FIRM PROFILE

Description: Beyond Borders Investment Strategies (BBIS) is a boutique investment firm providing an internationally diversified equity strategies aimed at reducing risk and achieving higher risk-adjusted returns over a medium to long-term time horizon (i.e. 3+ years). We achieve this by cost-efficiently allocating funds to equity markets in developed, emerging, and frontier countries through single-country ETFs. By using the ETFs as portfolio building blocks, we provide our clients with exposure to countries where equity markets trade at low valuations compared to their long-term historical averages, thus, increasing the potential of expected returns. Importantly, the use of ETFs, or fund investments, also allows BBIS to significantly reduce company specific risks related to equities of individual companies in these countries. In our client portfolios, our *International Country Value Equity* strategy and a newly-added *Emerging & Frontier Market Country Value Equity* strategy serve as complements to domestic portions of these portfolios. *The International* strategy is focused on the management of assets that consist of single-country equity ETFs of developed, emerging and frontier market countries. *The Emerging & Frontier Market Country* strategy is focused on the management of portfolios built from the emerging and frontier country single-country equity ETFs.

Leadership: BBIS is led by Vitaly Veksler, the firm's CEO and Portfolio Manager, who founded it in 2014. Prior to BBIS, Vitaly was Vice President at BNY Mellon Asset Management and was responsible for analyzing macroeconomic, political and business trends affecting various classes of investments worldwide. Prior to BNY Mellon, Vitaly worked on Technology and Energy equity teams at Fidelity Management & Research and State Street Research & Management (now BlackRock). Vitaly is a CFA charterholder and received his MBA degree from The MIT Sloan School of Management, Master of Arts (MALD) degree with concentration in international finance from The Fletcher School at Tufts University, and Diploma (BS and MS degrees combined) in Management Information Systems and Artificial Intelligence from Moscow Technical University (MIREA). Vitaly was invited to talk about the firm's investment strategy, as well as emerging market and global investing issues, to such thought leaders as the CFA Society Boston and leading universities such as Boston University, Tufts, Cornell, Harvard, and MIT.

Differentiated Investment Philosophy: A number of academic and investment industry studies found out that country selection is the most important factor, aside from individual stock selection, in determining performance of stock portfolios in emerging markets.[1] Depending on the time periods, the regions selected and the researchers performing studies, it is also the first or second most important factor along with the industrial sector selection, once again aside from the individual stock selection, in determining performance of stock portfolios in developed countries.[2] Yet, most investors in global or international equities do not take full advantage of the country selection in their investment processes.

These investors invest through two types of investment vehicles: funds that focus on selecting individual equities or broad-based international indices. We believe that, while possible, it is extremely

[1] Research papers in this category include but not limited to the following:
Macquarie Capital Investment Management LLC, *The Relative Importance of Country and Industry Effects and Residual Factors in Emerging Market Equity Returns*, May 2009.
Javier Estrada (IESE Business School, Barcelona, Spain), Mark Kritzman (Windham Capital Management, Boston, MA, USA), and Sebastien Page (State Street Associates, Cambridge, MA, USA), *Countries versus Industries in Emerging Markets: A Normative Portfolio Approach*, Journal of Investing, Vol. 15, No. 4, Winter 2006, pages 19-28.
[2] Geert Bekaert, Robert J. Holdrick (both at Graduate School of Business, Columbia University, New York, NY and National Bureau of Economic Research (NBER), Cambridge, MA, USA), Xiaoyan Zhang (Johnson Graduate School of Management, Cornell University, Ithaca, NY, USA), *International Stock Returns Comovements*, June 2008.
Lieven Baele (Tilburg University, Netherlands and Network for Studies on Pensions, Aging and Retiring (NETSPAR), Netherlands), Koen Inghelbrecht (Ghent University, Belgium), *Structural versus Temporary Drivers of Country and Industry Risk*, March 2006.

difficult to consistently find the best performing equities even in one country, let alone in multiple ones. Investing in individual equities also brings with it exposure to idiosyncratic risks that the individual companies face. The stock pickers often invest in just several companies per country, which in our view, does not provide investors with an adequate protection against the risk of stock prices of one or several companies falling dramatically, or even going all the way to zero if these companies go bankrupt. By investing in ETFs, or fund vehicles, we at BBIS reduce our capital loss risk by diversifying our country investments across multiple companies.

The problem that we see with getting exposure to the international markets through the broad-based international indices is that these indices give investors exposure to equity markets of several largest countries but do not give investors adequate exposure to smaller countries. For example, the weight of the top 7 countries in MSCI ACWI ex USA Value Weighted Index, an international index that we compete against, is more than 61% (as of December 31, 2015). If stock markets of one or several of these countries are trading at high valuations, it would negatively impact the whole investment as the investors would have a significant portion of their money in the markets with high valuations. Also, this extremely high weight in the largest countries means that an investor would not be able to invest meaningful percentages of his/her international portion of the portfolio in the remaining 41 countries. Their weight within the index is less than 39%, or less than 1% per country on average. At BBIS, we can invest up to 10% of our portfolio in a country ETF depending on such factors as the country market's expected returns, investment valuations, and ETF's liquidity.

Investment Process / Portfolio Creation: Our investment process and portfolio creation are based on decades of experience in the analysis of global and country specific macroeconomic growth, investment valuations, as well as political and regulatory risks. These skills were honed over more than a decade at some of the world's leading asset management firms, such as State Street Research & Management (now BlackRock), Fidelity Management & Research, Batterymarch Financial Management (a Legg Mason company), and BNY Mellon Asset Management.

Our investment process involves the following steps.

1. Identification of countries where stock markets trade at low valuations compared to their long-term histories.
2. Understanding reasons for these low valuations. Often, these countries go through some political, economic, or social crises. Sometimes, these countries just go through difficult economic times (e.g. low demand for commodities or manufactured goods produced by these countries).
3. Identification of potential catalysts that would make these stock market valuations expand to their historical averages.
4. Identification of risks to these catalysts and these countries' economic growth.
5. Construction of concentrated portfolios that consist of 10-20 ETFs of countries where markets trade at low valuations and have high expected returns.

Risk Management: We often invest in countries that go through economic, political or social crises. In order to mitigate our investment risks, we diversify our investments among different countries and within each country. We achieve diversification among countries by investing in 10-20 ETFs. We limit country weights in our portfolios to 10% of the total portfolio. The fact that we use ETFs, or fund investments that include at least 20 equities rather than individual equities as our portfolio's building blocks, allows us to achieve appropriate diversification within each country.

Suitable Investors: We believe our investment strategies are best suited for institutional investors, family offices, and qualified individual clients who have a need for international equity diversification and long-term investment horizons (3+ years). Unfortunately, country crises do not get resolved overnight. But when they are resolved, investors are usually well compensated for their time.