BARINGS

Alternative Investments

Direct Investments
Overview of Capabilities
November 2016

Barings Alternative Investments ("BAI") Overview

Global execution of capabilities across 44 professionals with a global footprint across New York / New Haven, Charlotte, London and Hong Kong

FOCUS	PLATFORM	DIRECT INVESTMENTS	FUNDS & CO-INVESTMENTS
Provide access to specialist private markets and seek to deliver attractive risk-adjusted returns	***$7.2 billion[1]*** *Blend of alternative investment offerings across Asset Based, Private Equity and Real Assets markets*	***$2.9 billion[1]*** *Real Assets and Asset-Based private equity investments made across 8 sectors with a focus on cash flow oriented investments*	***$4.3 billion[1]*** *Tailored and diversified exposure to traditional Private Equity and Real Assets with integrated portfolio management*

1. Stated as NAV plus unfunded commitments
As of June 30, 2016

Barings Alternative Investments Platform Snapshot

Direct Investments		Funds & Co-Investments
• As a portfolio building block or an allocation to yield producing private assets	**Typical Fit**	• As an outsourced solution for those seeking diversified exposure to private asset class
• Asset Based and Real Asset sectors	**Focus**	• Global Private Equity and Real Asset classes
• Controlling interests in assets or companies, or both	**Typically Invests In**	• Diversified LP interests in funds or co-investments alongside select GPs
• Strong risk-adjusted returns with current yield and long-term upside	**What We Target**	• Top quartile returns from broad private equity and real asset market or market geography / segment
• Asset selection and asset management through operating expertise	**Value Drivers**	• Manager selection and integrated portfolio management
• Industry networks, management teams, banks and intermediaries	**Origination**	• Large sponsor, bank and intermediary network

Overview

BAI Aims to Deliver

- We seek asset-based investments that provide an attractive base case and downside protection typically through current cash yield from the underlying asset
- Potential up-side captured through active management and enterprise-value creation

Investment Strategy

- Direct private equity investments in **real assets** and **asset-based businesses**
- A preference for assets with attractive **risk-adjusted return** attributes and provide a high **cash yield**
- Target and invest in **specialist markets** within broad sectors that reward operational expertise
- Construct **diversified portfolios** of investments across relatively uncorrelated sectors

Investment Approach

- Select assets that have **predictable demand** over the full economic cycle and are **integral to the real economy**
- Strong preference for **control** of portfolio investments
- Operating platforms implement our business plan and deliver our best **growth opportunities**
- Buy or build the **expertise** to operate assets efficiently and maximize asset and enterprise optionality
- Build **enterprise value** where economies of scale are positive

Investor / Strategy Fit

- Investors seeking alternative sources of return
- Preference for investment generating current cash yield
- Significantly less dependence on back-end capital markets transaction as compared to traditional Private Equity
- Investors with a long-term, risk-adjusted return focus

The Direct Investment team has developed a $2.9 billion platform with a gross IRR of 13.0%

Differentiating Factors

Integrated global platform providing access to specialist markets and seeking to deliver attractive risk-adjusted returns with a focus on delivering income oriented investments

Unique Weighting of Sectors

- Targeted approach looking to combine:
  - **Income** consistent with Fixed Income
  - **Stability of risk** with 'infrastructure' like qualities
  - **Upside potential** of Private Equity model

Extensive Reach / Origination Capabilities

- The platform is able to leverage a **deep pool of industry contacts**
- Investments are often **proprietarily sourced** in a non-competitive setting
- Industry contacts, management teams and our investors are the **genesis for most opportunities**

Global Platform

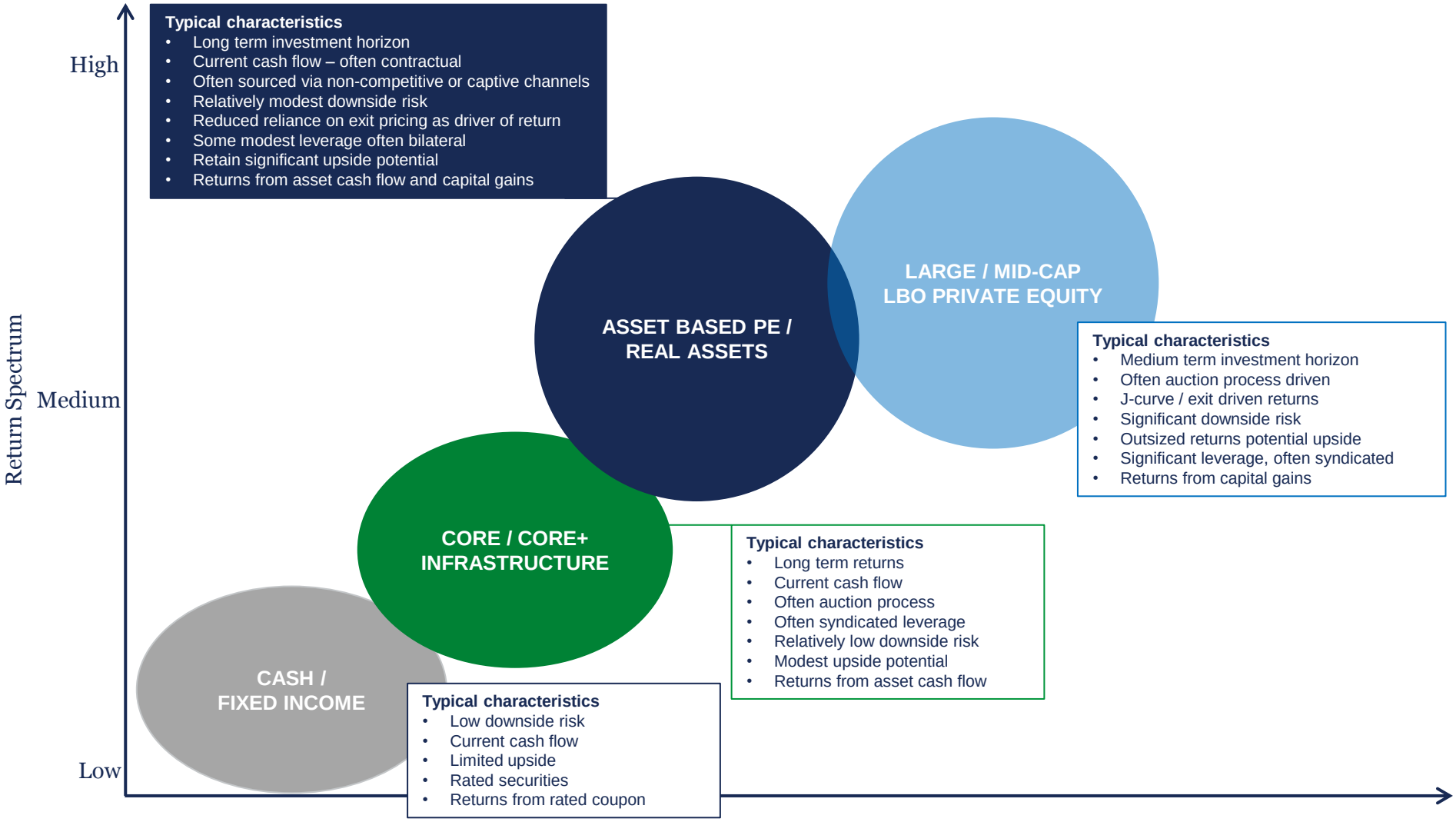
- Extensive global counterparty relationships
- Investment presence in most **global markets**
- **Deep support** / reporting infrastructure
- Scale of **Barings platform** and relationship base augments network
- Stable parent company with a long-term focus

Industry Expertise

- Team of **22 dedicated professionals** with specific sector experience
- Proven track record of effectively exercising investment control
- Operational intensive experience with 13 active operating companies across **8 sectors**
- We have repeatedly built **operators** that are **best-in-class** within targeted markets

BAI Direct Investment Positioning

We believe the Direct Investment platform provides superior risk reward ratios compared to other private equity or core real asset investments



FOR ILLUSTRATIVE PURPOSES

Sampling of Assets and Enterprises Owned

We believe the capability to operate and manage a wide range of assets across specialty markets provides a durable barrier to entry

Transportation

53' Dry Van Trailers



737 800's & A320's



MILESTONE

Media & Entertainment

Publishing Rights



Recorded Masters



CONCORD MUSIC GROUP

Telecom & Technology

Cell Towers / Ground Leases



Patents



Agriculture & Timber

Orange Groves



Maple Syrup

PURE. PREMIUM. the Maple Guild PROUDLY VERMONT.

Ag Infrastructure

Grain Merchandising



Financial Services

Insurance

LongitudeRE

Lending

ENGS commercial finance

Global Energy Infrastructure

Power Generation



Transmission



Healthcare & Pharma

Generic Drugs



Branded Drugs

Bumex® brand of bumetanide

***53,000** trailers, **20,000** containers and **7,000** chassis*

***50** commercial aircraft*

***14,000** active master recordings*

***100,000+** music copyrights*

***15** grain storage facilities*

***254,000** acres of timber*

***5,200** hectares of Teak*

***25** branded and generic drugs*

***2,000+** telecom infrastructure assets*

World's largest single producer of maple syrup

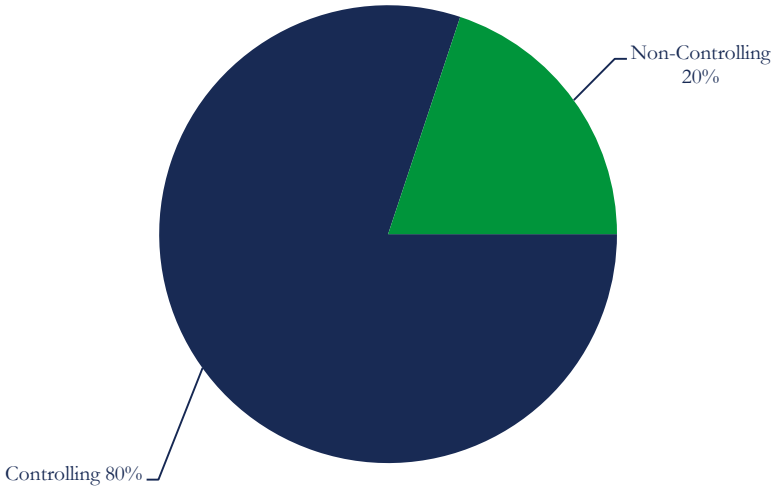
As of June 30, 2016

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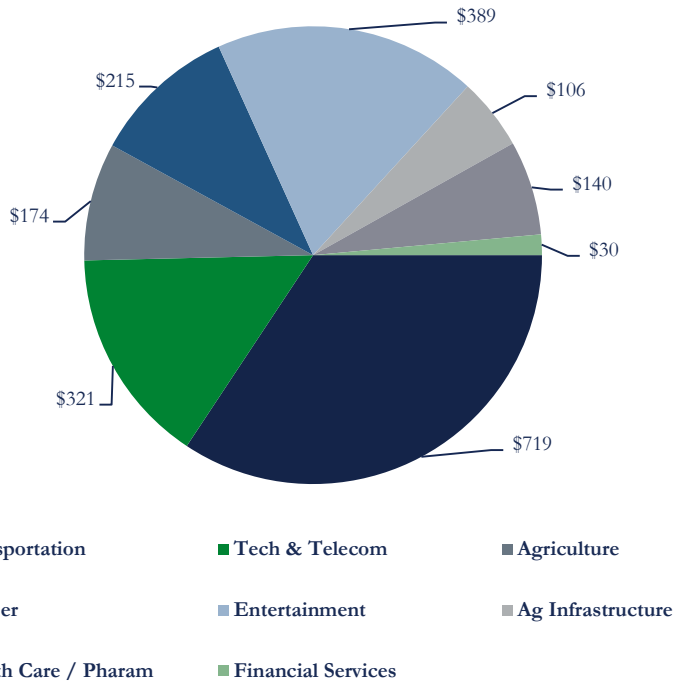
Direct Investments Portfolio

BAI has a strong preference for control investments across a diversified portfolio

Controlling and Non-Controlling Investments[1,2]



Sector Exposure ($M)[1]



1. As of June 30, 2016. Information displayed based on NAV and excludes legacy investments
2. Control is defined by the direct or indirect possession of power to direct or cause the direction of the management and policies of an investment, whether through the ownership of voting securities, by contract, or otherwise

Transportation Case Study

Genesis Aircraft Services | WNG CAPITAL

Target Return Range:	8 – 16%
6/30/16 IRR:	8.0%





Unique Opportunity

Differentiated Strategy:	Focus on acquisition and leasing of mid-life, single-aisle aircraft (Airbus A320, Boeing 737 families). Most lessors focus on newer aircraft
Large Market:	Over 12,000 A320s and Boeing 737s are in the current passenger fleet, which is projected to double over the next 20 years. An active market exists for used aircraft
"Best-in-Class" Partner:	WNG Capital serves as equipment manager for the portfolio. The principals have decades of experience in the aircraft leasing business. WNG also serves as equipment managers for the Alternative Investment Group's "legacy" aircraft investments (originally 17 planes, now three)

Themes and Value Add

Supporting Themes:

- **Emergence of the Global Middle Class –** Airline travel is relatively new in many emerging economies, especially in Asia. As wealth builds in these economies, propensity to use air travel is expected to approach the levels prevailing in developed countries.
- **Dominance of Single-Aisle Aircraft**–These aircraft types are the workhorses of the global passenger fleet, as they are the cheapest to operate and most profitable. The current generation of "narrow-bodies" will remain dominant through the mid-2020s

Value-Add: History of successful investments and exits in aircraft investments. Ample ability to scale servicing operations in Ireland, and to leverage existing deal sourcing capabilities

Investment Highlights

Description:	GFL Holdings owns and leases 35 jet aircraft
Investment Amount ($):	$347.5M of equity
Investment Date:	April 14, 2014
Strategy / Region:	Current Income / Global
'15 Portfolio EBITDA(£):	$136.1M
Distributions ITD ($):	$85.6M
Alternative Investment Group Governance:	Control *(100% equity ownership)*

Investment Update

Investment Update:

- Acquired 100% of GFL from AerCap Holdings in April 2014
- Established Genesis Aircraft Services Limited in Dublin, Ireland to serve as portfolio servicer (Summer 2014)
- Refinanced existing securitization with $375 million term loan from PK AirFinance (September 2014)
- Sold both Boeing 737-800s on lease to China Southern Airways (November 2015), for $27 million each

Case studies shown are most recent deals aligning with the Alternative Investment Group's secular trends. Case studies are included for purposes of illustration only, and are not intended by the Alternative Investment Group to be taken as investment advice or as a recommendation to buy or sell any of the securities mentioned, nor as an offer to sell or the solicitation of any offer to purchase any security. There is no guarantee the target return will be achieved

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

Investment Framework

Our investment approach requires a broad perspective and vision needed to identify attractive assets as well as deep focus, expertise and industry experience necessary to manage those assets

Asset Selection – *broad, global perspective and vision*

Successful investments start with identification of attractive assets

BAI targets assets that:

- Are actively used in the real economy, have highly visible demand, and predictable or contractual cash flows
- Require or reward active management and operational expertise
- Allow BAI to exert full control or substantial minority influence
- Are difficult to access through public markets
- Are consistent with BAI macro and sector outlook

Asset Management – *deep, detail-focused and target-driven*

Our operators implement BAI's business plan and function as both a return driver and key risk mitigant

Driver of Return:

- Extend life of assets through maintenance, leasing, and licensing strategies
- Generate incremental revenue streams through expansion of service offerings or geographical footprint
- Recognize and exploit asymmetries of negotiation leverage or information
- Capitalize on attractive reinvestment and market - disruption opportunities

Risk Mitigant:

- Disciplined, target-driven capital deployment policy
- Institutional-quality financial and operational controls imposed at the operator level
- Rational capital expenditure and depreciation policies

Enterprise Development

The intersection of the well-underwritten assets, top-flight management and the right market conditions creates the opportunity for BAI to build operating company enterprise value and deliver outsized returns to our investors

Investments can grow to a size where value begins to accrue to the operating company, effectively transforming the investment from an asset (replacement value) to an equity (valued as a multiple of earnings)

Underlying markets are large and tend to reward scale on all fronts:

- Cost reduction via amortization of fixed costs over larger asset pool
- Revenue growth through negotiation and pricing power
- Enterprise growth via larger market presence and asset acquisition leverage

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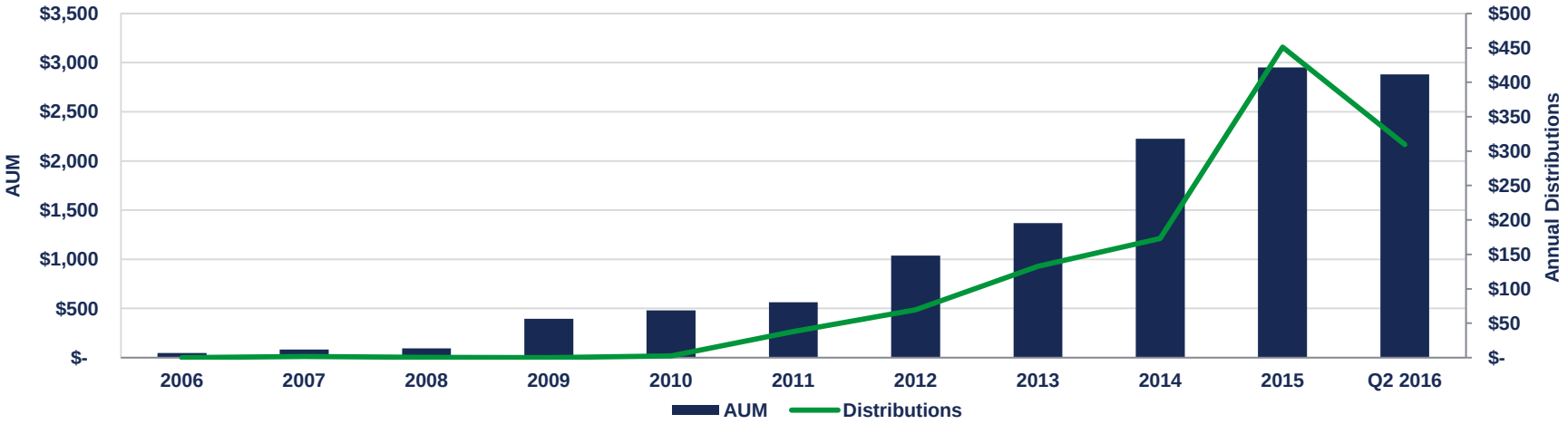
Direct Investment Performance

Barings has a 9 year track record of successful investing with a high distribution yield component

PERFORMANCE[1]

	Inception Year	Total Investments	Current Investments	Contributions ($M)	Distributions [2] ($M)	NAV ($M)	Gross IRR
Overall	**2006**	**64**	**47**	**$2,408**	**$1,008**	**$2,095**	**13.0%**
Transportation	2010	11	11	$885	$416	$719	13.9%
Tech / Telecom	2008	14	10	$355	$239	$321	17.9%
Agriculture	2006	14	8	$211	$39	$174	0.7%
Timber[3]	2014	2	2	$201	$2	$215	6.2%
Media / Entertainment	2006	8	5	$487	$249	$389	12.6%
Ag Infrastructure	2015	2	2	$102	$2	$106	8.5%
Healthcare / Pharma	2007	11	7	$135	$62	$140	12.7%
Financial Services	2015	2	2	$31	-	$30	-4.9%
Energy Infrastructure	2016	-	-	-	-	-	-

AUM GROWTH AND ANNUAL DISTRIBUTIONS[1,4]



1. As of June 30, 2016. Inception date of 8/1/2006 and excludes legacy investments. Legacy investments consist of historical investment mandates with strategies that BAI is not currently offering and investments that BAI monitors, but its investment team did not enter into
2. Distributions from investments
3. Timber is a sub-sector of Agriculture broken out due to vast return range variance
4. Annual distributions calculated at the fund level

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

Summary of Capabilities

Broad variation of sector and industry opportunities provides rich diversification

Sector	Target Industries	Investment Themes	Return Expectation[1]	Distribution Yield Expectation	Operational Complexity Premium
Transportation	Aviation Intermodal Rail Trucking	Global Opportunity with dollar leases Contracted Income Short-duration assets High value-add operations	8 – 16%	15 – 19%	High
Telecom & Technology	Cell Towers Spectrum Private Telecom Infrastructure and Ground Leases	Demand growth outstripping constrained supply Contracted Income	8 – 20%	5 - 9%	Medium
Agriculture	Specialty Crops Water Farmland Development Citrus	Growing Water Scarcity and Green Field Perma-crop Development with Superior Genetics	12 – 15%	4 - 8%	High
Timber[2]	Specialty Hardwoods	Large Scale, High Yielding forests where margins can be maximized through log merchandising	7 – 9%	3 - 5%	Medium
Media & Entertainment	Filmed Content (Film, TV, Digital) Music Theatrical Publishing & Sports	Globalization of Consumption Digitization of Distribution Predictable Library Cash Flows	10 – 18%	7 - 11%	High
Ag Infrastructure	Grain Handling Processing Storage Transportation	Critical position in ag supply chain Fragmented asset ownership Ag productivity enhancement	8 – 12%	6 - 10%	Medium
Healthcare & Pharma	Mature Branded Pharma Generic Pharma Pharma Royalties Technology Patents	Predictable Cash Flow with Upside Optionality Regulated Industry	8 – 22%	8 - 12%	High
Financial Services	Insurance / Reinsurance Non-Bank Finance	Perpetual Low Interest Rates Increased Regulation and Capital Cost Retirement Funding Gap	10 – 15%	6 – 8%	Medium
Energy Infrastructure	Midstream Assets, Power Generation and Transmission	Supply / demand dynamics in the emerging markets Long-term contracted assets	12 – 18%	8 – 10%	Medium

1. Returns are gross of fees and there is no guarantee that any Return Expectation will be achieved
2. Timber is a sub-sector of Agriculture broken out due to vast return range variance

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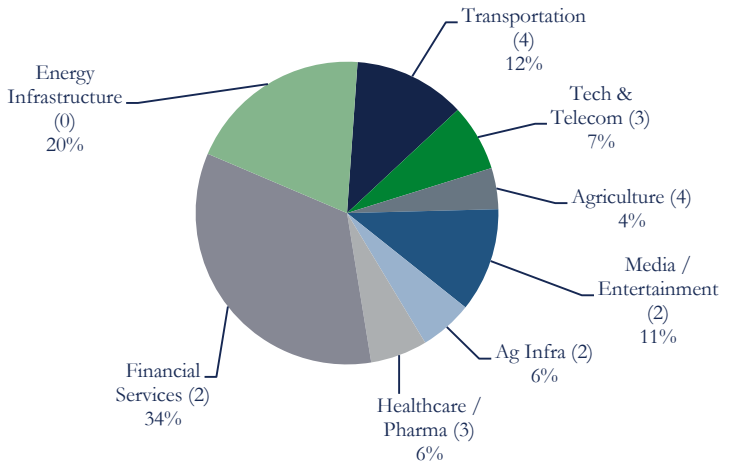
Origination

Our extensive sourcing network includes both competitive and non-competitive settings, with a distinct focus on organic growth sourced through our operating platforms

Direct Investments Approval Rate[1]

Deals Seen	*477*
Deals Closed	*20*
Approval Rate	**4.2%**

Direct Investments Deals Seen[1,2]



Sample Commitments

Name	*BAI Role*	*Description*	*Contributed Capital*
Wireless Infrastructure Group	Control	**Tech / Telecom** Growth company operating approximately 2,000 telecom infrastructure sites based in UK / Europe	$169M
Longitude Re	Influential Minority	**Financial Services** Growth company specializing in Reinsurance for retiree medical benefits based in North America	$6M
Milestone Equipment Holdings	Control	**Transportation** Full service transportation equipment leasing and asset management company specializing in highway trailers, domestic intermodal containers, chassis and piggyback trailers in North America	$325M

1. Deals reviewed from January 1, 2014 through October 31, 2016
2. Pie chart percentages represents sector breakdown of percent of deals seen and deals closed represented in parentheses

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Sample commitments are representative examples. Other deal examples can be provided upon request

How We Engage with Our Investors

BAI offers flexible engagement across capabilities, subject to capacity

- 'Fund of One' / SMA vehicles can be structured in multiple jurisdictions[1]
  - These vehicles offer a balance of investments tailored to client driven target outcome
- Co-investments in 'club' transactions are offered periodically (Longitude RE, current Energy Infrastructure opportunity)
- BAI expects to bring a commingled **Barings Asset Based Income Fund** ("BABIF") representing a broad exposure to our investment capabilities
  - Target launch Q1 2017
  - Long-term, attractive risk-adjusted return opportunity
  - Targeting mid-teens IRR with 6%+ current cash flow

Capability	'Fund of One'	One Off 'Club' Transaction	Expected Commingled Product
Transportation	Yes	Potentially	BABIF Q1 2017
Agriculture & Timber	Yes	N/A	BABIF Q1 2017
Healthcare / Pharma	Yes	N/A	BABIF Q1 2017
Financial Services	Yes	Potentially 2017	BABIF Q1 2017
Energy Infrastructure	Yes	Yes, Current Transaction	BABIF Q1 2017
Ag Infrastructure	Yes	N/A	BABIF Q1 2017
Media / Entertainment	Yes	N/A	BABIF Q1 2017
Tech / Telecom	Yes	N/A	BABIF Q1 2017

1. Subject to $100 million minimum

Please note that it is no guarantee that the target will be achieved

Conclusion

We believe the area of the private markets we focus on offers compelling risk-adjusted returns, underpinned by current yield, downside mitigation from asset basis and significant upside

- Direct investments in operationally-complex assets potentially offer superior risk reward ratios
- Our experience has been these type of investments can combine
  - Income distributions consistent with fixed-income;
  - Similar risk profile to infrastructure and real assets;
  - Outsized return potential of private equity
- BAI's capacity to operate and manage these assets provides access to opportunities that are not easily replicated either in-house or through other managers
- Our aim is to build long term partnerships with our investors by creating long term value
- We are very happy to host due diligence on-site where investors want to analyse more deeply
- We can offer efficient, broad based exposure through our Fund, tailored exposure through an 'SMA', as well as single investment opportunities from time to time

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