BEYOND BORDERS INVESTMENT STRATEGIES

GLOBAL INVESTING USING COUNTRY FUNDS

PRESENTATION FLOW

1. FIRM OVERVIEW
2. REASONS FOR THE FIRM’S EXISTENCE
3. INVESTMENT PROCESS & FEATURES
   a. EXAMPLE: MACRO TREND – CHINA’S COMMODITY DEMAND
   b. EXAMPLES: INVESTMENT TRADES
4. COMPETITIVE ADVANTAGES
5. PERFORMANCE & FEES

FIRM OVERVIEW

EXECUTIVE OVERVIEW

Boutique investment firm providing cost-efficiently globally diversified equity strategies aimed at reducing risk and achieving higher risk-adjusted returns over a long-term horizon (3+ years)

Investment Goals

- Increase returns by rotating to countries that offer high expected returns
- Lower risk by diversifying across multiple country markets
- Lower risk by investing in country funds rather than individual stocks
- Provide more flexibility in determining country position sizes versus broad-based indices

Country Value Style

- Global Macro: Analyze global macroeconomic trends affecting global capital flows
- Quantitative: Identify country indices trading at low valuations & offering high expected returns
- Fundamental: Analyze economic, political, legal, business & technological catalysts & risks

Experience

- Professionals: 3 (including Board of Advisors)
- Experience: 60 years of combined industry experience
- Graduate Degrees: 9

TEAM

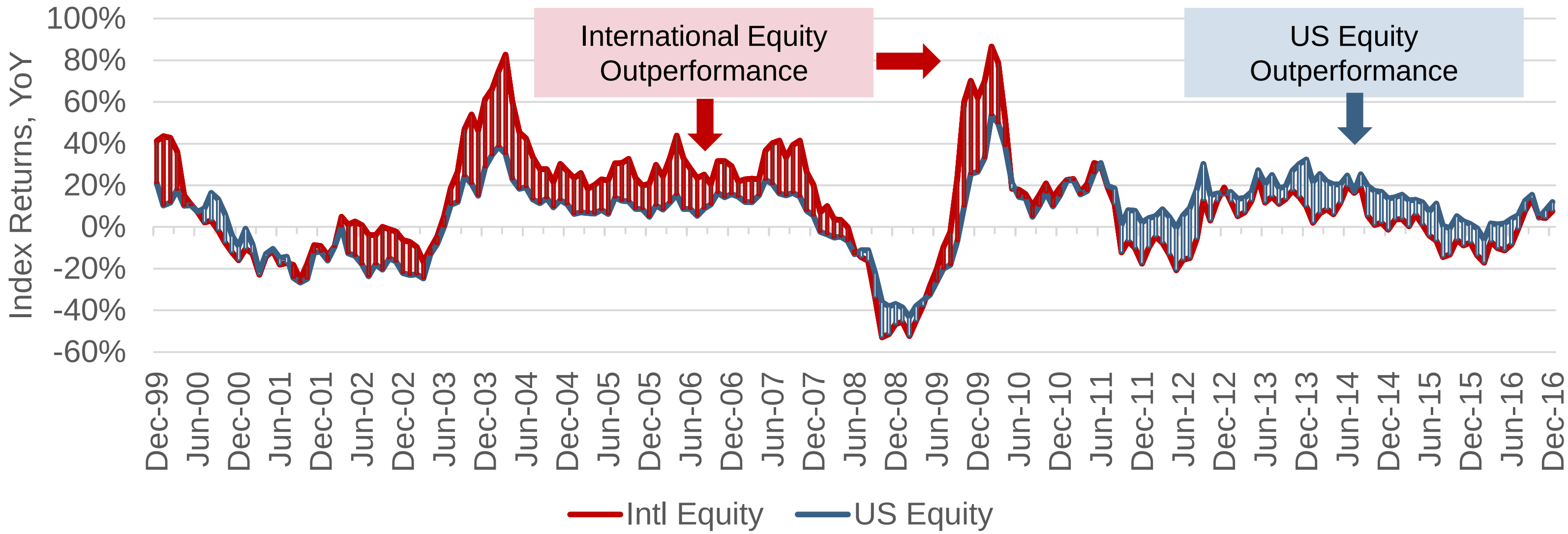
PROFESSIONALS	EXPERIENCE	EDUCATION
 **Vitaly Veksler, CFA** **CEO and Portfolio Manager**	• Vice President, BNY Mellon Asset Management • Senior Sector Specialist (Technology Equity), Fidelity Management & Research • Senior Equity Research Associate, State Street Research & Management (now BlackRock)	• M.B.A. - MIT Sloan School of Management • M.A.L.D in International Finance - The Fletcher School, Tufts University • M.S. in Information Systems & Artificial Intelligence – Moscow Technical University (MSIREA)
 **Lawrence F. Pohlman, PhD** **Advisory Board Member**	• Director of Quantimental Research, BMO Global Asset Management • Chief Investment Officer, BNP Paribas Quantitative Strategies • Director of Quantitative Investment Group, Wellington Management • Vice President, BlackRock • Vice President, Goldman Sachs	• Ph.D. in Finance – Columbia University • M.A. in Finance – Columbia University • M.B.A. – Columbia University • M.S. in Operations Research – Columbia University • B.S. in Nuclear Engineering – Columbia University
 **Patrick Schena, PhD** **Advisory Board Member**	• Adjunct Professor and Co-Head of SovereigNet, The Fletcher School • Associate-in-Research, Fairbank Center for Chinese Studies, Harvard University • Principal of Investment Management Services, Genpact-Headstrong Corporation	• PhD in International Finance – The Fletcher School, Tufts University • M.A. in Law & Diplomacy – The Fletcher School, Tufts University • B.A. Boston College

REASONS FOR THE FIRM’S EXISTENCE

INVESTORS' PROBLEM: HOME COUNTRY BIAS

- **Investors could increase their total portfolio returns by investing in international equities**
  - **International equities outperformed for long periods (55% of time during the 21st century)**
- **International diversification can reduce volatility of investment portfolios**

International & US Equities Outperformance Periods
(Dec 31, 1999 - Dec 31, 2016)



Source: Datastream. International Equity returns are represented by those of MSCI ACWI ex USA Equal Weighted Index, US Equity returns – by Standard & Poor's 500 Index. Data are from December 31, 1999 to December 31, 2016.

INTERNATIONAL DIVERSIFICATION INCREASES RISK-ADJUSTED RETURNS

- **Addition of international equities to portfolios increases their risk-adjusted returns**
  - **Sharpe ratio of a portfolio that consists of 50% US and 50% International equities is higher than that of a purely domestic portfolio**

Portfolio Statistics (12/31/99 - 12/31/16)	S&P 500 Index	MSCI ACWI ex US Equal Weighted Index	50%/50% Portfolio
Total Returns	112%	199%	155%
Annualized Returns	6.9%	8.5%	7.7%
Standard Deviation	14.9%	18.8%	16.9%
Risk Free Rate (10 Yr Treasury Yield)	3.7%	3.7%	3.7%
Sharpe Ratio	0.21	0.25	0.24

Source: Datastream. International Equity returns are represented by those of MSCI ACWI ex USA Equal Weighted Index, US Equity returns – by Standard & Poor's 500 Index. Data are from December 31, 1999 to December 31, 2016.

INVESTMENT PROCESS & FEATURES

INVESTMENT STRATEGY: COUNTRY ROTATION

Countries rotate from the Top Ten to the Bottom Ten, and anywhere in between, due to such factors as:

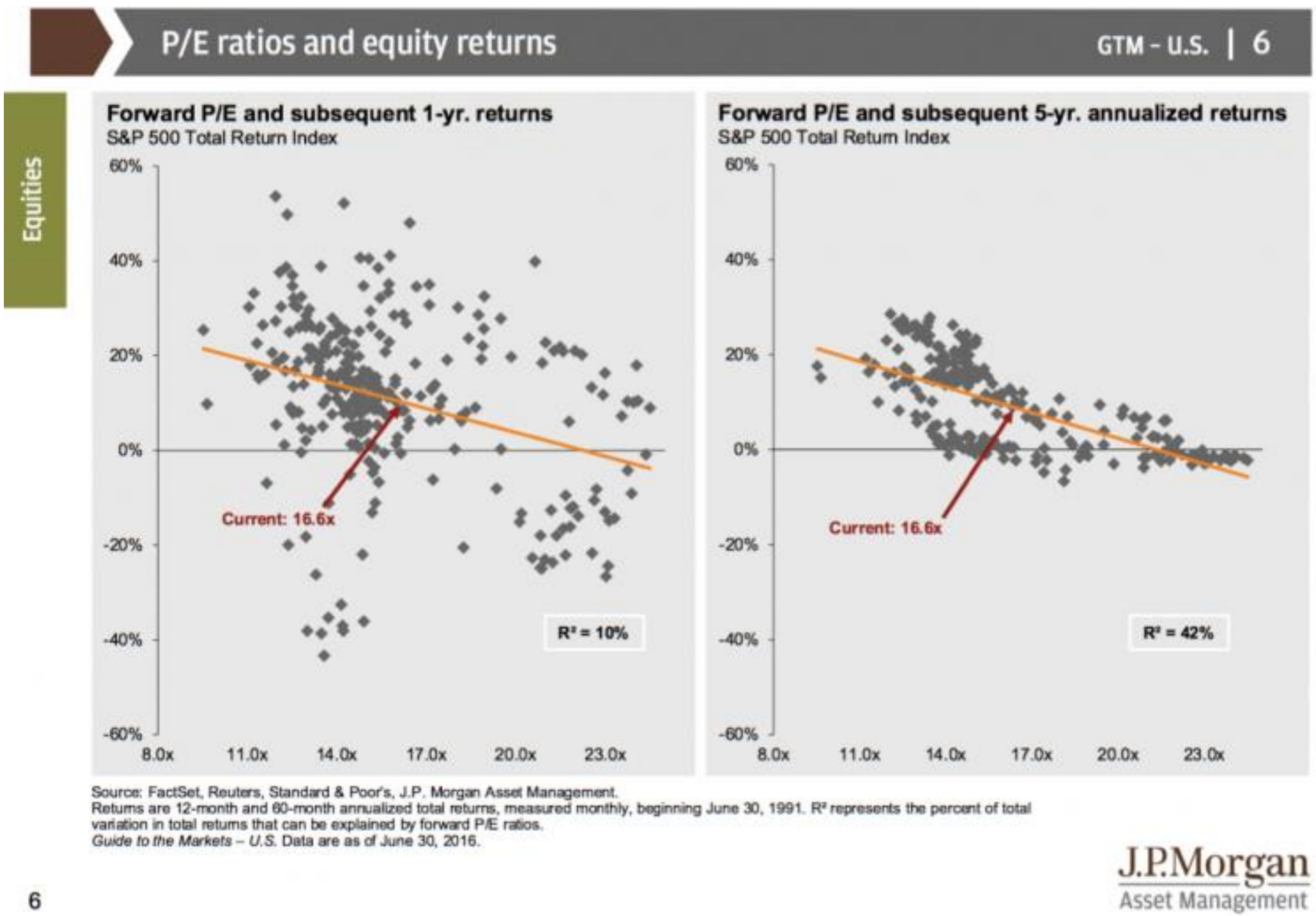
- **Global sentiment and capital flows**
- **Geopolitical crises**
- **Regional attractiveness**
- **Countries' index valuations and investment sentiment**

Returns of Country Indices – Top Ten and Bottom Ten, US Dollars

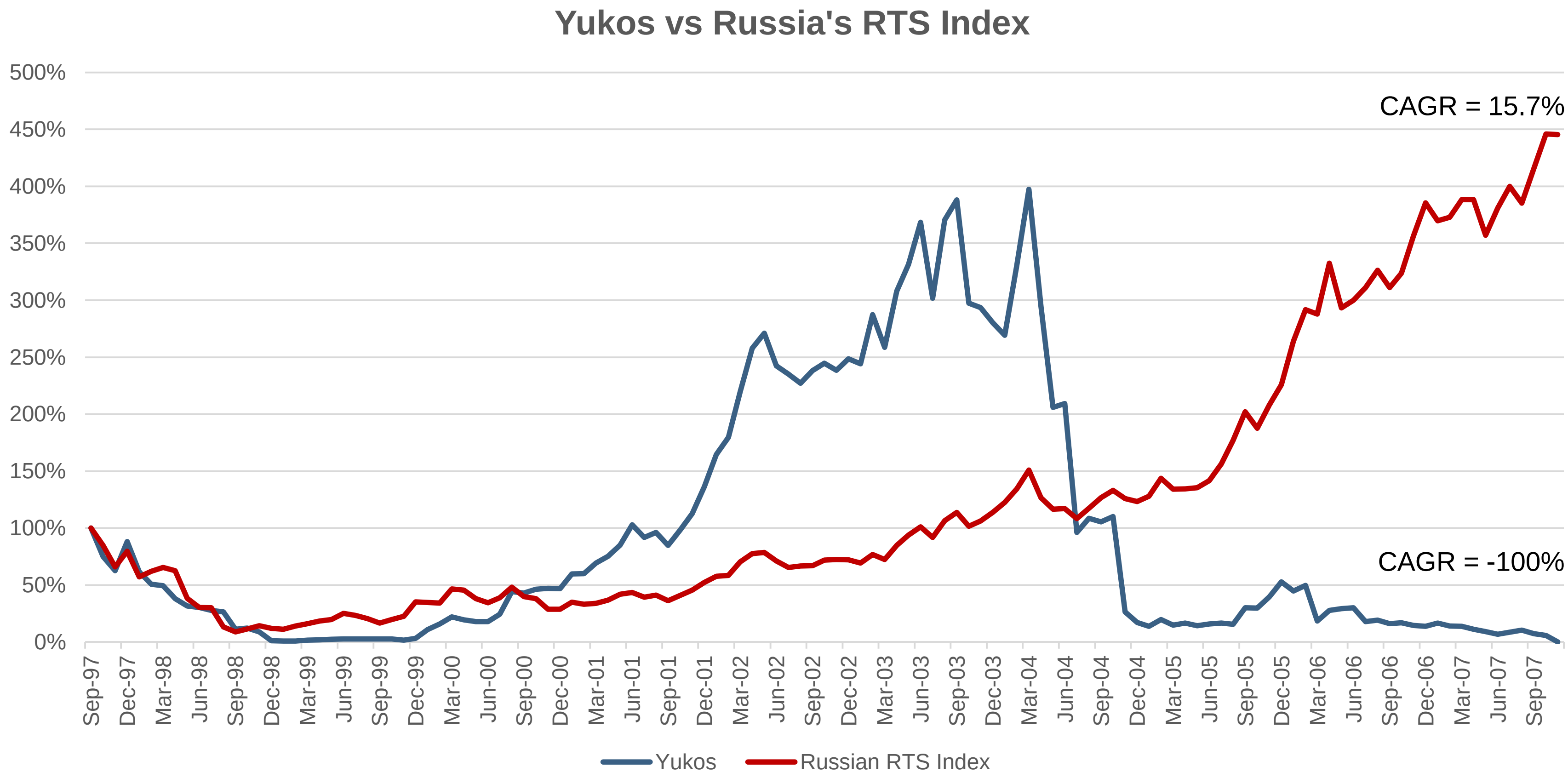
2007		2008		2009		2010		2011		2012		2013		2014		2015		2016	
China	110%	Colombia	-19%	Brazil	144%	Thailand	63%	Qatar	5%	Turkey	66%	UAE	63%	China	49%	Denmark	20%	Brazil	69%
Nigeria	108%	Qatar	-27%	Russia	131%	Philippines	59%	Philippines	4%	Nigeria	53%	Argentina	62%	Pakistan	33%	Ireland	20%	Russia	61%
Brazil	72%	Japan	-28%	Indonesia	117%	Colombia	58%	Indonesia	3%	Thailand	45%	Finland	50%	India	30%	Japan	10%	Peru	48%
India	71%	Switzerland	-28%	Norway	107%	Indonesia	52%	US	2%	Philippines	42%	Ireland	42%	Qatar	24%	Belgium	6%	Pakistan	46%
Turkey	61%	Chile	-33%	India	88%	Argentina	52%	Ireland	-1%	Poland	40%	Pakistan	38%	Philippines	23%	China	5%	Thailand	24%
Egypt	57%	Argentina	-34%	Israel	88%	Peru	50%	Thailand	-1%	Greece	39%	Denmark	37%	Indonesia	20%	Italy	4%	Colombia	23%
Finland	54%	US	-37%	Taiwan	88%	Chile	48%	New Zealand	-1%	Pakistan	38%	Greece	36%	Egypt	20%	Portugal	3%	Canada	21%
UAE	52%	Peru	-39%	Chile	87%	Sweden	33%	Malaysia	-2%	Colombia	38%	Singapore	34%	Thailand	19%	Israel	2%	Indonesia	18%
Peru	46%	Singapore	-40%	China	80%	Malaysia	33%	UK	-3%	Egypt	37%	Spain	34%	Turkey	18%	Finland	2%	Norway	18%
Indonesia	46%	Spain	-40%	Thailand	79%	South Africa	32%	Switzerland	-5%	New Zealand	31%	Germany	32%	Argentina	16%	US	1%	Taiwan	18%
						US	15%			US	16%	US	32%	US	14%			US	12%
Belgium	10%	Poland	-59%	Greece	30%	UAE	0%	Brazil	-27%	UAE	10%	India	-2%	Malaysia	-12%	South Africa	-22%	Ireland	-6%
Argentina	9%	India	-62%	Germany	29%	Belgium	-1%	Argentina	-29%	Israel	9%	China	-4%	Brazil	-14%	Malaysia	-22%	Mexico	-6%
UK	9%	China	-63%	Italy	29%	France	-6%	Nigeria	-30%	Indonesia	6%	Philippines	-5%	Poland	-15%	Canada	-24%	Malaysia	-7%
New Zealand	9%	Austria	-63%	US	26%	Ireland	-7%	Finland	-31%	Japan	5%	Thailand	-10%	Norway	-16%	Nigeria	-27%	Denmark	-8%
Italy	7%	Norway	-63%	Switzerland	26%	China	-11%	Poland	-32%	Singapore	4%	Colombia	-19%	Austria	-26%	Turkey	-30%	Italy	-9%
Switzerland	6%	Vietnam	-66%	UAE	15%	Portugal	-13%	India	-34%	Spain	4%	Peru	-20%	Colombia	-26%	Peru	-30%	Turkey	-11%
US	5%	Greece	-66%	Finland	14%	Italy	-16%	Turkey	-36%	China	4%	Chile	-21%	Nigeria	-32%	Greece	-30%	Portugal	-12%
Sweden	3%	Ireland	-67%	Qatar	10%	Singapore	-19%	Austria	-37%	Qatar	1%	Indonesia	-22%	Portugal	-34%	Egypt	-31%	China	-18%
Japan	-6%	Pakistan	-68%	Japan	3%	Spain	-19%	Egypt	-44%	Brazil	-2%	Turkey	-26%	Greece	-37%	Colombia	-39%	Egypt	-25%
Ireland	-16%	Russia	-72%	Nigeria	-35%	Greece	-38%	Greece	-53%	Argentina	-22%	Brazil	-27%	Russia	-43%	Brazil	-42%	Nigeria	-42%

Source: Datastream. Data are from January 1, 2007 to December 31, 2016.

INVESTMENT STRATEGY: VALUE INVESTING



INVESTMENT STRATEGY: COUNTRY FUNDS AS BUILDING BLOCKS

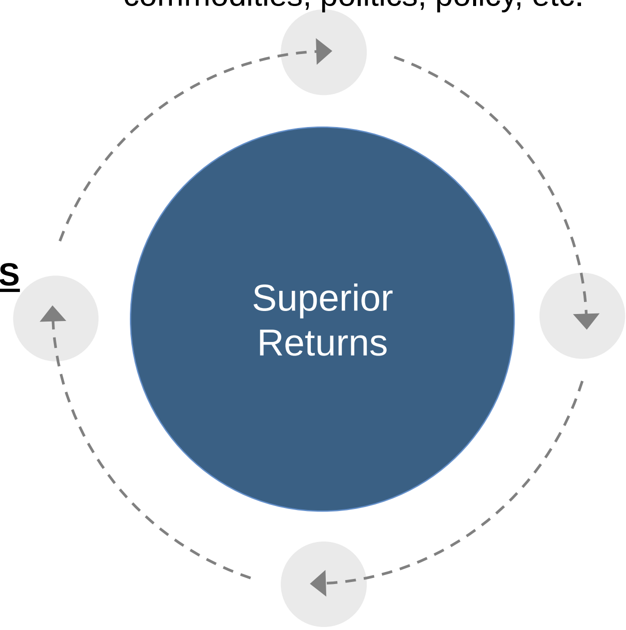


INVESTMENT PROCESS

Our objective is to provide a cost-efficient way to alleviate the *home country bias* thereby helping investors increase returns on their portfolios while decreasing risk

GLOBAL MACRO ANALYSIS

- Research global trends in economies, commodities, politics, policy, etc.



COUNTRY CATALYSTS & RISKS

- Global Macroeconomic Trends
- Political Reasons
- Economic Reasons
- Legislative Reasons

COUNTRY SELECTION

- Identify countries with low current valuations vs. historical

EXPECTED RETURNS

- Valuations
- Growth Indicators
- Dividends

PORTFOLIO MANAGEMENT

We create client portfolios from single-country ETFs by rotating countries that trade at low valuations and offer high expected returns into the portfolios to increase returns and manage risk in the cost-efficient way

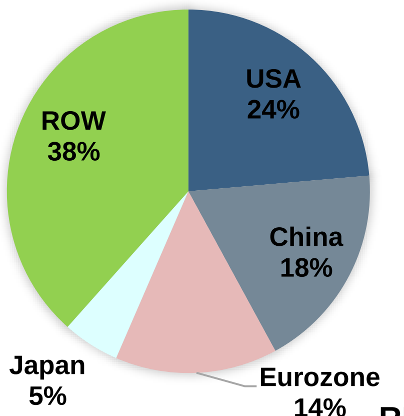
- **Increasing Returns:** Investors can increase their portfolios' returns by investing in international equities as they can outperform US equities for long periods (as it happened in the past)
- **Risk Management:** We diversify the portfolios by investing in 10-20 ETFs
- **Risk Management:** Any country position should not exceed an annual average of 10% of the portfolio
- **Risk Management:** We use ETFs because they provide more diversification within countries and are not heavily weighted to individual stocks
- **Cost Efficiency:** ETFs are very inexpensive to trade

Cost-efficient, diversified portfolio

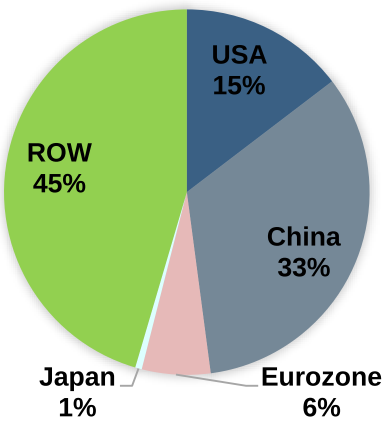
EXAMPLE: MACRO TREND – CHINA'S COMMODITY DEMAND

GLOBAL MACRO ANALYSIS: CHINA IS TO CONTRIBUTE MOST TO GLOBAL GROWTH

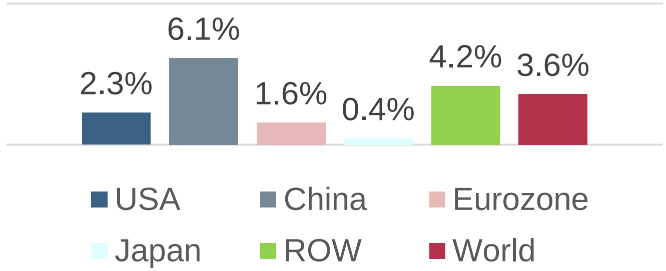
ACTUAL GLOBAL GDP 2015



CONTRIBUTION TO REAL GLOBAL GDP GROWTH - 2016-2020



REAL GDP GROWTH RATES 2016-2020



Source: The International Monetary Fund, World Economic Outlook, April 12, 2016

DEMAND FOR COMMODITIES IS LIKELY TO INCREASE

CHINA'S IMPACT ON COMMODITIES

Reasons for infrastructure spending staying high in China

- Political leadership cannot allow the country's economic growth to drop precipitously or experience "hard landing" as social instability would follow
- Urbanization – 400 million people to move into cities over the next 10 years [1]
- Imbalanced demographics due to the One-Child Policy: up to 30 million extra men by 2020 [2]
- Competitive advantage in construction

Transition to the consumption-driven economy is difficult

- Inadequate social net programs (i.e. pensions, insurance)
- Cultural norms – "Culture eats strategy for lunch"
- Political leadership can hardly depend on fickle increase in consumption to maintain stability

Construction is to continue

- Massive construction projects in China
- One Road / One Belt – Connecting China to Europe and Asia
- Roads for Commodities Initiative in Emerging Markets of Asia, Africa and Latin America

1. Simona Gambarini, ETF Securities, China's 3rd Plenum: What Does It Mean for Commodities?, December 10, 2013.
2. Rob Brooks, CNN, China's Biggest Problem? Too Many Men, March 4, 2013.

SLOW TRANSITION FROM INVESTMENT-DRIVEN TO CONSUMPTION-DRIVEN GROWTH

- No adequate social protection yet
- Inadequate pension protection for older people
- Cultural norms: Being frugal is glorious

NEW GROWTH ENGINES … THAT ARE VERY REMINISCENT OF OLD ONES

- Back to the old strengths: Construction of infrastructure in China
  - China's 13th five-year economic plan (2016-2020): [2]
    - Construction of 50 new airports and making international hubs out of domestic airports in Harbin, Kunming, Urumqi, Shenzhen, Chongqing, Chengdu and Xi'an
    - Building a second train line to Tibet [3]
    - Constructing 3,000 kilometers of new urban rail lines
    - Expanding the high-speed rail network from 20,000 to 30,000 kilometers, covering 80% of major cities
    - Construction and operation of 30,000 kilometers of new expressways
    - Investing over 800 billion yuan ($124 B) and 1.65 trillion yuan ($255 B) in railway and road construction

- Building infrastructure abroad: Need for infrastructure in Asia ($8 trillion) [4]
  - Developing goodwill and trade abroad
  - Launch of the Asian Infrastructure Investment Bank
  - Millions of extra men that China has due to gender skew caused by the One-Child Policy could be employed

Sources:

1. *Qu Hongbin, HSBC, China Inside Out: Why Worries About China are Overblown, August 31, 2015.*
2. *King & Wood Mallesons, China's 13th Five Year Plan: Infrastructure, April 14, 2016. This source is for all comments in this paragraph unless specifically stated otherwise.*
3. *The Economist, The National People's Congress: Unlucky for Some, March 12, 2016*
4. *Lilian Karunungan, Bloomberg, ADB Sees East Asia Growth Risk on $8 Trillion Funding Challenge, September 25, 2013.*

EXAMPLES: INVESTMENT TRADES

COUNTRY SELECTION: CHINA

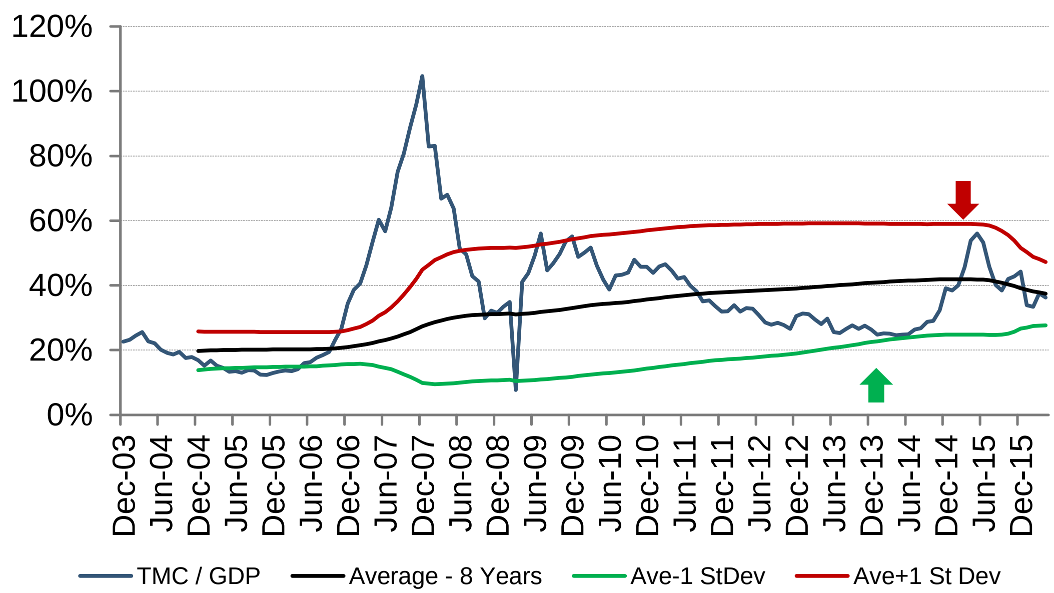
Sold iShares MSCI China ETF (Ticker: MCHI) at a profit of 28% in May 2015 before China market's decline of 20% over the next two months

Investment Thesis

Valuations of Chinese stocks were too low vs. the long-term historical averages (38% below) in Jan 2014

1. President Xi Jinping's ability to consolidate power would assure investors that China's leaders would be able to "soft land" the economy
2. President Xi decision not to privatize state owned enterprises but to make them more efficient would bring further stability to the stock market
3. BBIS: Expected returns of 22% per year over next 8 years

Shanghai Stock Exchange Composite: Total Market Cap / GDP, %



Source: Datastream. Data are as from January 31, 1997 to April 29, 2016

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COUNTRY SELECTION: EGYPT

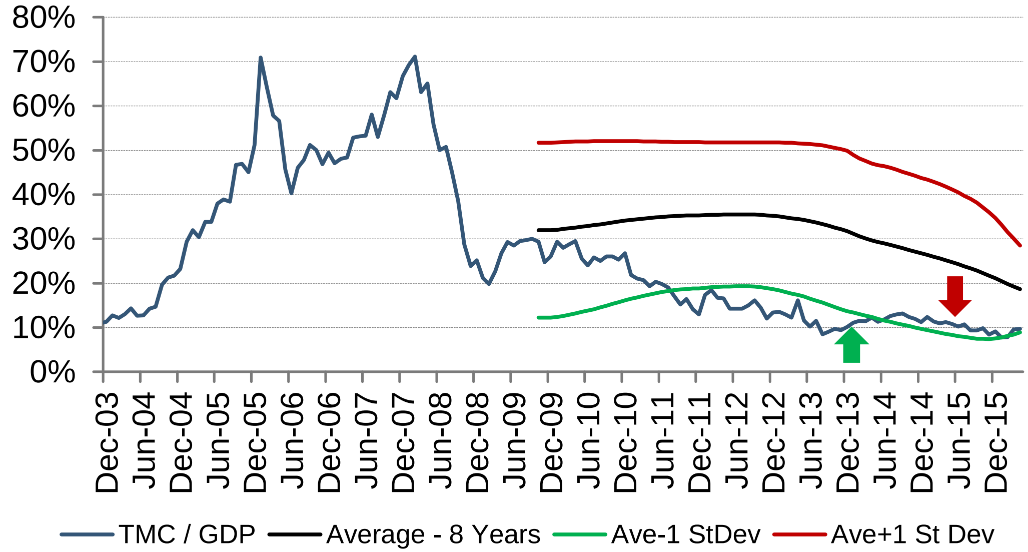
- **Sold Market Vectors Egypt Index ETF (Ticker: EGPT) at a profit of about 18% at the end of May 2015 due to the introduction of two new rules imposing 10% taxes on capital gains and dividends**

Investment Thesis

Egyptian stock market was trading at a 62% discount to its long-term historical valuations due to the disarray in Egypt's economy caused by the mismanagement under President Morsi

1. President Fatah Al-Sisi would restore stability needed to grow Egypt's economy
2. The value of Egyptian Pound would recover after 13.8% drop (vs. USD) during Morsi's rule
3. BBIS: Expected returns of 31% over the next 8 years

Egypt Hermes Financial Index: Total Market Cap / GDP, %



Source: Datastream. Data are as from December 31, 2003 to April 29, 2016

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COMPETITIVE ADVANTAGES

COMPETITIVE ADVANTAGES OVER STOCK PICKERS

BBIS does not have unknown investment biases and offers better diversification benefits

	BBIS	Competitors
No Unknown Investment Biases	The same disciplined process is applied to analysis of all 48 country ETFs	40 or so analysts needed to cover 1,837 stocks in MSCI ACWI ex USA Value Weighted Index have stock selection biases unknown to clients
	Clients need to understand only one investment process	Loudest & more sociable analysts have disproportionately high weight of stock ideas in their firms' portfolios
Better Diversification	Ability to invest in smaller countries, while long-term weight of any country cannot exceed 10% of portfolio	Many small countries are not represented in portfolios
	Wider diversification as each ETF has at least 20 stocks per country	One or two equities per country. Stock specific risks are high
Lower Risk	Relatively easier to pick countries right (if one has an investment process)	Difficult to pick individual stocks that would outperform in each or most countries as local investors in each country have an informational edge

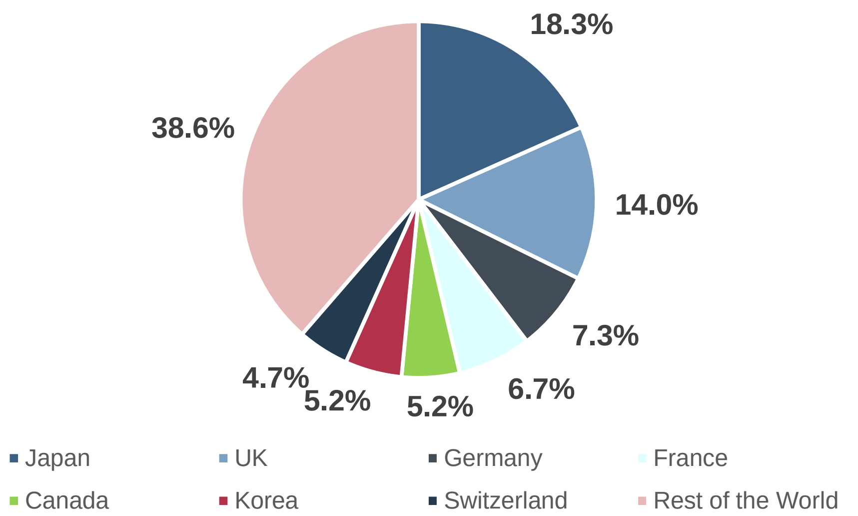
Source: MSCI for the number of companies in the index. The number is as of December 31, 2015.

COMPETITIVE ADVANTAGES OVER GLOBAL INDICES

BBIS can invest meaningful amounts of capital in most countries while global indices' composition is dominated by several large countries and country weights are not flexible

- Index: Impossible to invest meaningful percentages in 41 countries as their weight within MSCI ACWI ex USA Value Weighted Index is less than 39%
- BBIS: The firm can invest meaningful percentages via ETFs of up to 48 countries
- Index: Weight of countries with high valuations that offer relatively low expected returns is high and is not flexible
- BBIS: Flexibility in taking sizable positions (up to 10%) in developed, emerging and frontier countries

Country Weights of MSCI ACWI ex US Value Weighted Index



Source: MSCI for index's country weights. They are as of December 31, 2015.

PERFORMANCE AND FEES

PERFORMANCE IN LINE WITH EXPECTATIONS

- **Country crises do not get resolved overnight. But when they are resolved, investors are often well compensated for their time**
- **2016 is the first year of Harvesting Stage (generally associated with higher expected returns) after two years of investing in equity markets of countries affected by crises (Seeding Stage is usually characterized by lower expected returns)**
- **2014 & 2015 – Seeding Stage**: BBIS invested majority of its funds in countries that were going through the crises
  - During this stage returns are lower since the country market valuations are negatively affected by these crises and most of the firm's funds are invested in these countries
- **2016 – Harvesting Stage:** ETFs of countries with the ongoing crises represent less than 50% of BBIS' portfolio weight
  - Country crises in a number of countries have been resolved as they last for 1-3 years on average
  - As of December 31, 2016 BBIS' composite portfolio was up 14.89% YTD, or 4.33% above the benchmark

Monthly Returns (Gross of Fees), Jan 1, 2014 – Dec 30, 2016

Returns (Gross of Fees)	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	YTD
BBIS Portfolio	-1.40%	4.99%	0.75%	0.29%	0.02%	-0.16%	-0.07%	1.26%	-5.60%	-1.60%	-1.77%	-5.25%	-8.62%
MSCI ACWI ex USA Value Weighted Index	-4.23%	4.48%	0.45%	1.54%	1.90%	1.67%	-0.85%	0.18%	-5.08%	-1.56%	0.25%	-3.84%	-5.40%
Alpha	2.83%	0.50%	0.30%	-1.25%	-1.88%	-1.83%	0.78%	1.09%	-0.52%	-0.05%	-2.02%	-1.41%	-3.23%
Returns (Gross of Fees)	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	YTD
BBIS Portfolio	-3.13%	5.03%	-2.59%	6.46%	-2.91%	-2.73%	-2.54%	-7.64%	-4.05%	5.17%	-3.89%	-2.14%	-14.87%
MSCI ACWI ex USA Value Weighted Index	-1.07%	6.18%	-1.88%	6.38%	-1.84%	-2.88%	-1.39%	-7.95%	-5.42%	8.19%	-2.63%	-2.45%	-7.78%
Alpha	-2.06%	-1.15%	-0.71%	0.07%	-1.07%	0.15%	-1.15%	0.31%	1.37%	-3.02%	-1.26%	0.31%	-7.09%
Returns (Gross of Fees)	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	YTD
BBIS Portfolio	-3.83%	1.92%	10.52%	4.23%	-4.92%	3.28%	4.81%	-0.91%	1.67%	-0.0995%	-3.7670%	2.10%	14.89%
MSCI ACWI ex USA Value Weighted Index	-7.79%	-0.79%	9.37%	4.04%	-3.03%	-2.35%	5.59%	1.92%	1.12%	0.5785%	-0.9216%	3.43%	10.56%
Alpha	3.96%	2.71%	1.15%	0.19%	-1.89%	5.62%	-0.78%	-2.83%	0.55%	-0.68%	-2.85%	-1.33%	4.33%

Source: Datastream for 2014 and 2015 annual returns of MSCI ACWI ex USA Value Weighted Index. Datastream for monthly returns of MSCI ACWI ex USA Value Weighted Index from January 1, 2014 to December 31, 2016.

INVESTMENT MANAGEMENT FEES

- Fees are charged as percentage of assets under management (AUM) at the end of each month
- Fees shown below are subject to change by written notice and are negotiable
- Fees are charged to the clients' accounts automatically with the clients' written authorization

Account Size	Annual Fees, % of AUM
$100,000 - $1,000,000	1.00%
$1,000,000 - $5,000,000	0.75%
Above $5,000,000	0.50%

CONTACT

To learn more about BBIS and how our services can help you achieve improved risk-adjusted returns through our expert research and unique global portfolio diversification strategy, please contact us by email or phone.

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