a fall or start increasing, companies often focus on adding capital capacity by opening new production facilities and offices and, most importantly, from our perspective, hiring people.

  Crises lower corporate investments and kill jobs. The findings of an influential research paper by the Philadelphia Fed's Senior Economist Yaron Leitner, *"Stock Prices and Business Investment,"* confirm the observations about the link between falling stock prices and declining investments. The paper reads, *"Empirical evidence points to a link between the stock market and the amount of money firms spend on investment. A firm tends to invest more after the price of its stock increases, and it tends to invest less after the price falls. Investment could be in capital (for example, buying machines or buying a new plant) or in research and development (for example, developing a new drug)."* [28] Of course, both manufacturing and research and development activities require people to perform them, thus creating jobs.

  During crises, managers often operate in a 'panic mode.' As the corporations' stock prices plummet due to macro crises, which often have nothing to do with the corporations, CEOs and other top corporate managers are willing to cut costs by closing facilities and implementing major employee layoffs. According to Forbes magazine, *"Conventional wisdom for management is that layoffs are a necessary evil during economic downturns. Often, stock prices will rise in response to layoff announcements. However, in the long term, layoffs tend to lead to decreases in stock prices."* [29]

  In a 'panic mode,' many corporate managers do not think about the long-term prospects of their companies. They try to alleviate the current (short-term) pain and stop their companies' stock price dives for the following four reasons. First, stock prices are a barometer of corporations' financial health. Corporate managers want to show their corporations to be strong and well-managed. Second, high stock prices allow companies to attract inexpensive capital needed for corporate growth. Third, high stock prices also make companies more likely to acquire their competitors, often for their

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[26] Time News, "The Christine Lagarde Case: From One Disaster to Another," July 14, 2022.
[27] Statement of Richard L. Palmer, President of Cachet International, Inc. on the Infiltration of the Western Financial System by Elements of Russian Organized Crime Before the House Committee on Banking and Financial Services, September 21, 1999.
[28] Yaron Leitner, The Philadelphia Fed, "Stock Prices and Business Investment," Fourth Quarter, Page 12, 2007.
[29] Q.ai - a Forbes Company, Forbes, "Intel Layoffs: Will Intel Stock Keep Going Up By Cutting Costs?" November 23, 2022.

stock, rather than be acquired. Finally, CEOs, top managers, and Board of Directors' members are incentivized to keep corporate stock prices high. Large portions of their compensation packages are often tied to stock price performance.

Once again, BBIS' purchases of equity ETFs during or after crises contribute to ending the 'panic mode' among CEOs. We aim to increase stock prices and weaken the reasons for cutting capital capacity (i.e., factories, plants, offices) and jobs by corporations. It often takes years to rebuild production capacity and workforce lost during the crises within months, weeks, and sometimes just hours. By purchasing stocks during or after crises, BBIS seeks to reverse some of the stock valuation compression, thus leading to higher stock prices and higher capital investments by corporations. Higher investments lead to higher corporate employment and higher living standards in crisis-stricken countries.

- **Goal 2: Achieving Attractive Returns While Lowering Investment Risks with Two Levels of Diversification:**

To earn attractive returns – BBIS' Goal 2 – BBIS manages portfolios built from the single-country equity ETFs of nations where equity valuations are (significantly) below historical averages at the time of purchase. BBIS' portfolios benefit when the ETFs' valuations revert to their historical average levels or above them. We often buy these ETFs during or shortly after economic, business, and political crises or where stock market valuations are low due to suppressed demand for goods or commodities exported by these nations. *Professor Paul Samuelson* of the *Massachusetts Institute of Technology* (MIT), one of the founders of the famed MIT Economics school and the first US Nobel Prize winner in Economic Sciences, once said that the stock market is "micro efficient" but "macro inefficient." [30]BBIS aims to exploit macro inefficiencies in stock markets' pricing by buying ETFs representing these countries when they trade at valuations impacted by fear and selling them when the valuations are inflated by greed.

We also focus on managing risks to avoid total or significant capital loss in investing in each country. We manage risks by performing political, macroeconomic, and other risk analyses before investing. For example, we would not invest in a country where an incoming president, who does not have strong political opposition, intends to nationalize companies, no matter how much we would like to help this country recover. As fighters in the war against crises, we would not leave our primary weapon – our capital – in the hands of people causing crises.

Even if we think that the risks of investing are justifiable, we diversify BBIS portfolios within and among countries. Single-country ETFs allow us to diversify within countries because they consist of dozens and hundreds of stocks. BBIS portfolios get protection against bankruptcies of individual companies that may have a disproportionately large weight in many portfolios of stock pickers – run by both professionals and amateurs alike. Not only portfolio managers but the general public remember the names of companies that went bankrupt (almost) without warning: Yukos Oil Company (Russia), Ecovix Shipbuilding (Brazil), Enron Corporation and WorldCom (US), and Global Crossing Limited (Bermuda).

Our supporters understand that diversification among countries is essential because, historically, many that once seemed unsinkable sank or slowed their growth dramatically. For example, the Soviet Union was the second fastest growing economy (after Japan) from 1928 to 1970 before collapsing as a giant on clay feet in just two decades at the end of 1991. [31] Japan was the fastest-growing large economy in the second half of the 20th century before its growth slowed dramatically in 1991 and stayed low for at least three "Lost Decades" through the end of 2010s. [32] Specifically, Japan's inflation-adjusted GDP grew by 5.7% per year for 30 years from 1962 to 1991. [33] But the growth dropped by almost 90%, to 0.7%, for the following 30 years from 1992 to 2021. China's economic growth is expected to have slowed to the annual real (inflation-adjusted) GDP growth rate of less than 5% in 2022 and stay there after 31 years of the above 5% growth levels from 1991 to 2019. [34]

For the returns of BBIS portfolios not to be negatively impacted by the underperformance of several large countries, which can underperform for decades, we do not allocate money to funds benchmarked against broad-based international or emerging market indices. Instead, we use single-country ETFs to build portfolios and limit each country's weight to 10% of the portfolio weight as a maximum. For comparison, the weight of China in the MSCI Emerging Markets Index was 33.5% as of January 31, 2023. [35] The weight of the top five countries in the Index (China, Taiwan, India, South Korea, and Brazil) was 77.9%, with the weight of the four largest countries (China, Taiwan, India, and South Korea) was 72.7%. Suppose something happens to one or several of these countries (i.e., military confrontations, or even threats thereof, between China and Taiwan, China and India, North Korea and South Korea, or the Brazilian

[30] Jeeman Jung and Robert J. Shiller, Cowles Foundation for Research in Economics Yale University, "Samuelson's Dictum and Stock Market," 2006.
[31] Robert C. Allen, Department of Economics, The University of British Columbia, "The Rise and Fall of the Soviet Economy," Canadian Journal of Economics, Vol. 34, No. 4, Page 3, November 2001.
[32] Wikipedia, "Lost Decades." Downloaded on February 14, 2023.
[33] World Bank Data Bank, "Japan Constant GDP Measured in the 2015 US Dollars." Downloaded on February 28, 2023.
[34] IMF, World Economic Outlook, "Real GDP Growth (Annual Percent Change)," October 2022 Database.
[35] MSCI, "MSCI Emerging Markets Index" Fact Sheet, January 31, 2022.

government decides to nationalize some of its companies). In that case, the value of the MSCI Emerging Markets Index and funds closely following it would plunge. It would not matter what happens in the other 19 countries in the index because the average weight of their positions is less than 1.2% per country. Limiting the weights of our investments in large countries allows us not only to protect our portfolios but also to allocate more money to smaller countries, which can offer excellent risk/return combinations that may be better than those of large countries but are often overlooked by portfolio managers in large investment firms.

Our investment style includes two crucial safety features. The first one is intended to save investors' capital from being stolen, while the second one is intended to protect the cohesion of crisis-stricken countries and prevent them from exploding from within as they try to recover from crises.

- **No Cash is Sent to Crisis-Stricken Countries' Governments, So It Would Not 'Stick' to Their Hands:** Unlike the multilateral organizations, foreign governments, and charities, we do not send the money to crisis-stricken countries directly where it can be misallocated or stolen even during regular times, let alone crises. We infuse capital in corporations' stocks, contribute to stopping their price declines, enable corporations to invest in new factories or offices – at least not to close the existing ones – and create conditions for adding new jobs or protecting existing ones. We believe that investing in stocks of all public companies in stock indices of crisis-stricken countries is the most efficient way of ending crises and creating jobs that allow countries to recover from crises and not regress into them.
- **Equal Opportunity Investing is Key to Returning Economic Prosperity and Social Stability:** During and after crises, nations are like powder kegs from a social perspective. Most people become much poorer than before the crisis; some cannot even feed their families. Sometimes, governments succumb to the tendency to help only certain groups they feel closest to based on ethnicity, race, religion, or any other identity characteristic by funneling resources (i.e., money, investments, or foreign aid) to these groups at the expense of others. While understandable, this faulty strategy does more harm than good. The resource transfers to favored groups make it more difficult for these nations to emerge from their crises. Any money transfers favoring some groups lead to resentment and negativity, often deepening societal divisions and strengthening inter-communal hatred. These transfers move societies in the direction opposite to the societal unity and goodwill needed for economic and social recovery. In these cases, the governments may lose not only the respect of the 'unfavored' citizens but their support as well. The lack of respect for the government among citizens may lead to social explosions, social polarization, and other negative consequences. At the very minimum, citizens from the 'unfavored' groups would not protect the government's property and steal or destroy it given a chance.

  In contrast, BBIS' investments are totally transparent and do not involve any favoritism. During crises, all groups suffer in different ways. When we invest via ETFs, we are not trying to invest only in companies based on ethnicity, nationality, religion, color, race, gender, caste, age, or any other characteristics of the companies' owners or a majority of employees. The impact of BBIS strategies on crisis-stricken countries' economies is widespread, and we achieve it by treating people on an equal opportunity basis.

PART 3: MEASURING SUCCESS: We have been lucky to attract supporters who share our mission of helping crisis-stricken countries, their companies, and people to recover from crises. Our supporters share the meaning of what we do. They care not only about earning returns on their money but also about protecting and creating jobs in crisis-stricken countries. These jobs feed parents who would not have to sell their organs to provide for their families or give up their kids for adoption. These jobs provide income to women who would not have to get on a panel to earn a living. These jobs give youths a much better alternative to joining gangs and killing or terrorizing each other and other people. The jobs enable men and women to provide for their parents in countries with weak social protection nets. Through taxes on these jobs, countries can take care of their senior citizens by paying them pensions that would provide them with dignified lives rather than reducing them to living in fear of death from hunger. By investing with BBIS, you would be transformed from an investor to a big-hearted superhero who comes to the rescue of people in crisis-stricken countries worldwide.

Please let me know if you have any questions about BBIS or the firm's investment strategies, want to be on our publication distribution list, or want to invest with BBIS. Thank you.

Best regards,

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APPENDIX A. THE FIRM'S LEADERSHIP

Vitaly Veksler founded Beyond Borders Investment Strategies (BBIS) in 2014 and serves as the firm's CEO and Portfolio Manager. He is an investment management professional with over 20 years of experience. Throughout his career, Vitaly has specialized in identifying global and country-specific macroeconomic, geopolitical, business, and investment trends and translating these trends into individual investment selections and asset allocation decisions for global multi-asset class portfolios.

At BBIS, Vitaly manages Global ex-US and Emerging & Frontier Markets Country Value Equity portfolios built from single-country Exchange Traded Funds (ETFs) of developed, emerging, and frontier countries. Vitaly talked about the firm's investment strategies and discussed the emerging market, global investing, and impact investing topics at such thought-leading industry organizations as CFA Society Boston, Asharq / Bloomberg News (a Middle Eastern affiliate of the Bloomberg News), and such top universities as Harvard, Boston University, Tufts, Cornell, and MIT. Articles by and interviews with Vitaly have been published on ETF.com, Yahoo Finance, Fidelity.com, QProb (quantitative investment blog), Harvest (digital marketing platform connecting investors with financial firms), SovereigNet (an interdisciplinary network at Tufts University's Fletcher School dedicated to the study of sovereign wealth management and its impact on global capital markets), The Investors Podcast (with its motto "We Study Billionaires"), Finding Unique Value Podcast, and Advisors Perspectives (a publication for registered investment advisors, wealth managers, and financial planners).

Vitaly founded BBIS after living through a devastating economic and hyperinflationary crisis that hit all fifteen former Soviet republics after the collapse of the USSR. He observed people's suffering in three republics: Russia, Ukraine, and Moldova. Well-meaning Western governments and multilateral organizations sent billions of humanitarian aid to the republics. Still, most of it was stolen, misallocated, or used up for short-term relief, with the countries' populations needing more relief shortly. He had seen that the crisis abated and ended only when investments – especially foreign – started flowing into the republics. The investments created jobs that ended the crisis and made countries – with more skilled workforces - more resilient to any future crises. Having seen the incredible power of investments, he started BBIS to invest in stock markets of crisis-stricken countries worldwide to help them recover and to earn attractive returns for BBIS investors who provided capital for this noble cause.

Before BBIS, Vitaly was Vice President at BNY Mellon Asset Management (BNYM AM). There he authored highly successful quarterly Global Economic & Market Outlook reports. Before Vitaly worked on them, clients asked to take their names off the distribution lists saying that the reports were full of financial jargon that was not easy to decipher and were plainly boring. Vitaly completely changed the format. He included discussions of significant economic and political events that clients could see on TV or read about in the media and explanations of how these events impacted portfolio asset allocation. He initially distributed the reports only to BNYM AM's largest multi-billion institutional clients. Later, after the reports got raving reviews from the clients and top management of BNY Mellon – BNYM AM's parent organization that employed 48,000 employees worldwide in 2010 – they were distributed to all institutional and private clients of BNY Mellon worldwide as examples of BNY Mellon's thought leadership in asset allocation. [36]

As part of BNYM AM's internal consulting group, Vitaly also focused on answering challenging questions about the global and emerging investing topics posted by the company's largest institutional clients. Among other high-profile projects, he co-developed a new framework for thematic investing in emerging market equities and co-authored an influential paper about the framework featured in the highly regarded Chief Investment Officer Magazine. Before BNY Mellon, Vitaly worked on the Technology equity team at Fidelity Management & Research, the equity research group of Fidelity Investments, and the top-ranked Energy equity team at State Street Research & Management (now BlackRock). Vitaly analyzed business, economic, and political trends affecting global public equities, identified global companies' stocks that benefitted from these trends, and published more than 200 reports on these topics.

Vitaly is a CFA charter holder, served on the CFA Society Boston's Board for three years, and led the society's Economist & Strategist Program Committee for seven years. He received his MBA degree from The MIT Sloan School of Management, his Master of Arts in Law and Diplomacy (MALD) degree with a concentration in International Finance from The Fletcher School at Tufts University, and his Diploma (BS and MS degrees combined) in Management Information Systems and Artificial Intelligence from Moscow Technical University (MIREA).

[36] Macrotrends, "Bank of New York Mellon: Number of Employees 2010-2023 | BK." Downloaded on April 30, 2023.

The firm's **Board of Advisors** includes **Lawrence F. Pohlman, Ph.D.,** and **Patrick J. Schena, Ph.D.**

Larry Pohlman has a distinguished career covering more than 30 years of equity, fixed income, and asset allocation. He's a successful player and coach recruiting, managing, and mentoring teams of researchers while personally pursuing state-of-the-art research. In addition, Larry is a skilled presenter of complex quantitative and analytical aspects of investment strategies to clients at various levels of expertise. He regularly speaks at professional conferences and is widely published in prominent journals.

Currently, Larry is the Director of Research at Adaptive Investment Solutions and a Partner at NP Investment Research. Previously, Larry was the Chief Investment Officer at BNP Paribas Quantitative Strategies. His team managed $3 Billion in global quantitative equities and minimum volatility strategies. Before BNP, Larry was responsible for the Quantitative Investment Group at Wellington Management. He and his team developed Wellington Management's quantitative models for a wide range of styles, including US and International securities. His team also managed $26 Billion in pure quantitative portfolios. Before joining Wellington, Larry was the Director of Research at PanAgora Asset Management, where he was responsible for overseeing all research, development, and enhancements to PanAgora's quantitative models covering $12 Billion. He also co-chaired PanAgora's Investment Committee. Prior to joining PanAgora, Larry was a Senior Vice President and the Director of Fixed Income Research at Independence Investment Associates. Before that, he was a Vice President at Blackrock Financial Management, where he worked in their portfolio engineering group. Prior to that, Larry was an Associate in Mortgage Securities Research at Goldman Sachs & Co.

Larry holds five degrees from Columbia University: Ph.D. and Master of Philosophy in Finance, MBA in Finance and Management Science, MS in Operations Research, and BS in Nuclear Engineering. He is a member of the American Finance Association, CFA Society Boston, Econometric Society, Chicago Quantitative Alliance, and MENSA.

Patrick Schena is the Co-Head of SovereigNet, The Fletcher Network for Sovereign Wealth and Global Capital at the Fletcher School, Tufts University, where he works as an Adjunct Assistant Professor of International Business Relations. SovereigNet is an interdisciplinary network dedicated to studying sovereign wealth management and its impact on global capital markets. SovereigNet's mission is to advance research, advisory leadership, and education on a sovereign state's role as an institutional investor.

Professor Schena is also a Senior Fellow of the Council on Emerging Market Enterprises at The Fletcher School. Also, he is an Associate-in-Research at The Fairbank Center for Chinese Studies at Harvard University. Patrick Schena has 30 years of experience in finance, operations, and technology management focused on investment management. He was formerly a Principal, leading the delivery of the Investment Management Services practice at Genpact-Headstrong Corp., a global provider of outsourcing services. In addition, Patrick Schena has participated in and cofounded two firms providing technology and operations services to investment managers. He holds a Ph.D. from The Fletcher School and additional graduate degrees from The Fletcher School and Boston College.