FIRM PROFILE

FIRM DESCRIPTION: Beyond Borders Investment Strategies (BBIS) is a boutique investment firm that provides internationally diversified equity strategies to reduce risk and achieve higher risk-adjusted returns over the market cycle. We accomplish 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. We often buy these ETFs during or shortly after economic, business, or political crises.

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. *BBIS' Global ex-US Country Value Equity* and *Emerging & Frontier Market Country Value Equity* strategies complement these portfolios' domestic portions in our client portfolios. *The Global ex-US Country Value Equity* strategy (with its investment performance of eight years and two 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 four years and eleven 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.

Via its investments, **BBIS** pursues the following four investment, impact, strategic, and security goals:

1. **Earning Competitive Returns While Reducing Risk (Investment Goal):** Earning competitive returns for clients over the market cycle due to the equity valuation mean-reversion and avoiding markets that deserve to trade at low valuations, so-called "value traps." We reduce our client portfolios' investment risks by diversifying our portfolios' composition among countries (not more than 10% of portfolios invested in any country) and within countries (single-country ETFs are composed of dozens and hundreds of stocks).
2. **Helping Countries Recover from Crises (Impact Goal):** Helping countries' stock markets stabilize, companies start expanding their operations and hiring people, and the countries' citizens emerge from crises. Using single-country ETFs, we buy shares of all large and medium-sized public companies. As a result, we can help their employees, their families, and people in their communities who do not work for the companies via a virtuous income-multiplier effect. For comparison, stock pickers usually invest in several companies per country and can help significantly fewer people.
3. **Strengthening Stability and Security around the World (Impact/Security Goal):** Strengthening security and increasing stability by reducing militant nationalism that often impacts people within crisis-afflicted countries and sometimes spills onto the international arena in the form of terrorism or war.
4. **Helping to Ensure Uninterrupted Import Supplies to the US and Worldwide (Strategic Goal):** The US is an open economy and a significant importer of manufactured goods, commodities, and services. The same goes for many other economies around the world. Some of the imports from countries that are going or recently weathered crises have few substitutes. By helping crisis-stricken countries and their companies recover, we are helping to ensure that import flows to and supply chains of both US and global consumers and businesses are not interrupted.

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 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.

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. As a result, our competitors with shorter investment time horizons (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 the risk of capital loss by investing in ETFs, or fund vehicles consisting of dozens and hundreds of stocks, versus concentrated stock portfolios that consist of several dozens of individual stocks. If one or several 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 capital loss risk 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 the weights of large and, especially, smaller countries where stock markets trade at low valuations in our portfolios. This flexibility allows us to increase potential returns and reduce portfolio risk due to diversification among various countries' stock markets. Performance of most broad-based international and emerging market indices is dominated by stock markets' performance 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 it is possible to pick winning stocks, it is extremely difficult to do it. Vitaly Veksler, BBIS' founder and CEO, worked 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 US 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 famous ABBA song title, "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 worldwide, where BBIS can invest, is even more difficult. Suppose we assume that in all 48 countries the same percentage of stocks (4%) account for all of the net gains. In that case, the probability of picking this 4% of stocks in each country, or even a subset of these countries, is close to the likelihood 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' seven years of managing equity portfolios built from single-country ETFs make 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 significant 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 international and, especially, emerging market equity investing legends, 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. **Helping to Ensure Uninterrupted Supply of Essential Imports to the US and Other Countries Around the World:** By helping crisis-stricken countries and their companies recover, we are helping to ensure that the supply chains supporting both US and global consumers and businesses are not interrupted for long by crises.

10. **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 going through or have just weathered crises, we do not only benefit our investors. We also help many people within these countries save more of their investments in companies that employ them and other local companies 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 a 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. Individuals' higher spending 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 global security and stability by reducing militant nationalism that often develops in crisis-afflicted countries and can spill on the international arena in the form of terrorism or wars.

BBIS' 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 valuation 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. He also advises other investors on which countries to invest in. Vitaly has presented 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 and 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), Harvest (digital marketing platform connecting investors with financial firms and products), The Investors Podcast (with its motto "We Study Billionaires"), Finding Unique Value Podcast, and Advisors Perspectives (a leading online publication for wealth managers).

Before BBIS, Vitaly was Vice President at BNY Mellon Asset Management. There he authored highly successful quarterly Global Economic & Market Outlook reports that were initially distributed to BNY Mellon Asset Management's largest institutional clients. Later they were distributed to all institutional and private clients of BNY Mellon (not just those of BNY Mellon Asset Management) worldwide as examples of BNY Mellon's thought leadership in the asset allocation area. As part of BNY Mellon's internal consulting group, he 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 Chief Investment Officer Magazine. Before BNY Mellon, Vitaly worked on the Technology equity team at Fidelity Management & Research, the famed 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 and identified global companies' stocks that benefitted from these trends.

Vitaly is a CFA charter holder, served for three years on the CFA Society Boston's Board, and led the society's Economist & Strategist Program Committee for six 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).

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 serves as the Director of Research at Adaptive Investment Solutions and 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 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, and was an Associate in Mortgage Securities Research at Goldman Sachs & Co.

Larry holds his Ph.D. in Finance, Masters of Philosophy in Finance, MBA in Finance and Management Science, MS in Operations Research, and BS in Nuclear Engineering, all from Columbia University. He is a member of the American Finance Association, CFA Society Boston, Econometric Society, the 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 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.