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# Counterclaims and Payments in International Investment Arbitration

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**Annotation:** Foreign investments are all property, financial, and intellectual assets mobilized by foreign investors in the economy, business and other activities of an absolutely other country in order to gain a high level of income and achieve efficiency. [6] Foreign investment is a source of external financing, unlike domestic investment. They are attracted to the national economy from abroad, encouraging their arrival. But not all forms of attracting foreign capital can be an external source of financing. This applies primarily to loans and debts that require repayment with interest payments.[7].

**Keywords:** foreign investments, investment, investors, financial stability, finance, credit, debt, capital.

Because foreign loans and debts of international financial institutions require the return of fixed interest along with the principal debt after a certain period of time. There are specific differences between foreign investments and foreign loans. In this regard, the range of risks of foreign investments and the breadth of risks of foreign loans differ. According to the Law on Foreign Investments, foreign investors in the Republic of Uzbekistan can be:

foreign countries, administrative or territorial bodies of foreign countries;

international organizations established in accordance with interstate agreements or other agreements or being subjects of international public law;

any other companies, organizations or associations, legal entities established and operating in accordance with the laws of foreign countries;[8]

natural persons who are citizens of a foreign state, stateless persons and citizens of the Republic of Uzbekistan permanently living abroad.

Today, there are several forms of foreign investment attraction:

establishment of joint ventures by participating in shares;

establishment of foreign enterprises 100% owned by foreign investors;

establishment of subsidiaries and branches of large foreign companies and firms;

conclusion of concession and lease agreements;

announcement of tenders;

establishment of free economic zones;

sale and purchase of financial assets.[9]First, it is necessary to explain the importance of savings in the economy. Mutual funds are financial intermediaries that provide benefits for contributing capital, processing information, choosing investment directions for their clients, and investing funds

on behalf of individual investors. The fund manager chooses the investment portfolio and reduces the investment risk. We offer various ways of mutual fund income. First, by paying dividends. A fund can earn income from dividends on stocks or interest on bonds. The fund then pays out almost all of the income to its shareholders, minus expenses. Second, profits may be derived from capital gains distributions. The value of securities in the Fund may increase. When the fund sells the securities it owns, the fund earns a capital gain. At the end of the year, the fund separates these gains from the return on capital, net of any capital losses among investors. Finally, profit is recognized as an increase in the value of net assets. If the market value of a fund's portfolio increases after deducting expenses, the value of the fund and its shares will increase. [10]High net asset value reflects the high value of your investments. The main advantages of mutual fund investments are portfolio diversification, professional asset management, liquidity and overall capital structure. Diversification leads to a reduction in risks, which cannot be achieved by individual investors by investing their assets in a single share. Professional portfolio management is important because people often cannot scan the entire market and identify "good" investment opportunities. Liquidity is related to the fact that investors can buy and sell shares of the fund every day, which ensures a high degree of adaptation to changes in the market. However, mutual funds have a number of disadvantages. For example, there are few (if any) existing mutual funds that can outperform the benchmark after deducting expenses.In addition, especially in the case of funds related to banking groups or public foundations, the conflict of interest hypothesis can lead to a number of serious problems. can be summarized as a situation. Such a move requires information asymmetry. In our case, the mutual fund manager has more information than the fund investors. Conflicts of interest in a mutual fund can lead to negative features such as withholding information from investors, inefficient taxation, high fees and low disclosures. International funds are investment funds whose assets are located outside of their home country. International funds ensure that you do not have to solve the difficult and time-consuming problem of independent selection of individual foreign shares. A fund manager does this for you with an investment portfolio of a fund made up of international corporations. The advantages of an international mutual fund include minimal investments, no need to create a brokerage account, and a high historical rate of return. In general, international funds are depending on where the investment is divided into three main types: global, regional and industrial investment funds.

Global international investment funds invest in stocks not only from one country, but from all over the world. For example, PGM India Global Equity Opportunities Fund invests in stocks from USA, France, Singapore, Switzerland and other countries through PGIM Jennison Global Equity Opportunities Fund. Regional international investment funds invest in the stock market of only one country or region. Index funds are a great example. They track one index from one market (country). For example, the Motilal Oswal s&P 500 index fund, which invests in all the stocks in the S&P 500 index. Industry funds are highly specialized and seek to take advantage of a particular sector. For example, healthcare, energy, etc. Mutual fund ratings have been created to make life easier for investors.

The two most common types of ratings are credit ratings and credit ratings that show significant differences. While credit ratings are forward-looking and measure absolute risk, fund ratings are typically retrospective and measure past performance relative to funds in a peer group and do not include qualitative factors. There are not many independent rating agencies in the world that rate mutual funds. The most prestigious "Morningstar" in the USA presents the star rating. There are also other mutual fund rating agencies such as Standard & Poors, Feri, Lipper, Euro Fondsnote and Stiftung Warentest. In theory, mutual fund ratings should provide objective, fresh and useful information to market participants to help investors allocate their assets. Many mutual funds rating agencies show simplified score results. As for Morningstar, they give this rating to the stars.

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Inexperienced investors are used to relying on these reduced ratings because they cannot evaluate the wide range of investment opportunities offered by mutual funds. Morningstar says investors should use the rating only as a starting point and therefore not rely solely on the star rating.

The final assessment of the rating is based on the following elements:

General structure of fund management

The relationship between the board of directors and management

Share of independent board members

Biographical information of the members of the board of directors and their independence

Rewards and benefits

Educational level of managers

Corporate culture accounts for 40% of the total score and specifically includes fiduciary duties. The analyzed aspects show how the fund demonstrated the information and stability of the investment process. Quality control is 20% of the rating. This shows that government actions are in line with investors' interests. At least 75% of board members must be independent, which meets SEC requirements. A compensation structure that supports long-term growth is considered positive and vice versa. Ratings based primarily on fund performance and performance are key investment criteria when considering mutual funds. In particular, the influence of the star rating is increasing significantly when monitoring the market reaction to changes in the US Morningstar fund rating. US and UK mutual fund competition flows mainly depend on the Morningstar rating and its changes, so US and UK ratings are indirectly dependent on past performance. A fund's past performance does not matter in your opinion because past performance does not predict future returns. However, past performance shows how volatile or stable a fund has been over a period of time. More volatile fund, higher investment risk. Past performance is generally not consistent over the long term. The literature on this rating does not definitively answer the question of whether this rating can predict future performance or asset turnover in general. However, the quality of management and corporate culture seem to be most important. On the other hand, the manager's motivation component is of little importance. However, as mentioned above, ratings reflect only corporate factors, and inexperienced investors often ignore other factors that should be taken into account when making investment decisions. Investors should also pay attention to persistent and easily observable elements that can affect performance. These elements are discussed separately in scientific literature. The factors found indicate some characteristics that may indicate advantages or disadvantages for investors.[1]

Among them, for example:

Funding Fees and Expenses

The fund belongs to the bank

Fund size, asset flows and exit risk

Management structure

Share of manager and board member in fund or family fund.

Education level of the manager

Fund charges are the most favorable factor for fund investors. They are associated with the outflow of investors' assets and, moreover, have a negative impact on the results of operations. Base salary always includes management fees, general management expenses, sales expenses and marketing

expenses. Some articles and managers say that a high cost is a good sign of qualified managers, and this price is always more or less appropriate. high management fees are not enough. Very high fees may indicate that the board of directors is unable to protect the interests of shareholders. Decisions to exit the business may be made by small, young and ineffective funds and funds that pay high fees. The smallest funds with low capital are often liquidated because they cannot cover the costs associated with the assets under management. Low efficiency is important only in cases of intra-family mergers. Mutual funds that offer unique portfolios are less likely to be liquidated or sold to another family, and intra-family mergers are more common among large fund families. Therefore, mergers are common among funds with a close investment strategy, as it reduces implementation costs.[2]Bank-affiliated mutual funds show increasing conflicts of interest as fund management becomes controversial. Although management has fiduciary duties to fund investors, they are paid by a bank that works with other businesses. Currently, bank ownership is an important factor, as, for example, approximately 40 percent of mutual funds in the United States are affiliated with banks. These funds may have better research resources, lower transaction costs, and sometimes more information about the affiliate's customers. This information comes from the fund's initial public offering (IPO), secondary public offering (SEO) and the bank's lending business. Some of this information is not available to "regular" market participants and is therefore private. Funds associated with investment banking are more likely to be in client shares with seasonal public offerings (SEOs) and initial public offerings (IPOs). is expected to participate. This means a high probability of large abnormal returns in the future relative to the market. These features should lead to increased performance of mutual funds associated with investment banking. However, in practice, mutual funds usually include SEO and IPO stocks. This means that these mutual funds are less efficient than peer investment bank affiliate funds, and investors in these funds have a negative impact on the funds owned by the investment bank. The delay is calculated from 1% to 1.7% per annum. Recent studies have shown that, in most cases, investors in mutual funds associated with investment banks lose their returns. Over 19 years, costs tracked have benefited from joining an investment bank 14 times. Investment banks generate most of their income (up to 65%) in investment banks and less than 10% in their mutual funds.[3]

**Conclusion:**

As a result, this study analyzed what criteria should be used by investors when choosing investment funds. Mutual fund investors pay most attention to past performance to the exclusion of other important factors. These are, for example, expenses related to mutual funds, management issues or active participation in mutual funds. Estimating the cost and underpayment is of interest because these costs have a direct negative impact on investors' returns. When selecting mutual funds, especially for retail investors, management criteria appear to be irrelevant, which indicates that they do not understand the importance of these criteria. However, recent scandals have raised awareness of these benchmarks among retail investors as well. In Europe, most mutual funds are distributed through banks, so bank-linked funds tend to have weaker performance streams than non-bank-linked funds. shows. Another fact is that European mutual funds are often more expensive than non-banked mutual funds. The above models show that some investors do not understand the basic functions of mutual funds and only follow the advice of bankers. There is also a lot of research to be done, especially with regards to the sources of excellent performance. This is because the literature usually reflects "only" a small aspect without including other aspects.

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