

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. 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, public health, or social crises. BBIS and our clients pursue the goals of helping countries recover from crises and earning attractive returns.

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. Their efforts were not very successful or efficient. 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 assistance at the beginning and in the middle of the period continued to receive aid at the period's end. ¹ Out of 179 countries and territories that received official development assistance (ODA) during the 60 years, only 42 countries (23.5%) graduated from the group and ended their dependence on the aid by the period's end. A strikingly high number of countries, 137 (76.5%), continued to receive aid in 2019. ¹

The foreign-aid-based approach does not work for many reasons. The public sector is less efficient than the private sector in creating jobs, yet the former receives most fund flows into countries during crises. Low-interest loans, a popular type of financial aid, lead to countries' high debt levels, often forcing them to increase corporate taxes, thus repelling investments in private sector companies. Large portions of foreign aid are often stolen. Crisis-stricken countries' governments, often the main culprits responsible for creating crises, receive financial aid that allows them to get enlarged and entrenched. Reforms imposed at the 'barrel of a gun' by foreign governments and multilateral organizations on crisis-stricken countries' governments in exchange for loans are not subject to questions or debate about their fit to crisis-stricken countries' environments; the implementation of these reforms often leads to crises becoming stronger rather than abating. Austerity reforms have been shown not to work, yet they are still widely used. Politics often replace competence in the financial aid distribution at donor governments and multilateral organizations, often leading to disastrous outcomes. In 2020, Argentina defaulted on the IMF's \$57 billion loan – the largest ever – given to a nation that defaulted on its debt eight times, more than most countries, within two years after receiving the loan with the strong support of the IMF's Managing Director Christine Lagarde, a lawyer and a politician but not an economist or a bond investor. ^{2 3 4}

Financial Mechanism for Achieving BBIS Goals: Vitaly Veksler founded BBIS after living through a devastating economic and hyperinflationary crisis that hit all fifteen former Soviet republics after the collapse of the USSR. 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.

At BBIS, we believe that investing in equities of all public companies in stock indices of crisis-stricken countries is the most sustainable and efficient way of ending crises because we impact not one or two companies but all large and midcap public companies, whose stocks are included in the equity ETFs we use. Creating jobs allows countries to recover from crises and not slide back into them. 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 provide for themselves and their families for the rest of their careers. Companies rarely expand their capital investments in offices and factories – and in hiring people – while their stock prices are plunging. The higher the stock price, the higher the corporation's capital investments. We help companies protect and create jobs by investing in equity ETFs and exerting upward pressure on stock prices. Jobs help countries recover from crises (BBIS' Goal 1). We aim to earn attractive returns (BBIS' Goal 2) by investing in undervalued equities, whose prices often rebound after the crisis is deemed to start subsiding. We decrease the investment risk of BBIS portfolios by diversifying our investments among countries by not investing more than 10% in any country and within each country by investing in hundreds and dozens of stocks in single-country ETFs.

¹ World Bank, "Net Official Aid Received (Constant 2020 US Dollars)." Downloaded on February 21, 2023. 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.

² The International Monetary Fund, "IMF Executive Board Discusses the Ex-Post Evaluation of Argentina's Exceptional Access Under the 2018 Stand-By Arrangement," December 22, 2021.

³ Hugh Bronstein and Rodrigo Campos, Reuters, "Argentina Looks to Rewrite History as Default No. 9 Looms," May 21, 2020.

⁴ Time News, "The Christine Lagarde Case: From One Disaster to Another," July 14, 2022.