L-R, MAGERET, THOMANN, MELANIE IN OFFICE

GERTRUDE REVIEWS ALL OF THE ACCOUNTS EVERY WEEK

SOCIO-ECONOMIC ENGINEERING EXPLAINED

Emerging markets are defined not by common economic characteristics but as an investment opportunity, according to Benoit Anne, head of emerging markets strategy at Société Générale (SG). When the term first came into being, most investors looked only at developed markets; emerging markets as a category for investment was a differentiator from previous investment strategies, he explains.

One important characteristic shared by most of the countries that have achieved emerging markets status over the past 30 years is the responsiveness of their governments—regardless of political creed—to demands from their populations. “People in emerging markets are poor and have no protection against inflation or economic instability,” says Jan Dehn, head of research at Ashmore Investment Management, which has $71.3 billion in funds under management. “They want improved living standards rather than ideology.”

Local political accountability has resulted in economic stability and growth. While there have been plenty of market panics since 1998, “the fundamental strength of emerging markets has not been undermined,” says Dehn.To ascertain whether emerging markets is an obsolete term, we must first understand what it means. Emerging markets were defined not by common economic characteristics but as an investment opportunity, according to Benoit Anne, head of emerging markets strategy at Société Générale (SG). When the term first came into being, most investors looked only at developed markets; emerging markets as a category for investment was a differentiator from previous investment strategies, he explains.

Emerging markets also had a shared history, having come of age as the Cold War ended (creating a political vacuum that spurred experimentation) and globalization accelerated. Globalization enabled emerging markets countries to import capital, technology and knowledge and to export what they produced, notes Neil Shearing, chief emerging markets economist at independent research firm Capital Economics.

One important characteristic shared by most of the countries that have achieved emerging markets status over the past 30 years is the responsiveness of their governments—regardless of political creed—to demands from their populations. “People in emerging markets are poor and have no protection against inflation or economic instability,” says Jan Dehn, head of research at Ashmore Investment Management, which has $71.3 billion in funds under management. “They want improved living standards rather than ideology.” Local political accountability has resulted in economic stability and growth. While there have been plenty of market panics since 1998, “the fundamental strength of emerging markets has not been undermined,” says Dehn.

(CHANGING ECONOMIC CLIMATE OF EMERGING MARKETS, Seeking A New Paradigm, Authors: Laurence Neville & David Howell LL.B, LL.M, PhD

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MEET THE STRATEGY TEAM

OUR UNIVERSITY GRAD STUDENT INTERNS FIGURE OUT A NEW STRATEGY FOR A PROJECT

The philosophy behind the theory of — socio-economic engineering, (SEE) is simple: making investments in long-term, sustainable, and conscientious ventures (in a sustainable and conscientious ways) in emerging markets or developing countries. This concept not only promotes socially responsible investment criteria, but it also promotes financial responsibility. An investment's productivity and profit-generating potential is not dictated solely by short-term profits. Investment criteria relating to the sustainability of an investment venture are not limited to portfolio management as the investment itself may have a longer and more productive lifespan. As we have attempted to promote this concept, particularly in the context of investments made in emerging markets,we have been surprised by how many sophisticated investment "gurus" ignore what the term "social" means.

The debt crises of the 1980s wreaked havoc on most underdeveloped countries aggravating some of the already, endemic economic problems such as underdevelopment, low growth, deficits, etc. The economies in my country where I served as Deputy Minister of Finance from 1984-1989 were in a state of virtual meltdown, and this laid the foundation for the worst and longest economic collapse in the nation's history. With the total downward trend in the business cycle, characterized by a decline in production and employment, which in turn, caused the incomes and spending of households to decline, it became imperative to formulate and implement policies that could be used to spur economic recovery in impoverished or developing countries.

I had convinced myself that SEE could work for foreign private investors having watched many local families (including my own) amass substantial earnings operating very profitable businesses under extremely difficult circumstances, selling everything from rice, chickens, rubber (latex to Firestone) coffee, brokering gold and diamond sales, becoming major shareholders in the first African owned bank, and underwriting the first Private Investment Bank. However, my naïveté got the best of me, and I discovered quite early that it was an impossible task to secure private investments from foreign firms or private investors, who in spite of their knowledge that many local families had faired extremely well in the private sector arena, the response was always…"too risky". There were always a countless list of "what ifs".

All I thought I had learned while writing my thesis on Emerging Market Economics at the LSOE in London, failed me. However, the "what ifs" provided me with somewhat of a break-through. All of these "what ifs" were based upon investment criteria that were part of rule of thumb guidelines for private investors used in OECD countries. These consisted of international economic criteria that a majority of foreign investors sought to impose on developing countries with fledgling emerging markets even though in many cases the same criteria did not protect and secure their investment portfolios even in their own "civilized" countries of origin and the long worded terms sheets that were obsessively submitted to needy small business owners in Africa and other similar developing markets served no real purpose other than to give a foreign investor the illusion that because some desperate borrower had signed documents, investment funds were somehow protected from default.

What has kept most African and Caribbean nations poor is the powerlessness of the people to rid themselves of predatory governments and international financial institutions or force existing ones to adopt the right policies. More succinctly, governance of emerging economies is also severely hampered by the foreign educated "doctorates", who, while having acquired the expertise and know-how on how to manage and structure a developing nation's economy, soon join the corruption inherent in being in government. Of course there is also the difference between learned academic

acumen and common sense, which all soon learn that many leaders of developing nations, especially in Africa, have little, if any, of both.

Why consider investing in emerging market projects? The last six years (2009-2015) in the United States and European financial markets has drastically changed the way we work, travel, invest and live. The United States and many Euro countries are even considering levying a “wealth tax”, which is a fee on all earned income. Things have even reached the point that U.S. legislation and regulations now determine what you can and cannot do with your own money. The average “angel investor” is now heavily taxed on earned income, told by his depository bank how and under what terms and conditions deposits must be made, liable for some serious bank “management” fees, wire transfer fees and transaction fees that, quite often, even the bank itself does not understand. These banking fees literally eat up the meager interest or dividends earned, so for major U.S. banks it is a win-win situation. They are now in the business of fee gouging, Gone are the days when banks encouraged long term savings accounts, paid a fair and equitable interest rate, so that they could keep your money on account, make money on using these assets to make loans, to earn lucrative income streams.

Foreign investors in the USA, who rely on the government’s clean-energy subsidies to profitably develop wind and solar farms recently asked the insurance giant Marsh & McLennan about political risk coverage on payments made by the United States. Investors are seeking alternatives to United States Treasury bonds as worries escalate that lawmakers will fail to reach an agreement to rein in the deficit and raise the federal debt limit in the coming days. Many are getting leery of stocks and also concerned that a downgrade of United States government debt by the rating agencies, or even the more remote possibility of a default, would erode the value of so-called “risk-free”Treasury securities. Many institutional investors are looking to faster-growing emerging markets.

It is a very volatile period for global markets, driven by almost unprecedented uncertainty amongst investors about the global economy and fears that politicians may be unable to fix economic problems. Recent economic data has suggested the recovery in the West may be petering out, feeding renewed worries about the eurozone debt crisis.This, it is feared, could in turn cause a second banking crisis if governments are unable to pay back their debts. And in the face of these twin concerns some investors say policy-makers have not done enough to provide certainty about how the crisis will be tackled. The concerns about growth have also fueled worries about the indebtedness of eurozone states. If economies are not growing, tax receipts fall, making it harder for governments to pay off their debts.

If banks were forced to accept similar or greater losses on the debts of other countries it could trigger a new banking crisis, further destabilising the global economy. Analysts have also questioned the lack of strong leadership coming out of the US and Europe. The G20 group of leading economies has said it is ready to "take action" to stabilise global markets. But there is disagreement as to what form that action would take. A statement is expected during its next meeting at the start of November.

Risk is inherent within every business ecosystem, adding to a multitude of existing challenges of operating in today’s global business climate. The threat of catastrophic loss – from natural disasters, financial mismanagement, IT security breaches, supply chain disruptions and more – demands

preparedness to assure financial and business continuity. Yet recent studies suggest few companies fully understand or are properly prepared for the breadth of risks they encounter. Historically viewed as the domain of the CFO, less than 20 percent of enterprise risks are financial, legal or compliance in scope, yet all risks can ultimately have a financial consequence. Addressing the scope of Enterprise Risk Management (ERM) requires a level of organizational collaboration that culturally and practically can be very difficult to implement. The first step toward creating a robust ERM program encompasses understanding the scope of risk management and nurturing collaboration and preparedness – making it a "team effort" across the enterprise.

The challenge for Bankstreet has always concentrated on how to implement an ERM program, in some emerging market cultures where just being "alive" encompasses monumental risk. Managing enterprise risk is a critical and growing discipline within enterprises no matter the marketplace. Doing it right is difficult; many "clouding factors" can sabotage an ERM program at every step. But doing it well may ultimately determine whether a start-up venture can successfully avoid and/or mitigate risk. A successful ERM program does not guarantee success but it will put all SEE investors on the proper path towards longevity and success.

Is there a common theme in start-up company failures? A 2011 study commissioned by IBM found that more than two-thirds of the nearly 300 respondents had at least one significant risk event in the previous year, and that only some 20 percent of organizations had both anticipated and reasonably estimated the impact of that event. An earlier IBM study of senior financial executives also found the vast majority of major risk events had their roots in non-financial causes.

ERM misfires at most enterprises are caused by three major factors:

1. Not understanding the true scope of risk management.

2. Not being able to see and/or assess the potential risks facing the enterprise.

3. Inability to undertake key steps that "scatter the clouds."

When organizations do not know what to do, risk events are the terrible things that ensue and slowly but surely cause the deterioration of value, competitiveness, capital and long meetings with regulatory agencies. These events can be large and externally driven, such as an unexpected natural disaster or the malicious sabotage of a product. They can be internally driven through mistakes, misinformation, poor design or inadequate safety systems. Lack of skills, purchasing decisions, operational actions, financial or infrastructure/asset decisions, poorly received or delivered communications, failed product launches or deliberate misbehaviour can also lead to major risk events. Few business functions escape exposure to risk.

Much of what constitutes poor risk management occurs as a result of misguided or misinformed business decision making. Avoiding mistakes and making good decisions is certainly within the realm of all entrepreneurs. The first risk management misfire comes when organizations don't understand risk management; they do not know what to do. They feel overwhelmed about risk management – its sheer influence and pervasiveness to the core of nearly every business function, at every moment the business is operating. In fact, more than half of the respondents to an IBM survey acknowledged having no enterprise-level process to identify risks.

Our Socio-Economic Engineering philosophy underscores the technical protocols, ("back office" criteria and strategies), used to structure and implement Social Responsible Investing projects in emerging markets. Our area of concentration is the Caribbean Region. Investors are beginning to look beyond the very fragile investment markets in their own North American and Euro economies, that yield somewhat meagre investment returns in a climate of increasing investment risk. These investors are our potential clients and form the core essence of socially responsible investing which has evolved as one of the most optimistic emerging trends in the financial world today. Socially responsible investing integrates an investor's financial goals and values with a voice in shaping the future of somewhat fragile societies.

Bankstreet researches and then promotes a number of small, yet, lucrative emerging market projects in the Caribbean region, projects that offer very secure investment opportunities principal among which we focus on low to middle income home construction projects for local consumption, high-tech pre-paid affordable cell phone opportunities, establishment of small, local banking and investment institutions, computer industry and peripherals), high-speed Internet services, small manufacturing plants to produce exportable goods and Insurance products. Whether we are investing our own funds or client funds we become active fiduciary participants in all projects and, when necessary, become active owners. We strive to think and act locally but always stress the fact that we have the greatest impact on getting things done when we have a direct influence.

It has been our goal for the last twenty years to establish a Private Equity Group (note must be taken that we did not use the word "Fund") that would promote the basics of "socio-economic engineering". We believe that this is the only approach to be used in financing projects in what might be defined as emerging markets or to be more graphic, "developing nations".. Unlike the more traditionally approach to Private Equity, socio-economic engineering requires a thorough understanding of respective jurisdictions, cultural differences, education, customs, judicial system, political stability, financial stability of the jurisdiction, …..None of these parameters can be evaluated effectively by EU or U.S. based financial group who do not have professional "on the ground" teams.

Funding private projects in emerging markets requires a thorough evaluation and analysis of several aspects that are inherent in the project itself, to the specific country where it is located, and to the project owners. In almost all developing countries the stage of growth varies considerably due to for example, changes in the political environment. Consequently, in order to secure the viability of funding in these countries, a detail research and investigation of the following is initiated:

Since the evaluation of project funding requires careful planning at its early stages, the checklist to be met for each project should contain the following items:

a) A satisfactory feasibility study and financial plan

b) Does a market exists for the products, commodity, or service to be produced?

c) Is the contractor experienced and reliable.

d) Is the operator experienced and reliable.

e) Are Management personnel experienced and reliable.

f) Does a stable and friendly political environment exist; licenses and permits are available.

g) There is no risk of expropriation.

h) Country and sovereign risk are satisfactory.

i) The key promoters have made an adequate equity contribution

j) The project has value as collateral.

k) Satisfactory appraisals of resources and assets have been obtained

l) Adequate insurance coverage is contemplated.

m) The project will have an adequate Return on Equity, Return on Investment and Return on Assets.

n) Inflation and interest rates are realistic.

Other factors, such as the stability of the government, per capita income and economic growth are equally important. An analysis and diagnosis, covering the socio-economic, technological and governmental factors must be undertaken by lenders/investors to anticipate opportunities or avoid threats, and develop risk strategies for different scenarios. Probably the most important factor for

private investors is the state of the local economy, which would affect the risks. The state of the local economy where projects are to be funded is also a very important factor and should form part of market studies. When investing in private projects in developing countries concern should be concentrated on the guarantees behind the project. The project owner must offer corporate and personal guarantees, since there are - in most instances - no governmental guarantees in privately owned projects.

Although risk analysis, which focuses on the probability of realizing certain rates of return, is an important part of economic project analysis, this approach to pure project financing must address in detail specific aspects of market risks which must be analysed before contemplating the realization and funding of any type project and in any location. Market risks are of utmost importance, especially when new technology is used in a project, as lenders are reluctant to support projects that use new technology for fear of delays, overruns, etc

Another important area of concern is the "legality" aspects of the project. The assistance of legal advisers is essential for both Bankstreet and project owners. Careful attention must be paid to investigating the structure of the financing and the overall allocation of risks and recourse between the parties involved. Many developing countries place strict controls over trade, licensing and foreign investment. Restrictions on investment, for instance, might include local participation requirements, and restrictions on the percentage of foreign ownership allowed. They may also require that the foreign firm train workers, utilize local management, build water treatment and sewage facilities, pay taxes, export a certain percentage of finished products, reinvest profits in the host country, introduce modern technology and products to the host country, and respect the cultural identity of its people.

The ability to deploy insurance capacity in developing countries is also hampered by local insurance regulations which restrict foreign market access. Insurance availability in developing countries is restricted by a lack of adequate financial, legal and service infrastructure as well as lack of credit worthy local insurers, restrictive local insurance regulations and limited distribution channels. Guarantee funds and partial credit guarantees to manage credit risks of both project developers and end-users Information sought by lenders and underwriters in assessing a project's viability is often unavailable or in the wrong format:

Key risks and barriers that inhibit financing of projects relate to the small scale of the projects, lack of technology efficacy, operational risks and regulatory uncertainty.

Deficiencies in framework: the financial, legal and institutional structures supporting project

Credit issues, loan tenors, and lack of bankable structures

We adhere to the United Nations-supported Principles for Responsible Investment (PRI)This Initiative is an international network of investors working together to put six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

The Principles as listed on the official website are as follows:

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we are committed to the following:

1. We incorporate ESG issues into investment analysis and decision-making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4. We will promote acceptance and implementation of the Principles within the investment industry.

5. We will work together to enhance our effectiveness in implementing these Principles.

BY:

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Chief Exec. Officer

The Bankstreet Group of Companies