FOR PROFESSIONAL ADVISERS ONLY

BARINGS

250 years of open minds
and uncommon perspectives.

# Investment Luncheon

## Baring Asset Management

21 January 2016

**Panel discussion**



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# Barings' global asset allocation:
## Current tactical directions (December 2015)

| | Aggressively Underweight [5] | Underweight [4] | Neutral [3] | Overweight [2] | Aggressively Overweight [1] |
|---|---|---|---|---|---|
| OVERALL | | CREDIT (IG) | EQUITY<br>CREDIT(HY)<br>GOVT BONDS / CASH<br>INDEX-LINKED BONDS | | PROPERTY<br>(only UK/Europe) |
| EQUITIES | | EM-EUROPE<br>SING/ CAN / OZ<br>EM-LATAM | US<br>UK<br>EM-ASIA<br>HK | JAPAN<br>EUROPE [1] ← | |
| SECTORS | | INDUSTRIALS<br>UTILITIES<br>MATERIALS | ENERGY / TELCO<br>HEALTH CARE<br>INFO TECH<br>CONSUMER STAPLES | CONSUMER DISC<br>FINANCIALS | |
| BONDS | | JAPAN<br>GERMANY<br>UK [3] ← | US<br>EM LOCAL<br>ITALY | | |
| CURRENCY | | | GBP<br>GOLD<br>EUR → | JPY [3] | |

Previous score in brackets if score changed – [ ] means upgrade, and [ ] means downgrade
Source: Baring Asset Management (December 2015)

# Barings' representative Global Multi Asset Fund

## Asset allocation (as at 15 January 2016)

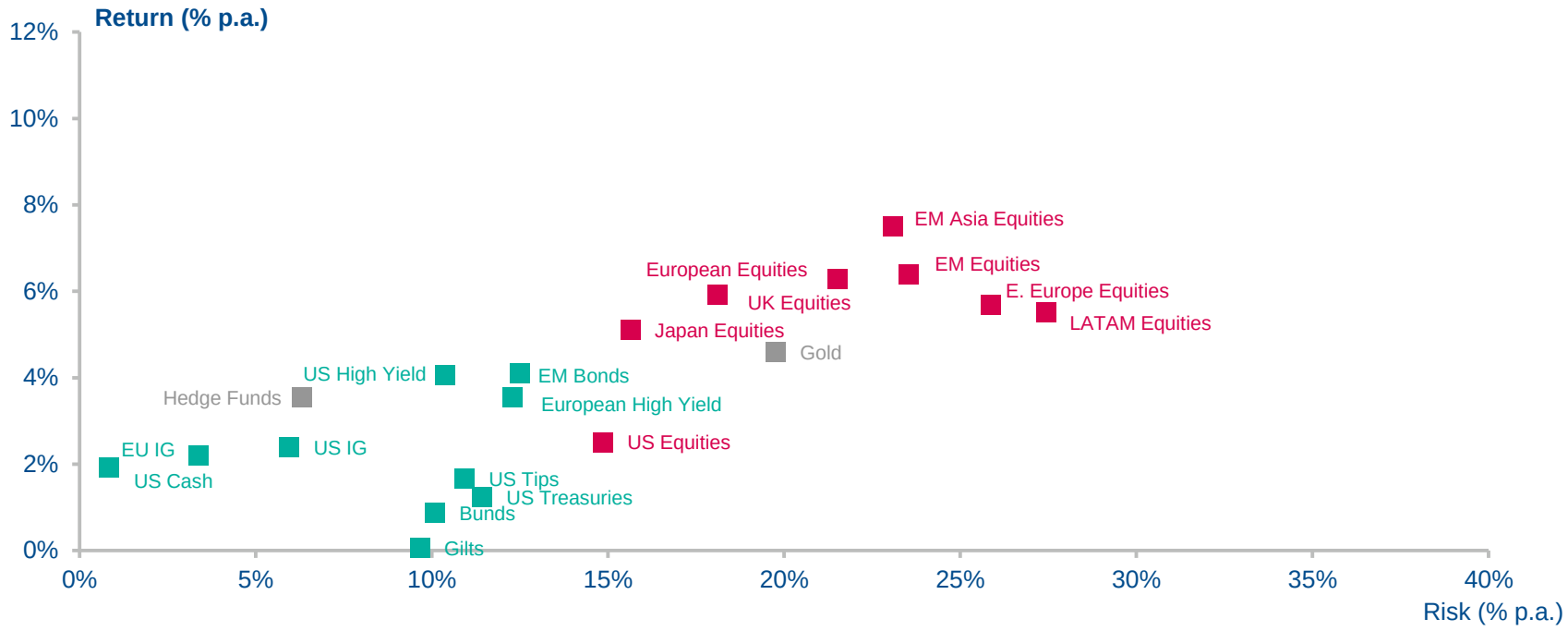
- **Overall risk position of the portfolio:** Medium. Recently reduced equities in favour of USD Cash
- **Equity sub-portfolio:** Focus on Europe, and, to a lesser extent, Japan, followed by the US and Asia. Main focus in stock selection process is on companies which are leaders in their respective fields, with a solid business franchise and long-term track record in delivering profit growth, overlaid by selective cyclical and growth stocks
- **Fixed income sub-portfolio:** main emphasis is on capital preservation, and, where it makes fundamental sense, incremental yield.
- **FX currency hedging:** half hedged vs Euro and Australian assets

| Current Portfolio | % of NAV | Asset class sub-total (% of NAV) |
|---|---|---|
| **Bonds** | | **20.3** |
| OECD Government Bonds | 20.3 | |
| Global EM Bonds | -- | |
| Global Corp Bonds | -- | |
| **Equities** | | **54.5** |
| Global ex Asia Pac Equities | 44.0 | |
| * Europe (including UK) | 22.2 | |
| * Japan | 9.2 | |
| * North America | 12.6 | |
| Asia Pacific ex Japan Equities | 10.5 | |
| **USD Cash & T-Bills** | | **25.2** |
| **Total** | | **100%** |

Source: Barings

# Strategic Asset Allocation (SAA):
## Barings' next 10 year forecast of returns

### Next 10 year total return forecasts of key global asset classes
**(Annualized USD returns, 2015-2025)**



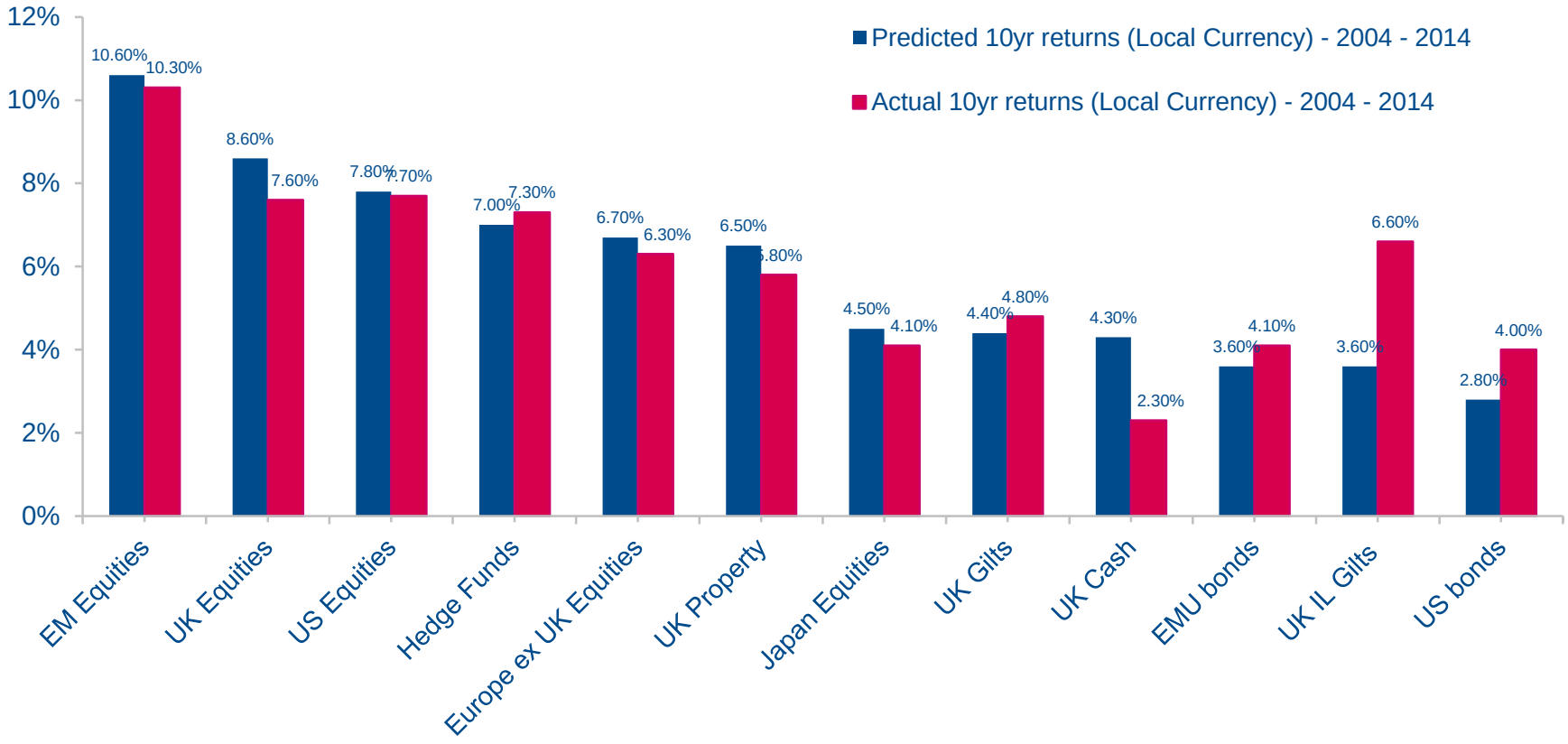

**Low returns expected in almost all asset classes**

Source: Barings as at 27 Feb 2015
*Risk (standard deviation of annualised returns)

# SAA: 10 years of 10-year forecasts

## Solid proof of our proprietary research

### Barings forecasts versus actual outcomes



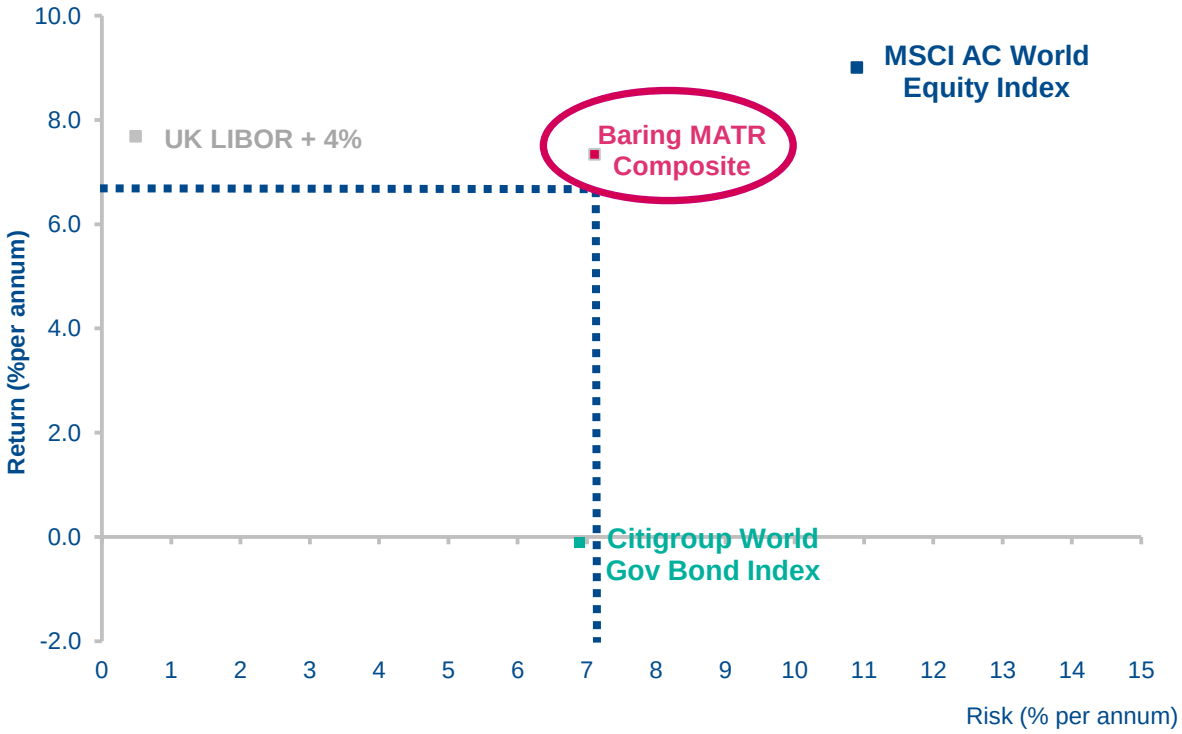

**Barings' long-term forecasts has been quite accurate and is proved to be useful for strategic asset allocation**

Source: Barings, 31 Mar 2015
Please refer to Important Information.

# Barings MATR composite performance track record
## (Net of fees) 10-year returns and risk

**Barings MATR Composite vs. Asset Classes**

Performance data are in GBP, net of fees, other indices' data are in Gross terms




| Sharpe Ratio of Barings MATR Composite: | |
|---|---|
| 3 Years | 0.81 |
| *5 Years* | 0.87 |
| 10 Years | 0.69 |

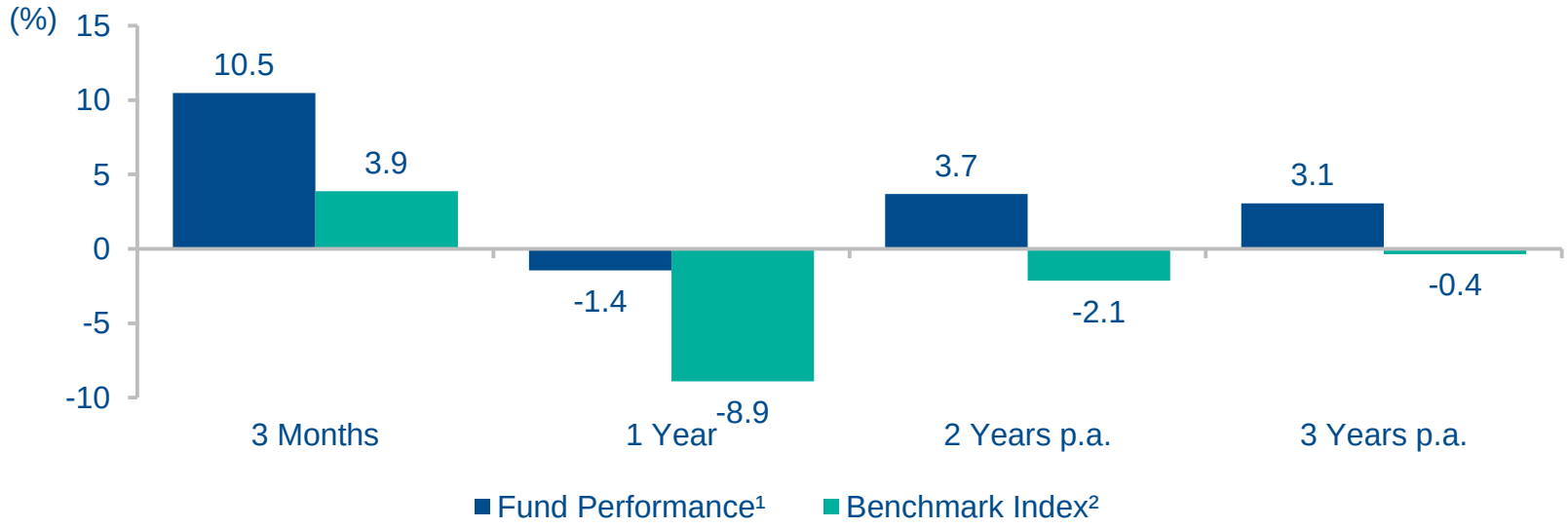
| 10- year Risk / Return of Barings MATR Composite: | |
|---|---|
| Return (% p.a.) | 6.97% |
| Risk (% p.a.) | 7.02% |

**Achieving targeted returns, with significantly lower volatility**

Source: Barings, as at 30 Nov 2015. Composite inception date was 30 Jun 1999
Risk = standard deviation of monthly returns, annualised. Composite returns should be considered as supplemental information which complements the Multi Asset GBP Inflation/Cash Targeted Solutions: High Return Composite presentation in the Appendix (RPI+4.5%).
Reference to the MSCI AC World Equity Index and Citigroup WGBI is for illustrative purposes only.

# Baring Asia Growth Fund

## Performance as at 31 December 2015




| | | | | |
|---|---|---|---|---|
| **Quartile⁴** | 1st | 1st | 1st | 1st |

**Past performance is not a guide to future performance**

[1] Fund performance are NAV to NAV, net of fees, gross income, US$, Class A USD Inc. Source: © 2015 Morningstar, Inc. (See Important Information)
[2] Benchmark Index - MSCI Asia ex Japan Total, Gross Return until 01/08/10 then MSCI AC Asia ex Japan Total, Gross Return. Reference to the index is for comparative purposes only.
[3] Quartile Ranking is based on Morningstar Asia ex Japan Equity Universe. Source: © 2015 Morningstar, Inc. (See Important Information)
Calendar Year performance of the Fund (Class A – USD Inc) : 2014:+9.1% ; 2013: +1.8% ; 2012 : +18.2% ; 2011: -19.8%; 2010: +13.1%.

# Capabilities
## Key investment managers



**Wilfred Sit**
**CIO, Asia**
**with Barings 2004-2007, rejoined in 2011**



**Hyung Jin Lee**
**Head of Asian Equities**
**with Barings since 2004**

**Baring Eastern Trust and Asia Growth Fund**

| Peer Group Ranking[1] | |
|---|---|
| 1 Year | 3 Year |
| 1st Q | 1st Q |

**Baring Korea Trust**

| Peer Group Ranking[2] | |
|---|---|
| 1 Year | 3 Year |
| 1st Q | 1st Q |



**Soo Hai Lim**
**Director**
**with Barings since 2005**

**Baring ASEAN Frontiers Fund**

| Peer Group Ranking[3] | |
|---|---|
| 1 Year | 3 Year |
| 1st Q | 1st Q |



**Ajay Argal**
**Head of Indian Equities**
**with Barings since 2011**

[1] Quartile Ranking is based on Morningstar Asia ex Japan Equity Universe. Source: © 2015 Morningstar, Inc. (See Important Information)
[2] Quartile Ranking is based on Morningstar Korea Equity Universe. Source: © 2015 Morningstar, Inc. (See Important Information)
[3] Quartile Ranking is customised and based on Morningstar's Offshore and International Funds Universe of ASEAN Equity. Source: © 2015 Morningstar, Inc. (See Important Information)
Date: 31 December 2015

BARINGS

# What sets us apart

## Genuinely high conviction portfolios

- High active share
- Best ideas orientated
- Rigorously applied through Portfolio Scorecards

## Well defined quality GARP philosophy

- Emphasis on Quality, Growth and Upside
- Identifying strong businesses with good expansion potential and attractive valuations
- Three to five year time horizon gives us a non-consensus perspective

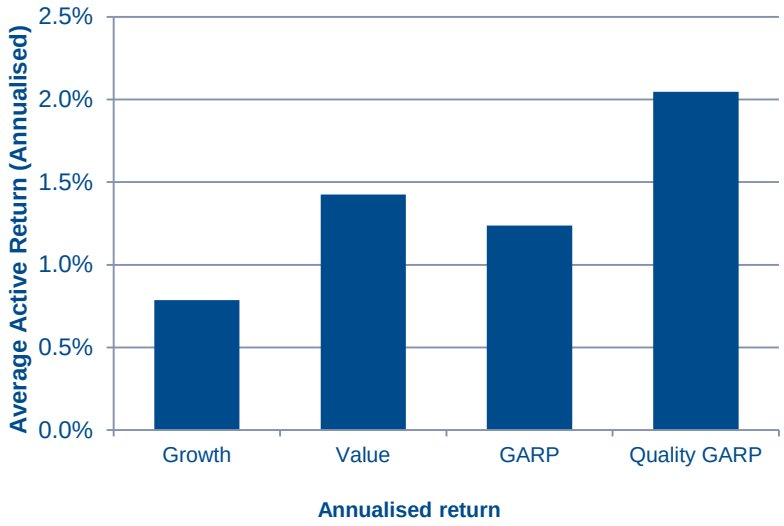
## In-depth, in-house, bottom-up research

- Focused approach to identifying the best opportunities
- Robust peer review encourages innovative thinking
- Company Scorecards provide a structured approach, common across all teams

**… a strong platform for strong performance**

# Investment philosophy
## Growth at a Reasonable Price

### GARP and quality




**Growth:** Focus on companies with growth of 10-20% CAGR

**Reasonable price:** Seek unrecognised growth over a three to five year horizon, only paying a justified short term premium over the market

**Quality:** Provides the level of certainty needed for a three to five year earnings forecast

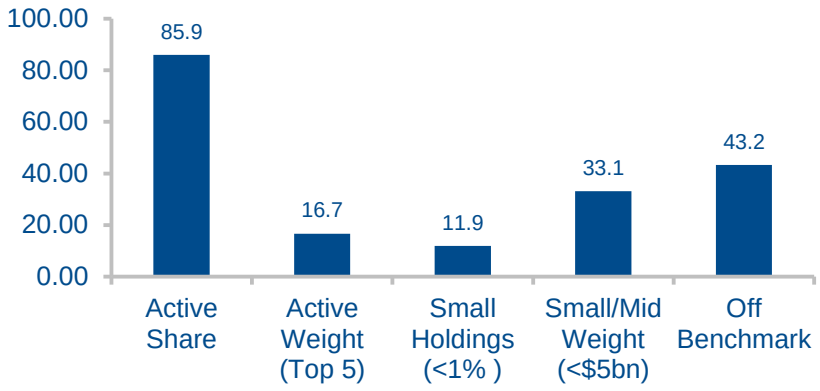
### Quality GARP companies have delivered superior returns with lower volatility

Based on quant simulations for an ACWI universe, December 1997 to August 2014, with returns adjusted downwards to reflect assumed implementation shortfall effects. Simulations do not take into account the potential benefits to performance of using fundamental stock selection to capture idiosyncratic company specific drivers. Graphic shows gross performance characteristics of long-only portfolios rebalanced each month, and formed out of the top quintile of most attractive stocks on the following measures: a) Value – Price to Earnings over next twelve months; b) Growth – EPS Growth over the last three years (weighted 50%) years and ROE (50%); c) GARP - Combination of Value (50%) and Growth (50%); d) Quality – Barings Quality definition (best placed companies in terms Profitability, Cash Flow measures, Accruals and Unusual items to Operating Income); e) Quality GARP – Combination of Quality (33%), Value (33%) and Growth (33%). Source: Barings December 2014

# Systematic analysis of the portfolio

## Baring Asia Growth Fund portfolio scorecard

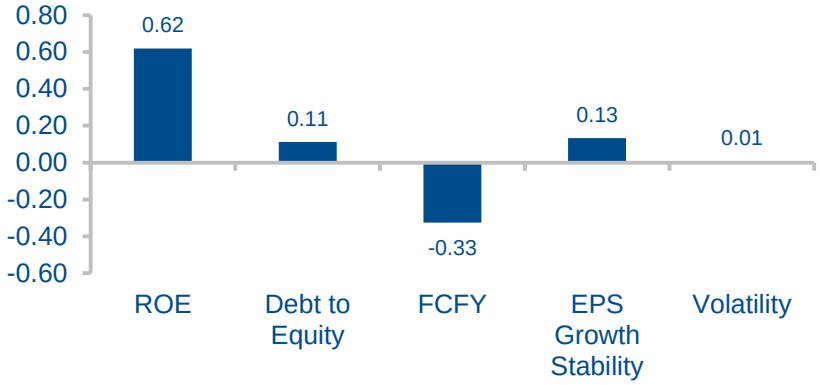
### Conviction



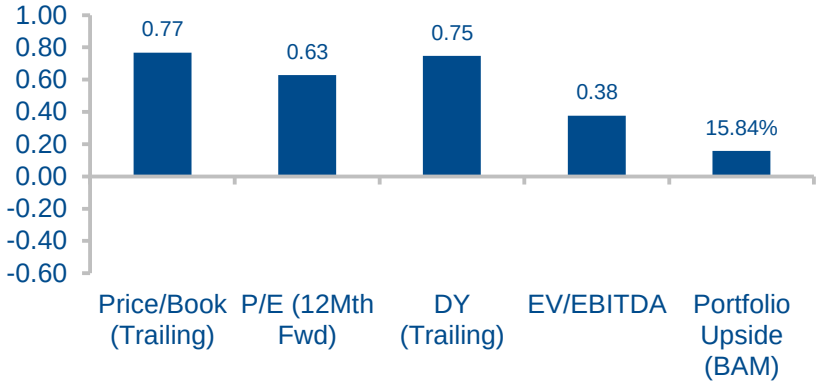

### Growth




### Quality




### Upside/Valuation




**Systematic quantitative tools in building portfolios in line with objectives**

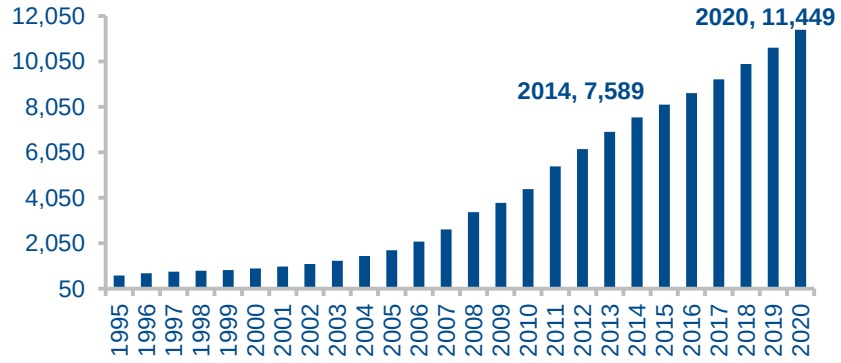
Source: Barings 31 December 2015
*EPS Growth (5 Year BAM) and Upside are computed for the portfolio only

# China / Asian Growth:
## Consumption growth pattern is changing

### Growth potential in spending categories split by GDP per capita

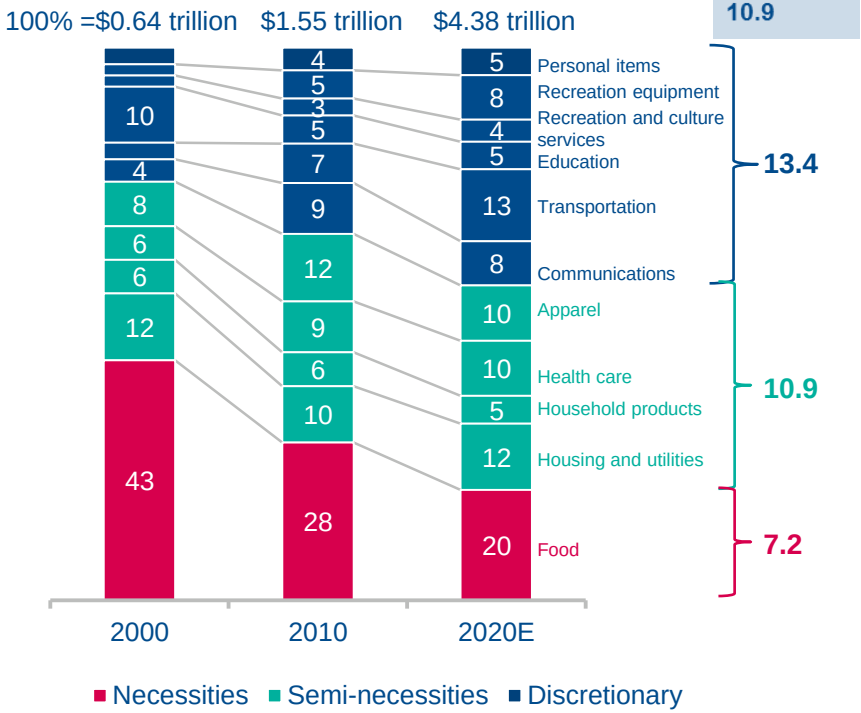
| GDP per capita (2019E) | Country | Growth potential | | |
|---|---|---|---|---|
| | | High | Medium | Low |
| Below USD 2,000 | | Cereals<br>Two-wheels | Apparel<br>Meat | Beverages<br>Healthcare<br>Education<br>Consumer credit<br>Cars<br>PCs/Laptops<br>Beauty products<br>Tourism |
| USD 2,000-5,000 | India<br>Indonesia | Apparel<br>Meat | Beverages<br>Cars<br>Cereals<br>PCs<br>Education | Healthcare<br>Consumer credit<br>Tourism |
| USD 5,000-10,000 | South Africa | Beverages<br>Cars<br>PCs<br>Beauty products | Meat<br>Apparel<br>Healthcare<br>Consumer credit<br>Tourism | Cereals<br>Two-wheels |
| USD 10,000-25,000 | China<br>Mexico<br>Turkey<br>Brazil<br>Russia<br>Saudi | Education<br>Healthcare<br>Consumer credit<br>Beauty products<br>Tourism | Cars<br>PCs<br>Beverages | Cereals<br>Two-wheels<br>Meat<br>Apparel |

### China GDP per capita (in US dollar)




### China's discretionary spending is expected to grow considerably by 2020

**Urban households annual consumption by category[1], %**




[1] in real 2010 dollars; in 2010, $1=6.73 renminbi. Figures may not sum to 100% because of rounding
[2] Compound annual growth rate

Source: (Left) Credit Suisse, IMF, 2017 GDP per capita, September 2015 (Right) McKinsey, Credit Suisse, September 2015

# Consumption:
## Travel and leisure

### Tourism industry in China



Domestic Tourism
3.611 billion people



Inbound Tourism
128 million people



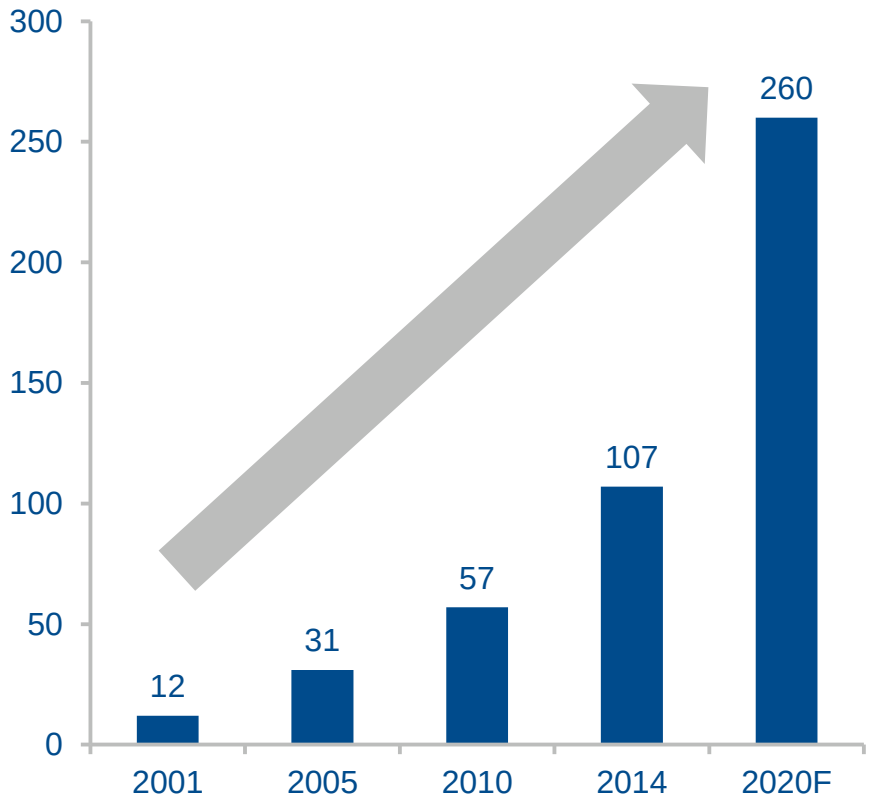
Outbound Tourism
107 million people

94 : 3 : 3

### Most popular travel destinations

| Rank | Country | 2015 Jan-Jul | YoY |
|---|---|---|---|
| 1 | Hong Kong | ↑ | +2.3% |
| 2 | Macau | ↓ | -4.5% |
| 3 | Thailand | ↑ | +97.5% |
| 4 | South Korea | ↓ | -3.1% |
| 5 | Japan | ↑ | +113.8% |

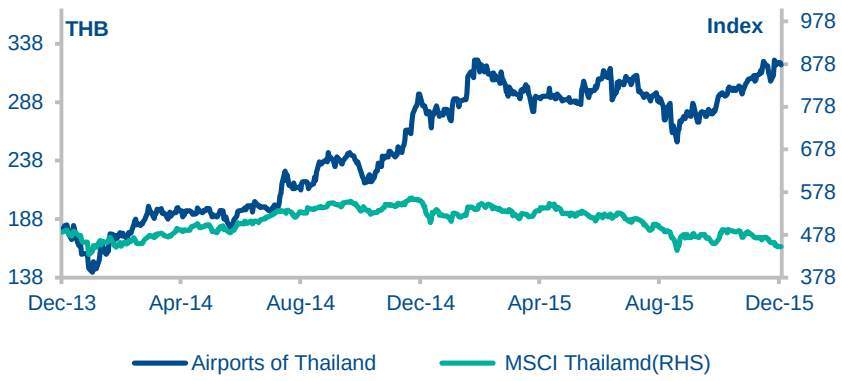
### Evolution of Chinese outbound tourism




Source: Richemont Marketing Services, HSBC, December 2015

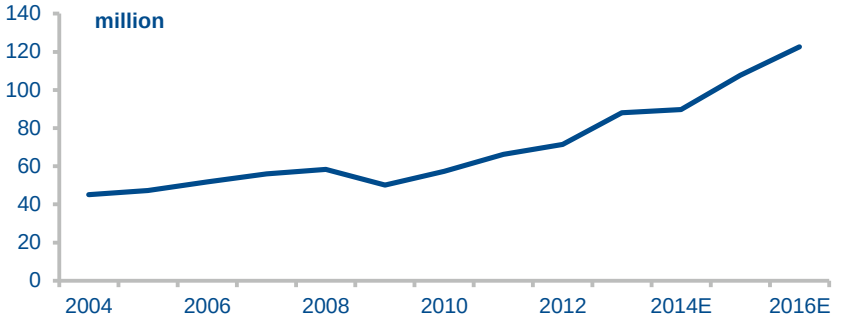
# Consumption:
## Airports of Thailand

### Stock price performance



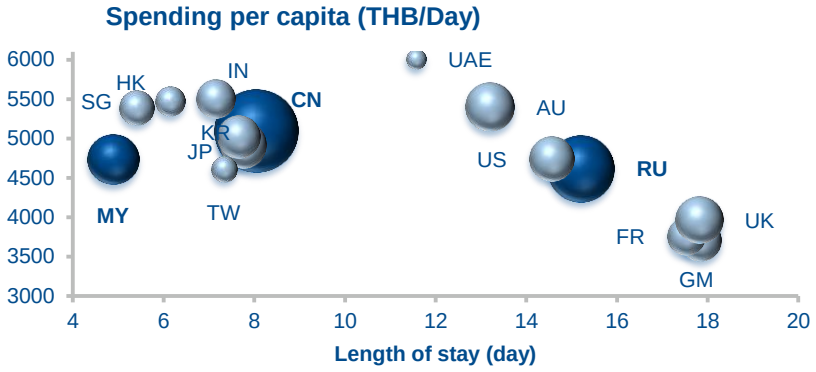

Source: Factset, Barings, December 2015

### Total passenger traffic




Source: Airport of Thailand, Standard Chartered, September 2014

### Tourist expenditure in Thailand




Note: the size represent the total tourism income from each country
Source: Citi Research, April 2015

### Chinese traveler arrivals by destination

| | | 2010 | | 2011 | | 2012 | | 2013 | | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Rank | Country | Arrivals | Country | Arrivals | Country | Arrivals | Country | Arrivals | Country | Arrivals |
| 1 | Macau | 13,229 | Macau | 16,163 | Macau | 16,902 | Macau | 18,632 | Macau | 21,252 |
| 2 | Hong Kong | 11,678 | Hong Kong | 13,600 | Hong Kong | 15,110 | Hong Kong | 17,090 | Hong Kong | 19,077 |
| 3 | South Korea | 1,875 | South Korea | 2,220 | South Korea | 2,837 | **Thailand** | **4,637** | South Korea | 6,127 |
| 4 | Taiwan | 1,608 | Taiwan | 1,756 | **Thailand** | **2,789** | South Korea | 4,327 | **Thailand** | **4,538** |
| 5 | Japan | 1,413 | **Thailand** | **1,721** | Taiwan | 2,552 | Taiwan | 2,837 | Taiwan | 3,983 |
| 6 | Singapore | 1,171 | Singapore | 1,578 | Singapore | 2,034 | Singapore | 2,270 | Japan | 2,411 |
| 7 | Malaysia | 1,130 | Vietnam | 1,417 | Italy | 1,583 | Vietnam | 1,908 | Germany | 1,682 |
| **8** | **Thailand** | **1,122** | Italy | 1,343 | Malaysia | 1,559 | United States | 1,807 | France | 1,209 |

# Consumption:
## Airports of Thailand

### Company Scorecard

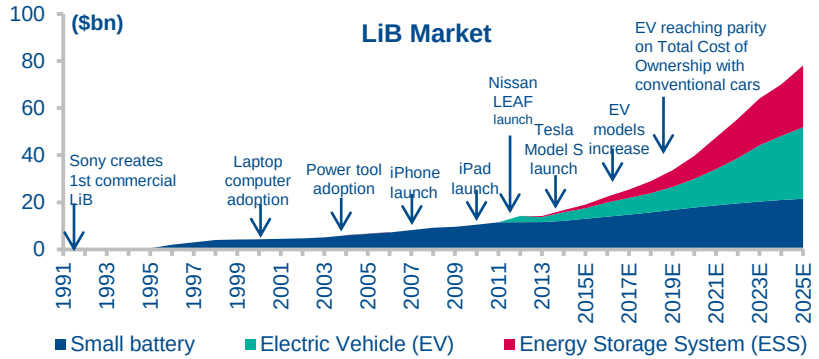
| Company name | Airports of Thailand | |
|---|---|---|
| **Quality** | Franchise | 1.5 |
| | Management | 2.0 |
| | Balance sheet | 1.0 |
| | **Overall** | **1.5** |
| **Growth** | Last three years | 1.0 |
| | Next 12 months | 3.0 |
| | CAGR next five years | 3.0 |
| | **Overall** | **2.3** |
| **Upside** | Market measure | 1.0 |
| | Static measure | 1.0 |
| | Discounted earnings | 2.0 |
| | **Overall** | **1.3** |
| **Stock score** | | **1.7** |

- Operator for six of Thailand's commercial airports (including the two international airports in Bangkok and Phuket), and has monopolistic status. Its airports are the gateway to over 80% of Thailand’s tourist arrivals.
- Best proxy to Thailand’s strength in tourism. Thailand is the second most popular destination for Chinese outbound tourism after Hong Kong.
- Solid franchise is evidenced by above sector RoE of 15% and EBITDA margin of over 50%.

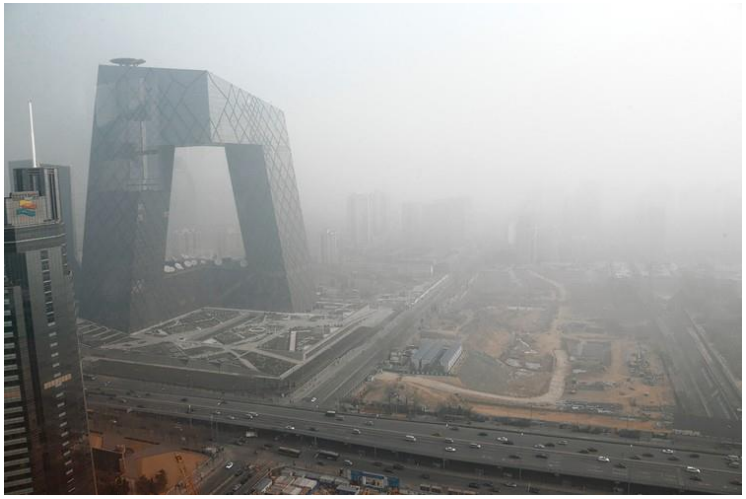
Source: Barings. Scorecard as at 26 January 2015.
Please refer to Important Information.

# Environment and clean energy:
## Electric vehicles: on the cusp of a tidal wave of adoption

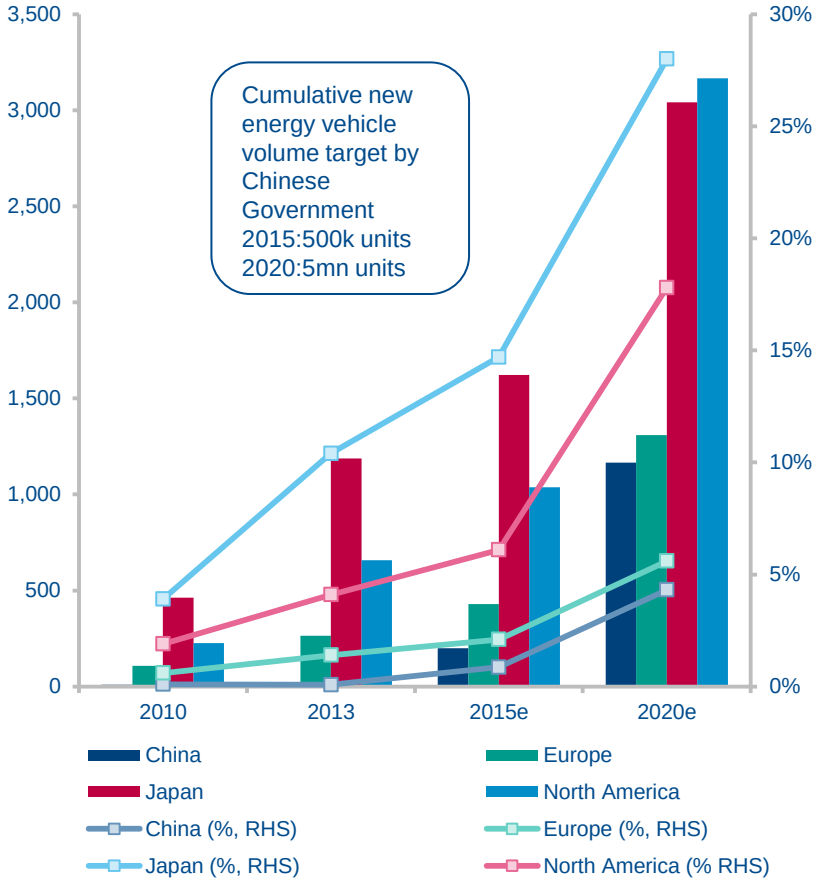
### Lithium ion battery (LiB) market: Sizing up the battery-powered disruption




### Beijing skyline 2014



### EV shipment (K Units) and penetration by region




Source: (Left) Navigant, Bernstein estimates and analysis, Reuters, September 2015; (Right) Source: MoST, CAAM, JP Morgan estimates.
Note: Cumulative NEV population target set by Chinese government is 500k/5mn respectively by 2015/2020

# Environment and clean energy:
## Electric vehicles: on the cusp of a tidal wave of adoption

### Nissan's Leaf, the world's best selling pure EV



### Latest EV battery contract line-up:

More orders from the largest automaker in China and the World's best selling EV maker

| Date of Launch | Type | Customer | Model |
|---|---|---|---|
| Jun-14 | PHEV | SAIC | -- |
| Jun-14 | HEV | Qoros | -- |
| Aug-14 | PHEV, µHEV* | Audi | (presumably) R8 e-tron |
| Mar-15 | EV | Daimler | Smart EV |
| May-15 | PHEV | Great Wall Motor | SUV PHEV |
| Apr-15 | PHEV, EV | Volkswagen | 20+ new models in China |
| Jun-15 | OSV** | Eidesvik | Viking Queen |
| Jun-15 | EV | Dongfeng Motor | Small-size bus |
| Jun-15 | EV | Nanjing Golden Dragon Bus | Large-size bus |
| **Aug-15** | **PHEV** | **Changan Automobile** | **New model from 2016** |
| **Sep-15** | **PHEV** | **Renault-Nissan** | **Leaf** |
| **Sep-15** | **EV** | **Cherry Automobile** | **Next generation EV model** |

* micro hybrid electric vehicle ** Offshore Supply Vessel

Source: (left) Renault-Nissan, Macquarie, September 2015. (right) Industry data, Macquarie Research, September 2015

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