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Myths, truths and developments

Equity investing

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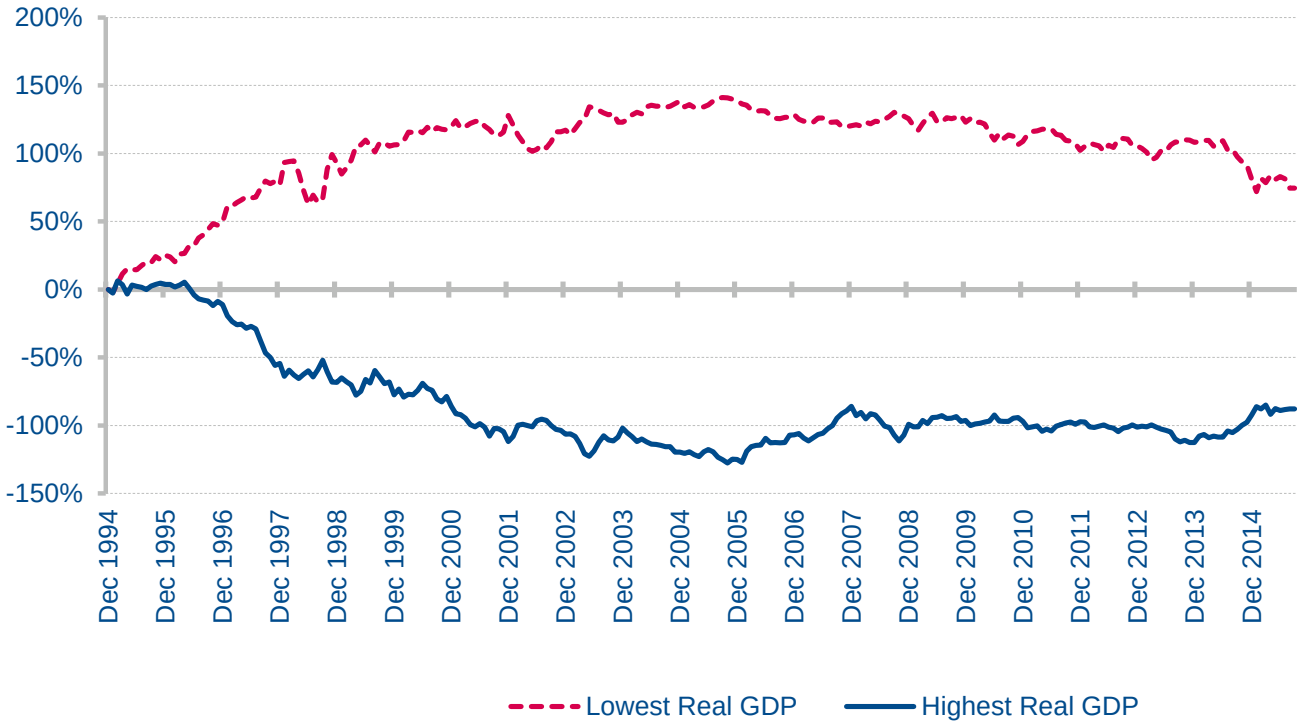
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Agenda

- Two myths
- Two truths
- Two developments

Two myths
1. High GDP growth correlates with performance

Relative cumulative performance





South Africa return = 86%



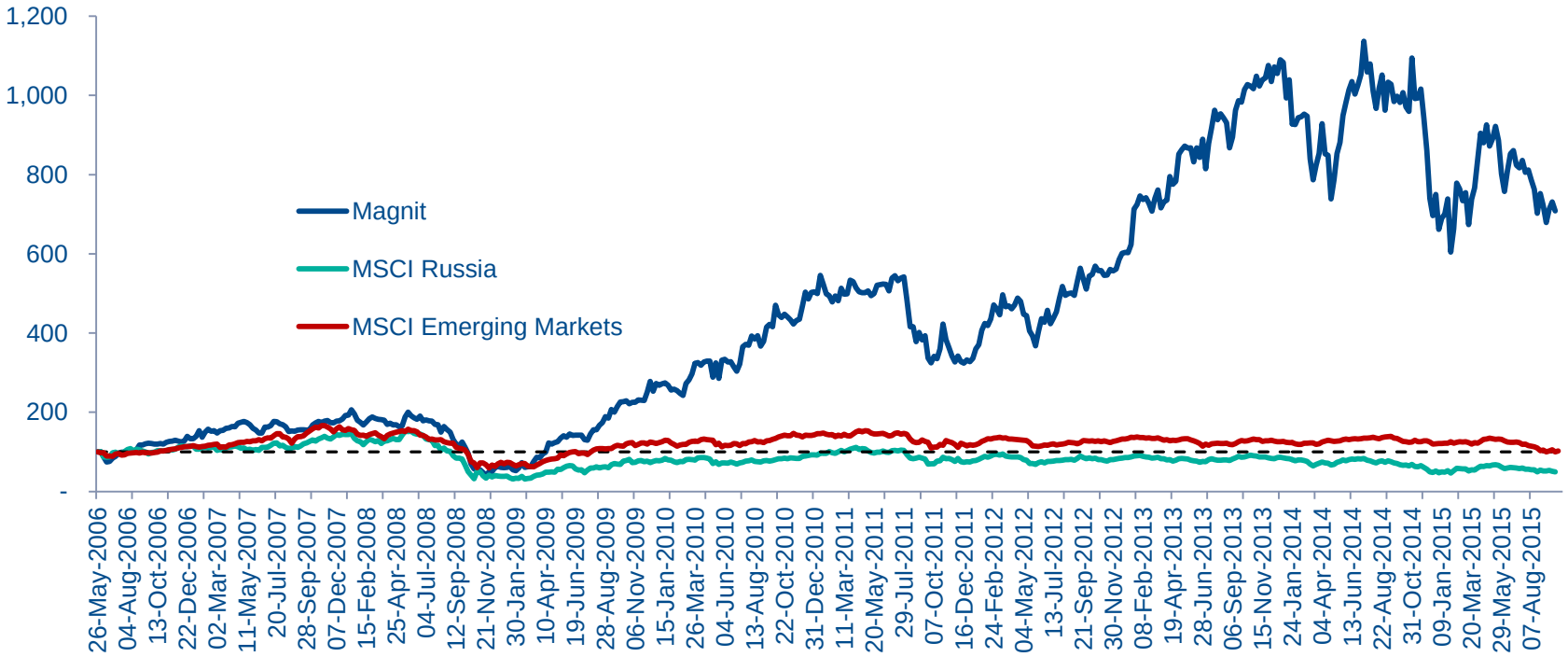
China return = -7%

High real GDP growth = High real disappointment

*Based on quantitative simulations where emerging countries are ranked every month-end according to their consensus real GDP growth and then their return measured in the following month. The 'Lowest Real GDP Growth' is composed of the four countries with the lowest consensus real GDP growth while the 'highest Real GDP Growth' is composed of the four countries with the highest consensus real GDP growth. Period: December 1994 to August 2015. Source: Barings August 2015.

Two myths
2. There's no performance in falling markets

Magnit, MSCI Emerging Markets and MSCI Russia Performance - USD



Source: MSCI data

Magnit
Leading Russian food retailer

Company Scorecard	Magnit	
Quality	Franchise	1.0
	Management	1.0
	Balance sheet	1.0
	Overall	1.0
Growth	Last three years	1.0
	Next 12 months	1.0
	CAGR next five years	1.0
	Overall	1.0
Upside	Market measure	3.0
	Static measure	2.0
	Discounted earnings	3.0
	Overall	2.7
Stock score		**1.6**

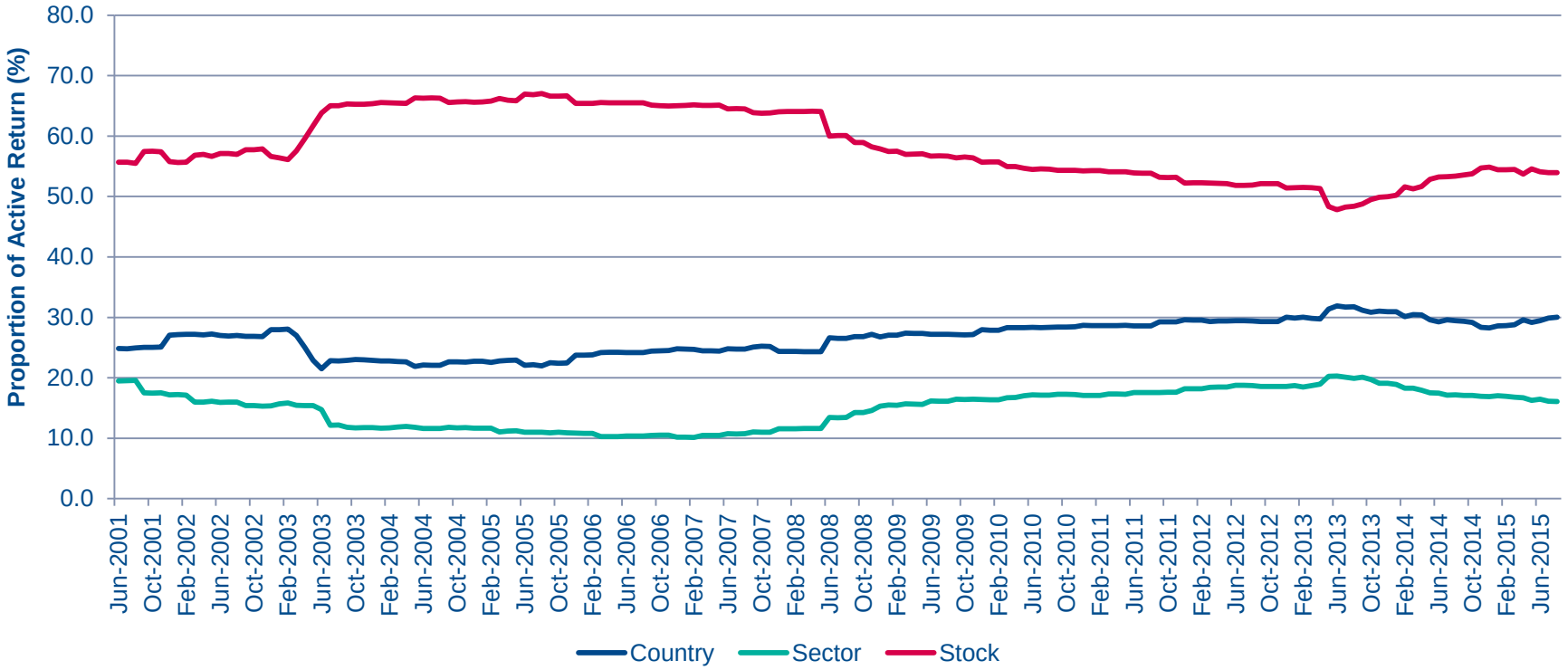


- Leading food retailer in Russia with unique geographic coverage and distribution capabilities
- Sustained profit growth underpinned by healthy profit margins and continued market share gains
- Fast-paced store expansion supported by solid balance sheet

Source: Magnit, Barings, December 2014
Please refer to Important Information

Two truths

1. It's all about the companies

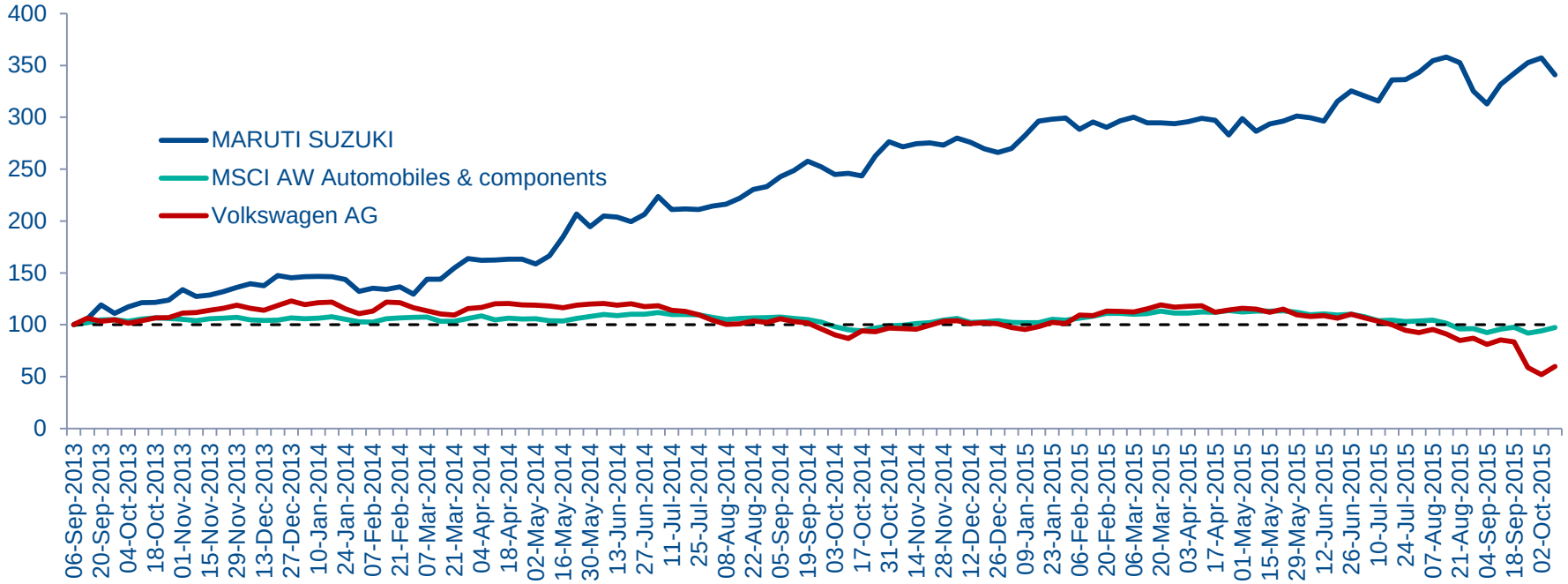


Decomposition of returns between countries sectors and stocks

The active return of emerging market stocks is decomposed into country, sector and stock component by running a regression where the active return of each stock is the dependent variable and the active returns of the country and sector are the independent variables. The regression is based on five years rolling data (monthly)
Period: June 1996 to August 2015. Source: Barings August 2015

Two truths
1. It's all about the companies

Maruti Suzuki, MSCI AW Automobiles & components and Volkswagen AG - USD

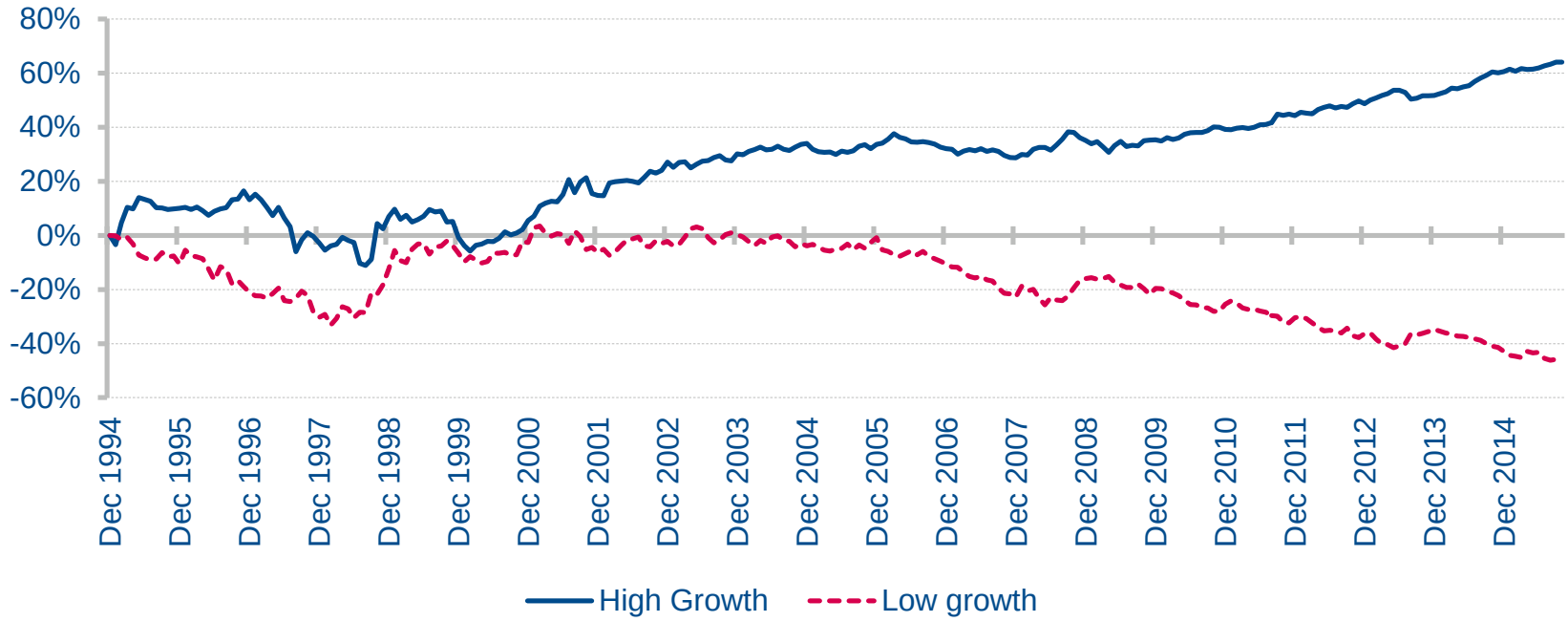


Great companies perform in weak sectors

Source: MSCI data

Two truths
2. It's all about earnings

Cumulative performance

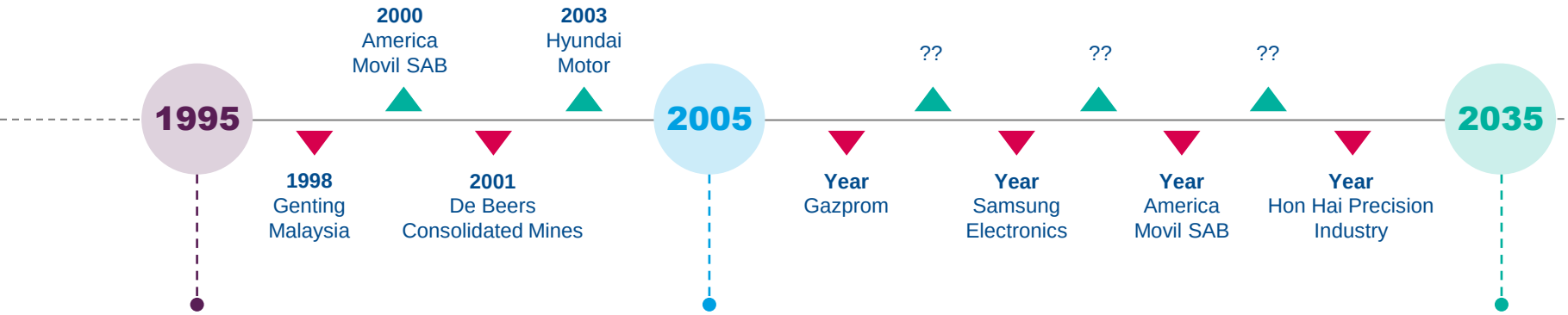


High EPS growth = High return

*Based on quantitative simulations where emerging stocks are ranked every month-end according to their 5 years EPS growth (trailing) and then their return measured in the following 12 months. The 'High Growth' is composed of the 20% of stocks with the highest trailing EPS growth while the 'Low Growth' is composed of the stocks with the lowest trailing EPS growth. Period: December 1994 to August 2015. Source: Barings August 2015

Two developments

1. Emerging Market investing is changing



1995	2005	2035
1. Genting Malaysia	1. Samsung Electronics	1. ?
2. Tenaga Nasional	2. Taiwan Semiconductor Manufacturing	2. ?
3. YTL Corp	3. Tencent Holdings	3. ?
4. Telekom Malaysia	4. China Mobile	4. ?
5. Telecomunicacoes Brasileiras	5. China Construction Bank	5. ?
6. Malayan Banking	6. Naspers	6. ?
7. Telefonos de Mexico	7. Industrial and Commercial Bank of China	7. ?
8. PT Telekomunikasi Indonesia	8. Hon Hai Precision Industry	8. ?
9. Centrais Eletricas Brasileiras S.A. - Eletrobras	9. Bank of China	9. ?
10. De Beers Consolidated Mines	10. Infosys	10. ?
11. SABMiller	11. America Movil SAB	11. ?
12. Bangkok Bank Public Company	12. Housing Development Finance	12. ?
13. Vale SA	13. Ping An Insurance	13. ?
14. Malaysian Airline System	14. China Life Insurance	14. ?
15. YPF SA	15. Gazprom	15. ?

Not a single stock in the top 15 in 1995 is still in the top 15 today

Source: MSCI data

Two developments
2. Globalisation of companies

Born in France



Listed in Hong Kong



Highest Growth is in Russia



Largest customer base is Chinese



Companies are increasingly unconstrained by country boundaries

Source: Barings

Summary
Equity strategies



Source: Barings

Summary

- ✗ Forget about macro
- ✗ Forget about markets
- ✓ It’s all about growth and the globalisation of companies

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Transactions in derivative instruments may be used to meet the investment objectives of the Fund and may therefore lead to higher volatility to its net asset value and may involve a greater degree of risk than is the case with conventional securities.

A portion of the fund's portfolio is invested into emerging markets and investors should be aware of the risk associated with such investments.

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