BARINGS

Global Credit Market

Michael Freno
September 2016

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Global Macro Themes

- GDP
- Monetary Policy / Rates
- Search For Yield
- Commodities
- Corporate Profits

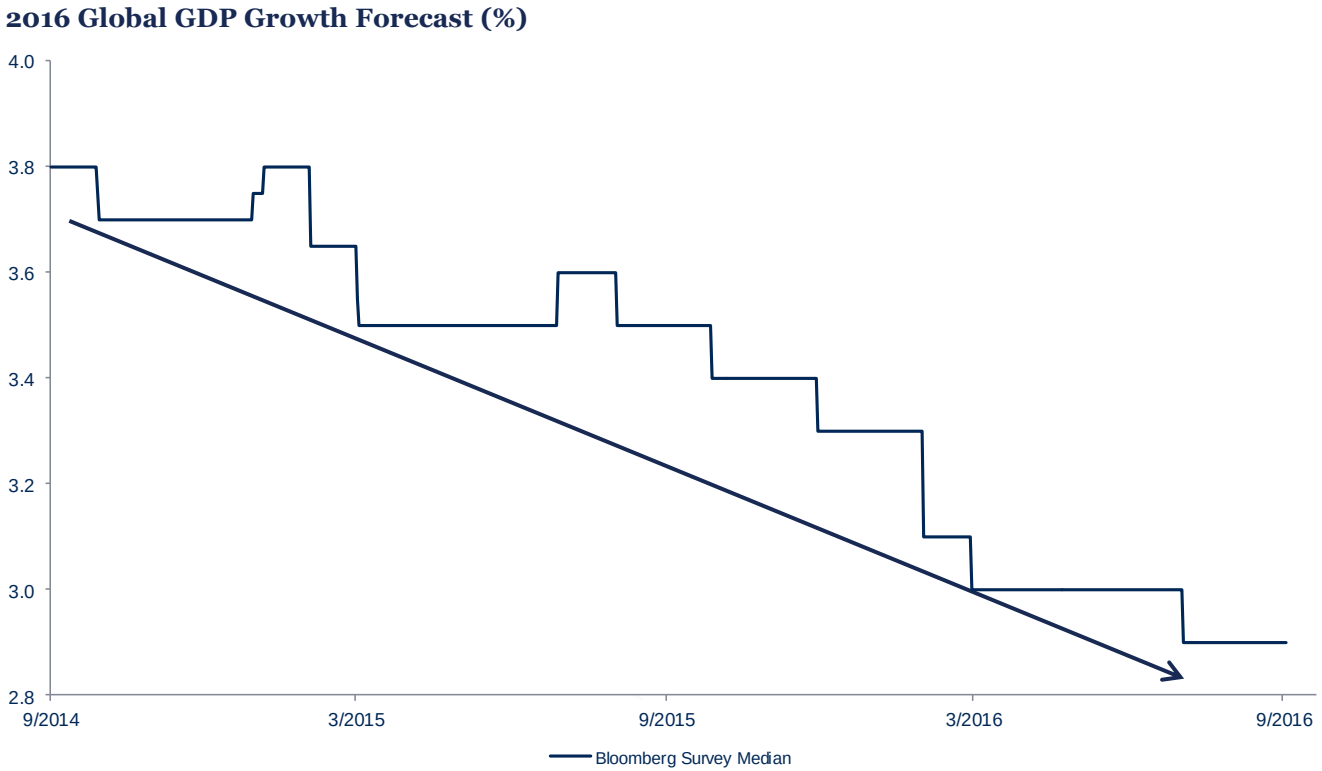
Real GDP Growth

	Pre-Crisis (%) (1947 - 2007)	Post-Crisis (%) (2009 - 2016)	Most Recent Quarter Annualized (%)
U.S.	3.5	2.1	1.1
China	10.7	8.4	6.7
Europe	2.3	1.1	1.2
Japan	2.6	1.3	0.7

The economies listed above represent $49 trillion of GDP, which is 60% of total Global GDP

Source: U.S. Bureau of Economic Analysis, Eurostat, Bureau of Statistics of China and Japanese Cabinet Office, as of June 30, 2016.

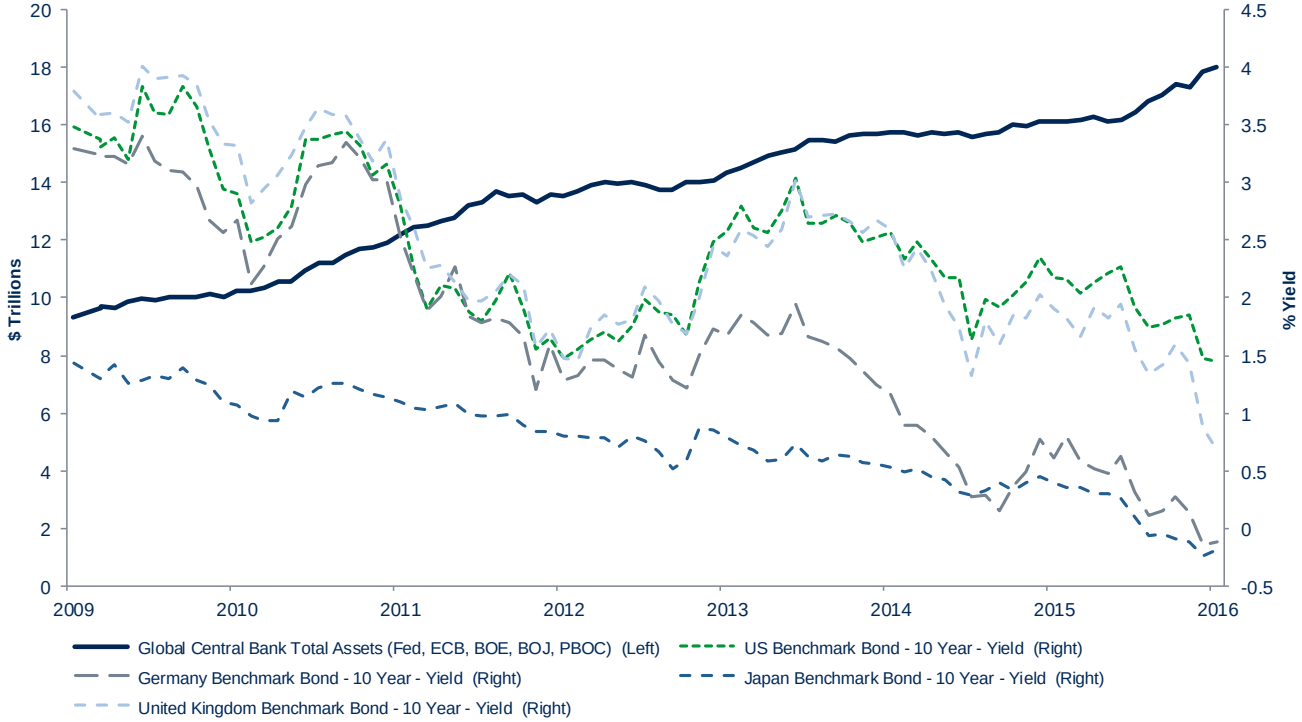
2016 Global Growth Consistently Revised Lower



Source: Bloomberg, as of September 13, 2016.

Monetary Policy – Falling Rates, Increasing Balance Sheets

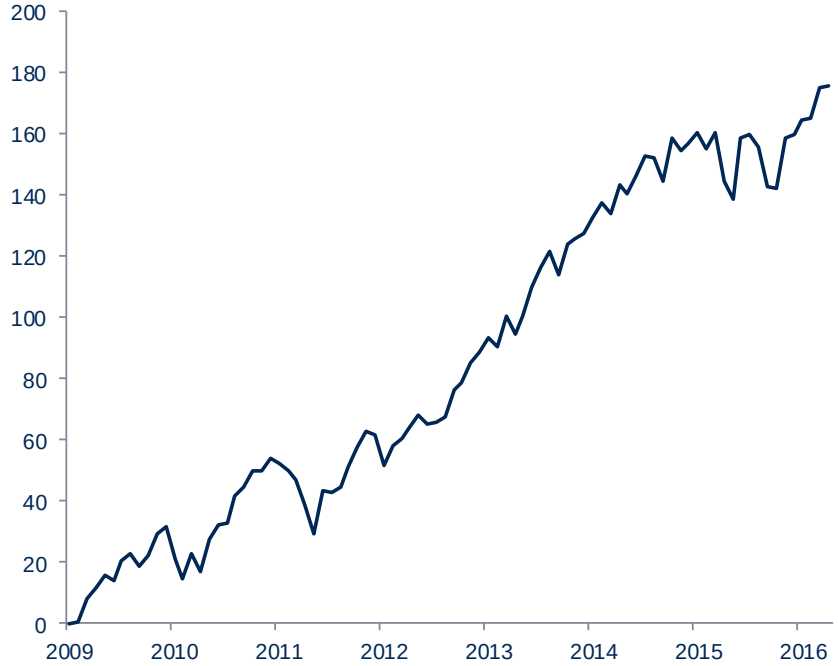
Global Central Banks Total Assets Influence on Global 10-Year Sovereign Yield



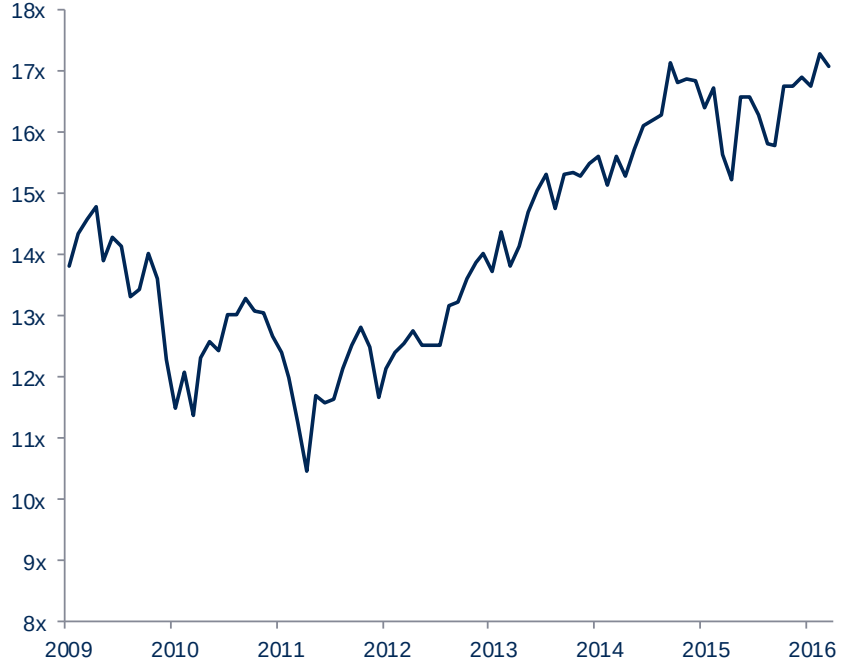
Source: FactSet, as of September 8, 2016.

Equity Valuations

S&P 500 Total Return (%)



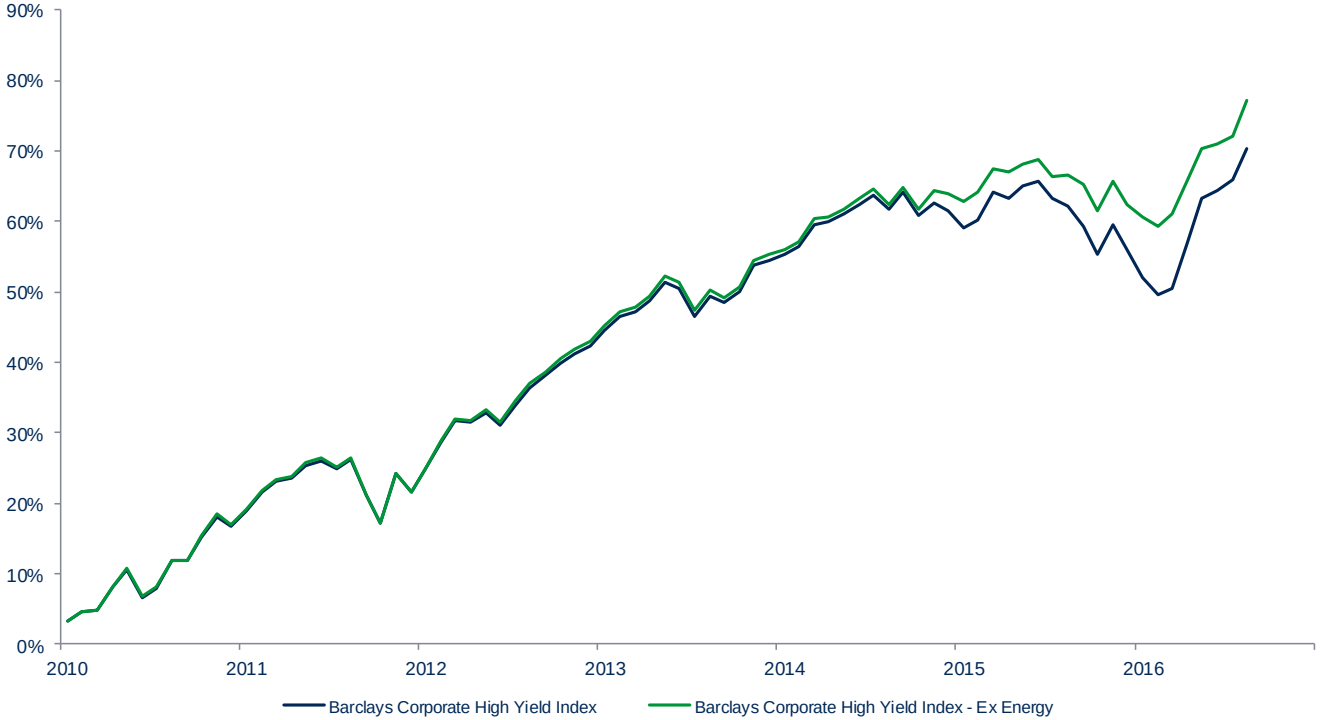
S&P 500 Forward Price to Earnings Ratio



Source: FactSet, as of August 31, 2016.

U.S. High Yield Bond Market Performance

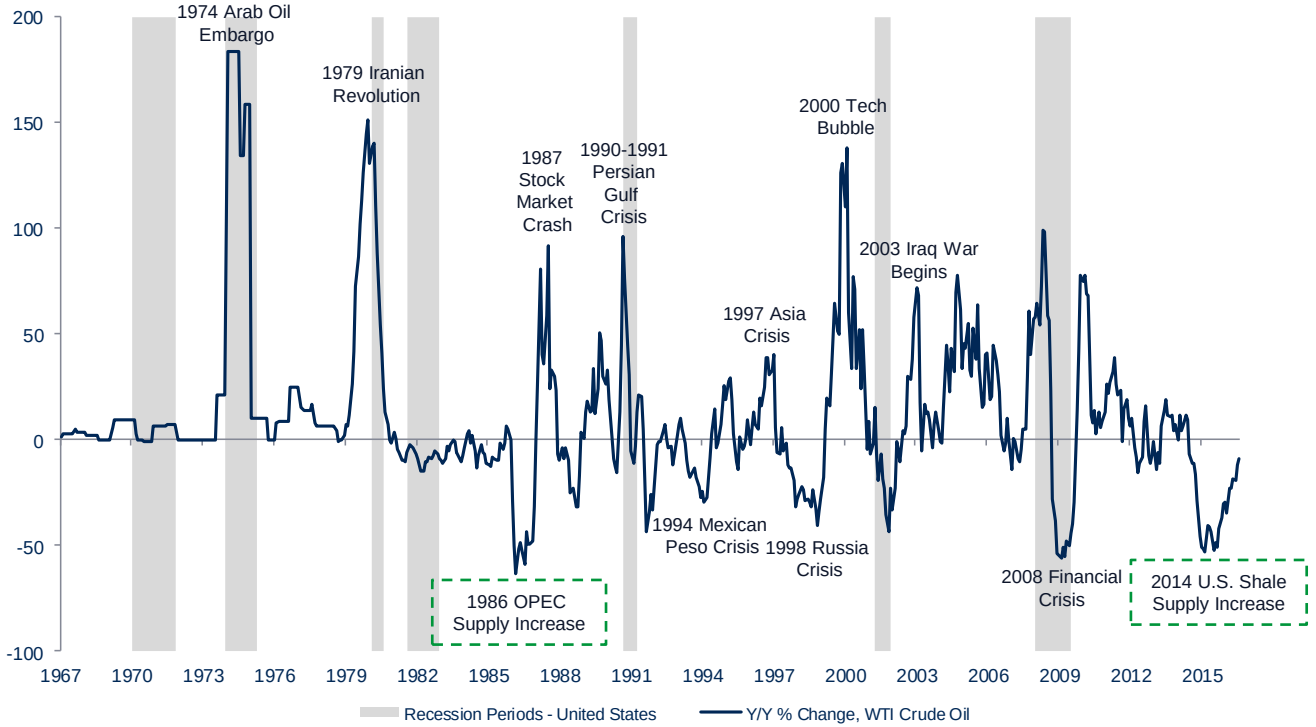
U.S. High Yield Bond Market Return



Source: Barclays Corporate U.S. High Yield Index, as of August 31, 2016.

Oil Price Changes & Global Instability

WTI Crude Oil During Periods of Instability



Source: FactSet, as of August 31, 2016.

High Yield Market Update

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Global Macro Themes as a Driver for High Yield

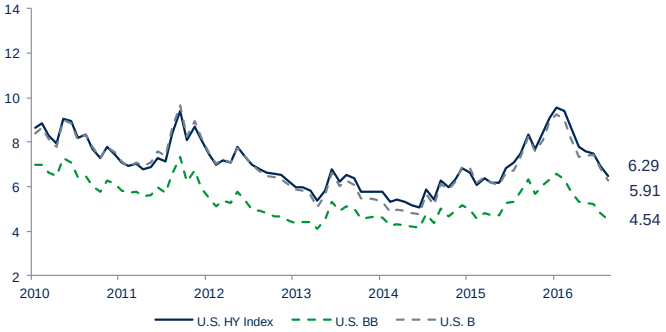
- Global GDP Growth
  - Driver for corporate profits and allocation decisions
- Monetary Policy / Rates
  - Impact on currencies, spreads, and risk appetite
- Commodities
  - Largest impact in the U.S. and emerging markets

Corporate profits are a key long-term driver of performance in high yield and thorough analysis requires a large global team dedicated to fundamental bottom-up research

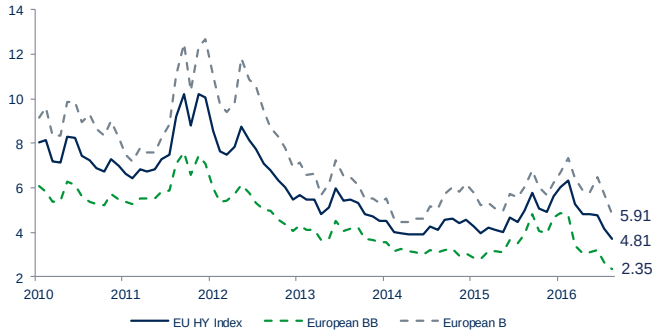
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Global High Yield Bond Market – Yield-to-Worst

U.S. Yield-to-Worst (%)[1]



European Yield-to-Worst (%)[2]



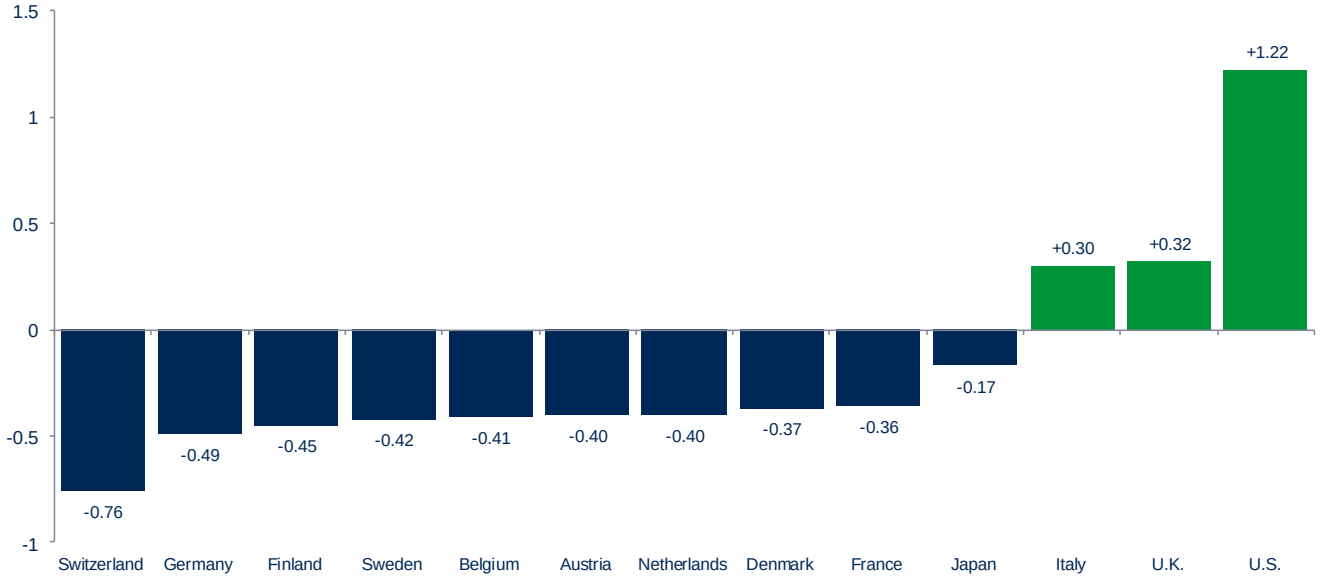
Emerging Markets Yield-to-Worst[3]



1. Bank of America Merrill Lynch U.S. Non-Financial High Yield Constrained Index (HCNF), as of August 31, 2016.
2. Bank of America Merrill Lynch European Currency Non-Financial High Yield Constrained Index (HPID), as of August 31, 2016.
3. J.P. Morgan CEMBI Broad High Yield Blend, as of August 31, 2016.

Context Matters

5-Year Government Yields (%)



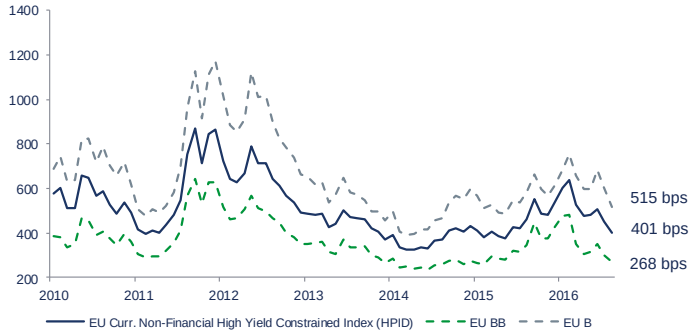
Source: FactSet, as of September 7, 2016.

Global High Yield Bond Market – Spreads / Risk Premium

U.S. High Yield (bps)[1]



European High Yield (bps)[2]



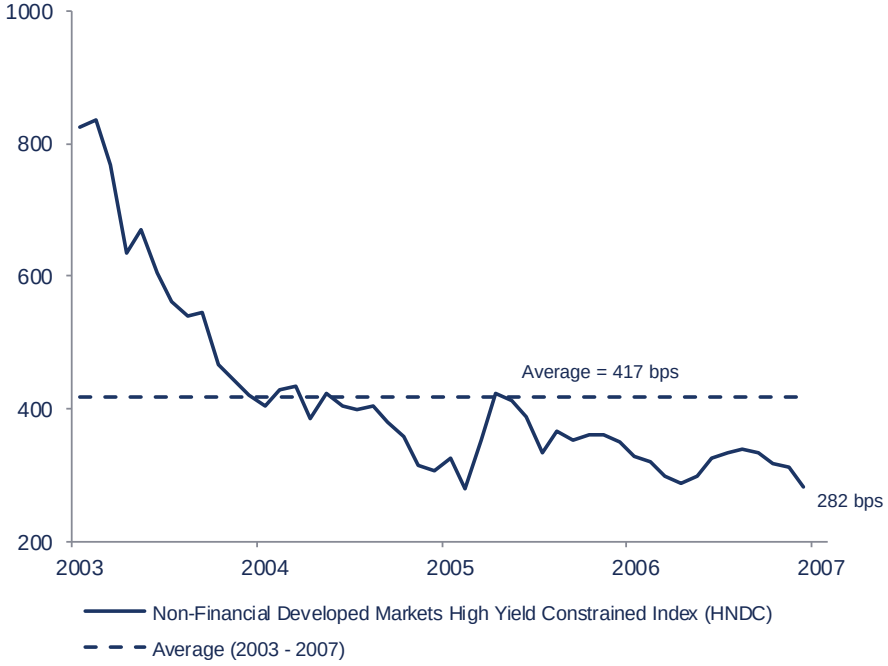
Emerging Markets High Yield (bps)[3]



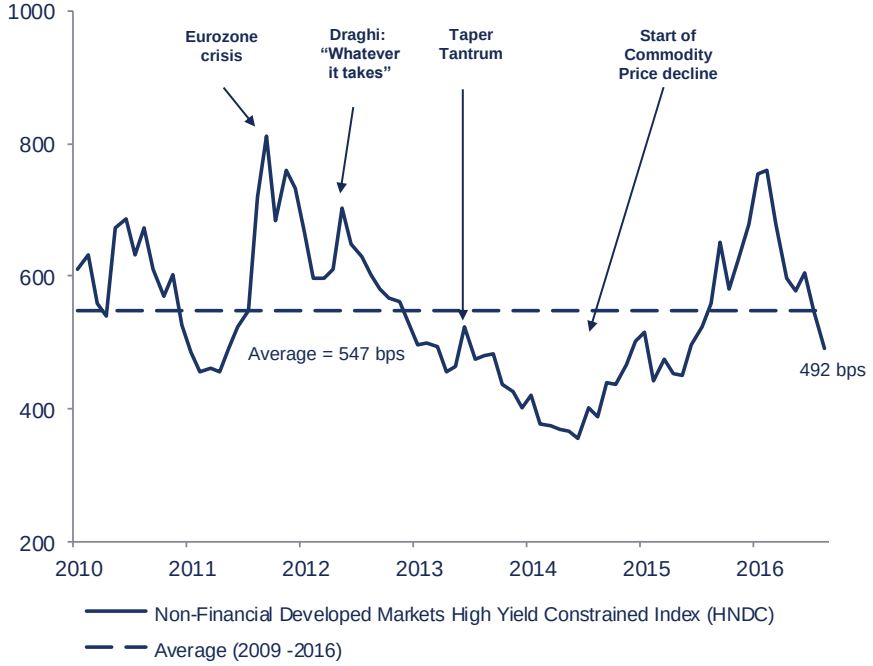
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2. Bank of America Merrill Lynch European Currency Non-Financial High Yield Constrained Index (HPID), as of August 31, 2016.
3. J.P. Morgan CEMBI Broad High Yield Blend, as of August 31, 2016.

Trends in High Yield Bond Market Spreads

Pre-crisis: 2003 - 2007



Post-crisis: 2009 - 2016



Source: Bank of America Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index (HNDC), as of August 31, 2016.

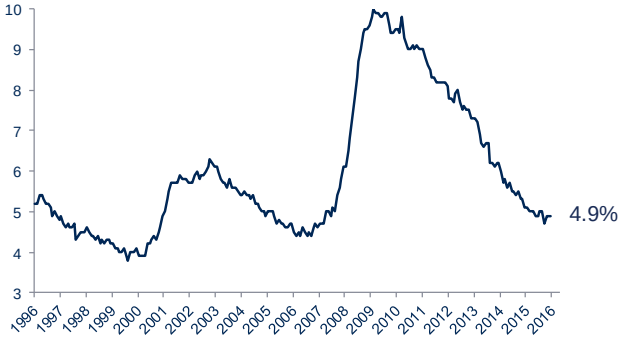
Economic Fundamentals

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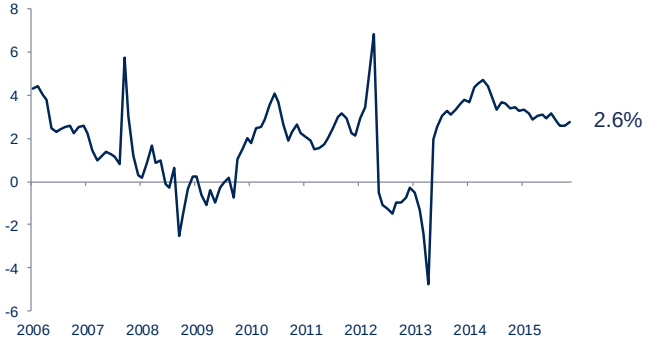
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U.S. Economic Data

Unemployment Rate (%)



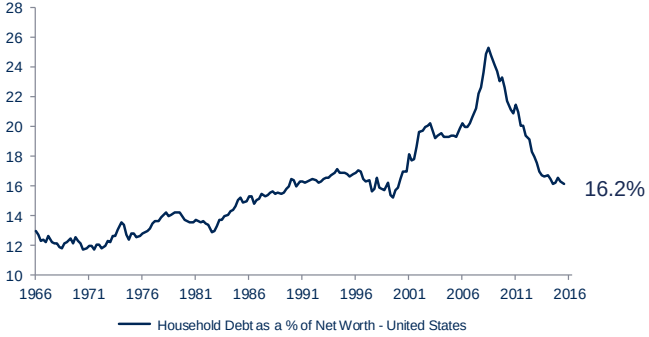
Disposable Personal Income(%)



Personal Saving Rate (%)



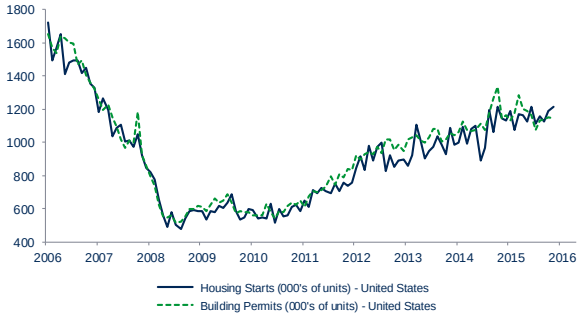
Household Debt / Net Worth (%)



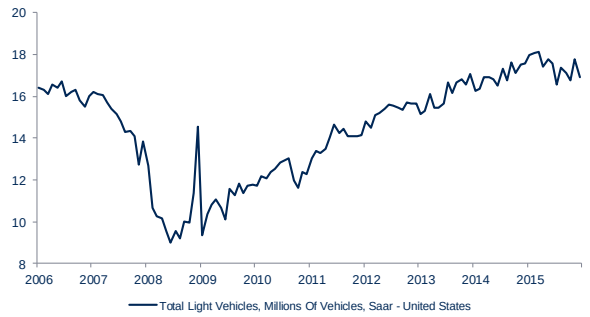
Source: FactSet, as of July 31, 2016.

U.S. Consumer Expenditures

Housing Starts & Building Permits[1]



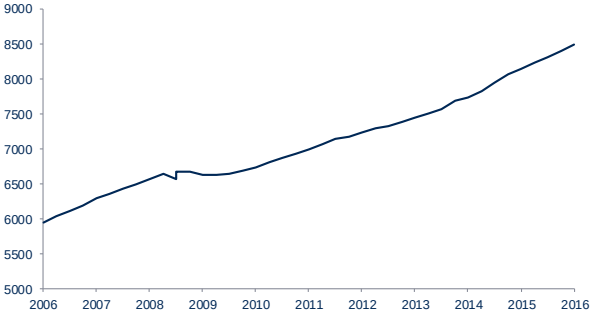
U.S. Auto Sales[1]



Personal Spending on Goods ($B)[2]



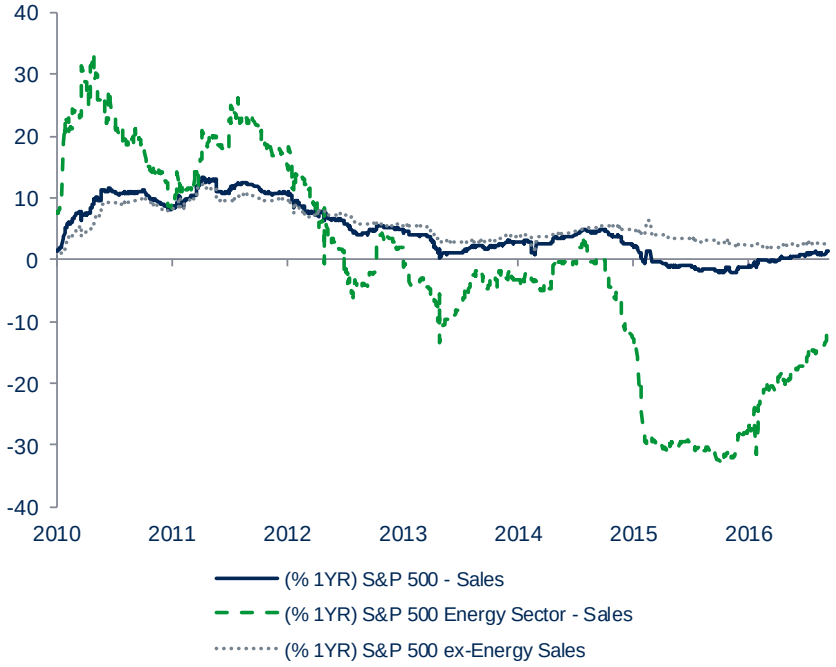
Personal Spending on Services ($B)[2]



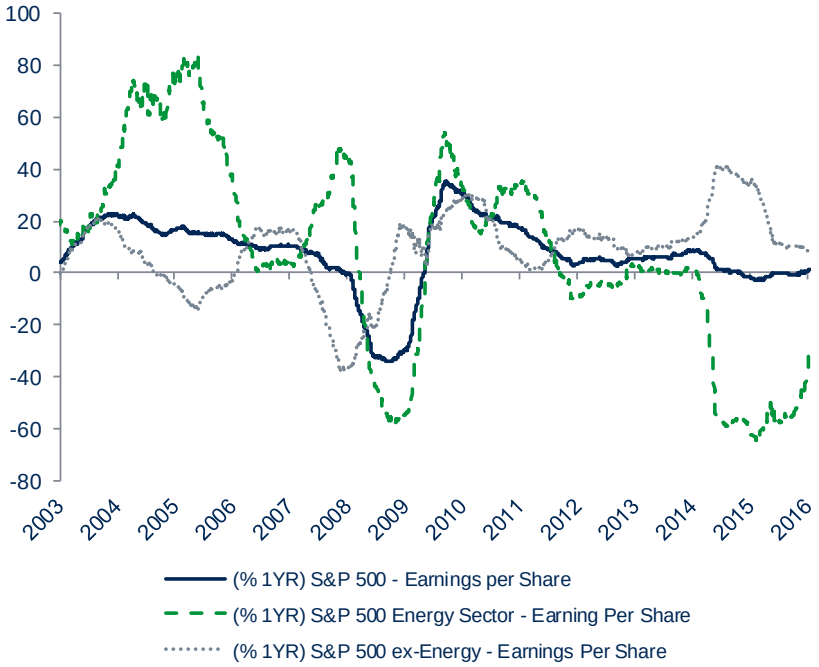
1. Factset, as of July 31, 2016.
2. Bureau of Economic Analysis, as of June 30, 2016.

Corporate Profits

S&P 500 - Sales



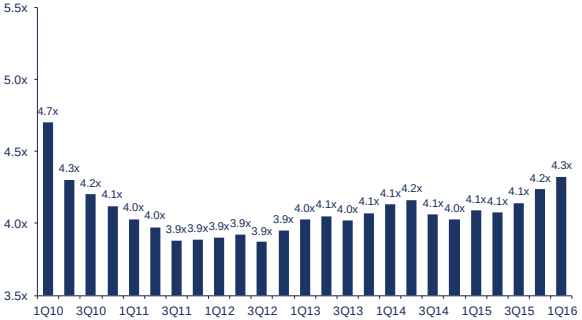
S&P 500 – Earnings Per Share



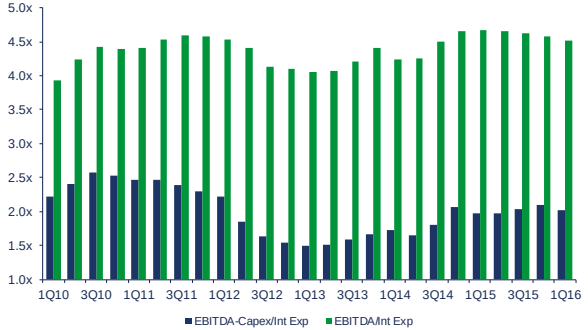
Source: FactSet, as of August 31, 2016.

U.S. High Yield Credit Fundamentals

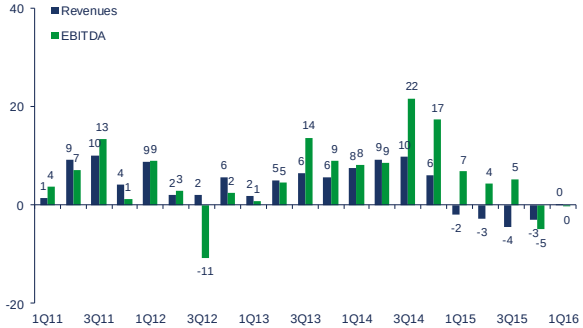
Debt / LTM EBITDA



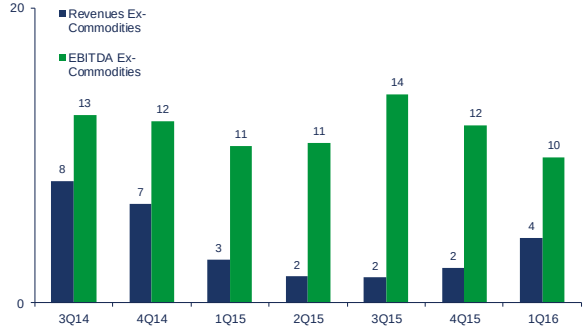
Interest Coverage



Revenue and EBITDA Y/Y Growth (%)



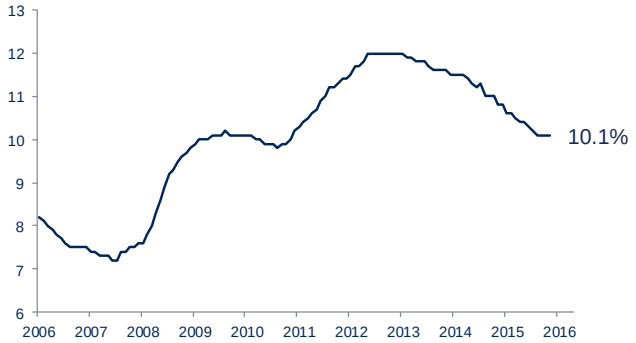
Revenue and EBITDA Y/Y Growth Ex-Commodities (%)



Source: J.P. Morgan, as of March 31, 2016.

Eurozone Economic Data

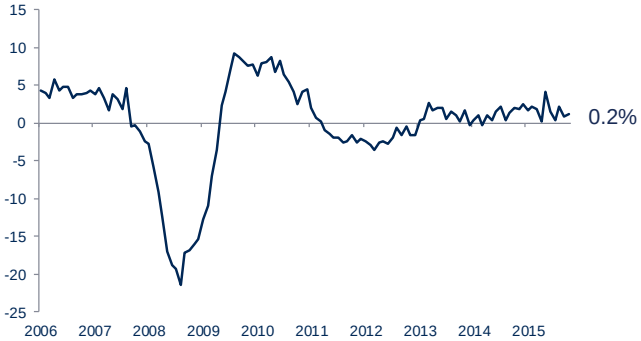
Unemployment Rate (%)[1]



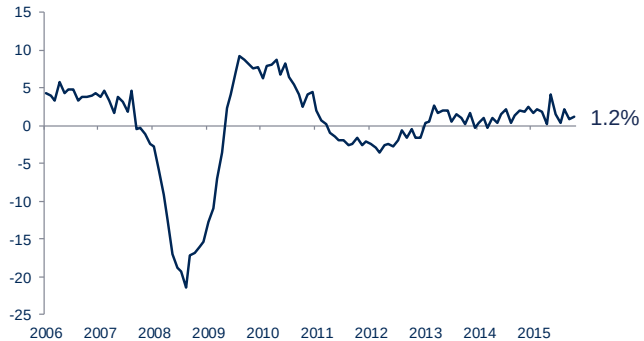
Wage Growth (%)[2]



Labor Productivity Growth (%)[3]



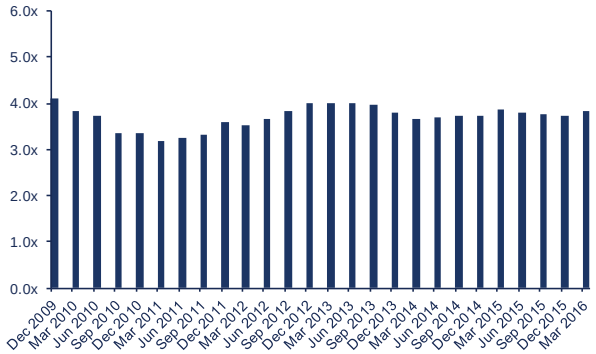
Industrial Production (%)[2]



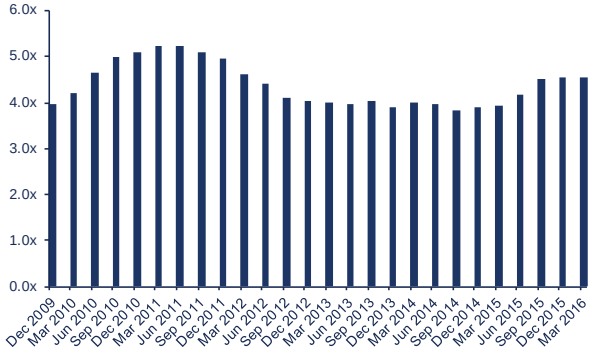
1. FactSet, as of July 31, 2016.
2. FactSet, as of June 30, 2016.
3. Factset, as of March 31, 2016.

Eurozone High Yield Corporate Fundamentals

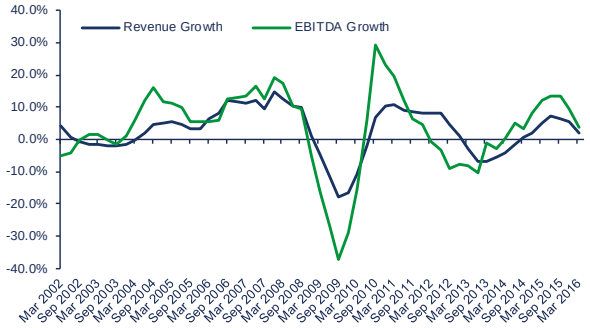
Issuer Net Leverage



European High Yield Interest Coverage



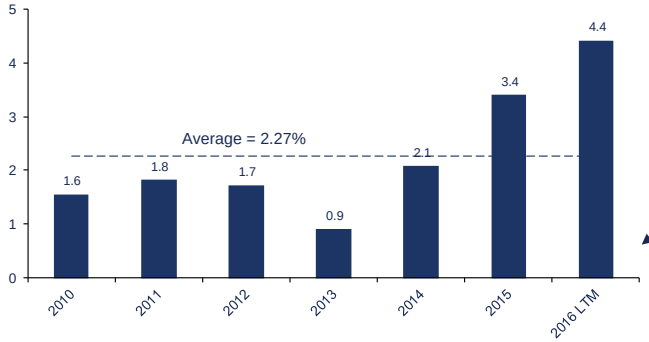
Revenue and EBITDA Y/Y Growth



Source: J.P. Morgan, as of March 31, 2016.

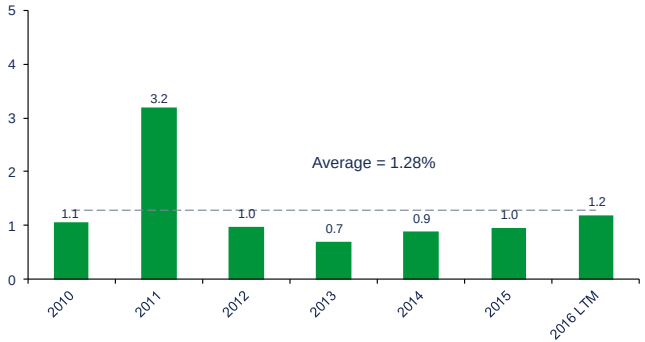
Global High Yield Bond Market Defaults

U.S. High Yield Bond Fund Default Rate (%)



Excluding Commodities LTM Default Rate = 0.13%

European High Yield Bond Fund Default Rate (%)



Source: Credit Suisse. 2016 data is for the last twelve months as of July 31, 2016.

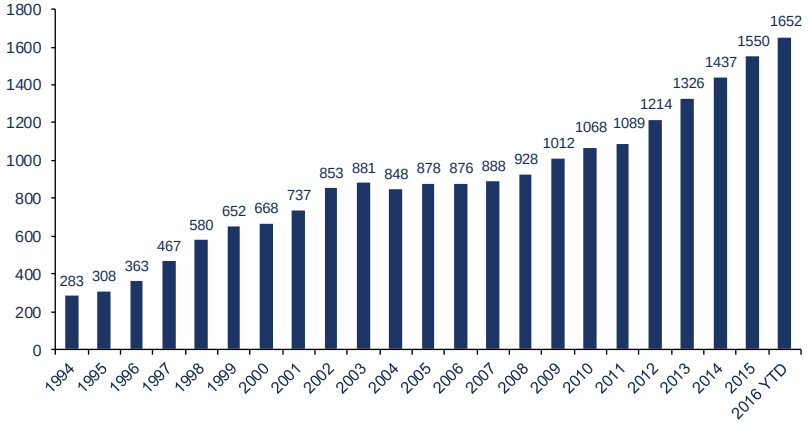
Conclusion

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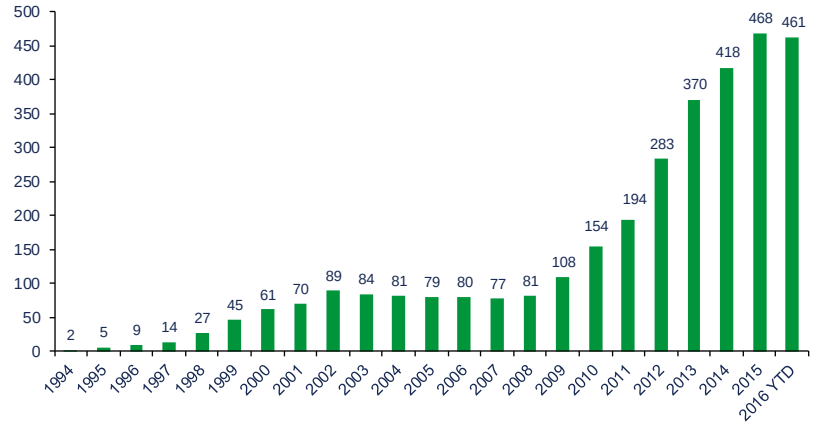
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Large Mature Global Market

U.S. High Yield Bond Market Size ($B)



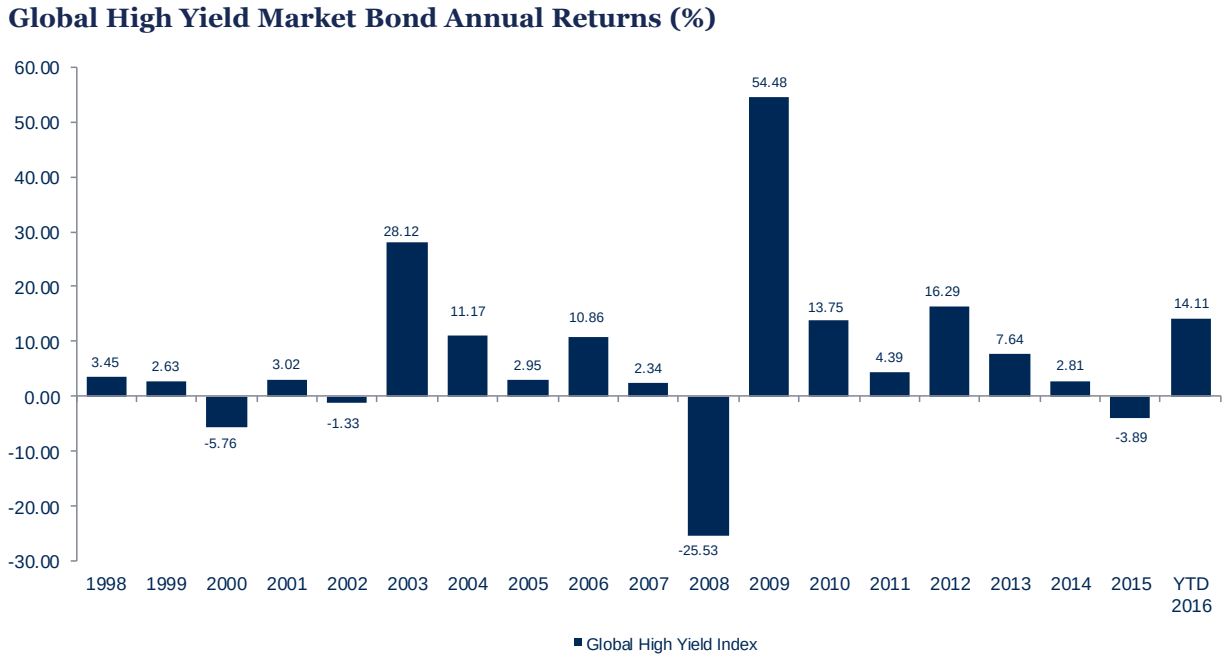
Western European High Yield Bond Market Size (€B)



Large market with over $2.0 trillion in global high yield bond outstanding

Source: Bank of America Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index (HNDC), as of August 31, 2016.

Annual High Yield Performance

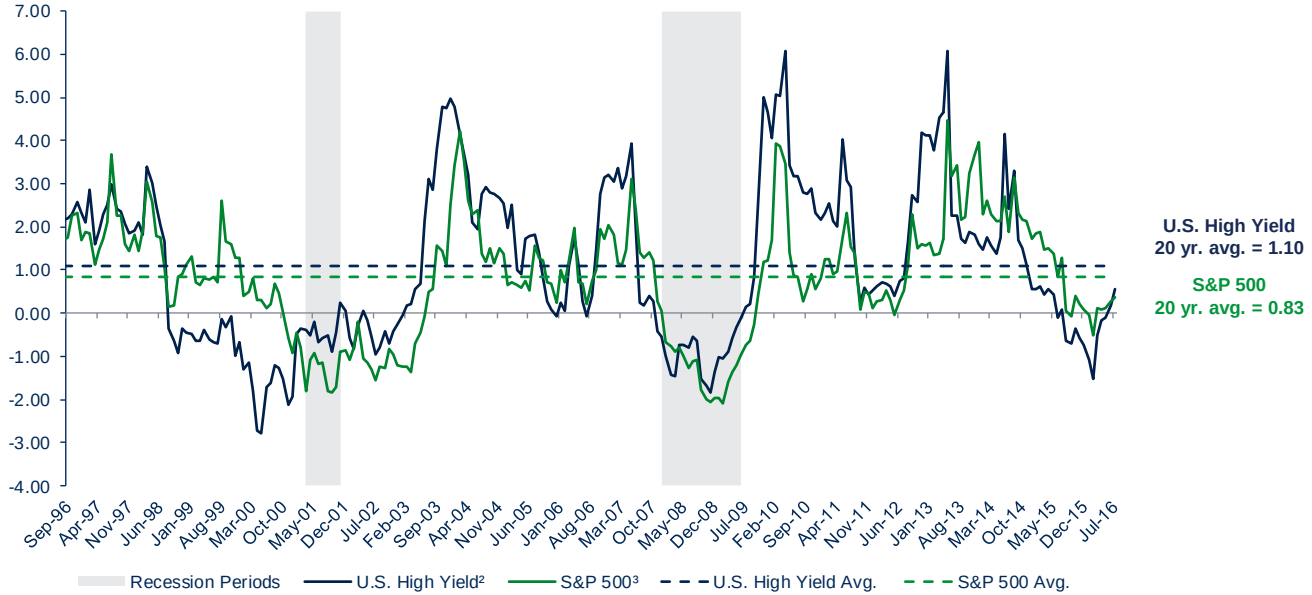


High Yield has had a positive return in 15 of the last 19 years

Source: Bank of America Merrill Lynch Non-Financial Developed Markets High Yield Constrained Index (HNDC) and Bloomberg, as of August 31, 2016.

Historical Risk-Adjusted Returns

Rolling One Year Sharpe Ratios[1]



Better risk-adjusted returns (Sharpe ratio) over the last 20 years than the S&P 500

1. Sharpe ratios calculated using the Barclays U.S. Treasury Bellwethers 3 month Index as the risk-free rate.
2. Barclays U.S. Corporate High Yield
3. S&P 500 Index

Why Barings for High Yield?

- One of the Deepest and Most Experienced Global Investment Teams Dedicated to High Yield
  - 48 investment professionals in the U.S.
  - 21 investment professionals in Europe
  - 23 investment professionals dedicated to Emerging Markets
- Long Track Record of Performance Investing in High Yield
  - Collaborative team based approach to investing
  - Focused on rigorous bottom-up credit analysis
  - Strong upside and downside performance

The High Yield market offers investors opportunities for attractive risk-adjusted returns with opportunities for excess returns from active managers through asset allocation, asset class positioning and bottom-up fundamental credit selection.

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Baring SICE (Taiwan) Limited, an independently operated business (Business license number: 2008 FSC- SICE-Xin- 030; Address: 21 F, No.333, Sec. 1 Keelung Road, Taipei 11012; Taiwan Contact telephone number: 0800 062 068); or

Baring Asset Management Korea Limited, which is authorized by the Korean Financial Services Commission to engage in collective investment business and is registered with the Korean Financial Services Commission to engage in privately placed collective investment business for professional investors, discretionary investment business and advisory business.

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