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Baring European Equities

Barings Asia Regional Conference 2015

October 2015

James Buckley, Head of European Large Cap



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European large cap equities
Team and resource

James Buckley
Head of European Large Cap

citywire A

- 22 years equity investment experience, joined Barings in July 2005
- Manager of Baring European Growth and Europa funds
- MBA from Cambridge University



James Buckley
Head of European Large Cap
22, 10
(Lead)



Paul Morgan
Investment Manager
19, 8
(Backup)

Quant Team
5 members, average 11 years investment experience

Specialist Analysts, Portfolio Managers and Team Heads
61 members, average 14 years investment experience

European Small Cap	European Country Specialists	Analysts	Other Equity	Global Sectors
• Nick Williams • Colin Riddles • Rosemary Simmonds	• Rob Smith • Chris Hyde	• Alexandra Hillier • Matthew Ward • Piers Aldred • Lora Habijanec	• World & Int'l • North America • Japan • Emerging Markets • EMEA/Frontiers • Latin America • Asia Pacific • China • Resources	• Technology • Pharmaceuticals • Resources

Source: Barings, 31 December 2014.
James Buckley is A rated by Citywire for his three year risk-adjusted performance for the period 31 August 2012 – 31 August 2015.

Investment philosophy
Growth at a Reasonable Price



Focus on companies with growth of 10-20% CAGR

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

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

Quality GARP companies have delivered superior returns with lower volatility

Investment process

Sourcing ideas

High conviction ideas generated from Barings' diverse pool of global investors

- Analyst and Portfolio Manager expertise
- Quantitative screening for quality GARP
- Thematic screening

Researching companies

- Focused and in-depth
- Finding unrecognised growth on a three to five year horizon
- Companies scored 1 to 5
- Best Ideas List owned by a panel of three senior investors

Constructing portfolios

Maintaining
- Quality
- Growth
- Upside

Analysing
- Liquidity
- Volatility
- Concentration

Delivering
- High conviction
- High active share
- Quality GARP

Monitoring portfolios

- Portfolio Manager
- Quant Team
- Investment Committee
- Investment Risk

How our investment process sets us apart

Genuinely high conviction portfolios

High active share

Best ideas orientated

Rigorously applied through Portfolio Scorecard

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

Finding unrecognised growth
Researching companies

Quality

Helps to drive sustainable, steady results

- Franchise
  - Competitive advantage
  - Efficiency
  - Stability
- Management
  - Competence
  - Commitment
  - Alignment with shareholder interest
- Balance sheet

Quality (1 to 5)

Growth

Provides a long term platform for outperformance

- Last three years net earnings growth
- 12 month earnings growth
- Next five years earnings growth

Growth (1 to 5)

Upside

Measured using a disciplined, discounted earnings approach

- Discounted earnings over five years
- Next 12 month P/E
  - Compared to history
  - Compared to sector
  - Compared to peer
- P/B relative to ROE and cost of capital

Upside (1 to 5)

Consistent stock scoring methodology

Ryanair
European low cost carrier airline

Company scorecard

Company name	Ryanair	
Quality	Franchise	2.0
	Management	1.0
	Balance sheet	1.0
	Overall	**1.3**
Growth	Last three years	3.0
	Next 12 months	1.0
	CAGR next five years	1.0
	Overall	**1.7**
Upside	Market measure	5.0
	Static measure	1.0
	Discounted earnings	1.0
	Overall	**2.3**
Stock score		**1.8**

- Ryanair is the only truly low cost carrier in Europe with the scale to maintain cost leadership
- Ryanair is currently at the start of business model reconfiguration that will enable industry leading revenue and profit growth
- A robust balance sheet with €4.3bn of gross cash and high cash generation will enable continued capital returns



Ryanair is a long term structural growth business

Source: Barings internal estimates, 31 December 2014

Building quality GARP portfolios
Market strategy

- Upside
- Quality GARP profile
- Risk management

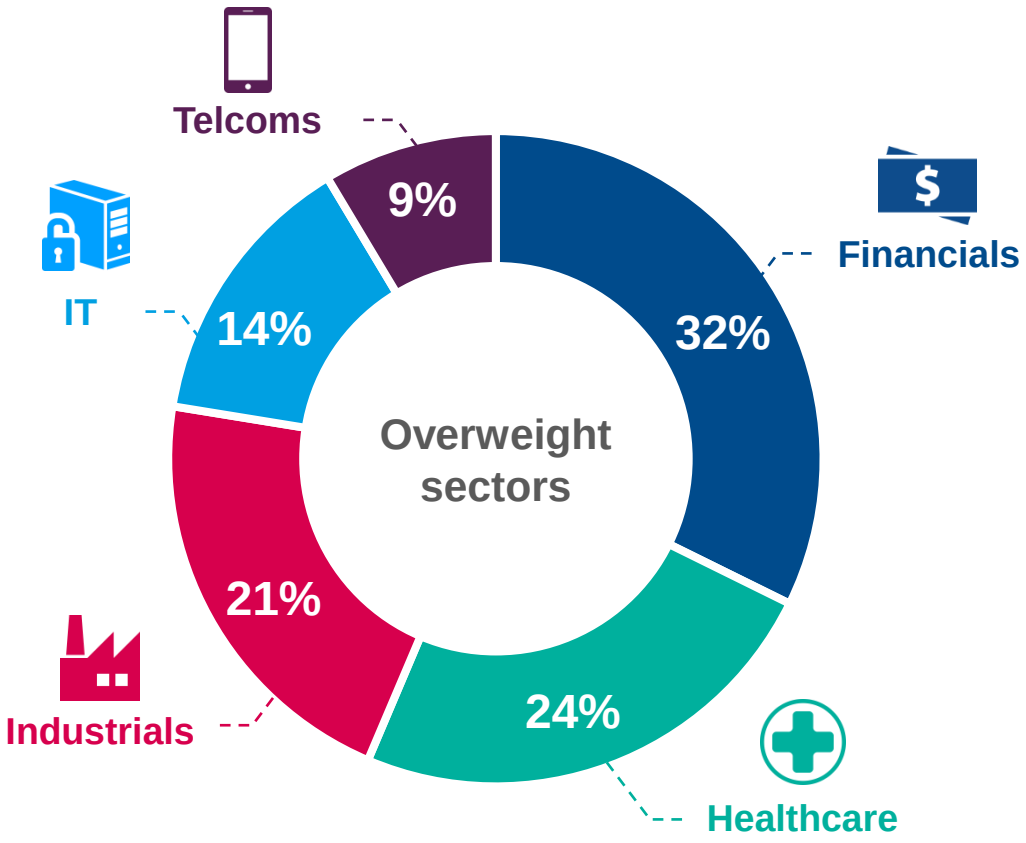


- High conviction: 40-50 stocks
- Targeting over 75% active share
- Diversified portfolio: minimum weighing 1%, maximum active weighting 3%
- Cash is not used as an asset

- Fundamental thesis deterioration
- Exhaustion of upside potential
- Higher conviction alternative

Source: Barings, 31 December 2014

Baring Europa Fund
Relative sector weightings



Relative sector weightings	
Financials	6.65
Healthcare	4.96
Industrials	4.36
Information technology	2.85
Telecommunication services	1.77
Utilities	-0.75
Consumer discretionary	-2.40
Energy	-3.66
Materials	-5.93
Consumer staples	-8.38

Source: Barings, as at 31 August 2015, relative to the MSCI Europe Performance comparison.
Reference to the Performance comparison is for comparative purposes only
Weightings are subject to change.

Baring Europa Fund
Top 10 holdings

Top 10 current overweight stocks*	%
Ryanair Holdings Plc	2.67
Shire Plc	2.34
Safran SA	2.16
Novo Nordisk A/S	2.14
Bayer AG	2.13
Basilea Pharmaceutica Ltd	2.12
Cap Gemini SA	2.11
Airbus Group SE	2.09
BT Group Plc	2.05
WPP Plc	1.97

Top 10 current underweight stocks*	%
Novartis AG	2.75
Roche Holding Ltd	2.34
HSBC Holding Plc	1.99
BP Plc	1.29
Royal Dutch Shell Plc Class A	1.28
British American Tobacco Plc	1.27
Total SA	1.22
GlaxoSmithKline Plc	1.21
Banco Santander SA	1.14
Anheuser-Busch InBev SA	1.10

Source: Barings, as at 31 July 2015.
*Relative to MSCI Europe Performance Comparison – Reference to the Performance comparison is for comparative purposes only.
Holdings are subject to change.

Baring Europa Fund (Pan European)
Performance as at 31 August 2015



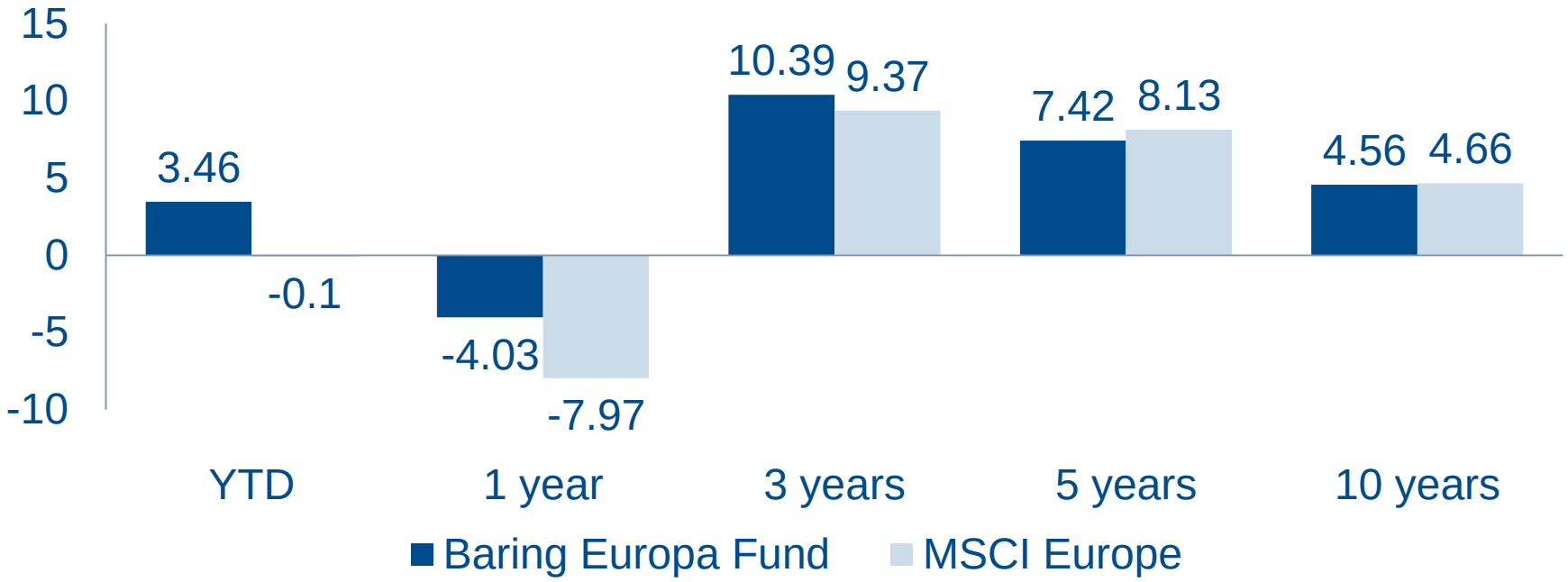
	1 year	3 years annualised	5 years annualised
Rank*	47/ 217	40/ 195	80/ 170
Quartile*	1st	1st	2nd

Past performance is not a guide to future performance

Source: Barings. Performance figures are shown net of fees and charges for the Class A USD Income unit, in US Dollars on a NAV per unit basis, with gross income reinvested. Performance comparison is MSCI Europe. Reference to the performance comparison is for comparative purposes only.

Source: *Barings/Morningstar – Quartile rankings customised. Morningstar, UK Registered Investment Funds Equity Europe

Historic performance
Europa



Past performance is not a guide to future performance.
Source: Morningstar, 31 August 2015. In USD Gross Income reinvested. Performance MSCI Europe Index

Europa
Full year 2014 performance contributors

Contributors

Company	Contribution to portfolio
Ryan air	0.86
Aer Lingus	0.82
Shire	0.71
Red Electrica	0.48
ASML Holding	0.33

Detractors

Company	Detraction from portfolio
Tullow Oil	-1.14
Airbus	-0.84
ArcelorMittal	-0.78
Alpha Bank	-0.74
BG Group	-0.72

Bottom-up stock selection drives performance

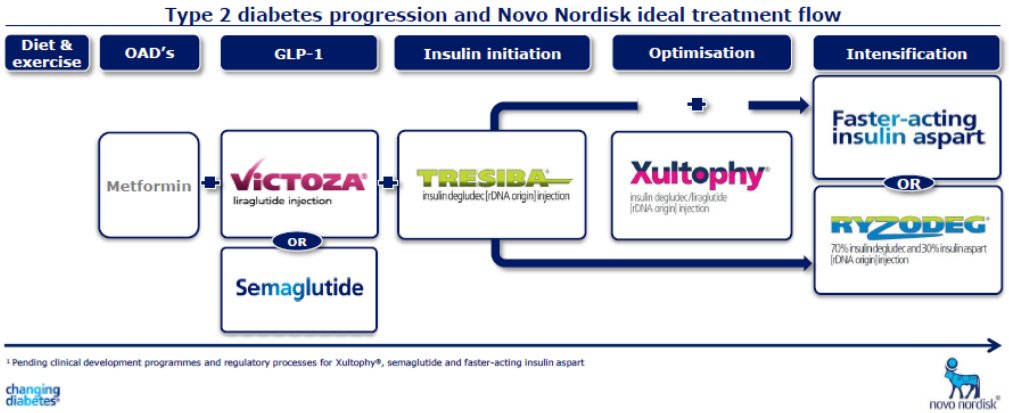
Source: Barings, 31 December 2014

Novo-Nordisk
Danish leading player in diabetes care

Company scorecard

Company name	Novo Nordisk	
Quality	Franchise	2.0
	Management	1.0
	Balance sheet	1.0
	Overall	**1.3**
Growth	Last three years	2.0
	Next 12 months	1.0
	CAGR next five years	2.0
	Overall	**1.7**
Upside	Market measure	5.0
	Static measure	3.0
	Discounted earnings	2.0
	Overall	**3.3**
Stock score		**2.1**

- Novo Nordisk is the only pure play diabetes care company in the world with No.2 position in the US and No.1 position in all markets ex US, giving it the leading global market share
- Novo is capable of maintaining its 15%+ EPS growth rate of the last five years over the next five years thereby doubling EPS
- Novo will able to do this by exploiting the global diabetes pandemic and its current and future product portfolio covering best in class drugs for the type 2 diabetes treatment flow



Source: Barings internal estimates, 31 December 2014

Ryanair
European low cost carrier airline

Company scorecard

Company name	Ryanair	
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	Overall	**1.3**
Growth	Last three years	3.0
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	CAGR next five years	1.0
	Overall	**1.7**
Upside	Market measure	5.0
	Static measure	1.0
	Discounted earnings	1.0
	Overall	**2.3**
Stock score		**1.8**

- Ryanair is the only truly low cost carrier in Europe with the scale to maintain cost leadership
- Ryanair is currently at the start of business model reconfiguration that will enable industry leading revenue and profit growth
- A robust balance sheet with €4.3bn of gross cash and high cash generation will enable continued capital returns



Ryanair is a long term structural growth business

Source: Barings internal estimates, 31 December 2014

Wendel
French private equity group

Company scorecard

Company name	Wendel	
Quality	Franchise	2.0
	Management	1.5
	Balance sheet	2.5
	Overall	**2.0**
Growth	Last three years	5.0
	Next 12 months	1.0
	CAGR next five years	1.0
	Overall	**2.3**
Upside	Market measure	5.0
	Static measure	1.0
	Discounted earnings	3.3
	Overall	**3.1**
Stock score		**2.5**

- Steelmaker founded in 1704, diversified into private equity in 1970s
- Increasing focus on unlisted investments, including telecom towers in Africa, plastics packaging and vehicle leasing
- Listed assets include 40% stake Bureau Veritas (testing services) and 12% stake Saint Gobain (industrial)
- Wendel family are reference shareholders with 36% stake facilitating long term investment approach
- Shares trade at 30% discount to underlying NAV

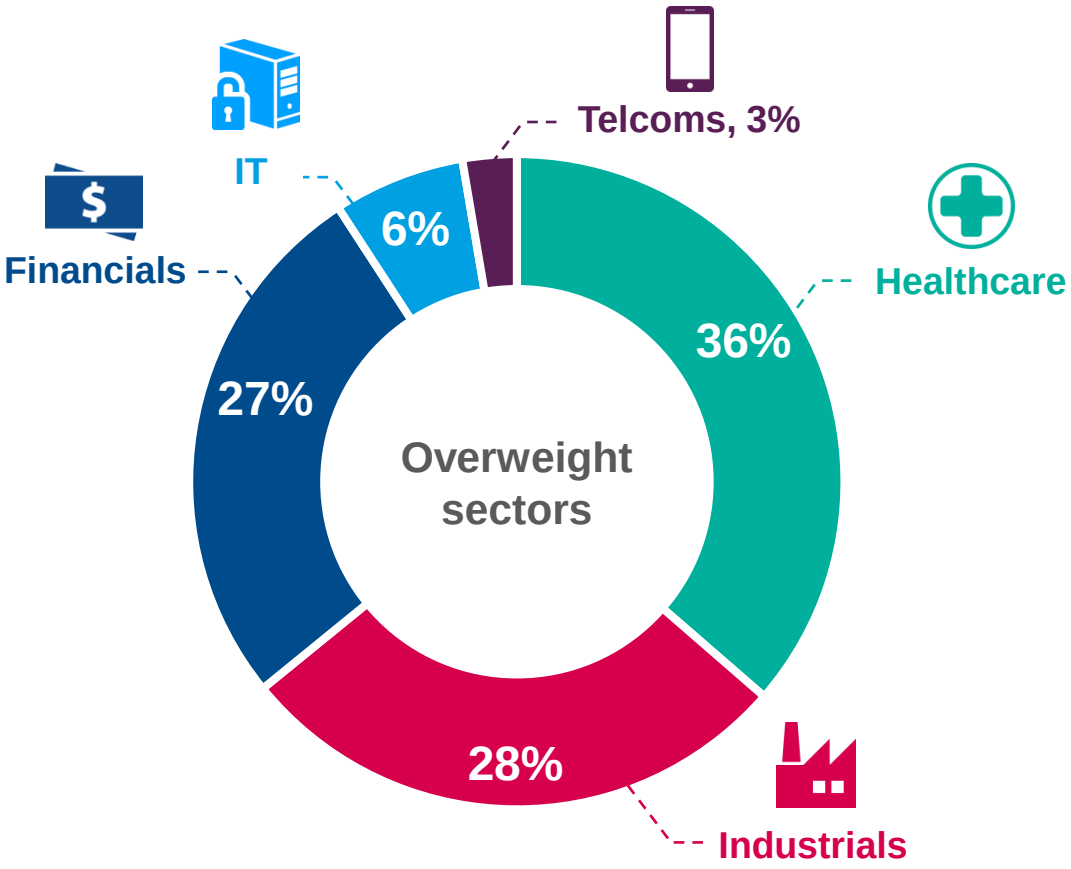


Source: Barings internal estimates, 31 December 2014



Appendix

Baring European Growth
Relative sector weightings



Relative sector weightings	
Healthcare	6.53
Industrials	4.98
Financials	4.79
Information technology	1.17
Telecommunication services	0.48
Utilities	0.28
Consumer discretionary	-2.45
Energy	-2.46
Materials	-5.54
Consumer staples	-7.63

Source: Barings, as at 31 August 2015, relative to the MSCI Europe x UK Performance comparison.
Reference to the Performance comparison is for comparative purposes only.
Weightings are subject to change.

European Growth
Full year 2014 performance contributors

Contributors

Company	Contribution to portfolio
Ryanair Holding	1.11
Aer Lingus Group	0.94
Red Electrica	0.75
Novo Nordisk	0.65
ASML Holding	0.62

Detractors

Company	Detraction from portfolio
Airbus Group	-1.06
ArcelorMittal	-1.00
Adidas	-0.89
Alpha Bank	-0.70
Galp Energia	-0.58

Bottom-up stock selection drives performance

Source: Barings, 31 December 2014

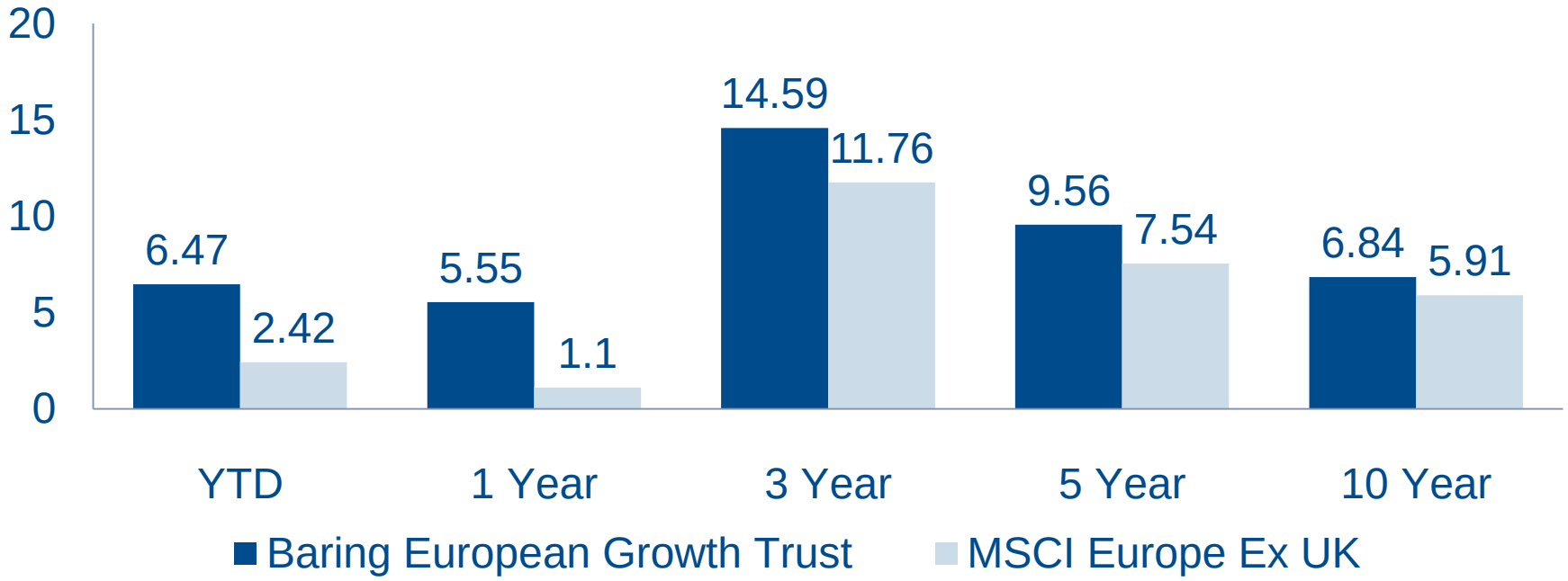
Baring European Growth Trust
Top 10 holdings

Top 10 current overweight stocks*	%
Ryanair Holdings Plc	2.95
Airbus Group SE	2.95
Cap Gemini SA	2.47
Basilea Pharmaceutica Ltd	2.38
Sanofi	2.35
ASML Holding NV	2.33
Actelion Ltd	2.31
Telefonica Deutschland	2.29
Royal KPN NV	2.27
Wendel SA	2.25

Top 10 current underweight stocks*	%
Novartis AG	3.98
Total SA	1.77
Banco Santander SA	1.65
Anheuser-Busch InBev SA	1.59
Daimler AG	1.43
Siemens AG	1.41
BASF SE	1.32
Unilever NV	1.22
SAP SE	1.17
Telefonica SA	1.14

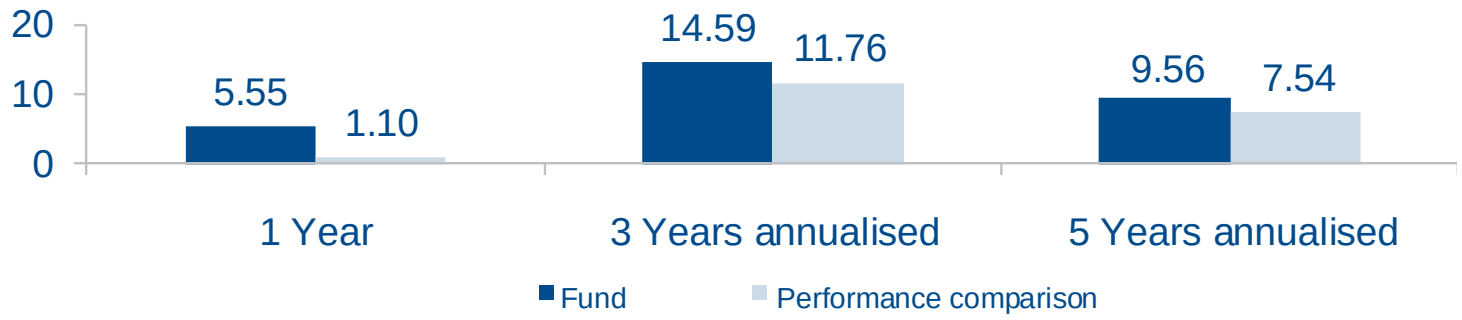
Source: Barings, as at 31 July 2015.
*Relative to MSCI Europe ex UK Performance Comparison – Reference to the Performance Comparison is for comparative purposes only
Holdings are subject to change.

Historic performance
European Growth



Past performance is not a guide to future performance
Source: Morningstar, 31 August 2015. In GBP Gross Income reinvested. Performance MSCI Europe Ex UK Index

Baring European Growth
Performance as at 31 August 2015



	1 year	3 years annualised	5 years annualised
Rank*	38/ 122	25/ 116	43/ 109
Quartile*	2nd	1st	2nd

Past performance is not a guide to future performance
Source: Barings. Performance figures are shown net of fees and charges for the Class A GBP Income unit, in Sterling on a bid to bid basis, with gross income reinvested. Performance comparison is MSCI Europe ex UK. Reference to the performance comparison is for comparative purposes only.
Source: *Barings/Morningstar – Quartile rankings customised. Morningstar, UK Registered Investment Funds Equity Europe

Biographies

James Buckley



Head of Pan European Equities

Location: London
Investment Experience: 23 Years

James was appointed Head of Pan European Large Cap Equities in 2008. He manages the Baring European Growth Trust and the pan European Baring Europa Fund. James joined Barings in 2005 from Premier Asset Management, where he was responsible for the Premier European Growth Fund. Previously he worked at Solus Investment Funds, running the Solus European Growth Fund. James has also worked at HSBC Private Clients. James has a BA (Hons) in English Literature from the University of Ulster (Ireland), an MSc in Investment Analysis from the University of Stirling (Scotland) and an MBA from Cambridge University.

Paul Morgan, CFA



Investment Manager
Member, Pan European Equity Team

Location: London
Investment Experience: 20 Years

Paul is an Investment Manager in the Pan European Equity Team and takes the lead role in the management of European Equity Income portfolios. Paul is also back-up manager on the Baring Europa Fund, Baring European Growth Trust and the Baring German Growth Trust. Paul joined Barings in December 2007 from Brown Shipley & Co, where he was an equity fund manager. Paul also has equity analysis responsibilities and covers the European insurance, property, industrials and utilities sectors. Paul graduated from the University of Hertfordshire with a BSc (Hons) in Mathematics and Economics and holds the ASIP and CFA qualifications.

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