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Baring German Growth Trust

Barings Asia Regional Conference 2015

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Paul Morgan, Investment Manager



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Stable investment team

JAMES BUCKLEY
Head of Pan European Equities
23 years investment experience
10 years Baring Asset Management

ROBERT SMITH
Investment Manager – German Growth
16 years investment experience
16 years Baring Asset Management

RESEARCH INPUT
Chris Hyde
Matthew Ward
Alexandra Hillier
Lora Habijanec
Rosemary Simmonds
Nicholas Williams

PAUL MORGAN
Back up manager for German Growth
19 years investment experience
6 years Baring Asset Management

RESEARCH INPUT
James Govan
Piers Aldred
Clive Burstow
Alex Scott

Experience matched with extensive resources

Source: Barings as at 27 July, 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
- Company meetings

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

Investment process
Idea generation

Qualitative inputs		Quantitative inputs
• Economic and political developments	Top down inputs	• Monthly macro-economic analysis
• Monthly strategic policy meetings		• Monthly portfolio optimisation report
• Weekly global investment forum		• Monthly style analysis report
• Broker research	Bottom up inputs	• Daily quantitative screens
• Company newsflow and results		
• Company meetings		
• Daily developed market equity discussions		
• Weekly European and UK portfolio reviews		



Source: Barings, 4 March 2015

Company research

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

Stock example
Daimler (from July 2013 purchase decision)

Quality
- Mercedes has high brand appeal
- Management is better than the stock market perception
- Very strong balance sheet

Growth
- More determined by model renewal cycle than global growth
- Represented the start of a new extended cycle for Mercedes cars
- Daimler vans and trucks also benefit from a global cyclical recovery extending from the USA into Europe

Upside
- Good valuation
- Five year discounted EPS determined a target price of 104.5
- Consensus earnings considered likely to be too low
- Current rating potentially overly meagre given market perception of management

DAIMLER

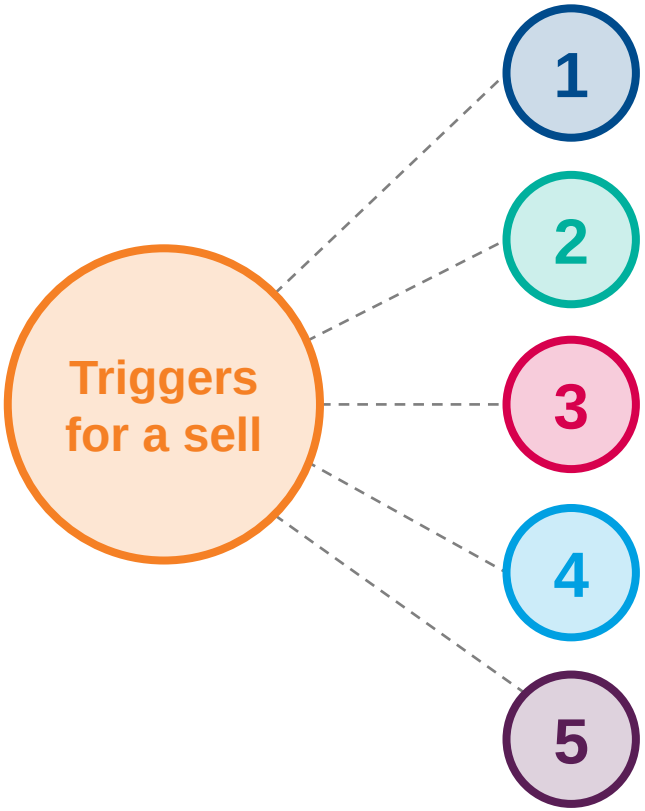




Remains as major overweight position in fund with over 15% upside to target

Source: Barings, 27 May 2015

Sell disciplines



Quant screen indicates stock is expensive relative to the market

Stock achieves absolute valuation target and a re-rating is unjustified

We detect deterioration in fundamental outlook

Changes in strategic/ economic overlay

Best and worst performing stocks review

Selling at the right time is just as important as buying.

Source: Barings as at 4 March, 2015.

Stock example
Homag (from March 2012 purchase decision)

Quality
- Leading technology
- The only company in its area with global service coverage
- New management team introduced to restructure operations

Growth
- Company structure was highly inefficient, not only from a cost of production point of view, but also from taxation. New management set very clear goals to address both issues over three years

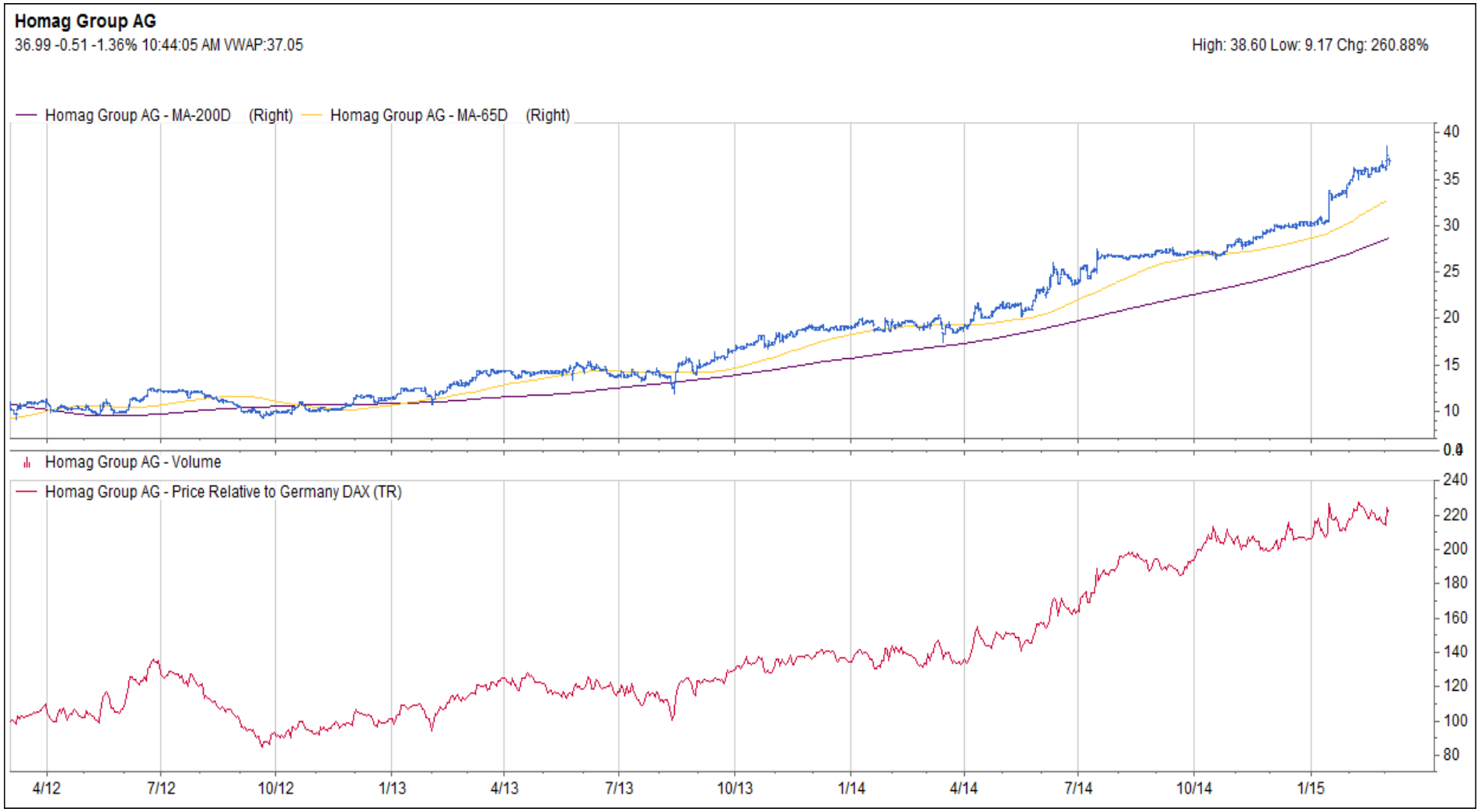
Upside
- Long term target price of 24 (revised up to 27 and then 30)
- Consensus earnings considered likely to be too low
- Current P/E considered too low



Takeover offer by Duerr AG highlighted the value – subsequently sold at a premium to takeover offer price in the market

Source: Barings, 4 March 2015

Stock example: Homag



Source: Factset, Exshare, 4 March 2015

Stock example: Homag

Deal date	Buys/ sells	Nominal	Price/ rate	Description
04 Mar 15	S	-135,000	36.0000	Sell Homag Group Ord Shs Npv
21 Dec 12	B	8,083	11.3582	Buy Homag Group Ord Shs Npv
20 Dec 12	B	4,486	11.1715	Buy Homag Group Ord Shs Npv
18 Dec 12	B	22,431	11.0043	Buy Homag Group Ord Shs Npv
30 Apr 12	B	60,000	10.25	Buy Homag Group Ord Shs Npv
28 Apr 12	B	6,286	10.25	Buy Homag Group Ord Shs Npv
27 Apr 12	B	3,714	10.2476	Buy Homag Group Ord Shs Npv
30 Mar 12	B	3,416	11.05	Buy Homag Group Ord Shs Npv
29 Mar 12	B	1,194	11.05	Buy Homag Group Ord Shs Npv
28 Mar 12	B	1,275	11.0198	Buy Homag Group Ord Shs Npv
27 Mar 12	B	4,115	11.0483	Buy Homag Group Ord Shs Npv
21 Mar 12	B	8,770	10.8804	Buy Homag Group Ord Shs Npv
20 Mar 12	B	1,230	10.82829	Buy Homag Group Ord Shs Npv
16 Mar 12	B	5,101	10.95086	Buy Homag Group Ord Shs Npv
15 Mar 12	B	4,899	10.86777	Buy Homag Group Ord Shs Npv

Source: Barings, 4 March 2015

Stock example

Stratec Biomedical (from April 2009 purchase decision)

Quality

- Technology leadership
- High barriers to entry
- Long serving and experienced management

Growth

- Company offered a five year compound growth rate of over 20%

Upside

- Valuation was on a single digit P/E at time of purchase, we expected the doubling of earnings and re-rating of the P/E which offered more than double the value of the share price

stratec biomedical



Sold during April 2012 at the peak as couldn't see where additional upside would come from

Source: Barings, 4 May 2015

Stock example: Stratec Biomedical



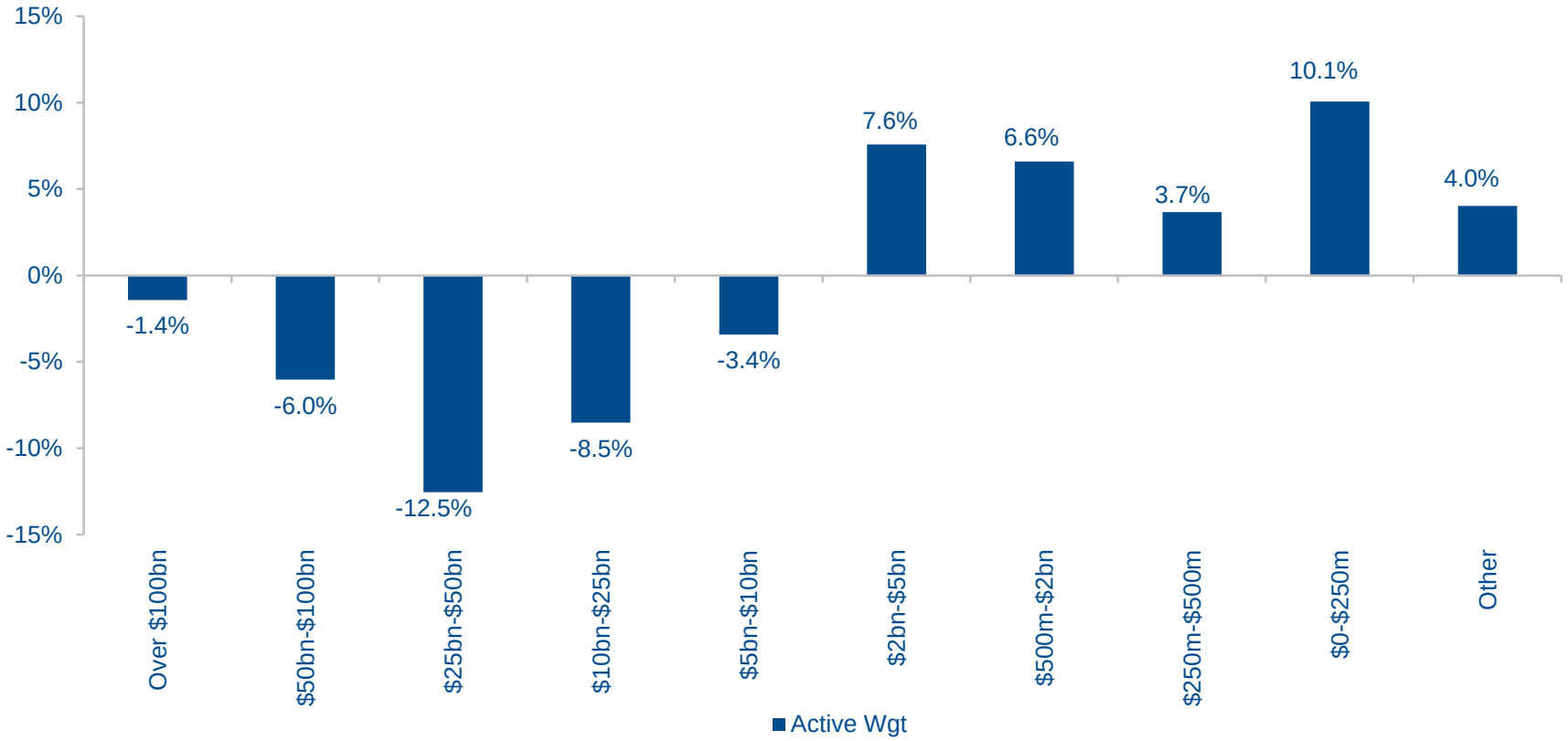
Source: Factset, Exshare, 4 March 2015

Stock example: Stratec Biomedical

Deal date	Buys/ sells	Nominal	Price/ rate	Description
02 May 2012	S	-3,891	35.888325	Sell Stratec Biomedica Ord Shs Eur1
30 Apr 2012	S	-11,109	36.022100	Sell Stratec Biomedica Ord Shs Eur1
18 Apr 2012	S	-15,000	35.675000	Sell Stratec Biomedica Ord Shs Eur1
27 Oct 2010	B	9,074	27.999000	Buy Stratec Biomedica Ord Shs Eur1
24 Jun 2009	B	1,388	14.992200	Buy Stratec Biomedica Ord Shs Eur1
24 Jun 2009	B	3,074	14.992200	Buy Stratec Biomedica Ord Shs Eur1
02 Jun 2009	B	2,550	16.963900	Buy Stratec Biomedica Ord Shs Eur1
02 Jun 2009	B	3,462	16.963900	Buy Stratec Biomedica Ord Shs Eur1
12 May 2009	B	9,814	14.930800	Buy Stratec Biomedica Ord Shs Eur1
29 Apr 2009	B	4,141	14.204100	Buy Stratec Biomedica Ord Shs Eur1
28 Apr 2009	B	3,033	13.675700	Buy Stratec Biomedica Ord Shs Eur1

Source: Barings, 4 March 2015

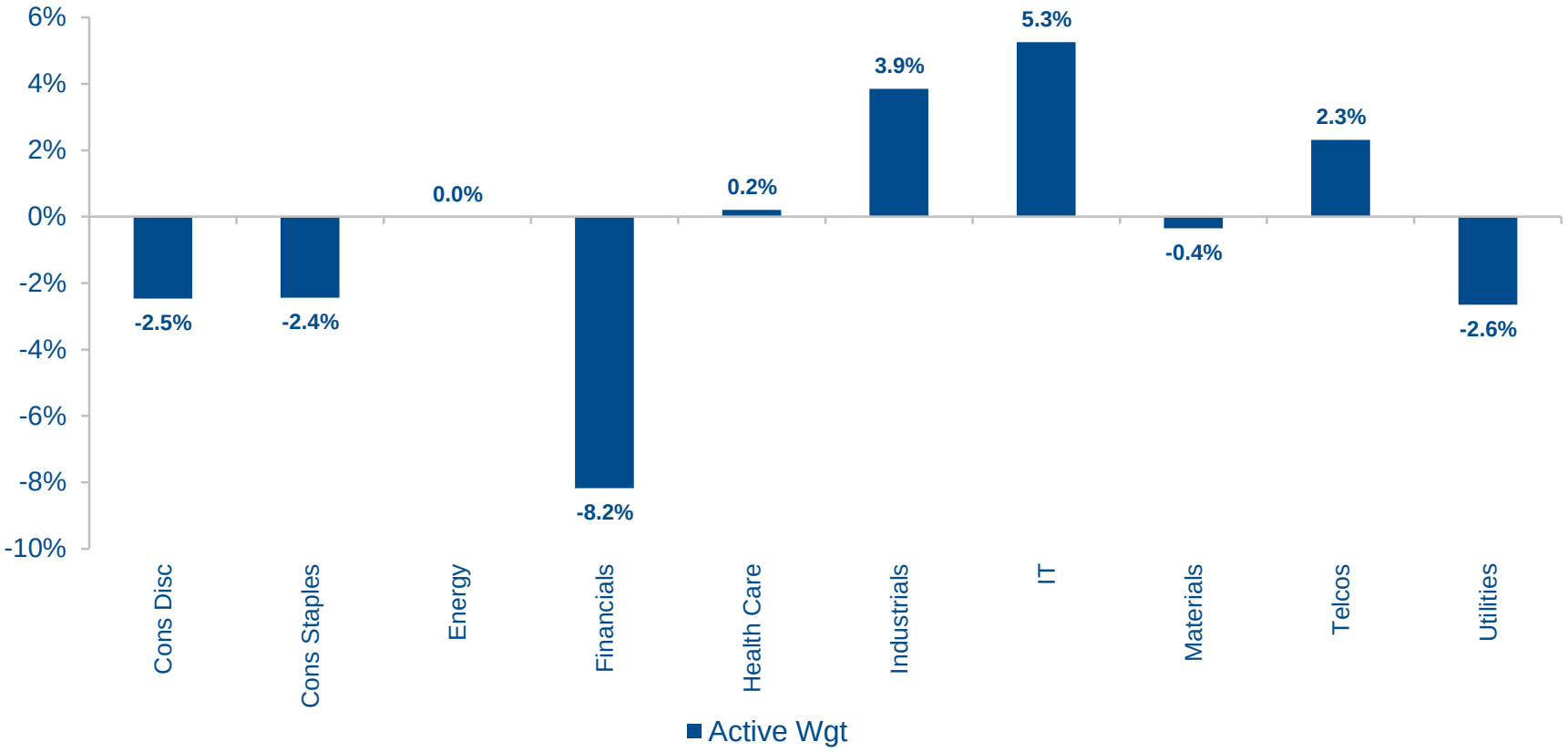
Market cap breakdown



Source: Barings, as at 21 August, 2015.

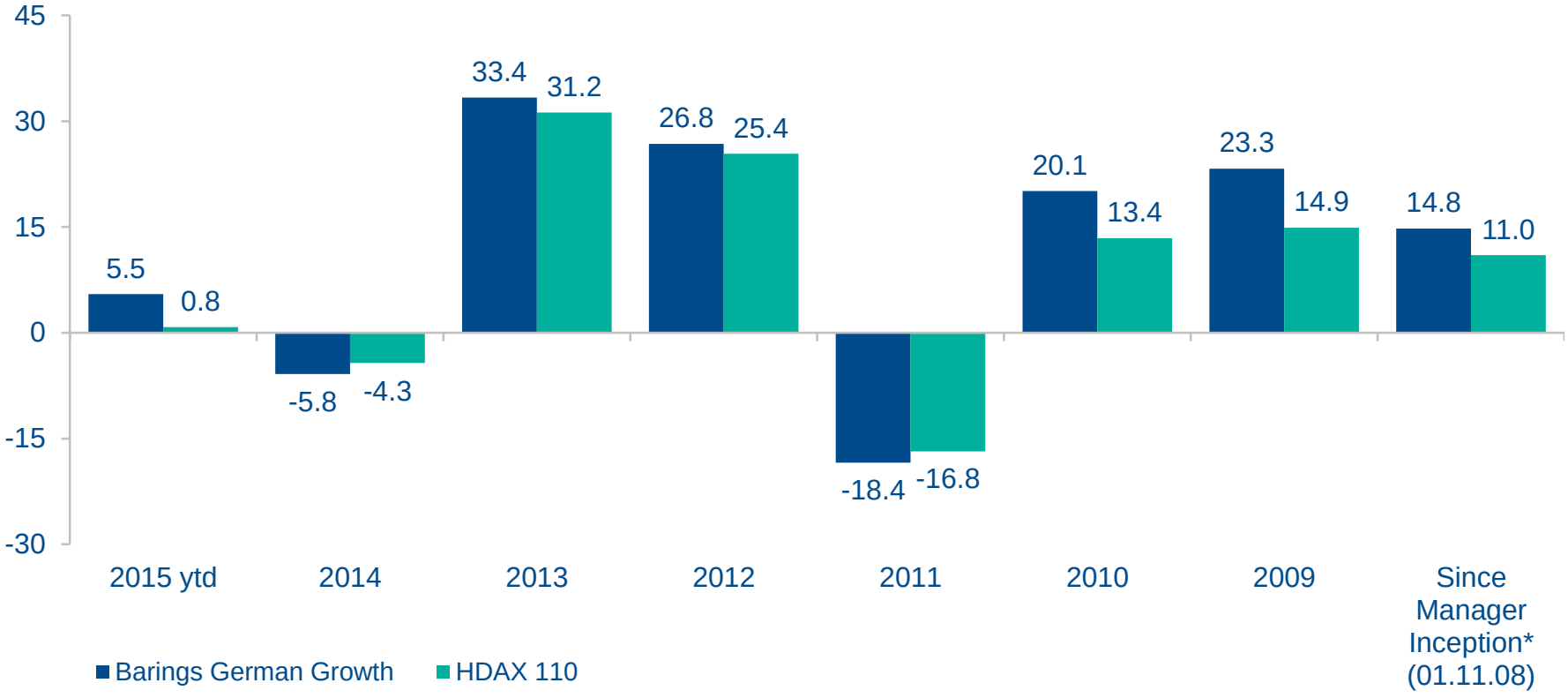
Active sector positions

Sector breakdown



Source: Barings, as at 21 August, 2015.

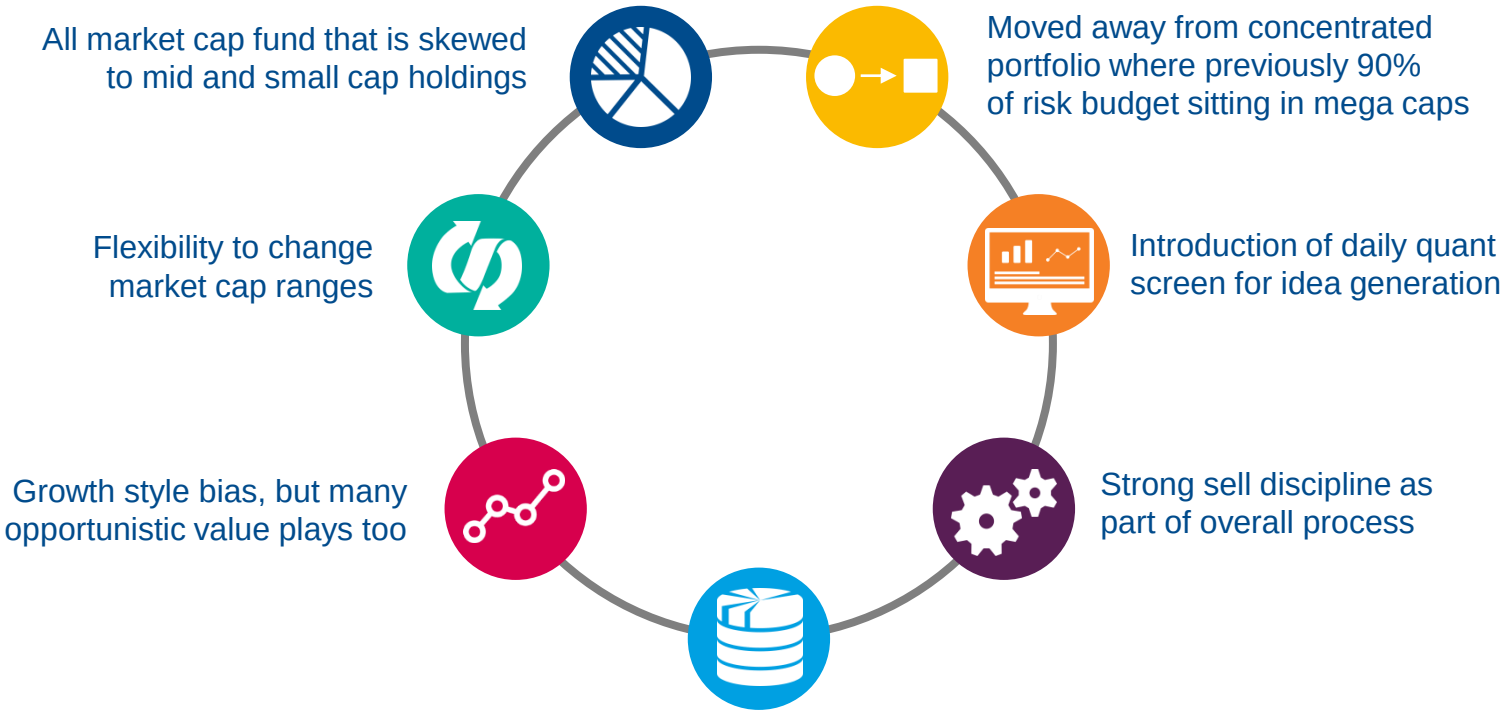
Barings German Growth Trust
Performance as of 31 August 2015



Past performance is not a guide to future performance

Source: Barings/Morningstar, performance of accumulation units in A class (net income reinvested), rebased to GBP currency, net of fees, midday unit price vs. end of day performance comparison (HDAX 110) as at 31 August 2015. *Annualised returns.

What makes our product differ from the competition?



Barings German Growth can serve as a core portfolio holding

Source: Barings, Morningstar Direct, as at 31 March, 2015.

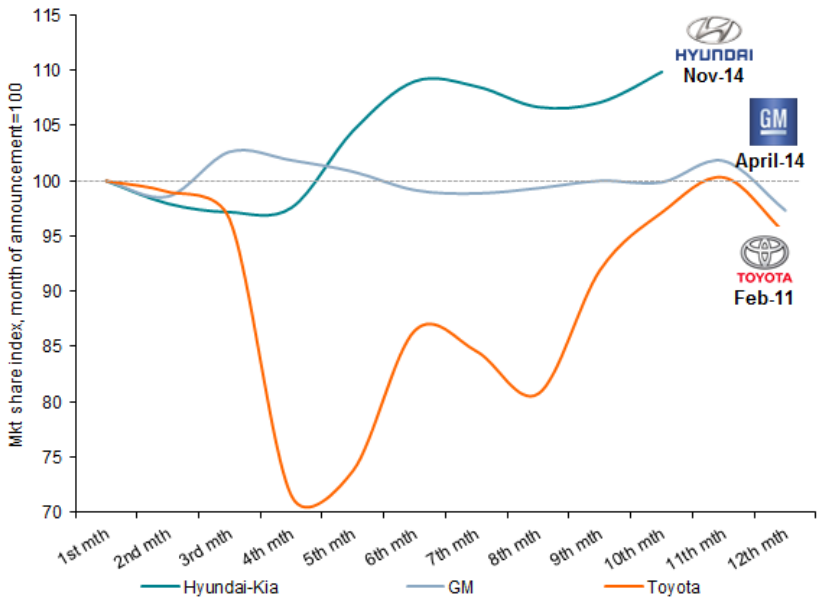


Appendix

Commercial impact of recalls

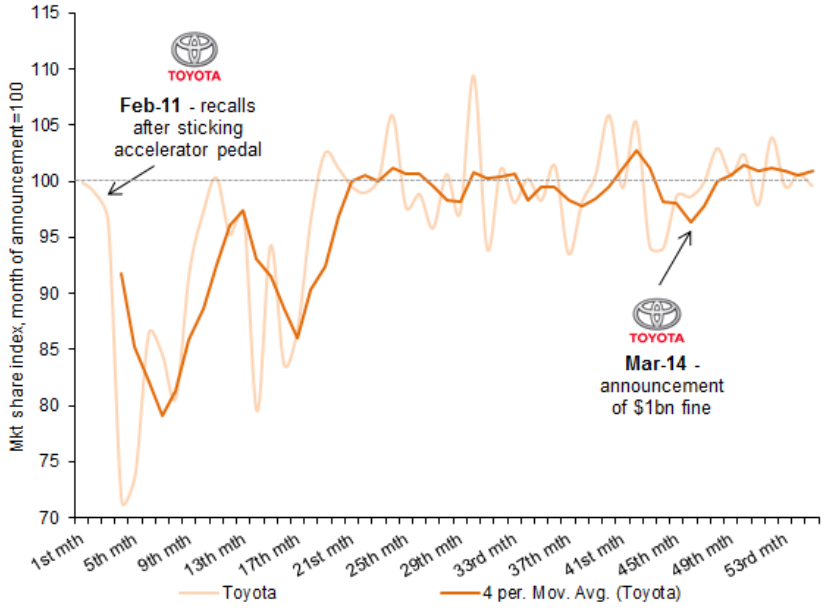
Only Toyota suffered market share losses post the recall announcement. GM managed to hold market share and Hyundai actually gained market share

Market share, indexed at 100 on month of announcement



But Toyota gained back all that share within 24 months

Market share, indexed at 100 on month of announcement



Only Toyota suffered market share losses from recalls – but these were temporary, with market share returning after 24 months

Source: Exane BNP Paribas estimates and Autodata

Biographies

Robert Smith



Investment Manager
Member, Pan European Equity Team

Location: London
Investment Experience: 16 Years

Robert joined Barings in 1998 and is responsible for the Baring German Growth Trust and European Income products. Robert transferred to the Pan European Equity Team in 2008, having previously worked in both the UK & Europe Equity Team and the Pan Euro Small and Mid Cap Team. 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.

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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