FIRM PROFILE

Firm Description: Beyond Borders Investment Strategies (BBIS) is a boutique investment firm providing internationally diversified equity strategies aimed at reducing risk and achieving higher risk-adjusted returns over the market cycle. We achieve this by cost-efficiently allocating funds to equity markets in developed, emerging, and frontier countries via single-country ETFs. By using ETFs as portfolio building blocks, we provide our clients with exposure to countries where equity markets trade at low valuations relative to their long-term historical averages, thus increasing expected returns. Importantly, the use of ETFs, or fund investments, also allows BBIS to significantly reduce company-specific risks related to the equities of individual companies located in these countries. In our client portfolios, BBIS' *Global ex US Country Value Equity* and *Emerging & Frontier Market Country Value Equity* strategies complement the domestic portions of these portfolios. *The Global ex US Country Value Equity* strategy (with its investment performance of 5 years and 6 months) focuses on the single-country equity ETFs of developed, emerging and frontier market nations. *The Emerging & Frontier Market Country Value Equity* strategy (with its investment performance of 2 years and 3 months) focuses on emerging and frontier single-country equity ETFs. BBIS' performance was verified for compliance with the Global Investment Performance Standards (GIPS) from January 1, 2014 to March 31, 2018.

Leadership: BBIS was founded by Vitaly Veksler, the firm's CEO and Portfolio Manager, in 2014. Prior to BBIS, Vitaly was Vice President at BNY Mellon Asset Management where he was responsible for analyzing macroeconomic, political, and business trends affecting various classes of investments around the world. As a part of BNY Mellon's internal consulting group, he also focused on answering challenging questions related to the global and emerging investing topics posted by the bank's largest institutional clients. Prior to BNY Mellon, Vitaly worked on the 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, his Master of Arts (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). Vitaly has presented the firm's investment strategies and discussed emerging market and global investing topics at such thought-leading industry organizations as the CFA Society Boston as well as at leading universities such as Boston University, Tufts, Cornell, Harvard, and MIT. Articles and interviews with Vitaly about BBIS' investment strategies have been posted on *ETF.com*, *Yahoo Finance*, *Fidelity.com*, *QProb* (quantitative investment blog), *The Investors Podcast* (with its motto "We Study Billionaires"), and *Advisors Perspectives* (a leading online publication for Registered Investment Advisors (RIAs), wealth managers, and financial advisors).

Top 10 Differentiators of BBIS' Investment Strategies: BBIS' investment strategies were described as unique by a number of institutional and individual investors. The following ten features make them stand out from the competition.

1. **Increasing Return Potential through Investments in Undervalued Markets:** BBIS manages portfolios built from the single-country equity ETFs of nations where equity valuations are 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, or political crises. We also buy the ETFs of countries 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". BBIS aims to exploit macro inefficiencies in the pricing of stock markets around the world by buying ETFs

representing these countries when they trade at valuations impacted by fear and selling them when the valuations are inflated by greed.

2. **Increasing Return Potential by Expanding Investment Universe Geographically:** BBIS' willingness to invest up to 10% of its portfolios' values in ETFs of selected developed and emerging markets and up to 5% of the portfolios' values in ETFs representing frontier markets expands the firm's investment universe and increases its portfolios' return potential. For comparison, many of BBIS' competitors, both stock pickers and broad-based international and emerging market indices, have large percentages of their portfolios concentrated in a few large countries and do not benefit meaningfully from the valuation mean reversions in smaller countries.

3. **Increasing Return Potential by Focusing on Long-Term Investing:** BBIS' focus on achieving higher risk-adjusted returns over the market cycle allows the firm to invest in stock markets where improvements in the economic, political, business or other spheres could lead to outsized investment returns. In our observations, most country crises last from 1 to 3 years. Our competitors with shorter investment time horizon (i.e. daily, monthly, or quarterly), cannot take advantage of these opportunities.

4. **Portfolio Risk Reduction Due to Diversification within Individual Country Markets:** BBIS aims to reduce risk of capital loss by investing in ETFs, or fund vehicles that each consist of dozens and hundreds of stocks, versus concentrated stock portfolios that consist of several dozens of individual stocks. If one or several of companies included in either BBIS' or the stock pickers' portfolios goes bankrupt, the negative impact on BBIS' portfolios would be lower.

5. **Portfolio Risk Reduction due to Diversification Among Country Markets:** If valuations of one or several large countries' stock markets, which often dominate the individual stock pickers' portfolios and broad-based index portfolios, continue to stagnate or even go down, BBIS' portfolios are less likely to be negatively impacted as none of the countries in our portfolios can have annual average portfolio weights of more than 10%. Also, as we buy ETFs representing the stock markets trading at low valuations, we believe that the risk of capital loss is lower because the markets' valuations are already close to the "bottom" values.

6. **Advantages over Broad-Based International and Emerging Market Indices**: We are more flexible in determining weights of large and, especially, smaller countries where stock markets trade at low valuation in our portfolios. This allows us to increase potential returns and reduce portfolio risk due to diversification among various country stock markets. Performance of most broad-based international and emerging market indices is dominated by performance of stock markets in just several largest countries. Contrary to this, at BBIS we can invest up to 10% of our portfolios in any one country based on a number of factors, such as country classification (i.e. developed, emerging, or frontier), valuation discounts, EPS expectations and liquidity. For example, in 2016, our second largest position was iShares MSCI All Peru Capped ETF (Ticker: EPU) representing the second best performing market of the year (after Brazil). EPU's total returns reached 64% in 2016. While many of our competitors invested in Brazil (as we also did), significantly fewer of them had investment positions in Peru that had low weight in most broad-based international and emerging market indices.

7. **Advantages over Stock Pickers:** Our goal is to help investors earn higher returns due to the mean reversion of stock market valuations while incurring a lower risk of capital loss (compared to investments in individual stocks within these markets). While I believe that it is possible to pick winning stocks, it is extremely difficult to do it. I had the pleasure of working with some star portfolio managers at State Street Research & Management (now BlackRock) and Fidelity Investments, who managed to outperform their US market benchmarks year after year, but there

were very few of them. This is not surprising… According to a recent influential paper titled "Do Stocks Outperform Treasury Bills?" by Hendrik Bessembinder, Professor at Arizona State University, just 4% of all stocks accounted for all of the net gains in the U.S. stock market between 1926 and 2016. All other stocks collectively delivered returns that were no better than those of one-month Treasury bills, which returned just 2 percent per year over that timeframe.

We believe that stock markets in other countries have return profiles similar to that of the US markets. This phenomenon could be described by the title of a famous ABBA song, "The Winner Takes It All." While it is very challenging to find winning stocks in one country, consistently picking winners in all 48 stock markets around the world, where BBIS can invest, is even more difficult. If we assume that in all 48 countries the same percentage of stocks (4%) account for all of the net gains, the probability of picking these 4% of stocks in each country, or even a subset of these countries, is close to the probability of winning a jackpot in the lottery. By investing in the single-country ETFs, which have exposure to stocks of most large and medium-sized companies in each country, we increase the probability of gaining exposure to the massive winners among them.

8. **Expertise in Fast Growing Field of Single-Country ETF Investing:** BBIS' 5 years of managing equity portfolios built from single-country ETFs makes it one of the pioneers in this growing field. We are aware of new single-country ETFs offered to investors and incorporate some of them in the firm's portfolios. At the end of 2017, the field received a major boost when Franklin Templeton Investments (FTI), one of the world's leaders in international investing, launched a suite of low-cost single-country ETFs. Recently, Mark Mobius, one of the legends in the field of international, and, especially, emerging market equity investing retired from FTI. The company could have hired another star stock picker, or even several of them, but instead it recognized the benefits of single-country ETFs and decided to invest heavily in building up this business.

9. **Positive Impact on Countries in Crises and Global Stability:** Applying Benjamin Franklin's famous phrase "do well by doing good" to the modern world, it is important for BBIS to do well for its investors by doing good for the world. As the impact investing field is growing fast, we help our investors to participate in it. By investing in the stock markets of countries that are going through or have just weathered crises, we do not only benefit our investors. We also help a wide number of people within these countries to save more of their own investments and resume their normal lives faster. Investing via ETFs allows us to access the widest number of large and medium-sized companies possible. We are not trying to invest in only the few companies that we consider to be worthy. Instead, we split our investments among most large and medium-sized companies in these countries. We directly help investors, many of whom are employees of these companies and can only afford to buy several shares, during their time of need. We help families of the employees and shareholders feel incrementally more confident, as smaller portions of their families' investment portfolios are negatively affected by crises. This confidence results in higher consumption at the end of crises and brings about economic recoveries as people spend more money when their wealth is higher. The higher spending by individuals helps to jump start economic growth through the virtuous cycle of the income multiplier effect. Even people who do not own stocks are more likely to find or keep jobs when local economies recover. In our small way, we help countries and their citizens recover from crises more quickly and with less longer-lasting damage.

   We also contribute to strengthening political stability around the world as we lower hunger and anger in the post-crisis countries that can spread outside of them in the form of terrorism or wars.

10. **Competitive Annual Management Fees:** We price our asset management services competitively by charging annual management fees ranging from 0.2% to 0.5% depending on the investment size.