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Baring European Equity Income Fund

Barings Asia Regional Conference 2015

October 2015

Paul Morgan, Investment Manager



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Key product points

European equity income strategy applied to three existing funds: Japan, Hong Kong, Dublin (in-house)

- Forward dividend yield of c.4.5% versus MSCI Europe index dividend yield of c.3.0%

1. Japan fund ("Pearl")
   - c.8 year track record
   - 5-star Morningstar rated
   - Lipper award winner 2012, 2013 and 2014

2. Hong Kong fund (Baring European Equity Income Fund)
   - Launched May 2015
   - Accumulation and distribution share classes available in hedged RMB, HK$ and US$ share classes as well as the euro base share class
   - Fund aims to have monthly distributions, which will include the pay out of interest rate differentials for hedged share classes

3. Dublin fund (in-house)
   - Europe excluding UK
   - Managed as part of Barings' Multi-Asset fund range

citywire A

★★★★★

Morningstar Rating™

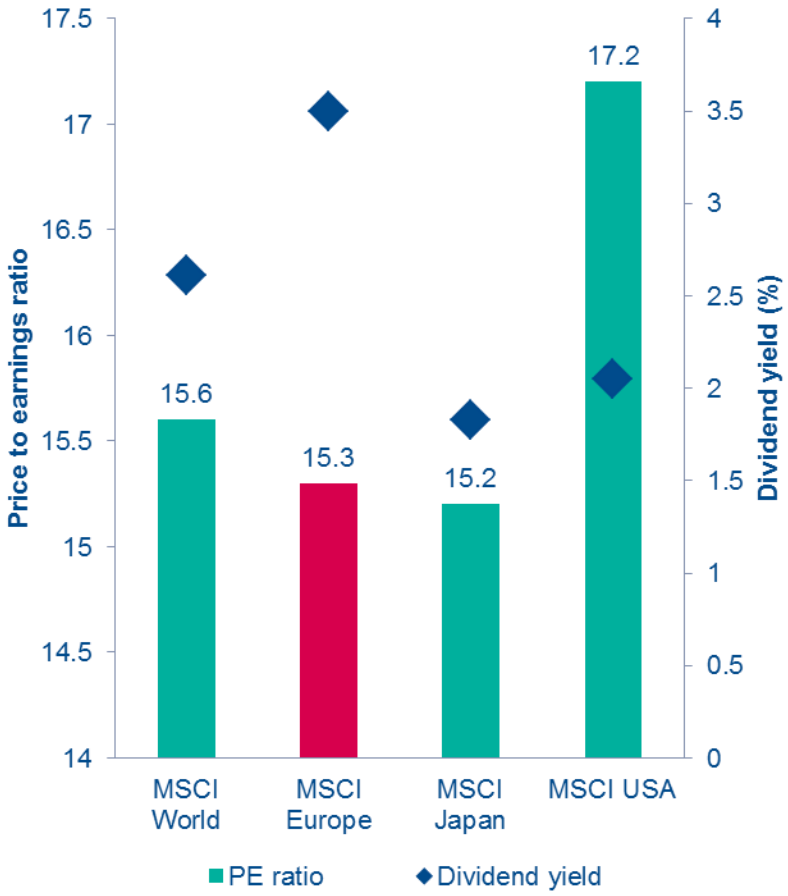
LIPPER
FUND AWARDS 2014
JAPAN

Strong track record. Transferable strategy

Note: The Baring European Equity Fund is our feeder fund that is rated 5 stars by Morningstar and has the above award from Lipper Japan. The inception date for the fund and the feeder fund is the 8th of August 2007. The Baring All European Equity Income Open Mother Fund and its feeder funds are Japanese Toshin funds and are not available for sale outside of Japan
Please note that ratings are subject to change

Why Europe for income investing?
Attractive valuations

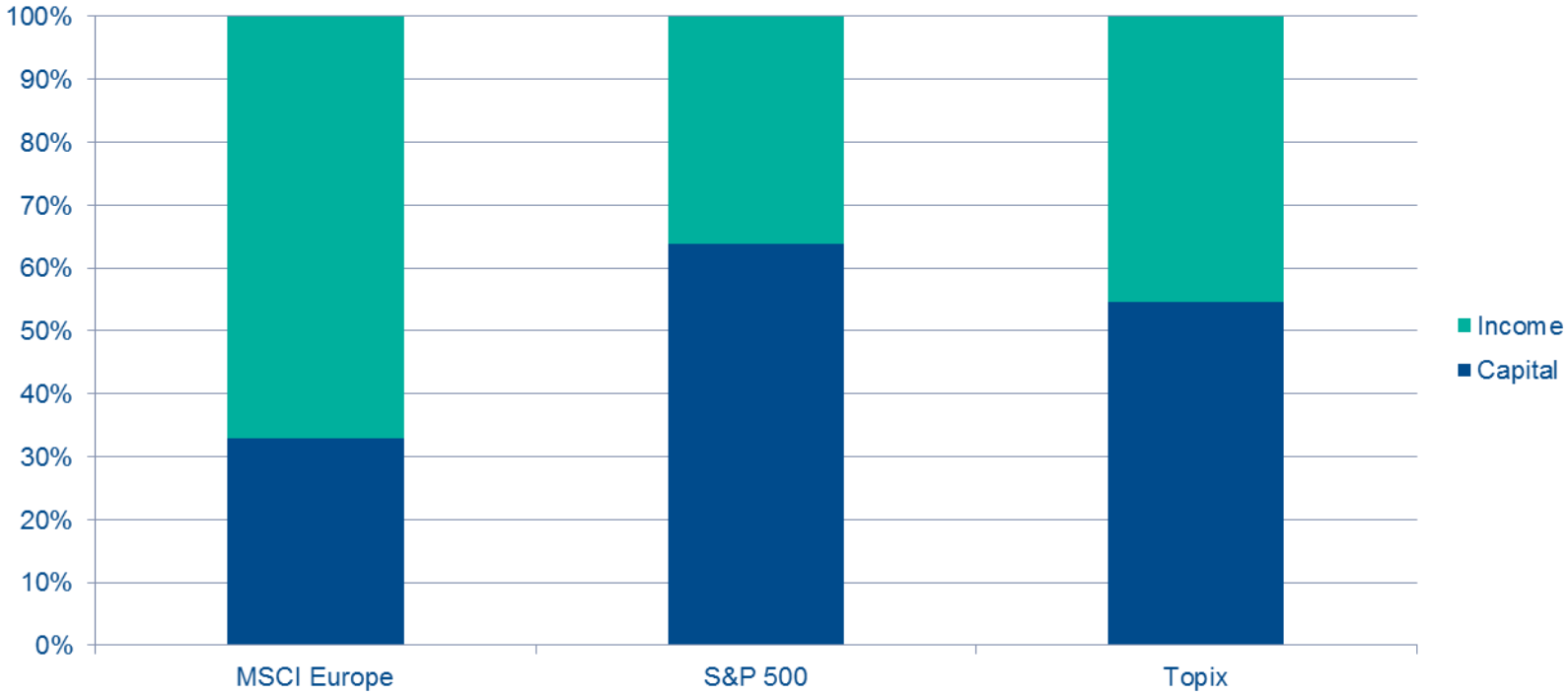
- Europe offers the highest dividend yields at attractive prices across developed equity markets
- A focus on shareholder value makes Europe an ideal place for income investing
- Europe is home to many world-leading companies with global, not just domestic exposure
- The proactive European Central Bank provides potential for a recovery
- Investment opportunities abound outside of the Eurozone in markets such as the UK, Switzerland and the Nordics



Source: MSCI, US dollars, 17 August 2015.

Importance of income

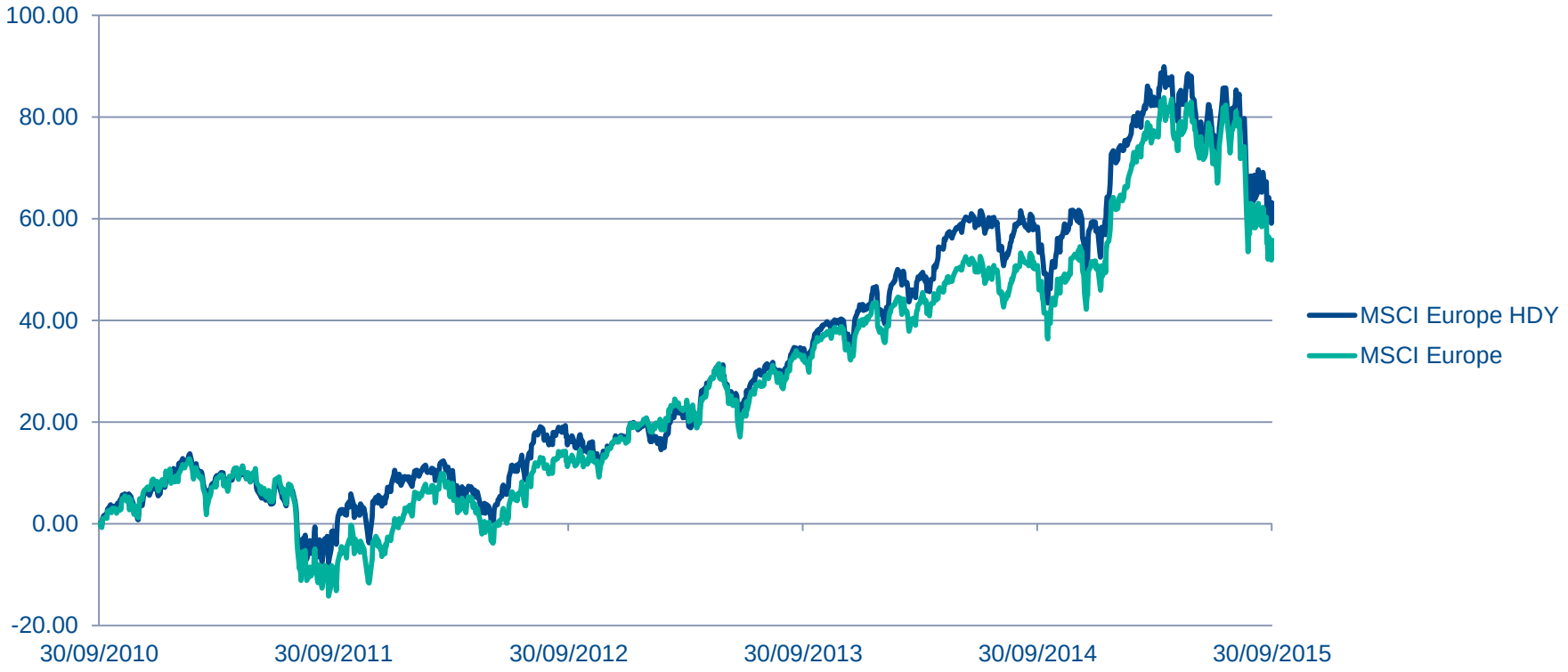
10 years



Source: Agency Partners, 19 August 2005 to close 19 August 2015.

Europe high dividend index can outperform a rising market

High dividend equity index versus normal index (July 2010 – July 2015)



Average returns for years where MSCI Europe increased and decreased

The above index is not the benchmark for this fund. The above data is not guidance to the future performance nor expectation of the future performance
Source: Bloomberg, 31 August 2015

Baring European Equity Income strategy

Team and resource



Paul Morgan
Investment Manager
20 ; 8



Robert Smith
Investment Manager
16 ; 17

Quant Team
5 members, average 11 years investment experience

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

Large Cap Team
- James Buckley
- Chris Hyde

Small Cap
- Nicholas Williams
- Colin Riddles
- Rosemary Simmonds

Analysts
- Alexandra Hillier
- Matthew Ward
- Piers Aldred

Other Equity Groups
- World and international
- North America
- Japan
- Emerging markets
- EMEA/ frontiers
- Latin America
- Asia Pacific
- China
- Resources

Source: Barings, 31 May 2015. Years of experience: Investment experience; Time at Barings

What sets us apart

Genuinely high conviction portfolios

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

Well defined quality GARP philosophy

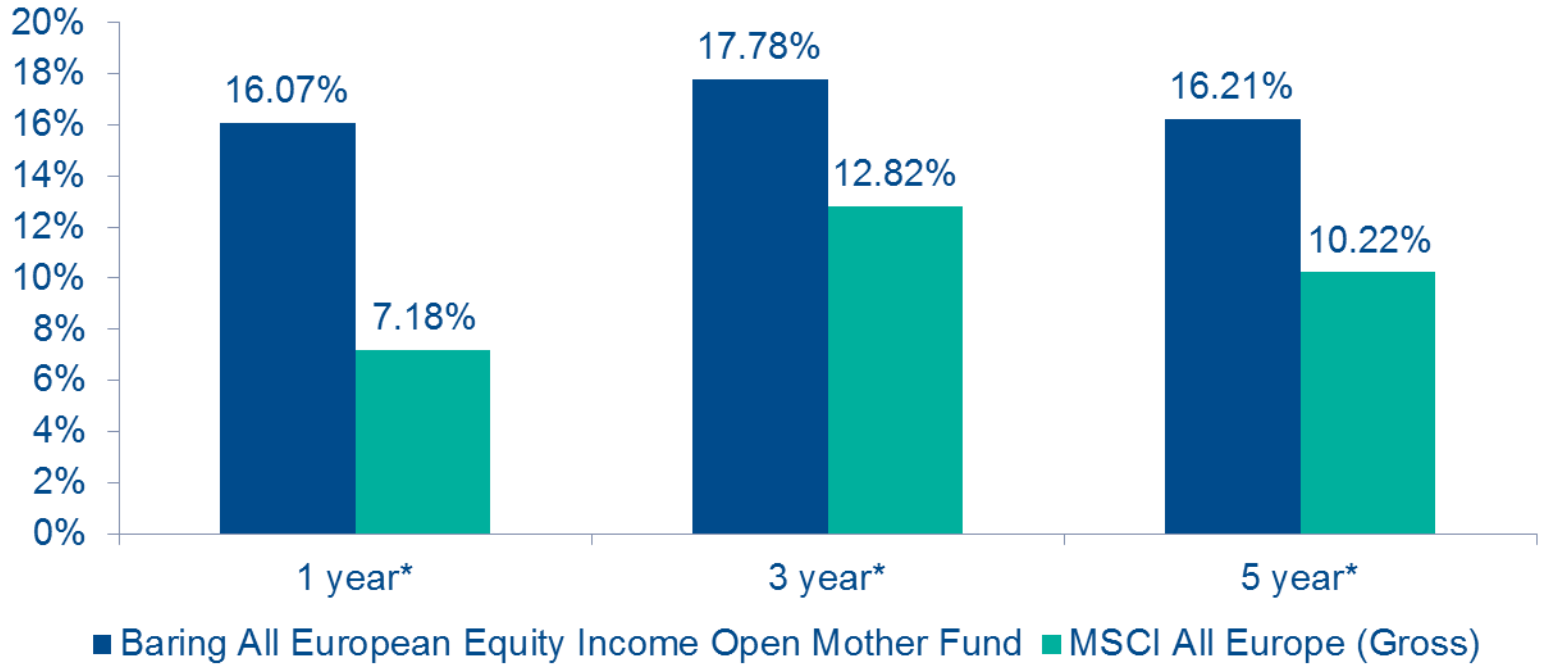
- Emphasis on Quality, Growth and Upside
- Identifying strong businesses with good expansion potential and attractive valuations
- Three to five year time horizon gives us a non-consensus perspective

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

… a strong platform for strong performance

Five year track record in European equity income investing



	1 year *	3 years *	5 years *
Peer group quartile	1	1	1

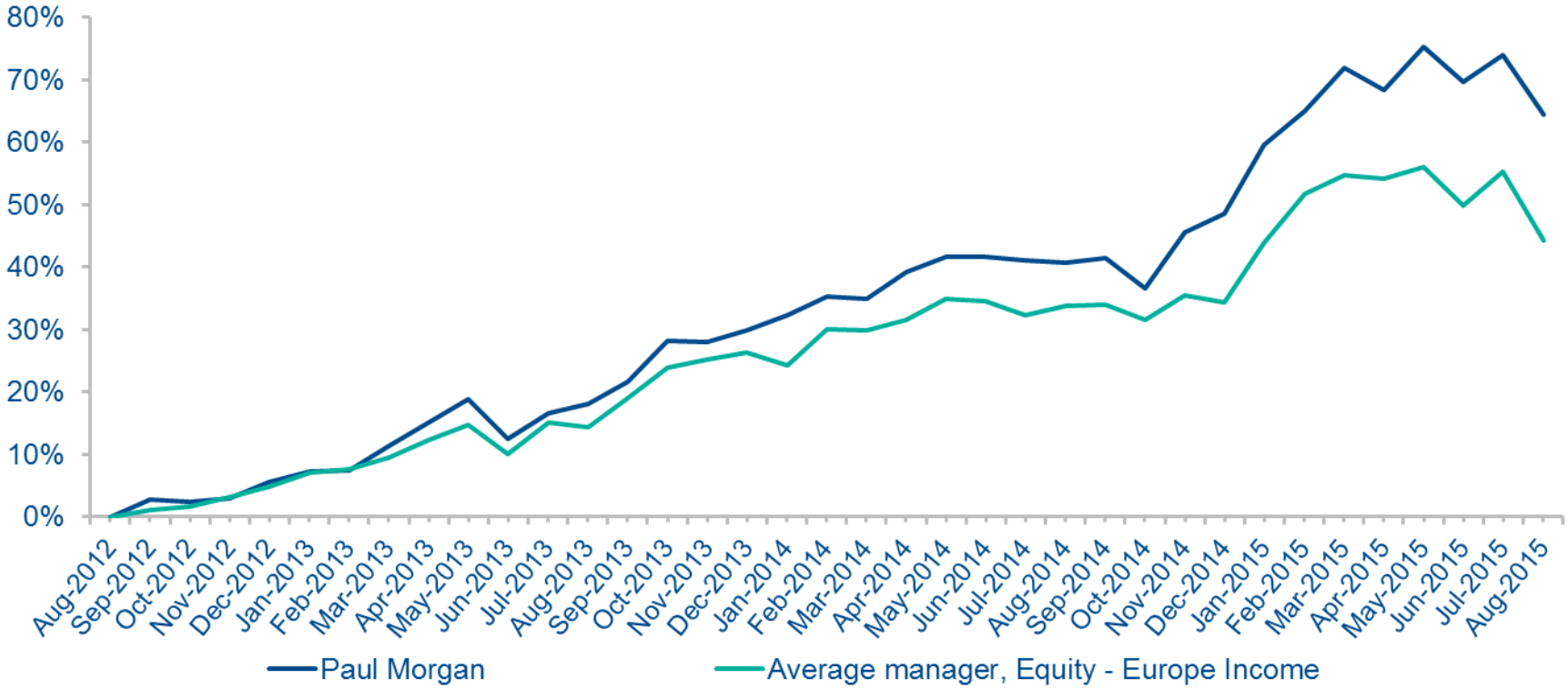
Past performance is not a guide to future performance

Source: Barings, Morningstar and MSCI, July 2015. Performance figures are shown in euros net of fees and charges with gross income reinvested for the Baring All European Equity Income Open Mother Fund, a private placement Japanese domiciled Toshin fund. Morningstar peer group is Global Investment Fund Sector (GIFS) = Europe Equity-Income, customised. Performance information is for illustrative purpose only and are not indicative of the actual return likely to be achieved by Baring European Equity Income Fund.

Note: The Baring All European Equity Income Open Mother Fund has two feeder funds : the Baring All European Equity Income Open Fund for Fund of Funds (private placement) and the Baring European Equity Fund (public placement). The two feeder funds are solely dedicated to the Baring All European Equity Income Open Mother Fund.

* Annualised, 31 August 2015

Average manager performance comparison



Performance over the past three years

Source: Citywire Discovery, as at 31 August 2015. Data is based on manager performance between 31 August 2012 until 31 August 2015. Performance is based on total return in Euros calculated gross of tax. Reference to the average manager is for comparative purposes only. Average manager performance is calculated by Citywire Discovery and is based on the average fund manager return in the Citywire sector.

Performance comparison against major European Funds

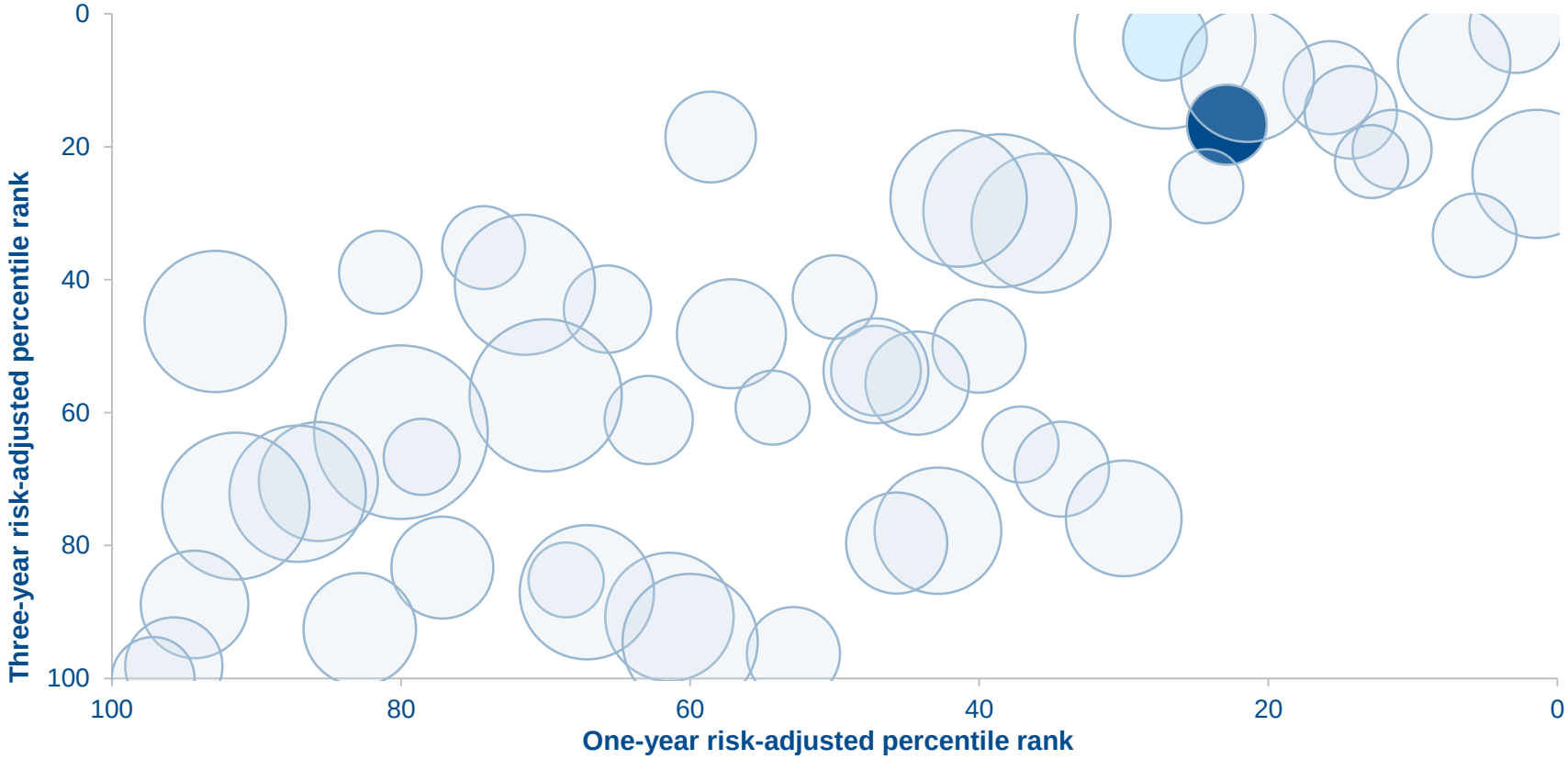
Sharp ratio ranking (5 years)

Rank	Fund	Sharp ratio
1	Baring European Equity Fund	1.208
2	Fidelity European small/mid cap open	1.005
3	Invesco European equity fund	0.975
4	GW Europe developed country equity fund	0.940
5	Nomura Euro top companies	0.817
6	Fidelity European equity fund	0.793
7	Fidelity European equity fund	0.789
8	JPM Europe small cap	0.781
9	Blackrock European equity fund	0.763
10	SMBC fund wrap European equity	0.728
11	Meiji Yasuda European equity	0.707
12	BNP Paribas European high dividend/growth equity fund	0.675
13	BNP Paribas high dividend growth European equity	0.674
14	Pictet European fund	0.664
15	Deutsche Eurostar open	0.636
16	Pictet European open	0.614
17	European equity index fund	0.524

NTT DATA ABIC is a Japanese database vendor. The peer group is classified in the same category as the European Equity Fund (no currency hedge) by NTT DATA ABIC and have all launched over 5 years ago.
Source: NTT DATA ABIC, as of end of August 2015.

Three year versus one year risk adjusted performance

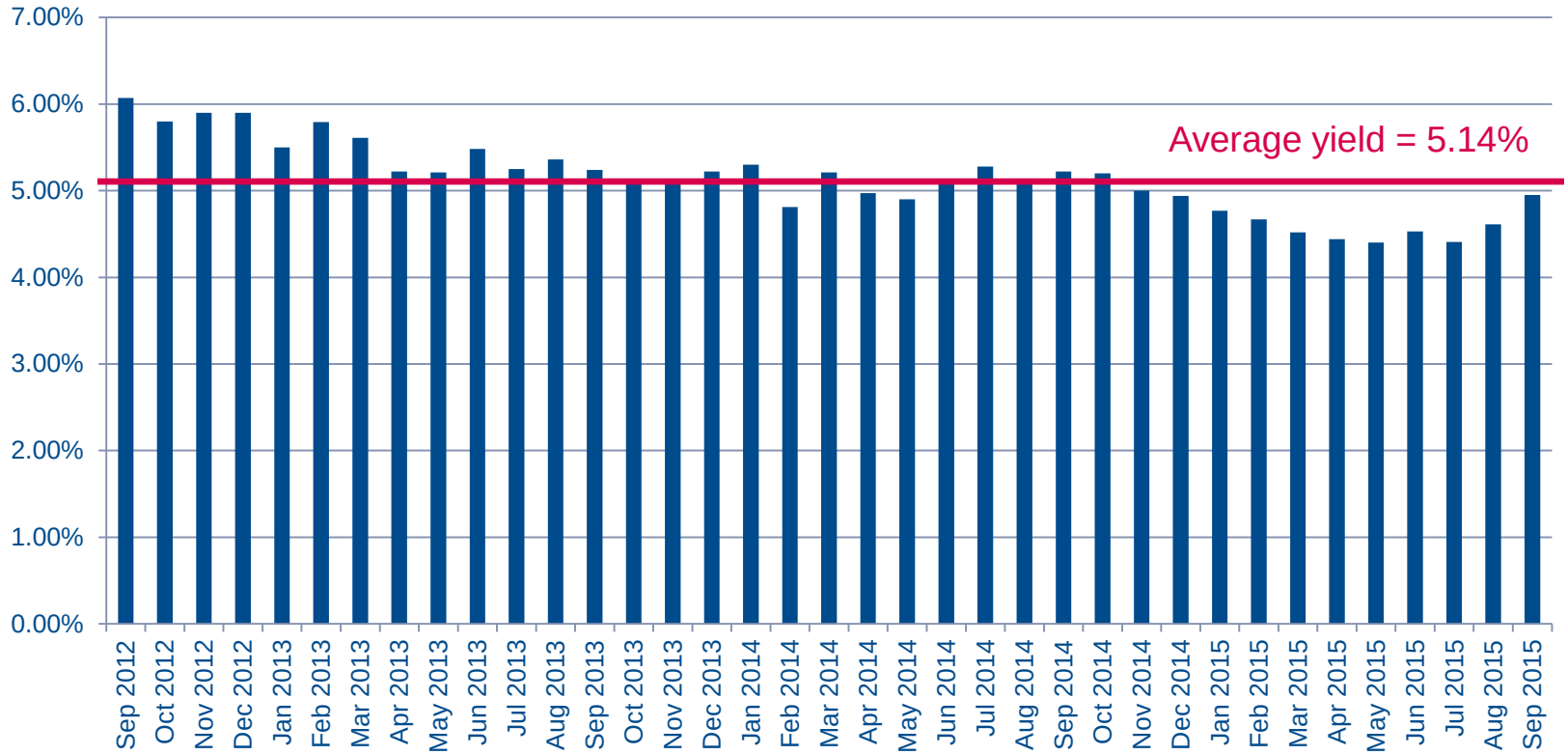
Comparing Paul Morgan with managers in the Citywire Europe Income Sector



The best performing managers appear in the top right quartile

Source: Citywire Discovery, as at 31 August 2015. Data is based on three year risk adjusted performance vs. one year risk adjusted performance.
Bubble size is determined by the relative manager experience, and the Citywire sector is the Equity – Europe Income Sector (EUR, all countries).
Note that Citywire Discovery compares managers rather than funds.

Yield track record



*Please note that the above figures show the gross yield of the Baring All European Equity Income Open Mother Fund portfolio as at month end. A positive yield does not imply a positive return of the Fund and yields are not guaranteed. Performance information is for illustrative purpose only and are not indicative of the actual return likely to be achieved by Baring European Equity Income Fund.

Source: FactSet; Barings, 30 September 2015.

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

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

Stock selection process



Red Eléctrica

Spanish electricity network operator

Stock example from the Baring All European Equity Income Open Mother Fund

Company scorecard

Company name	Red Eléctrica	
Quality	Franchise	1.0
	Management	1.5
	Balance sheet	2.0
	Overall	1.5
Growth	Last three years	3.4
	Next 12 months	3.6
	CAGR next five years	4.4
	Overall	3.8
Upside	Market measure	5.0
	Static measure	1.0
	Discounted earnings	5.0
	Overall	3.7
Stock score		3.0

RED ELÉCTRICA DE ESPAÑA



- Red Eléctrica is a major Spanish electricity network transmission operator
- Experienced management team
- Company benefits from a strong cost-efficiency track record

Source: Barings, 30 September 2015

Research Material: Baring Asset Management only produces research for its own internal use. Where details of research are provided in this document it is provided as an example of research undertaken by Baring Asset Management and must not be used, or relied upon, for the purposes of any investment decisions. The information and opinions expressed herein may change at anytime.

Daimler

Global premium automotive manufacturer

Stock example from the Baring All European Equity Income Open Mother Fund

Company scorecard

Company name	Daimler	
Quality	Franchise	2.0
	Management	2.0
	Balance sheet	2.0
	Overall	2.0
Growth	Last three years	3.0
	Next 12 months	3.0
	CAGR next five years	4.0
	Overall	3.3
Upside	Market measure	5.0
	Static measure	1.0
	Discounted earnings	5.0
	Overall	3.7
Stock score		3.0

DAIMLER



- Owner of luxury Mercedes automobile marque
- Improved management track record reflected in growing margins
- Robust balance sheet

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Phoenix

UK life assurance consolidator

Stock example from the Baring All European Equity Income Open Mother Fund

Company scorecard

Company name	Phoenix	
Quality	Franchise	2.0
	Management	2.0
	Balance sheet	1.5
	Overall	1.8
Growth	Last three years	1.0
	Next 12 months	5.0
	CAGR next five years	3.9
	Overall	3.3
Upside	Market measure	5.0
	Static measure	1.0
	Discounted earnings	5.0
	Overall	3.7
Stock score		3.0

PHOENIX GROUP



- Phoenix is a key player in the consolidation of closed life assurance business in the UK
- Strong team in critical positions e.g. actuarial
- Visible cash flows support attractive dividend payments

Source: Barings, 30 September 2015Research Material: Baring Asset Management only produces research for its own internal use. Where details of research are provided in this document it is provided as an example of research undertaken by Baring Asset Management and must not be used, or relied upon, for the purposes of any investment decisions. The information and opinions expressed herein may change at anytime.

Current strategy positioning

Our current portfolio positions result from our bottom-up investment process and reflect our conviction at a company level. Our sector and country positioning result from this process.

Highlights

Financials

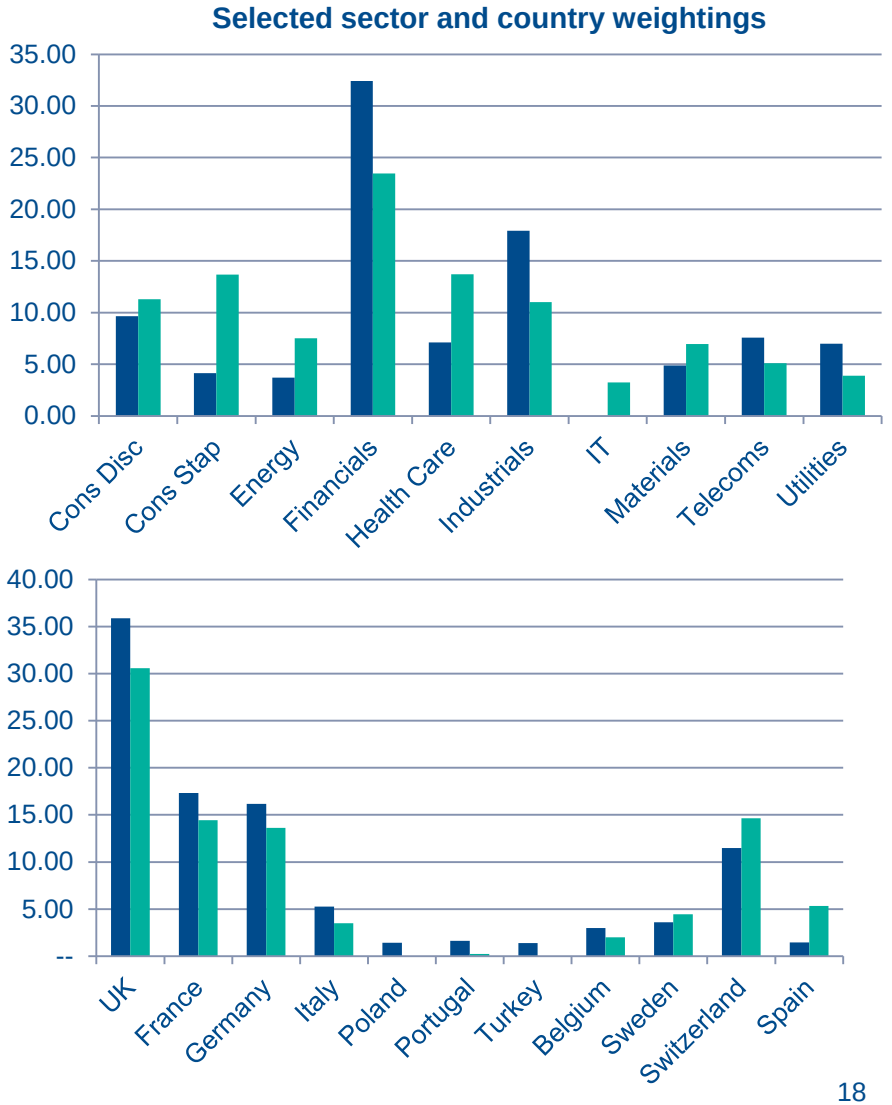
- Attractive opportunities among banks, insurance, real estate and wealth managers

Utilities

- Need for more efficient networks provide good growth opportunities

UK

- The UK offers a rich source of dividend yielding companies



Source: Barings, 2 September 2015

High conviction portfolios

Top 10 overweight strategy positions

Top 10 current overweight stocks*	Sector	Active weight (%)	Dividend yield (%)
CEMBRA MONEY BANK	Financials	2.81	5.59
PHOENIX GROUP	Financials	2.75	6.37
PROSIEBENSAT1 MED.	Consumer discretionary	2.31	4.13
BOUYGUES	Industrials	2.25	4.71
PERSIMMON	Consumer discretionary	2.19	4.42
GREENCOAT UK WIND	Utilities	2.11	5.39
KIER GROUP	Industrials	2.06	4.07
ASTRAZENECA	Healthcare	2.01	4.34
BPOST SA/NV	Industrials	1.91	5.78
FREENET AG	Telecoms	1.89	5.38

Source: Barings, FactSet, 2 September 2015
Please note the Top 10 Overweight Positions relates to the Baring All European Equity Income Open Mother Fund. *Relative to MSCI AC Europe Index.

Summary

- **An attractive proposition building on a strong track record in European equities**
  Range of options depending on domicile: monthly distributions, accumulation and distribution units, hedged share classes
- **Genuinely high conviction portfolio drawing on in-depth, in-house, bottom-up research**
- **Proven expertise in European income investing**
  Top quartile performance amongst peers group over 1, 3 and 5 years*
  Baring European Equity Fund* rated 5 star by Morningstar Japan**

* Source: Barings, Morningstar and MSCI, May 2015. Performance figures are shown in euros net of fees and charges with gross income reinvested for the Baring All European Equity Income Open Mother Fund.
Note: Morningstar peer group is Global Investment Fund Sector (GIFS) = Europe Equity-Income, customised.
** The Baring European Equity Fund is a feeder fund to the Baring All European Equity Income Open Mother Fund. Please note that ratings are subject to change.

Biographies

Paul Morgan



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 funds. Paul is also back-up manager on the Baring Europa Fund, Baring European Growth Trust and the Baring German Growth Trust. Paul joined Baring Asset Management 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.

Robert Smith



Investment Manager
Member, Pan European Equity Team

Location: London
Investment Experience: 16 Years

Robert transferred to the Pan European Equity Team in 2008 and is responsible for the Baring German Growth Trust and European Income products. Robert joined Baring Asset Management in 1998, transferred to the UK & Europe Equity Team in 2000 and to the Pan Euro Small and Mid Cap Team in 2004. Robert was appointed Divisional Director in 2005. Before joining Baring Asset Management, Robert worked with HSBC Asset Management and Dresdner RCM Global Investors. Robert is a member of the Society of Technical Analysts and has passed the Securities Institute Diploma. He received the Investment Management Certificate in 1995 and was awarded the SFA Registered Representative in 1991.

Source: Barings

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 Baring Asset Management 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.

Nicholas Williams



Head of Small Cap Equities

Location: London
Investment Experience: 25 Years

Nick is Head of the Small Cap Equities Team, manager of the Baring Europe Select Trust and co-manager of the Baring European Opportunities Fund. He joined Baring Asset Management in 2004, having previously worked for eleven years at Singer & Friedlander, where he was Head of the European desk and a member of the Investment Policy Committee. During his tenure at Singer & Friedlander, Nick was responsible for managing both institutional and retail European funds across the capitalisation range. Nick has a BA (Hons) in English Language and Literature from Corpus Christi College, Oxford.

Source: Barings

BARINGS

Appendix: Why Europe?

Key points

Economy

- Improving macroeconomic data
  - E.g. GDP, PMIs, loan growth
- Weaker Euro/ large export base

Market

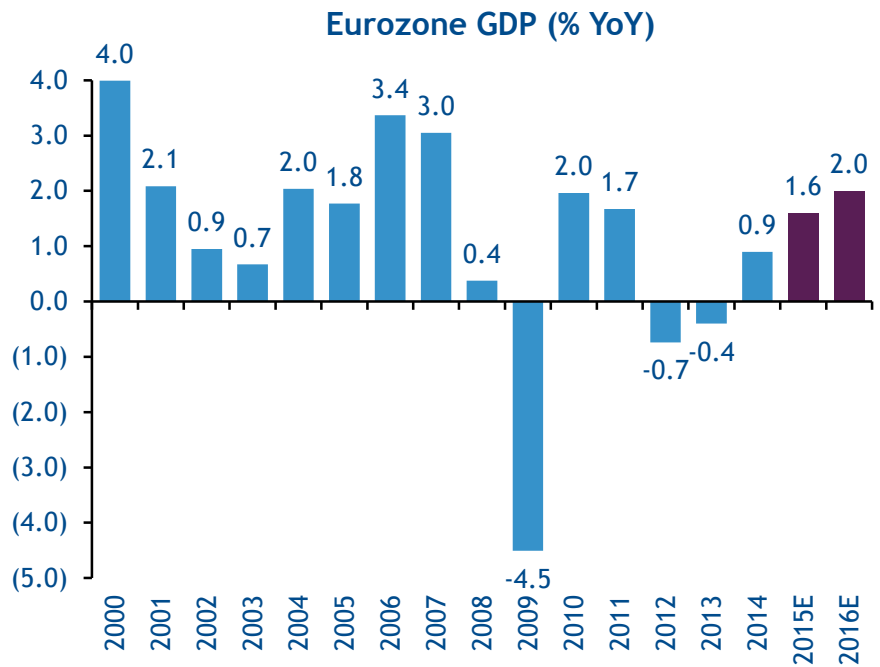
- Attractive valuations
  - E.g. Shiller PE, yield gap
- Earnings upgrades
- Quantitative easing impact
- Attracting fund inflows

Political issues

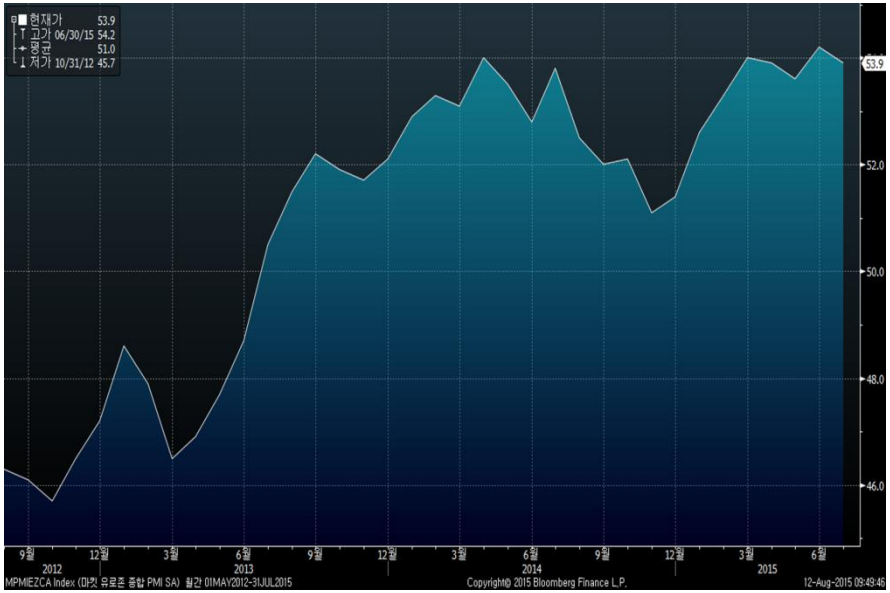
- Greek debt
- Elections for Spain and Portugal

Economy
Improving macroeconomic data

Eurozone GDP trend



Eurozone Composite PMI



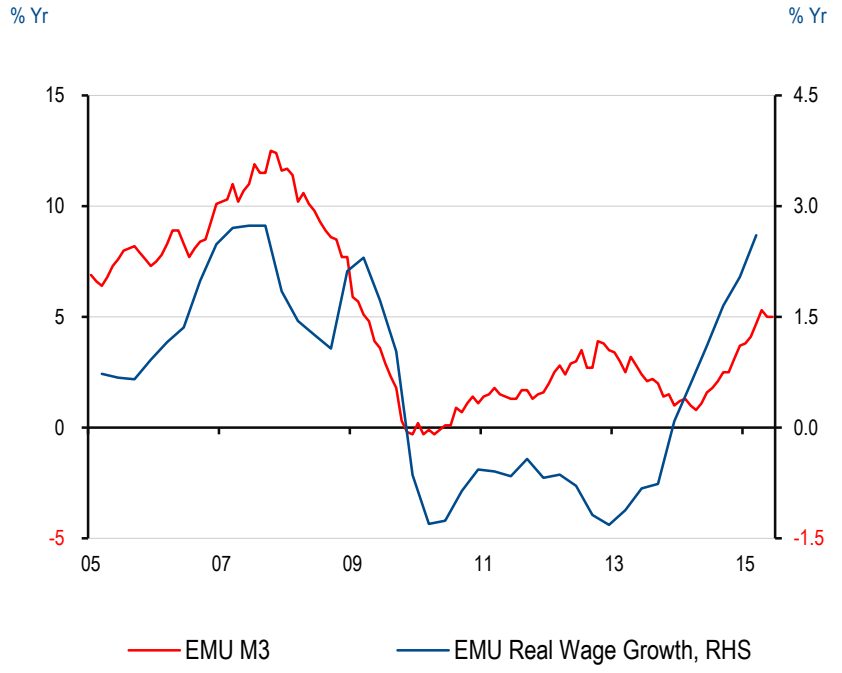
Source: UBS Strategy

Source: Bloomberg

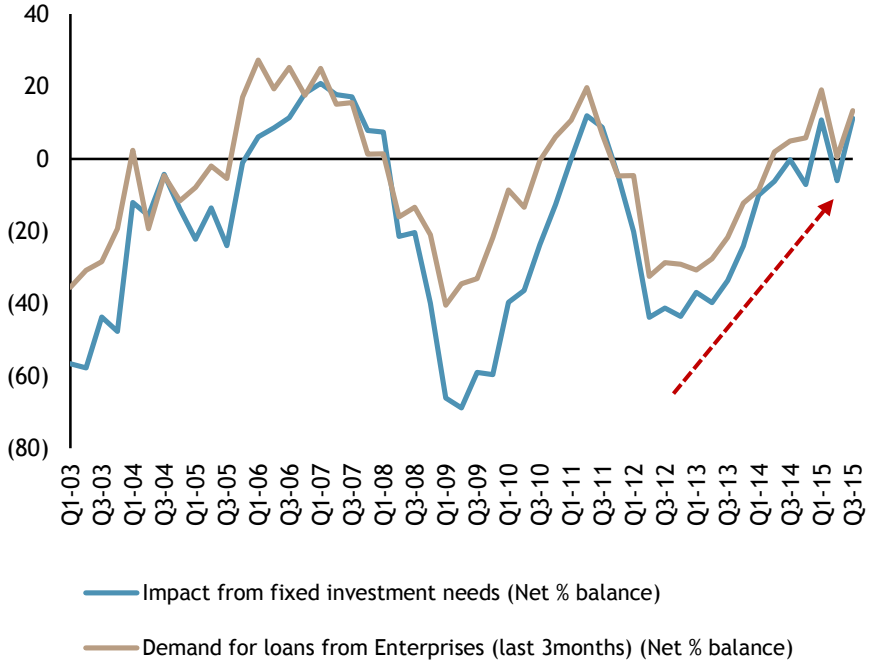
Economy

Money, wages, credit, loans: all rising

EMU



Loan growth



Source: HSBC (LHS) and UBS Strategy (RHS)

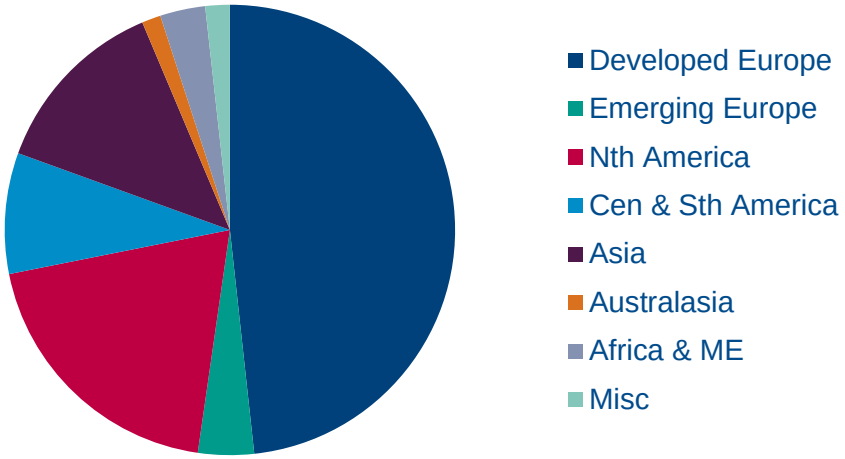
Economy
Weaker Euro/ large export base

Weaker Euro currency



Large export base - by sales

FTSE Eurofirst 300 ex UK



Source: Bloomberg.

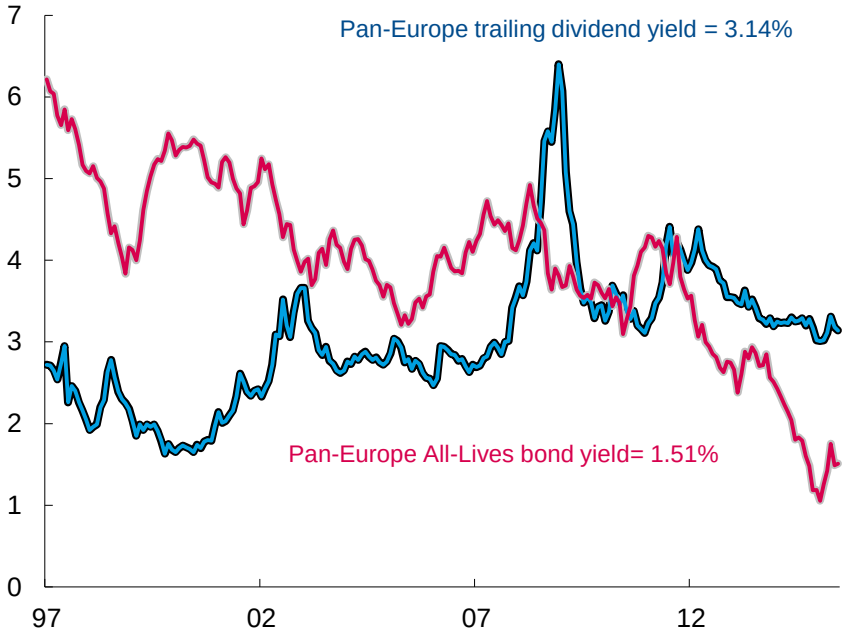
Source: Agency Partners

Market
European market attractively valued

Shiller PEs



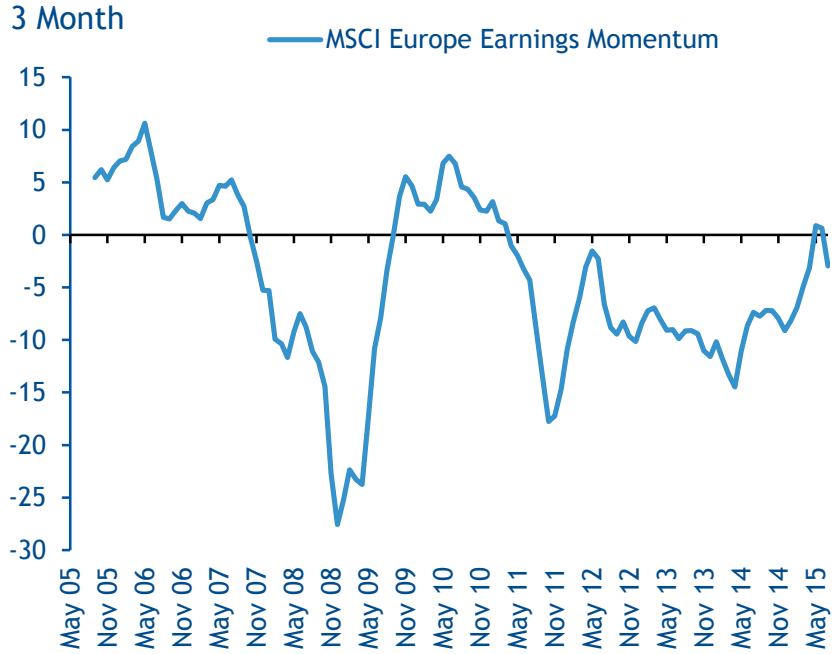
Yield gap



Source: HSBC

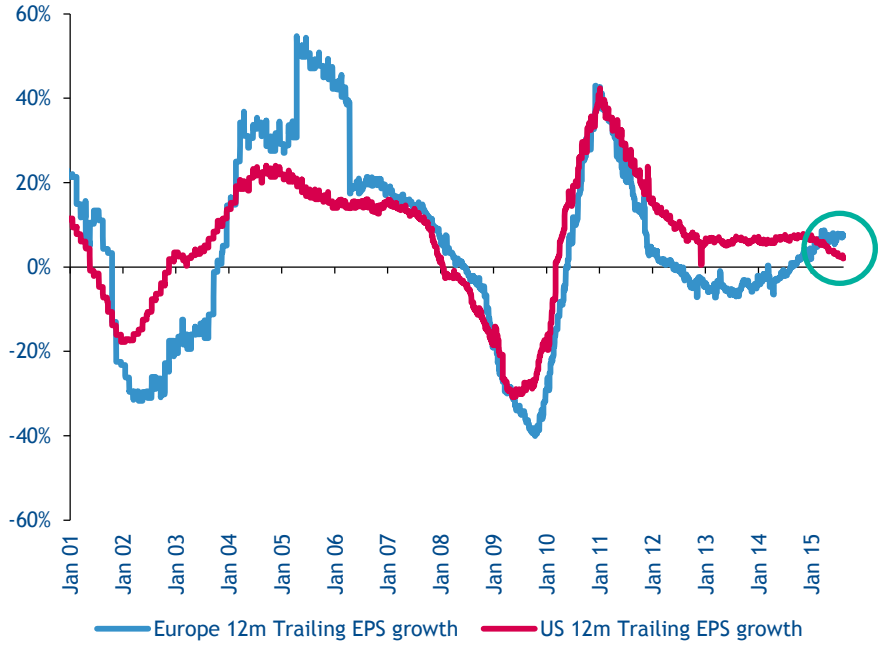
Market
Positive trend in earnings forecasts

Earnings upgrade



Source: UBS Strategy

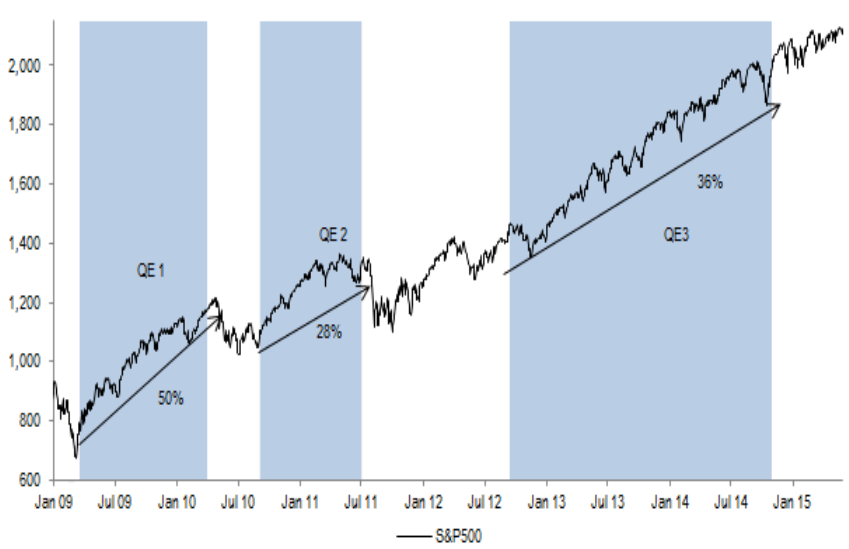
Trailing 12m EPS growth: Europe overtakes the US for first time post-crisis…



Source: UBS Strategy

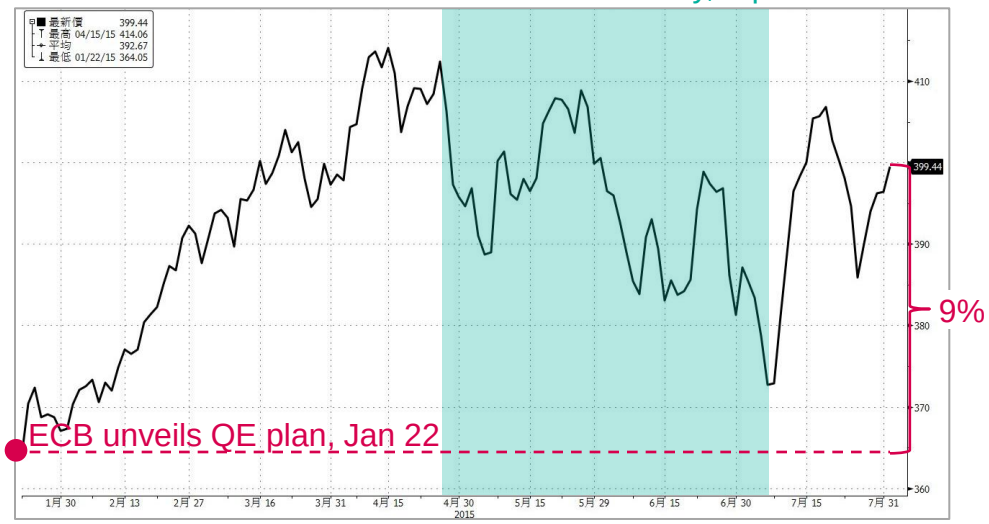
Market
"QE effect" in other markets

Positive in all three phases of QE in US



Source: JP Morgan

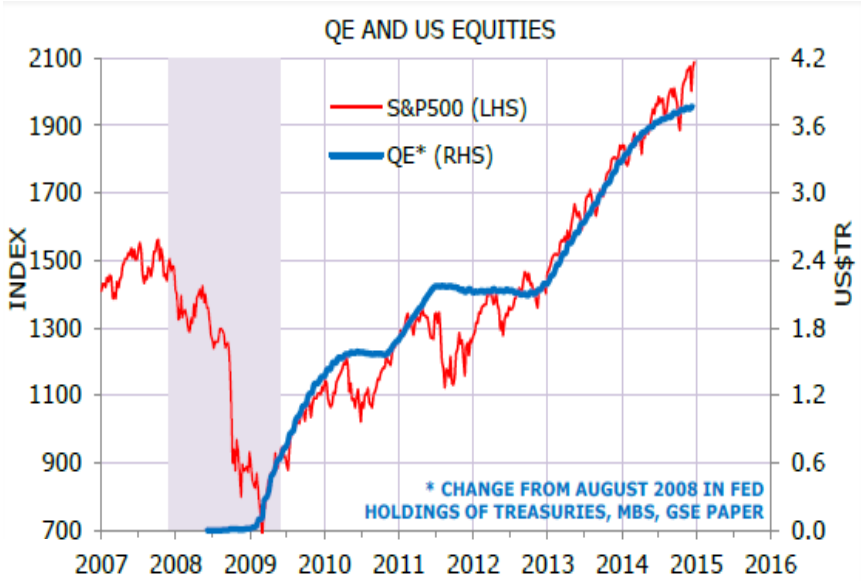
During QEs, Stoxx 600 rose much less than S&P 500 yet...



Source: Bloomberg, 2015/1/22-2015/8/3

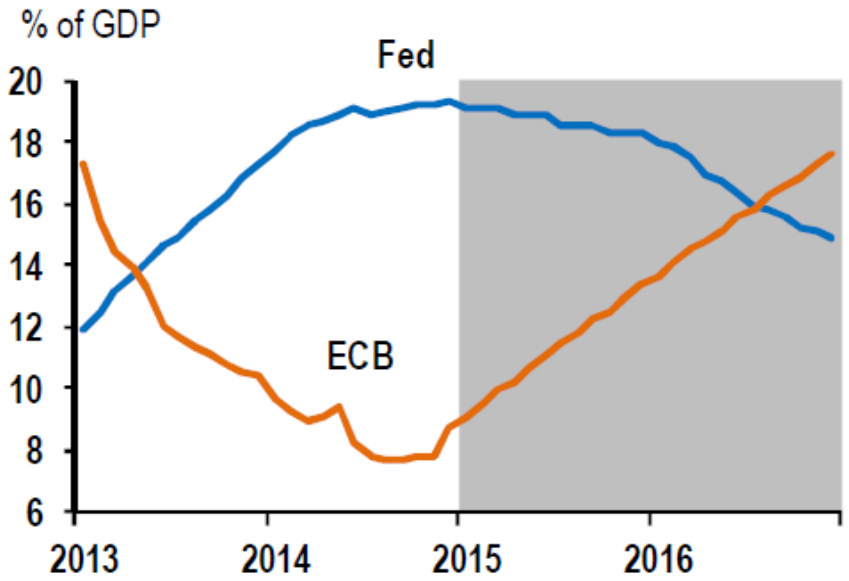
Market
QE effect will benefit

Before: Fed's balance sheet expanded and benefited its market



Source: Federal Reserve, NBER, Bloomberg, Minack Advisors, January 2015

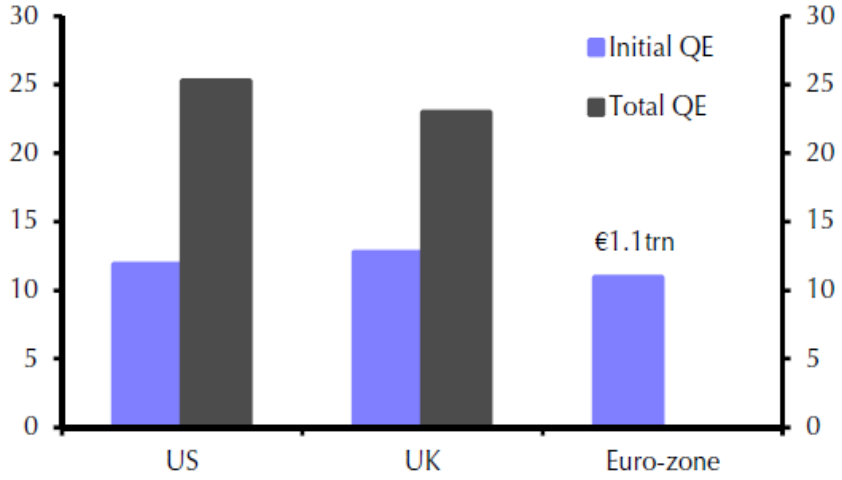
Future: Expect ECB's balance sheet to expand



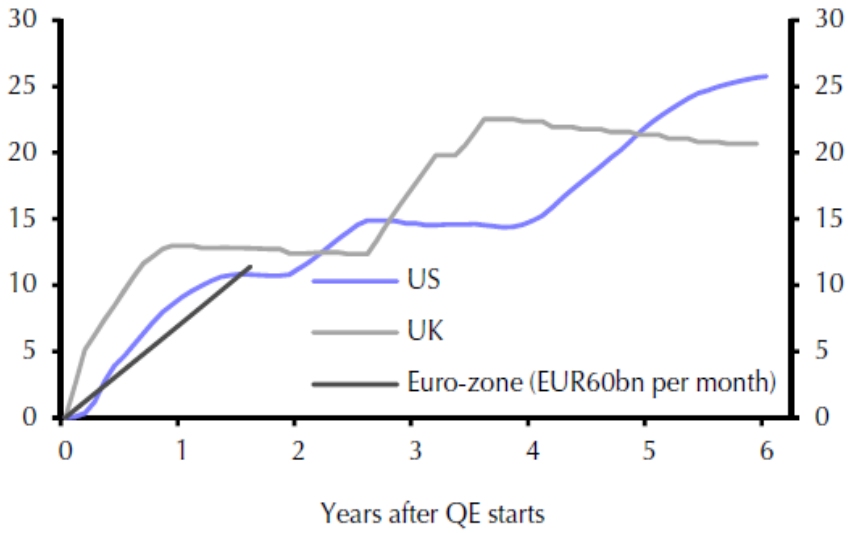
Source: Fed, ECB, JP Morgan (January 2015)

Market
Following the QE examples of US and UK?

Total stock of QE purchases (% of GDP)



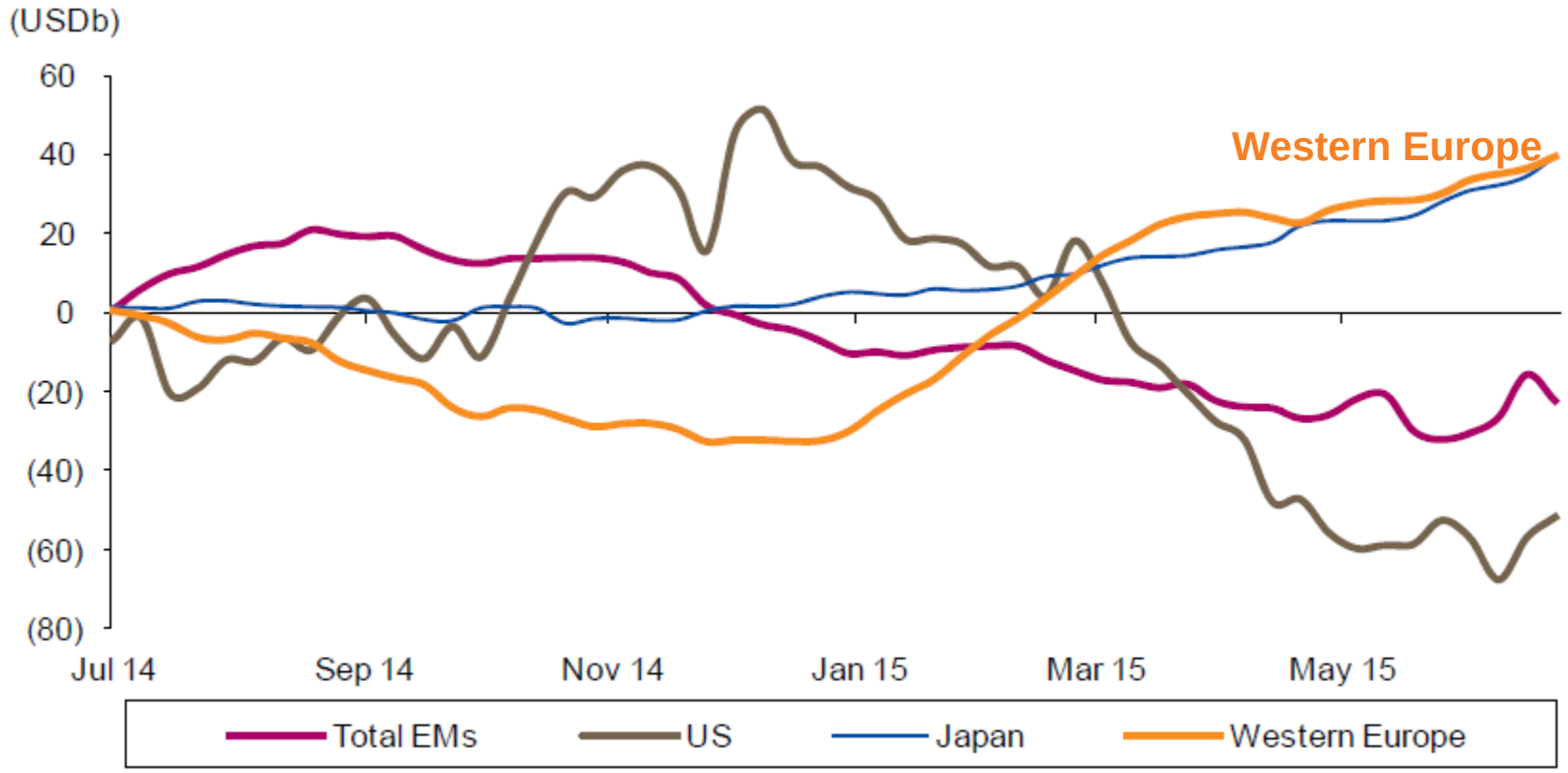
Cumulative stock of QE purchases (% of GDP)



Source: Thomson Datatream, Capital Economics, January 2015

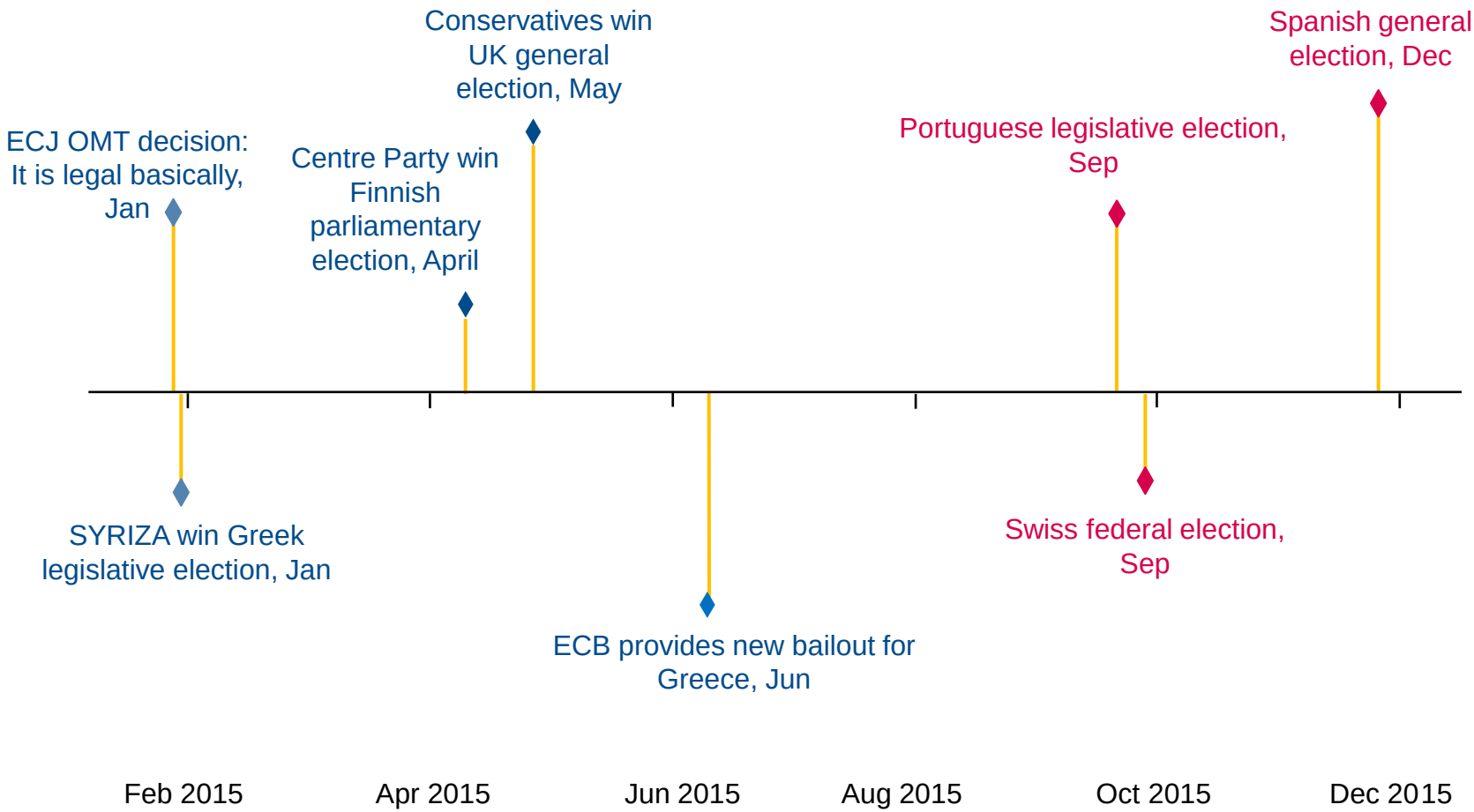
Market
Attracting more inflows

Cumulative net flows to major regional/ country funds



Note: Based on past 52 weeks
Source: EPFR, Samsung Securities. 2015/7/20

Political issues
Time table

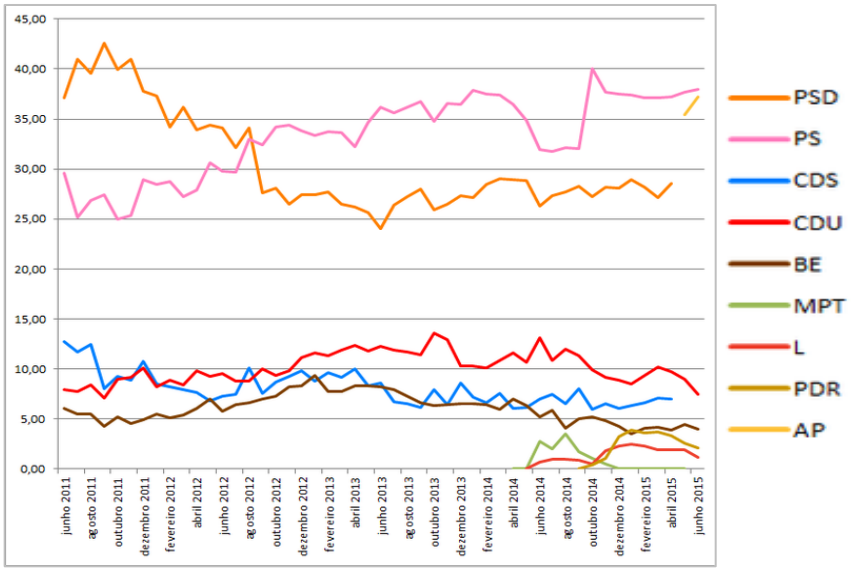


Political risks in Greece debt, Spain and Portuguese election

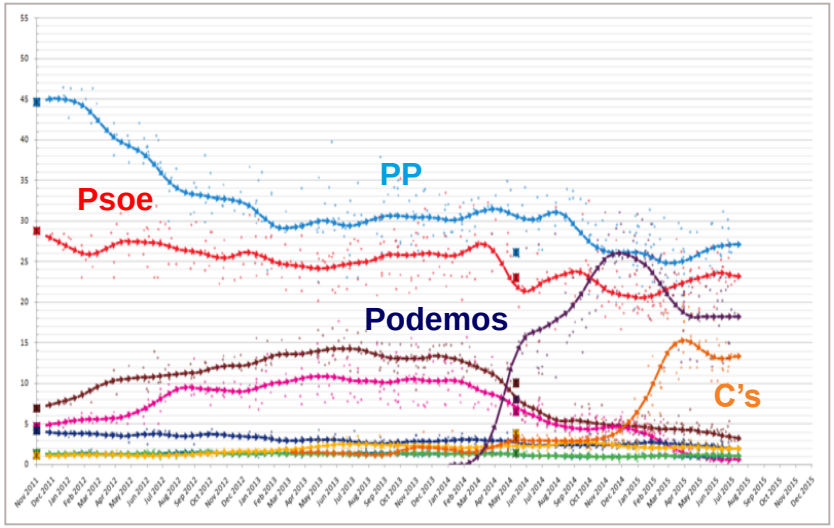
Source: RBS Credit Strategy . 2014/11/18; updated as of 2015/8/4

Political issues
Elections for Spain and Portugal

Poll results of Portugal



Poll results of Spain



Source:https://en.wikipedia.org/wiki/Opinion_polling_for_the_Spanish_general_election,_2015# 2015/7/23.

Source:https://en.wikipedia.org/wiki/Opinion_polling_for_the_Spanish_general_election,_2015. 2015/7/23

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