BARINGS

Global Private Finance

September 2016
Ben Silver

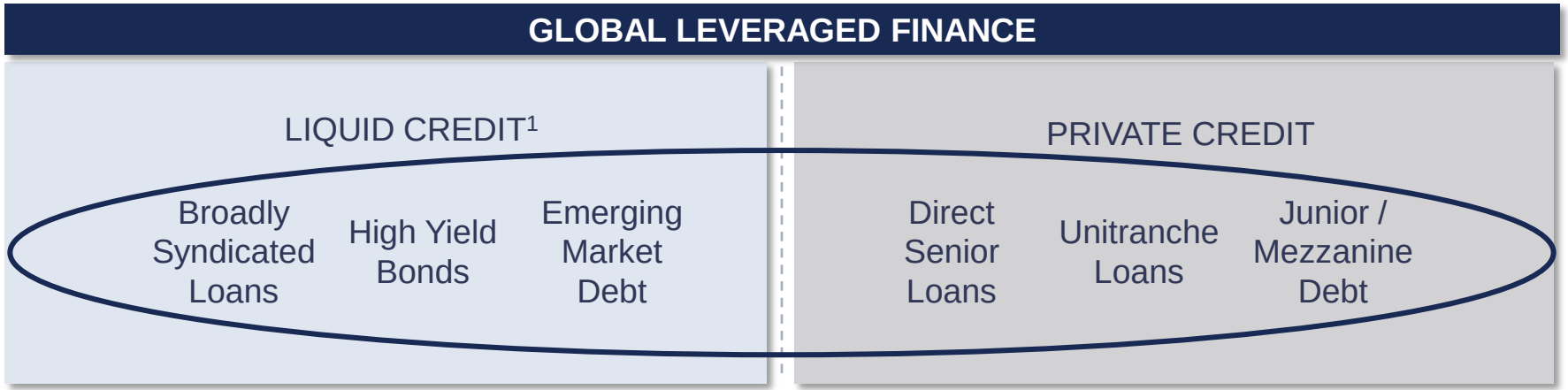
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Discussion Topics

1. Defining Private Credit…the Spectrum of Opportunity
2. Relative Value / Return Premium
3. Features & Benefits of the Global Asset Class
4. Key Considerations When Investing in Private Credit

Leveraged Finance Markets

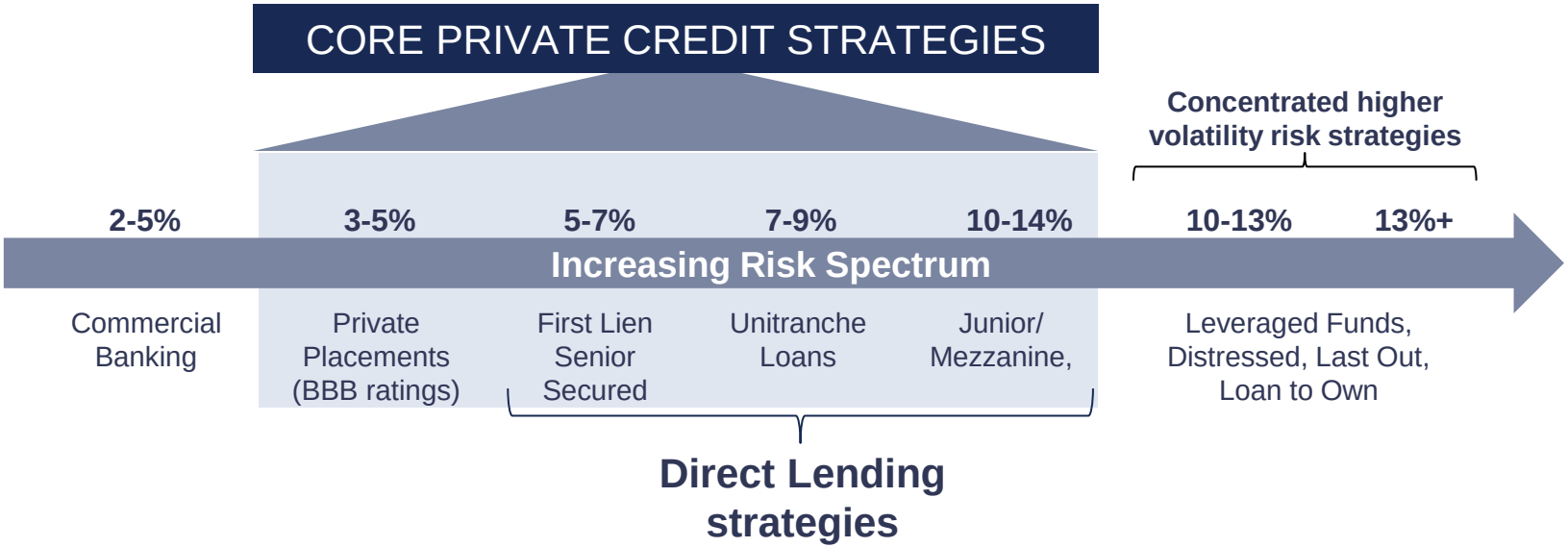
A wide range of credit asset classes, both Liquid and Private



1. Where a readily tradable market generally exists to buy and sell such securities. For illustrative purposes only

Illiquid Asset Classes

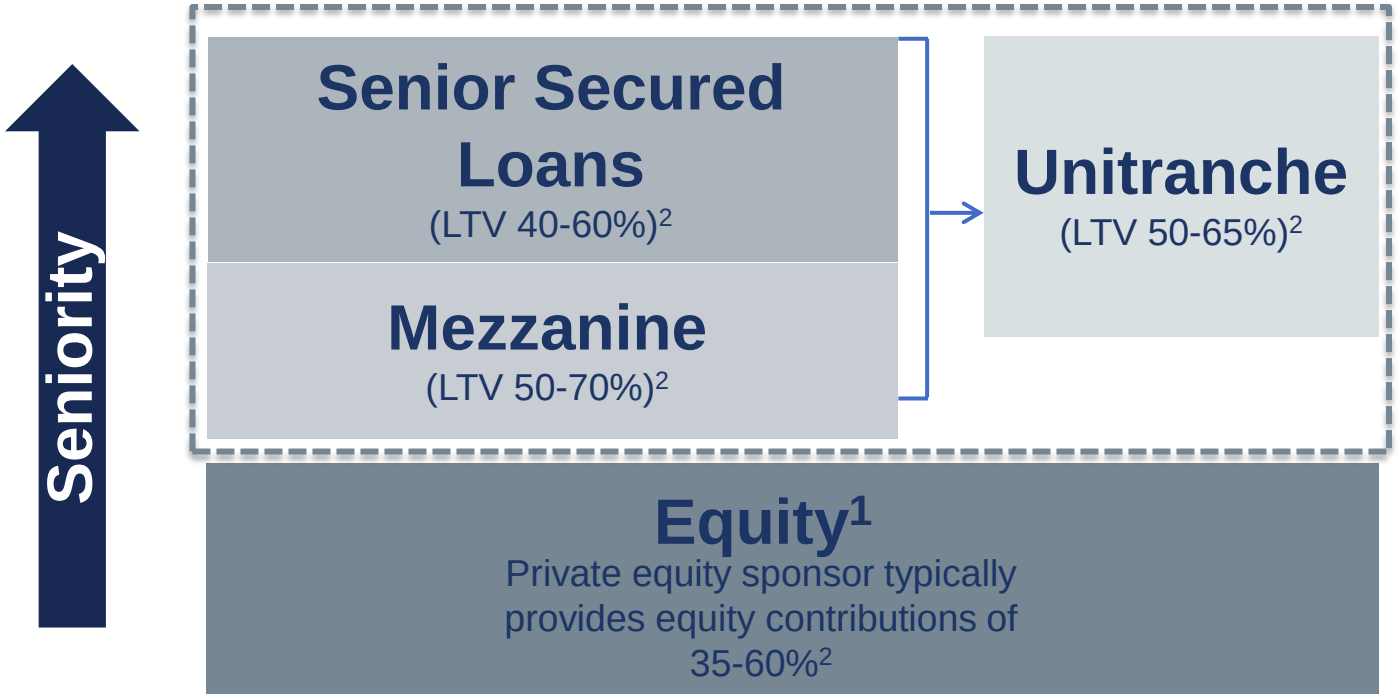
Several strategies to consider with varying Risk / Return profiles[1]



1. Return ranges are gross and based on Barings market observations as of September 2016. For illustrative purposes only

Defining Private Credit

Three primary types of securities: Senior Loans, Unitranche and Mezzanine

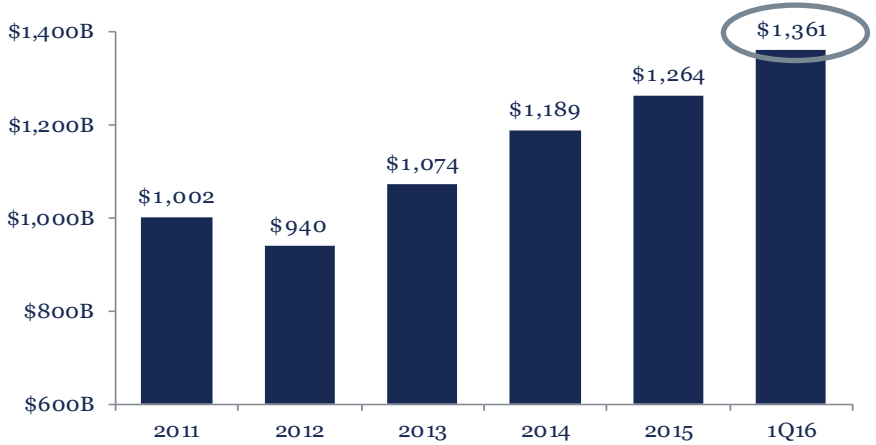


1. Based on Barings' transactions and market observations as of September 2016. 2. LTV = Loan to Value

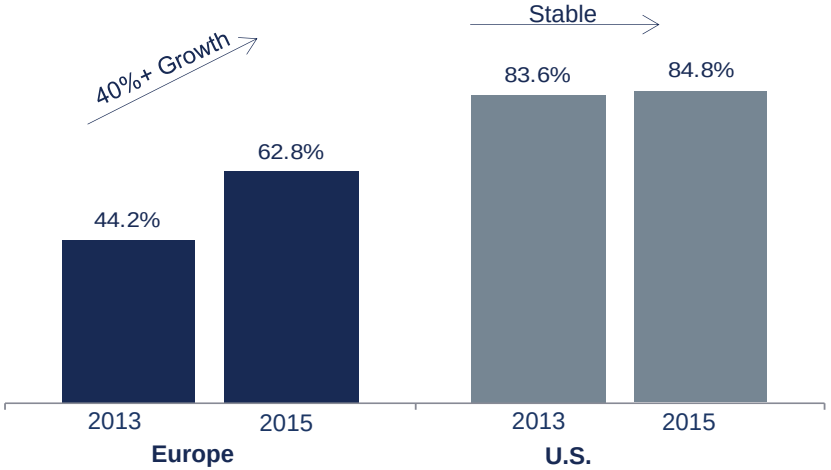
Supply and Demand

Private equity dry powder and bank regulatory dynamics is a positive driver of demand for private finance

Global Private Equity Dry Powder[1]



Institutional Investors' Share of the Primary Leveraged Lending Market[2]



1. Source: Preqin as of March 31, 2016. 2. Source: S&P LCD. Note: Not enough European observations in 2009 to compile a meaningful sample.

Global Private Finance Team

Global team of 62 dedicated professionals located in local offices…consistently invest over $1 billion annually

Terry Harris Head of Global Portfolio Management	**Eric Lloyd** Head of Global Private Finance	**Ben Silver** Head of Global Investment Strategies

North American Investments Ian Fowler & Bob Shettle	**European and Asia Pacific Investments** Adam Wheeler

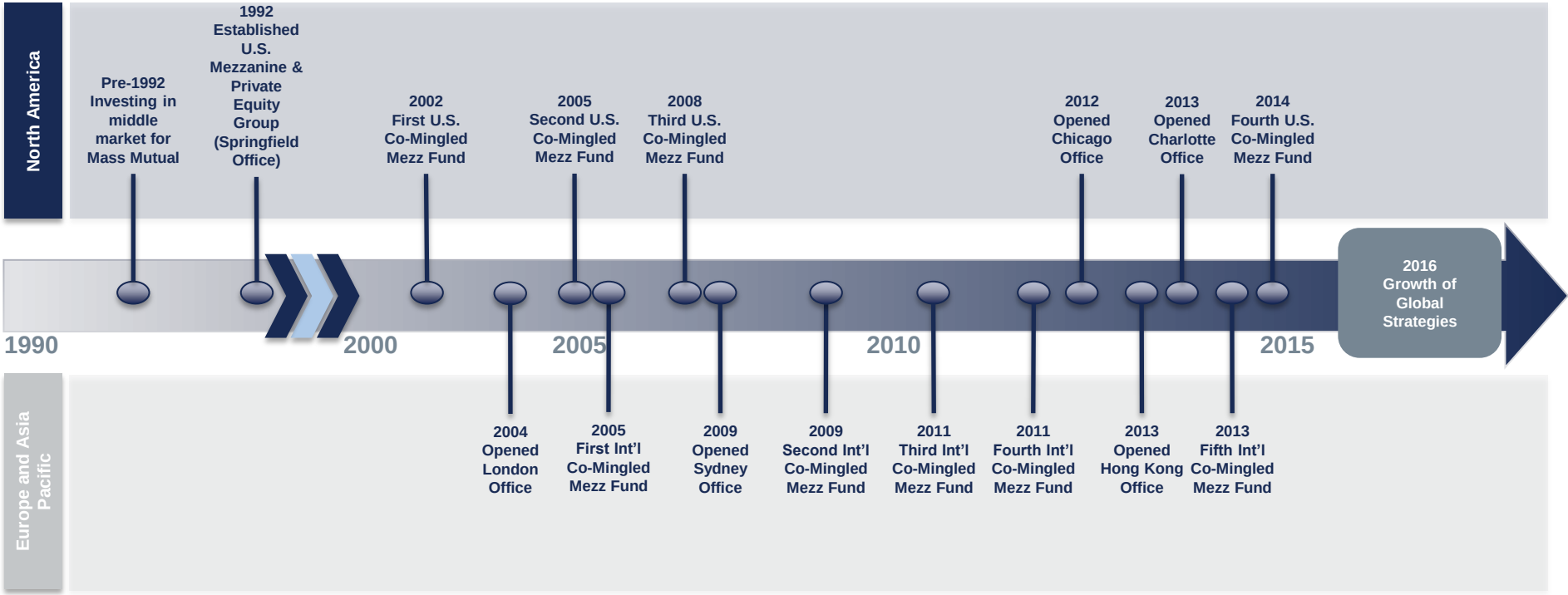
Full suite of capital solutions offered in each region



★ Global Private Finance office locations

Over 23 Years of Private Credit Experience

Experience spans 24 years and multiple credit cycles and funds…



Barings Private Finance Features

Construct global as well as region- and asset class-specific portfolios to meet investors' risk/return objectives

Platform:

- Over $10 billion invested in 800 private companies since 1992
- Dedicated professionals in 7 offices on 4 continents
- Global relative value perspective
- Aligned interests with significant parent capital invested along side clients

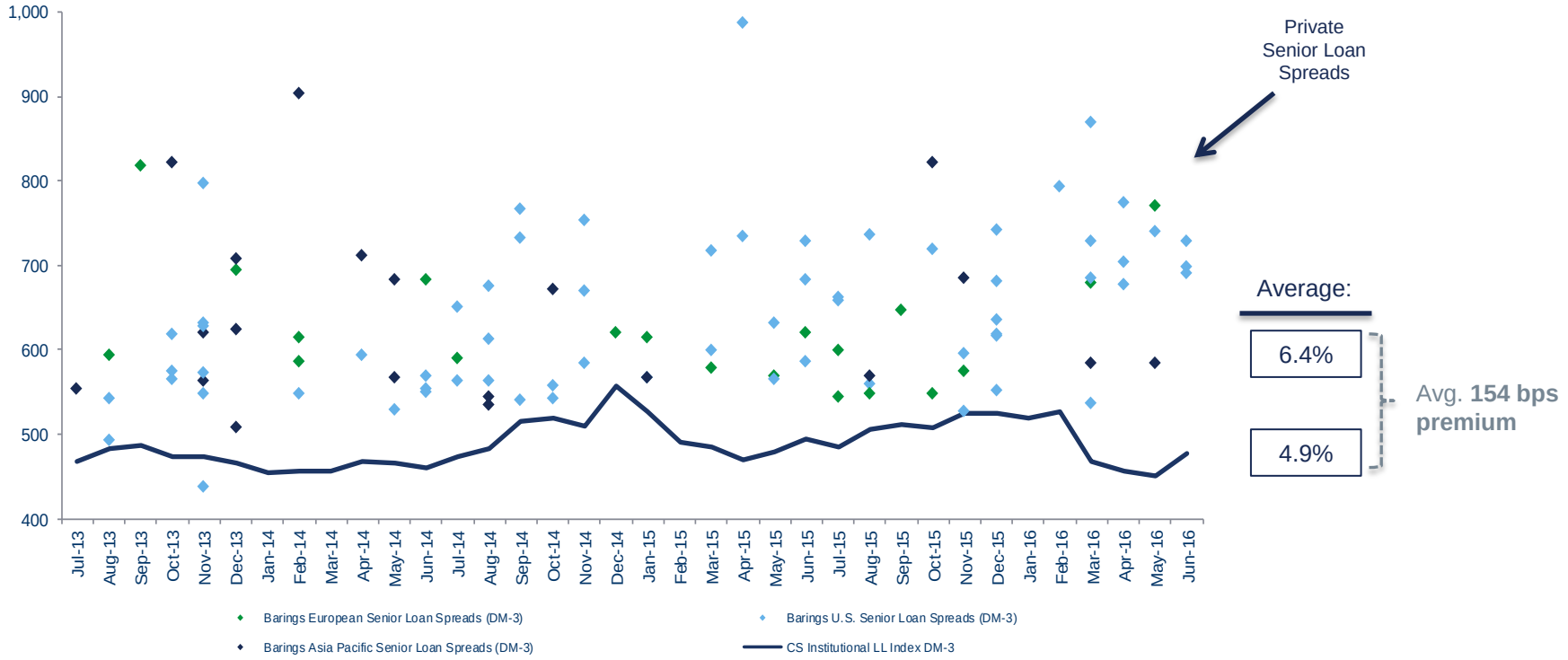
Key Strategies:

Strategy	Leverage	Target Net Returns (USD Equivalent)[1]
Global Private Senior Loans	Senior loans	None	7.5%-8.5%
Regional Senior Loans	Senior loans w/ leverage	1.5 : 1.0	10.0%-12.0%
Global Private Junior Capital	Mezzanine / Junior Cap.	None	12.0%+
Customized Strategies	Separate Accounts to meet range of investment goals		

1. Target returns are based on last 12 months' investments and Barings' market observations as of September 2016. There are no guarantees the stated objectives will be achieved.

Return premium is a science and an art…

Private loans have generated a return premium to liquid syndicated loans

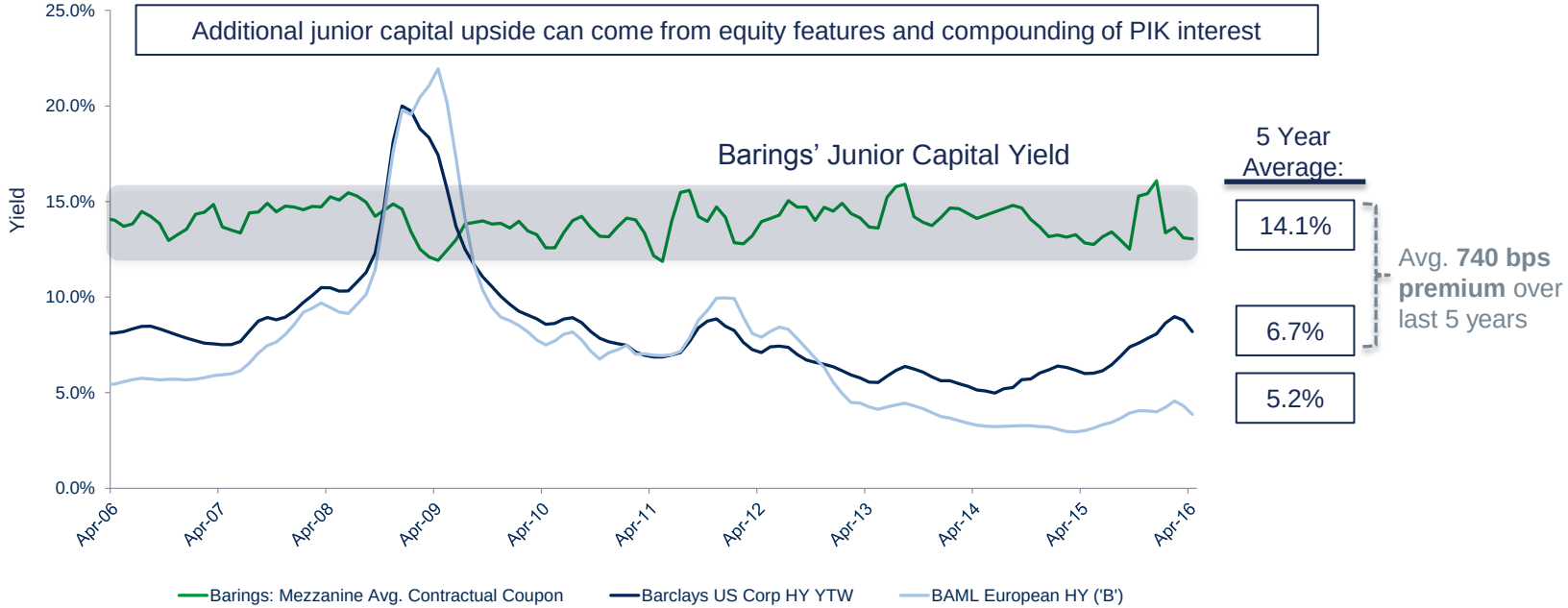


Source: Credit Suisse as of March 30, 2016. For Barings deals the markers show the projected 3-year discount margin at time of investment. Includes both realized and unrealized transactions. Excludes investments originated for Barings High Yield CLOs.

Junior Capital Return Premium

Private junior capital has historically generated an attractive premium to public high yield

Barings' Global Junior Capital Coupon vs. Barclays High Yield Index (3-Month Moving Avg.)[1,2,3]



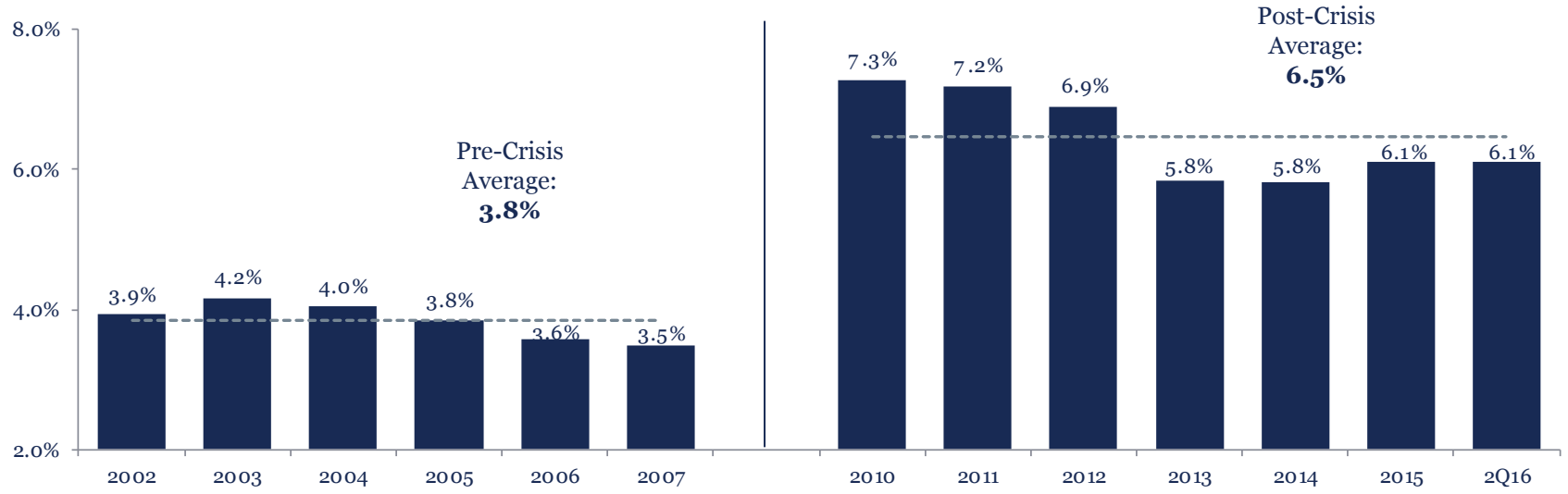
1. Source: Barings, FactSet, Barclay's Capital High Yield Bond Index as of April 29, 2016, BAML European High Yield Bond ("B") Index as of April 29, 2016. It is not possible to invest directly in an index.
2. Barings' junior capital coupon represents the average contractual coupon for junior capital investments globally. Coupons do not include additional potential upside from equity features. 3. European junior capital yield includes applicable base rate, utilizing the average base rate for the year of investment.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Competitive dynamics creating a fundamental market shift

Private credit market fundamentally different since global financial crises

U.S. Middle Market Term Loan Spreads[1]

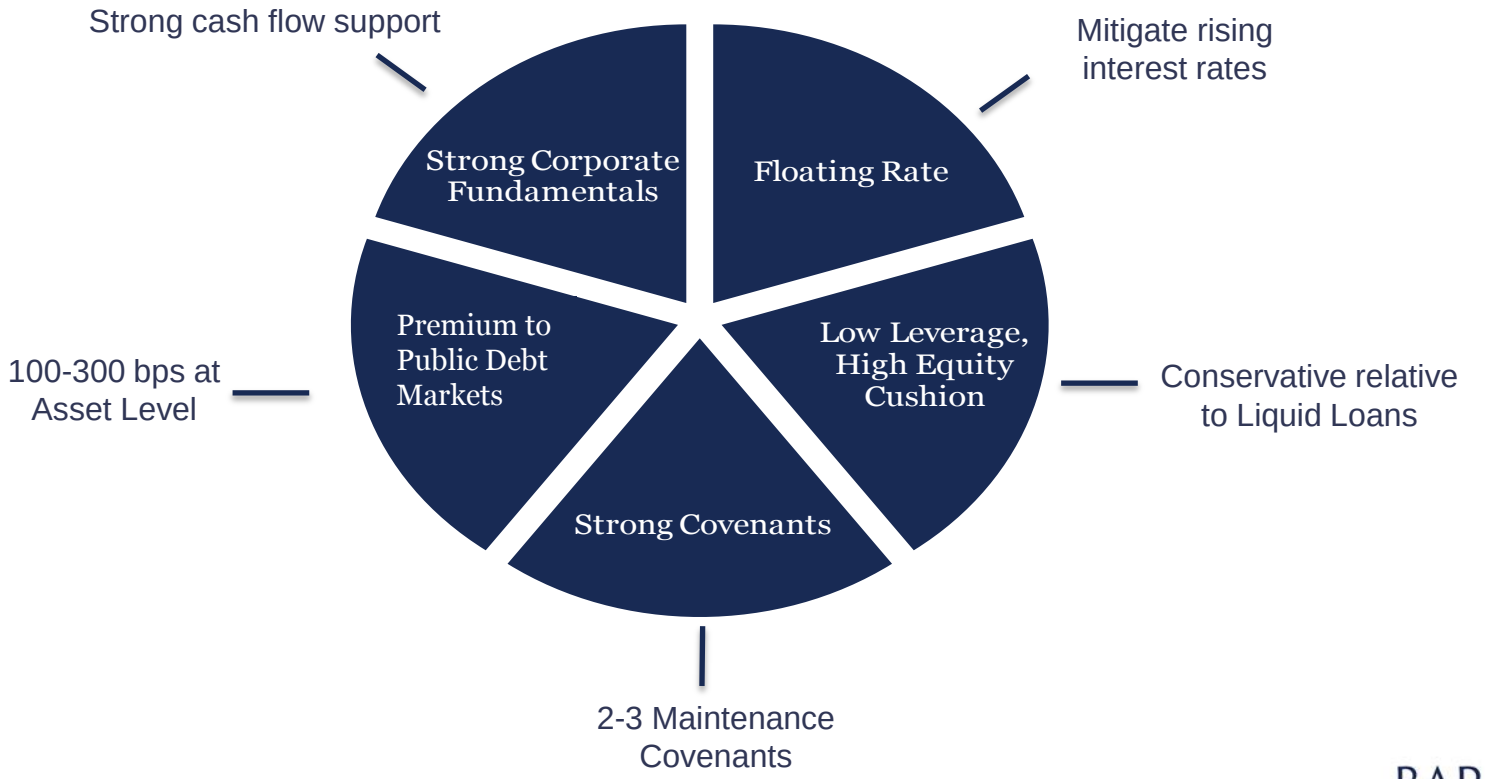


1. Source: Thomson Reuters. Middle Market defined as deals < $500M. As of March 31, 2016.

Note that available market data for Europe includes only coupon margins, not all-in return spreads, and is therefore not shown for comparison.

Private Credit Features and Benefits

Fundamental aspects of private credit provide sound investment backdrop



Global diversification offers greater opportunity set and relative value

(all amounts in USD)	North America	Europe	Asia Pacific
EBITDA (MM)	$21	$34	$69
Senior Leverage	4.0x	4.5x	3.5x
Equity Contribution	49%	50%	59%
Upfront Fee	1.5%	3.3%	2.8%

Why Global Allocation

- Ability to seek most attractive value in each market at a given time
- Ability to shift allocation targets based on global relative value
- Increased opportunity set
- Potential for greater diversification

All data shown represents weighted averages of last 3 years' senior investment activity globally as of March 31, 2016. Statistics and exchange rates at time of investment. Coupon comprised of floor and margin. **PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**.

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Key Things to Consider and Ask When Investing in Private Credit

1. Understand Risk / Return…apples to apples comparisons
2. Largest risk is credit mistakes…hard to recover
3. Are historical results really representative?
4. Targeted returns really make sense?
5. Is strategy aligned with current market & credit cycle?

Private Credit can be a good solution for investors depending on needs

- Seek alternative and enhancements to core Fixed Income
- Longer term perspective takes advantage of return premium
- Seek lower volatility, fundamentally focused investments

Bio

Ben Silver

Managing Director

Ben Silver is Head of Global Head of Investment Strategies for Barings' Global Private Finance Group. His responsibilities include development and commercialization of new investment products and investor relations globally. Ben has worked in the industry since 1992. Previously, Ben was a member of the firm's Mezzanine & Private Equity Group where he originated, structured, closed and managed direct investments. Prior to joining the firm in 2008, he was a Senior Vice President at GE Commercial Finance as a business development manager. He also held origination, portfolio management and underwriting positions at Union Bank of California, Foothill Capital Corporation and Fleet Bank. Ben holds a B.S. in Accounting from the University of Massachusetts at Lowell.

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