

BARINGS

Value Assessment

31 AUGUST 2020

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A Message from the Board

Welcome to Barings' inaugural Value Assessment Report.

This report outlines the key findings of a comprehensive review of our U.K. authorised funds. In line with the rules introduced by the Financial Conduct Authority (FCA), we have performed an in-depth assessment of the value provided by our funds against the seven criteria set out by the FCA. As part of our analysis, we also took into consideration additional factors such as portfolio turnover and transaction costs.

Barings is a global institutional investment manager, which sources differentiated opportunities and builds durable long-term portfolios across public and private fixed income, real estate and specialist equity markets. As a firm, we are committed to sustainable practices and responsible investment. It is important to us that investors are fully informed, giving them the ability to invest with confidence.

The Baring Fund Managers Limited Board (the Board), which includes two non-executive independent directors, has the ultimate responsibility for this assessment and for determining the value rating for each of the funds, as well as identifying areas for improvement.

The high-level conclusions from our assessment are:

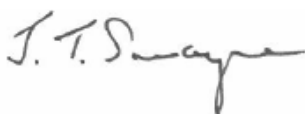
- All funds are providing value in the areas of quality of service, economies of scale and comparable service.
- All funds have achieved the objective of capital growth over the five-year period.
- Seven out of the 10 funds have outperformed the Peer Group and/or the Benchmark for at least the three-or five-year period.

The report also highlights immediate actions we have taken to improve value for investors, which include:

- Reducing the trustee/depositary cost of the funds (January 2020).
- Transferring unitholders to a cheaper Unit Class where it was deemed to be in their best interest (October 2020).

We have highlighted in this document where we believe we can improve on the value that some of our funds are delivering, and where enhancements can be made. We have also set out what actions we are taking to address these. We will continue to negotiate costs with our service providers, as well as continually assess the suitability of share classes for unitholders and provide updates on any actions taken during the year—which we will also report in next year's assessment.

We trust that the information contained in this value assessment will provide investors with greater transparency across our U.K. authorised fund range. As a Board, we are committed to acting in the best interests of our investors and monitor the funds accordingly—ensuring that they are being managed in line with their investment objectives. Furthermore, we continue to challenge ourselves to look for opportunities where we can improve—enabling Barings to consistently meet the long-term financial goals of our investors.



Julian Swayne
Chairman, Baring Fund Managers Limited

Introduction

WHAT IS THE U.K. VALUE ASSESSMENT?

Introduced by the FCA, the U.K. Value Assessment is a requirement for U.K. Authorised Fund Managers to assess the overall value their funds deliver to investors.

WHO IS IT INTENDED FOR?

This report is produced for all investors in our U.K.-domiciled authorised funds. We are committed to meeting the evolving needs of our investors, and we believe it is important to help them understand if and how they are receiving value for money when investing with us.

WHICH AREAS ARE ASSESSED?

The FCA requires us to consider seven key areas, which have been summarised below. We have also considered additional criteria, which we know are important to our investors—such as whether we are investing in areas which are environmentally and socially sustainable and the level of portfolio turnover and transaction costs.

1. **Quality of service:** This includes the range and quality of service we provide and the quality of service provided by any service providers where fund operations have been delegated.
2. **Performance:** The performance of the fund, after deduction of all payments (costs, fees and charges) out of the fund's property as set out in the prospectus.
3. **Comparable market rates:** Comparing the fees that the funds charge to investors against our competitors' fees.
4. **Costs of the funds:** Assessing whether the charges are fair and appropriate in relation to the cost of providing the service.
5. **Economies of scale:** Whether we are able to achieve savings and benefits from economies of scale, and whether such savings have been achieved and passed on to investors.
6. **Comparable services:** Whether the fees we charge within our funds are reasonable and appropriate, compared with similar services that we provide to other clients.
7. **Classes of units:** Assessing whether investors are in the most appropriate class of unit.

HOW HAVE WE MEASURED VALUE?

Several teams across our business have an impact on our investors' experiences at different stages of their journey with us. We have worked with each of these teams to assess our performance.

Additionally, we have performed quantitative analysis of fund costs and performance using external data from Morningstar, a reputable fund data provider in the industry, to measure our funds against competitor funds. In order to ensure a fair comparison, the Peer Groups selected are those domiciled in the U.K. and which provide a comparable service, namely actively managed funds in the same Morningstar category with both retail and institutional classes. Where U.K.-domiciled Peer Groups are not available, we use competitors' funds that are domiciled in Luxembourg and Ireland.

Of the seven areas under assessment, we considered quality of service at a firm level, as it is related to the service that is provided by the firm to the whole fund range. We assessed economies of scale at a fund level, as scale is achieved as fund size increases and is not Unit Class-specific. Finally, we assessed the rest of the areas at a Unit Class level, using Class A and Class I for comparison purposes, as they are the most relevant Unit Classes for the majority of the investors:

- **Class A:** This is a Unit Class originally designed for retail investors and investors who invest through financial advisers.
- **Class I:** This is a Unit Class originally designed for professional investors such as investment platforms or other funds. This also serves as the “clean fee” or “unbundled” Unit Class following the FCA’s Retail Distribution Review.

Some of our funds also offer other Unit Classes, which require a separate agreement to be in place before investing. Unless otherwise specified, these Unit Classes’ assessment conclusions are consistent with those of Class A and Class I.

We have shown the findings of our assessments using a traffic light system (green, amber, red). Green indicates that we have concluded our fund provides value, amber indicates the fund provides value but not across all the measures that we considered and therefore will be continuously monitored or that action has been or will be taken, and red indicates the fund does not provide value and we have taken action.

Key stakeholders within the business, as well as the Board of Directors of Baring Fund Managers Limited, have been involved at each step of the process. The Board, including the independent directors, have provided challenges, suggestions and advice on behalf of investors to ensure that the approach taken and conclusions reached are fair and comprehensive.

Unless otherwise specified, all data used for this assessment and report is as of 31 August 2020. Fund and Peer Group performance, annual management fee and ongoing charge data are sourced from Morningstar. Performance figures used are net of fees in GBP terms. Benchmark performance figures are sourced from respective index providers. Transaction costs and income data are provided by Barings.

Assessment Summary

The table below shows an overall summary across each measure by fund, considering Class A and Class I in the funds. We have also assessed all other Unit Classes where relevant. We have used the GBP-denominated Unit Classes as the representative Unit Classes for performance assessments.

	Quality of service	Performance	Comparable market rates	Costs of the funds	Economies of scale	Comparable services	Class of units	Overall *
Barings Eastern Trust	●	●	●	●	●	●	●	●
Barings Europe Select Trust	●	●	●	●	●	●	●	●
Barings European Growth Trust	●	●	●	●	●	●	●	●
Barings German Growth Trust	●	●	●	●	●	●	●	●
Barings Global Agriculture Fund	●	●	●	●	●	●	●	●
Barings Japan Growth Trust	●	●	●	●	●	●	●	●
Barings Korea Trust	●	●	●	●	●	●	●	●
Barings Multi Asset Fund	●	●	●	●	●	●	●	●
Barings Strategic Bond Fund	●	●	●	●	●	●	●	●
Barings Targeted Return Fund	●	●	●	●	●	●	●	●

The following funds have been rated as providing value, having met all, or nearly all of the assessment criteria:

- Barings Eastern Trust
- Barings Europe Select Trust
- Barings German Growth Trust
- Barings Japan Growth Trust

* The overall ratings are determined as follows:

Green: Funds with fewer than three amber ratings.

Amber: Funds with three or more amber ratings, or one red rating.

Red: Funds with more than one red rating.

Mixed colour ratings denote split ratings at the Unit Class level, with the left hemisphere showing the rating for Class A and the right hemisphere showing the rating for Class I.

The following funds have been rated amber as they provide value when assessed across all the measures in aggregate, but will be monitored for improvement in some areas:

- **Barings European Growth Trust** has been rated amber primarily due to underperformance against its benchmark across all the periods assessed. However, its underperformance over the last three years was driven largely by a sharp correction in European equities in 2018, which saw defensive sectors in Europe outperform as investors sought refuge from market uncertainty and heightened volatility. This rotation into defensive sectors prompted significant underperformance in the fund, which had a much lower weighting in companies within these sectors, such as Utilities, Telecommunications, compared to the performance comparator. Prior to this, the fund had consistently delivered outperformance against the Benchmark over the three- and five-year periods since 2013. Additionally, there was a change in fund manager in early 2020, which we are expecting will have a positive effect on fund performance. The new fund managers have undertaken a full review of the portfolio and have made key changes to emphasise the fund's strategy of bottom-up stock selection as the most important driver of relative returns. Further details of these changes are given in the performance section of this report. We will keep this fund under review as we assess the impact of these changes on performance.
- **Barings Global Agriculture Fund** has been rated amber primarily due to higher comparative costs; in particular, this fund has a high percentage of its fees paid toward legal expenses. This is mainly because the fund has a different legal structure and its own legal documentation separate from other funds. We have established a review of all costs in this fund and analysis is now being performed with an aim to lower the overall costs of this fund in the future.
- **Barings Korea Trust** has been rated amber primarily due to previously high levels of portfolio turnover and the resulting transaction costs. We had already taken action to reduce portfolio turnover and as a result, transaction costs were reduced by 32% over the last year. This action has already contributed to performance net of fees. The Trust delivered 2.1% outperformance against the Benchmark over the same one-year period.
- **Barings Multi Asset Fund** has been rated amber overall, primarily because Class A's annual management fee was higher than the Peer Group average. Class I of this fund has an overall green rating. We have moved eligible U.K. investors from Class A to Class I so they can benefit from the lower costs. Additionally, the fund has not achieved its objective over a three-year period, largely due to the impact of COVID-19 on markets. However, it has achieved its target performance over a five-year period. While we expect performance to improve as markets recover, we have already taken action in the portfolio construction process aimed at improving resilience, including the introduction of different tools to help optimise the fund's diversification across different assets.
- **Barings Targeted Return Fund** has been rated amber as it did not achieve its absolute performance target over a five-year period largely due to the impact of COVID-19 on markets. However, the fund has continued to meet its Income targets over five years. The fund was restructured from a Common Investment Fund to a Charity Authorised Investment Fund in January 2020, at which point we reduced the annual management fee from 50 to 40 basis points (bps). While we expect performance to improve as markets recover, we have already taken action in the portfolio construction process aimed at improving resilience, including the introduction of different tools to help optimise the fund's diversification across different assets. We will continue to monitor the fund and assess whether these improvements are having a positive impact on performance.

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE. THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE.

The following fund has been rated red:

- **Barings Strategic Bond Fund** has been rated red overall as the fund has underperformed its Peer Group over three and five years and only generated marginal capital growth over five years, while having higher costs than its peers. We have been keeping this fund under review for some time. Recently, the fund has underperformed due to having exposure to high yielding fixed income securities that performed poorly during the COVID-19 pandemic, which caused unprecedented uncertainties to the market as a whole and shifted market dynamics. We have concluded that it will be best to gather further information and undertake a review of the fund—covering investment strategy, costs and market position—in the coming year to help us make the right decisions for the benefit of our investors.

OTHER ACTIONS TAKEN

1. We transferred around 3% of our funds' aggregate net asset value to a cheaper Unit Class on 30 October 2020.
2. We reduced trustee/depository cost to the funds from 1 January 2020.
3. We are redesigning Barings.com, in consultation with an external consultant, to create a more user friendly and accessible platform.
4. We have increased our focus on environmental, social and governance (ESG) issues as part of the investment process to ensure we are aligned to sustainable investing and growing investor expectations.
5. We have reviewed transaction costs of the funds and made plans to reduce portfolio turnover in funds that have high transaction costs. Some of the desired results are observed with improved fund performance.



Quality of Service

HOW IS THIS MEASURED?

The expectations of our investors change over time, and it is important that our service keeps pace. Therefore, when measuring quality of service, we do not limit ourselves to a definitive list or specific area to assess. Rather, we continuously look to identify where we can improve. As we aim for a better client experience, we consistently monitor our communication to investors, the accessibility of our client service teams to investors and our complaint handling process.

Our teams have provided their assessment of the different areas of our service. This includes compliance with internal policy and service level agreements that apply to the day-to-day delivery of operations. The quality of service provided by our outsourced providers is closely monitored through a comprehensive oversight process. We provide feedback to our outsourced providers through regular oversight and review meetings to ensure they meet both our own expectations and the expectations of our investors.

ASSESSMENT SUMMARY

Our assessment is that, during the review period, Barings and our outsourced providers have delivered quality of service, specifically:

- **Client services:** Our client services team, including our investor relations team and our transfer agency, are readily available to service the needs of our investors. The team can be contacted by telephone, post and email. During the COVID-19 crisis, Barings has been operating a remote and flexible working model while consistently maintaining a high quality service level to investors.
- **Complaints handling:** We receive a low number of complaints and ensure that all complaints are handled fairly, in a timely fashion and with consistent outcomes for investors. We also review all complaints to identify any trends and assess whether process improvements are required.
- **Infrastructure:** Barings global infrastructure, well-resourced teams and high-quality investment processes support the business, aiming to provide a high quality of service to our investors.
- **Outsourced services:** Services provided to us and to investors on our behalf are continually reviewed and managed through a comprehensive oversight process. The COVID-19 crisis posed an extra challenge to many of our outsourced services, but they have overcome the challenges and we continue to deliver the quality of service that investors have come to expect from Barings and our outsourced service providers.
- **Investment expertise:** Fund managers managing our U.K. fund range have access to a global team of over 65 investment professionals. This team—which includes over 40 fund managers and has an average industry experience of over 18 years—manages our equity, fixed income and multi-asset fund range.
- **Investment process:** Our reputation and track record has been built on a strong, bottom-up style of investing driven by fundamentals. Across all of our investment capabilities, Barings shares the same fundamental research process that stems from our long-term view, underpinned by the depth and breadth of our research expertise. Adherence to the investment philosophy and process is appraised during periodic review meetings between heads of asset classes and the heads of each investment team where conclusions, positions and intentions are monitored. Robust risk management processes are also integrated as part of Barings' investment capabilities.

- **Niche product offering:** Some of our product offerings are not common in the U.K. fund industry, specifically our **Barings German Growth Trust**, **Barings Global Agriculture Fund** and **Barings Korea Trust**, where we offer specialist investment expertise, with few peers offering similar strategies. We believe it is important for us to offer specialist strategies in order to enable our investors to take advantage of different investment opportunities across the market.
- **Incorporating ESG:** ESG is integral to our investment process when selecting securities—in terms of our understanding of potential risks and opportunities. We constantly evolve our thinking and processes around a forward-looking approach to ESG. While we do not currently offer ESG branded funds, we engage with the investee companies to improve their disclosure or change their behaviours through active stewardship. We also have a dedicated Director of Sustainability, responsible for developing and overseeing the firm’s platform including ESG integration, partnerships, industry commitments and employee education.
- **Our London office:** Our corporate commitment to ESG principles are extensive. In addition to being a signatory to the United Nations Principles for Responsible Investment and the United Nations Global Compact, Barings actively promotes sustainable practices including recycling, sourcing ethically produced food and office supplies, as well as reduced energy, water and paper consumption. Barings also uses Change Please, a social enterprise staffed by the homeless to supply coffee to associates. In recognition of this work, we were awarded the 2020 Institution for Workplace and Facilities Management Impact Award for Positive Climate Action.

OVERALL CONCLUSION

We have concluded that we provided value through quality of service. As a major global firm standing behind the U.K. investor base, we are committed to ensuring we offer our investors good value and a high quality of service. We will continue to assess where we can improve our service and have taken the following actions over the year:

- **Investor website:** We are redesigning Barings.com, in consultation with an external consultant, to create a more user friendly and accessible platform.
- **ESG:** We have increased our focus on ESG issues as part of the investment process to ensure we are aligned to sustainable investing and growing investor expectations.



Performance

HOW IS THIS MEASURED?

We have compared the funds' performance against their respective Benchmarks or target performance over three and five years, using the GBP Unit Class as a representative Unit Class. While we aim to deliver our objective of capital growth during all time periods, we have used three- and five-year performance returns for performance comparison purposes against the Benchmarks. This is in line with the time periods over which investors most commonly evaluate performance, and most relevant to our investment teams' investment philosophy and securities selection criteria. Since short-term performance could be skewed toward market anomalies, we used longer time periods as they allow for anomalies to be smoothed and for economic cycles to play out.

We also consider performance compared to the respective Peer Group in order to assess the fund's performance compared with other actively managed funds. There are many factors that can affect a fund's performance including the types of investments made, the investment philosophy of the investment team and external factors such as global politics and more recently the COVID-19 pandemic. We assess both relative returns and risk-adjusted returns of the funds compared with the Peer Group. Our Peer Group selection criteria can be found in the Introduction section under "How have we measured value".

In addition, we have considered whether the fund's investment objectives have been met, which for most funds focusses on capital growth. For those funds with an objective of achieving income growth, we have also assessed income yields. All our funds' investment objectives can be found in their respective prospectus, KIID or factsheet.

The performance figures used are after all fees are deducted from the Unit Classes. When running the traffic light system, we use performance against Benchmarks as the primary measure to determine if a fund delivers value.

The traffic light ratings are determined as follows:

- **Green:** Funds/Unit Classes that outperformed the Benchmark over both the three- and five-year periods assessed.
- **Amber:** Funds/Unit Classes that outperformed the Benchmark over only one of the periods. This also includes funds that underperformed the Benchmark over both three- and five-year but outperformed the Peer Group.
- **Red:** Funds/Unit Classes that underperformed both the Benchmark and Peer Group over both the three- and five-year periods.
- Mixed colour ratings denote split ratings at the Unit Class level, with the left hemisphere showing the rating for Class A and the right hemisphere showing the rating for Class I.

To ensure we uphold value for money across our whole fund range, our Product Oversight Committee and the Board conduct performance reviews on a regular basis. If a fund is identified as underperforming its Peer Group and Benchmark consistently, the investment team is required to provide plans to the Product Oversight Committee or the Board with the aim of improving performance and ultimately value for investors.

As stated in our prospectuses, the Benchmarks used are for performance comparison only. The funds do not manage against the Benchmarks.

ASSESSMENT SUMMARY

This table, based on Morningstar data, summarises the results of our funds' performance compared with their respective Benchmarks and Peer Groups, net of fees to 31 August 2020:

Barings Fund	Class A	Class I	Overall
Barings Eastern Trust			
Barings Europe Select Trust			
Barings European Growth Trust			
Barings German Growth Trust			
Barings Global Agriculture Fund			
Barings Japan Growth Trust			
Barings Korea Trust			
Barings Multi Asset Fund			
Barings Strategic Bond Fund			
Barings Targeted Return Fund *	N/A		

- The Unit Class provides value as it outperformed the Benchmark over both the three- and five-year period
- The Unit Class provides value as it outperformed the Benchmark over a three- or five-year period, or if the Unit Class underperformed the Benchmark over both periods but outperformed the Peer Group average over a three- or five-year period
- The Unit Class does not provide value as it underperformed the Benchmark and Peer Group over the three- and five-year periods

Mixed colour ratings denote split ratings at the Unit Class level, with the left hemisphere showing the overall rating for Class A and the right hemisphere showing the overall rating for Class I.

FUNDS RATED GREEN OR GREEN/AMBER

Barings Eastern Trust: The Trust has outperformed the Benchmark, delivered first quartile performance and achieved above average risk-adjusted returns within the Peer Group over a three- and five-year period, across all Unit Classes. The Trust has also achieved its capital growth objective across both periods.

Barings Japan Growth Trust: The Trust has outperformed the Benchmark, delivered first quartile performance as well as above average risk-adjusted returns within the Peer Group over all periods. The Trust has achieved its capital growth objective across both periods.

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* The Targeted Return Fund was restructured from a Common Investment Fund (CIF) to Charity Authorised Investment Fund (CAIF) on 17 January 2020 when the Annual Management Fee was also reduced from 50 bps to 40 bps. The performance track record from the CIF was used in performance comparison.

Barings Europe Select Trust: Over a three- and five-year period, the Trust has outperformed the Benchmark, delivered above average performance within its Peer Group and achieved above average risk-adjusted returns, with the exception of Class A which slightly underperformed the Benchmark over five years. The Trust has achieved its capital growth objective across both periods.

Barings Global Agriculture Fund: Unit Class I of the fund has outperformed the Benchmark over the three- and five-year periods. For Unit Class A, the fund has outperformed the Benchmark over the three-year period, however slightly underperformed the Benchmark over the five-year period. The fund outperformed the Peer Group average by more than 2% on an annualised basis over five years. It has achieved its capital growth objective over all periods.

FUNDS RATED AMBER

Barings German Growth Trust: The Trust outperformed the Peer Group average and achieved its objective of capital growth over five years, but underperformed the Benchmark and had below Peer Group average risk-adjusted returns over three and five years. This fund's concentration in cyclical companies at the beginning of 2020 has detracted from performance due to the unexpected impact of COVID-19. The fund manager has conducted a review of the fund and repositioned part of the fund to more defensive sectors and reduced exposure to smaller companies. We believe the Barings German Growth Trust is now better positioned to offer greater protection against further market downside, while the cyclical companies that remain in the fund are expected to capture a possible market recovery. However, we will continue to monitor this fund in order to assess the impact of the portfolio repositioning on its performance.

Barings Korea Trust: The Trust has consistently outperformed its Peer Group average performance over all periods and has outperformed the Benchmark over a three-year period. It has slightly underperformed the Benchmark over the five-year period. The Trust has achieved its capital growth objective across all periods. The slight underperformance over the five-year period was due to a structural underweight in Samsung Electronics. As the fund is restricted to a maximum 10% in any securities under the UCITS rules but the Benchmark has a much larger weighting in Samsung Electronics, the structural underweight led to underperformance. We have performed a review of the Fund and performance has improved over the past year. We will continue to follow our fundamental bottom-up investment process which aims to identify companies where the long-term earnings growth potential is not reflected in the current share price.

Barings Multi Asset Fund: We have rated this fund amber as the fund has an objective to generate capital return in excess of U.K. retail price inflation (RPI) over a three-year period but, largely due to the impact of COVID-19 on markets, this was not achieved. However, it has achieved its target performance over a five-year period. While we expect performance to improve as markets recover, we have already taken action in the portfolio construction process aimed at improving resilience, including the introduction of different tools to help optimise the fund's diversification across different assets.

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE. THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE.

FUNDS RATED RED

Barings European Growth Trust: The Trust has underperformed the Benchmark and Peer Group average in terms of performance and risk-adjusted returns over all periods although it has achieved its objective of capital growth over the five-year period. Its underperformance over the last three years was driven largely by a sharp correction in European equities in 2018, which saw defensive sectors in Europe outperform as investors sought refuge from market uncertainty and heightened volatility. This rotation into defensive sectors prompted significant underperformance in the fund, which had a much lower weighting in companies within these sectors, such as Utilities, Telecommunications, compared to the performance comparator. Prior to this, the fund had consistently delivered outperformance against the Benchmark over the three- and five-year periods since 2013. This fund had a change in fund manager during the first part of the year. The new fund managers have undertaken a full review of the portfolio and have made key changes to emphasise the fund's strategy of bottom-up stock selection as the most important driver of relative returns. Changes applied to the portfolio include disposal of lower conviction stocks, replaced by stocks of companies that the new fund managers believe are of higher quality, with more compelling and sustainable growth prospects. We believe this portfolio transition will perform better and lead to improved overall Fund performance.

Barings Strategic Bond Fund: The fund underperformed the Benchmark and Peer Group and had below average risk-adjusted returns. However, the fund has achieved its capital growth and income objective over the five-year period. The fund manager changed on 31 October 2018. Since then, the fund's performance improved compared to the Peer Group, until the COVID-19 pandemic introduced extraordinary market volatility and negatively affected performance from February 2020. This was due to the fund's strategy of generating income from high yield positions. Although the high yield sector was hit most during the crisis, resulting in underperformance for the fund, it subsequently resulted in a strong rebound in Q2 2020. With continuous central bank support and the global conviction to support jobs preservations such as the furlough scheme extension in Europe, the fund manager believes credit-based products will continue to do well and the fund is well positioned for the recovery. This fund will be the subject of a deeper review over the course of the next 12 months.

Barings Targeted Return Fund: The fund targets income and capital returns in excess of the Consumer Prices Index (CPI) by at least 3% (including income exceeding the CPI by 1% per year) measured over a full market cycle (typically between five and 10 years). The fund has not met its capital return objective over the five-year period, however it has achieved the additional objective of income above CPI+1% by delivering 3.85% per annum. We have restructured the fund from a Common Investment Fund to a Charity Authorised Investment Fund and reduced the annual management fee of this fund from 50 bps to 40 bps in January 2020. While we expect performance to improve as markets recover, we have already taken action in the portfolio construction process aimed at improving resilience, including the introduction of different tools to help optimise the fund's diversification across different assets.

OVERALL CONCLUSION

Seven out of 10 funds have delivered value by outperforming the Peer Group and/or Benchmark for at least the three- or five-year period, with **Barings Eastern Trust, Barings Europe Select Trust and Barings Japan Growth Trust** consistently outperforming their Peer Groups in both performance and risk-adjusted returns. For the remaining three funds, we have put in place the measures outlined above and will continue to assess whether they improve value for investors. All funds have achieved the objective of capital growth over the five-year period.

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE. THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE.

Comparable Market Rates

HOW IS THIS MEASURED?

Our fee structure is simple, where each Unit Class bears an ongoing charge, comprising the annual management fee and operating costs, with no performance fees across any Unit Class. The annual management fee relates to costs paid to the investment manager to manage investments and other related activities to support the fund's operations. Operating costs are other costs paid to third parties, such as the trustee, administrator, legal counsel and auditor in order to run the fund. Operating costs are not Unit Class specific and are applied equally at a fund level.

This section compares the annual management fee and operating costs that the funds charge to investors, against our competitors' or Peer Groups' fees. Our Peer Group selection criteria can be found in the Introduction section under "How have we measured value".

We use Class A and Class I for comparison purposes in this report as they are the most relevant Unit Classes for the majority of the investors. We have compared charges of the funds' Class A and Class I Unit Classes with their equivalents in the Peer Group. When compared with the Peer Group, funds that have lower or comparable annual management fee and operating costs are deemed to provide value to the investor.

ASSESSMENT SUMMARY

The following table summarises the results of our ongoing charge analysis in comparison with the Peer Group for Class A and Class I investors.

Barings Fund	Annual Management Fee		Operating Costs		Overall Rating [*]
	Class A	Class I	Class A	Class I	
Barings Eastern Trust	●	●	●	●	●
Barings Europe Select Trust	●	●	●	●	●
Barings European Growth Trust	●	●	●	●	●
Barings German Growth Trust	●	●	●	●	●
Barings Global Agriculture Fund	●	●	●	●	●
Barings Japan Growth Trust	●	●	●	●	●
Barings Korea Trust	●	●	●	●	●
Barings Multi Asset Fund	●	●	●	●	●
Barings Strategic Bond Fund	●	●	●	●	●
Barings Targeted Return Fund	N/A	●	N/A	●	●

● Unit Class provides value with comparable charge lower than or within five basis points (bps) from Peer Group average

● Unit Class provides value with comparable charge within five to 10 bps from Peer Group average

● Unit Class does not provide value with charge more than 10 bps above Peer Group average

Mixed colour ratings denote split ratings at the Unit Class level, with the left hemisphere showing the overall rating for Class A and the right hemisphere showing the overall rating for Class I.

*Overall rating is a combination of the ratings and tolerance level applied to the Annual Management Fee and operating costs

FUNDS RATED GREEN OR GREEN/AMBER OR GREEN/RED

Barings Eastern Trust: The Trust had an annual management fee and operating costs within five bps of the Peer Group average across both Unit Classes.

Barings Europe Select Trust: The Trust had an annual management fee within five bps or lower than Peer Group average across both Unit Classes. Operating costs were lower than the Peer Group average.

Barings European Growth Trust: The Trust had an annual management fee and operating costs within five bps of the Peer Group average.

Barings German Growth Trust: The Trust had both an annual management fee and operating costs lower than the Peer Group average.

Barings Korea Trust: The Trust had both an annual management fee and operating costs significantly lower than the Peer Group average.

Barings Japan Growth Trust: Class A has been rated amber and Class I rated green. The Trust had an annual management fee in line with the Peer Group average across both Unit Classes. However, it had higher than Peer Group average operating costs in both classes due to its small fund size, which meant fixed costs contributed to a higher proportion of the fund's cost. We will review the costs of the fund and continue to monitor the demand and subsequently the size of the fund.

Barings Multi Asset Fund: Class A has been rated red and Class I rated green. While the annual management fee of Class A of the fund was higher than the Peer Group average, Class I of the fund had a lower than Peer Group average annual management fee. The operating costs of the fund were in line with Peer Group average. We are performing a review of the costs and have moved eligible U.K. investors from Class A to Class I so they can benefit from the lower costs. We encourage any investors in Class A for whom we have not applied a mandatory switch because we are not certain of their circumstances, to request a switch to Class I if they believe it to be in their best interests.

Barings Targeted Return Fund: The fund had an annual management fee lower than the Peer Group average, however its operating costs are slightly above the Peer Group average. The higher operating costs were partly due to the fund's standalone legal structure and separate fund documentation, resulting in all legal costs being borne by the fund. As part of the restructure of this fund, we reduced the annual management fee from 50 bps to 40 bps.

FUNDS RATED AMBER OR AMBER/RED

Barings Global Agriculture Fund: Class A has been rated amber and Class I rated red. The fund had an annual management fee lower than the Peer Group average across both Unit Classes. However, it had higher than Peer Group average operating costs in both Unit Classes. In particular, this fund has a high percentage of its fees paid towards legal expenses. This is mainly because the fund has a different legal structure and its own legal documentation separate from other funds. Analysis is being carried out with an aim to lower the overall costs of this fund in the future.

FUNDS RATED RED

Barings Strategic Bond Fund: The fund had an annual management fee and operating costs higher than the Peer Group average for both Unit Classes. Further analysis was conducted on this fund to better understand the drivers behind this. However, the recent COVID-19 pandemic has caused unprecedented uncertainties to the market as a whole and shifted market dynamics. This has prompted us to gather further information and undertake a deeper review of the fund in the coming year to help us make the right decisions for the benefit of our investors.

OVERALL CONCLUSION

Seven out of 10 funds have an annual management fee and operating costs either lower than the average of its Peer Group or comparable with its Peer Group and so provide value. We have concluded that **Barings Multi Asset Fund Class A**, **Barings Global Agriculture Fund** and **Barings Strategic Bond Fund** do not provide value. In response, and for all funds, we have switched eligible investors from Class A to Class I to benefit from the lower costs.



Costs of the Funds

HOW IS THIS MEASURED?

We analyse each of the cost components of the ongoing charge to consider whether the costs we charge to investors are appropriate and fair, taking into consideration that the costs paid will allow us to provide high quality of service to our investors on a sustainable basis. A cost is considered “appropriate” when the fee paid to the service provider is appropriate for the service given; it is considered “fair” if the fee as a percentage of the fund’s ongoing charge is reasonable.

We have assessed whether the funds are actively managed and whether the annual management fees charged are fair and appropriate. We use data such as tracking error, beta and active share to determine whether the funds are actively managed.











We have also assessed the funds’ transaction costs (the costs involved in buying and selling underlying securities in a fund) and portfolio turnover to ensure they remain reasonable in relation to each fund’s strategy. While comparing transaction costs against Peer Groups is not possible due to different methodologies used in the industry, we manage portfolio turnover and monitor transaction costs where possible, without compromising investment strategy and performance.

It is important that costs charged to the investor are fair and reflect the value of the service provided. To that end, Barings reviews this periodically to ensure that costs to investors are justified by the quality of service we provide.

ASSESSMENT SUMMARY

We have concluded that all our funds are actively managed. We have further concluded that the annual management fee charged in order to support investment management service and other activities related to the funds’ operations are fair and reasonable compared to the peer group.

The following table summarises the results of our cost analysis other than the annual management fee analysis noted above. The Board has reviewed and assessed each of the cost components of the fund and concluded that the following ratings are appropriate:

Barings Fund	Rating
Barings Eastern Trust	
Barings Europe Select Trust	
Barings European Growth Trust	
Barings German Growth Trust	
Barings Global Agriculture Fund	
Barings Japan Growth Trust	
Barings Korea Trust	
Barings Multi Asset Fund	
Barings Strategic Bond Fund	
Barings Targeted Return Fund	



Costs of the fund are appropriate and fair with no action required



Costs of the fund are appropriate but not fair with action taken to address



Costs of the fund are neither appropriate nor fair with action taken to address

FUNDS RATED GREEN

Barings Europe Select Trust
Barings European Growth Trust
Barings German Growth Trust
Barings Japan Growth Trust
Barings Multi Asset Fund
Barings Targeted Return Fund

FUND RATED AMBER

Barings Global Agriculture Fund: While we have reviewed and concluded that the fees charged by our legal counsel are appropriate based on our due diligence conducted on different service providers, the fund has a high percentage of its fees paid towards legal expenses. This is because the fund has a different legal structure and documentation, which is separate from other funds, resulting in all legal costs being borne by the fund alone. Analysis is being performed with an aim to lower the overall costs of this fund in the future.

Barings Eastern Trust: The Trust had high portfolio turnover and therefore transaction costs. Actions have been taken to reduce portfolio turnover and transaction costs were reduced by 59% over the last year. This reduction has contributed to outperformance net of fees. The Trust has subsequently delivered 21% outperformance against the Benchmark over the last year.

Barings Korea Trust: The Trust had high portfolio turnover and therefore transaction costs. Actions have been taken to reduce portfolio turnover and we have reduced transaction costs by 32% over the

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE. THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE.

last year. This reduction has contributed to outperformance net of fees. The Trust delivered 2.1% outperformance against the Benchmark over the last year.

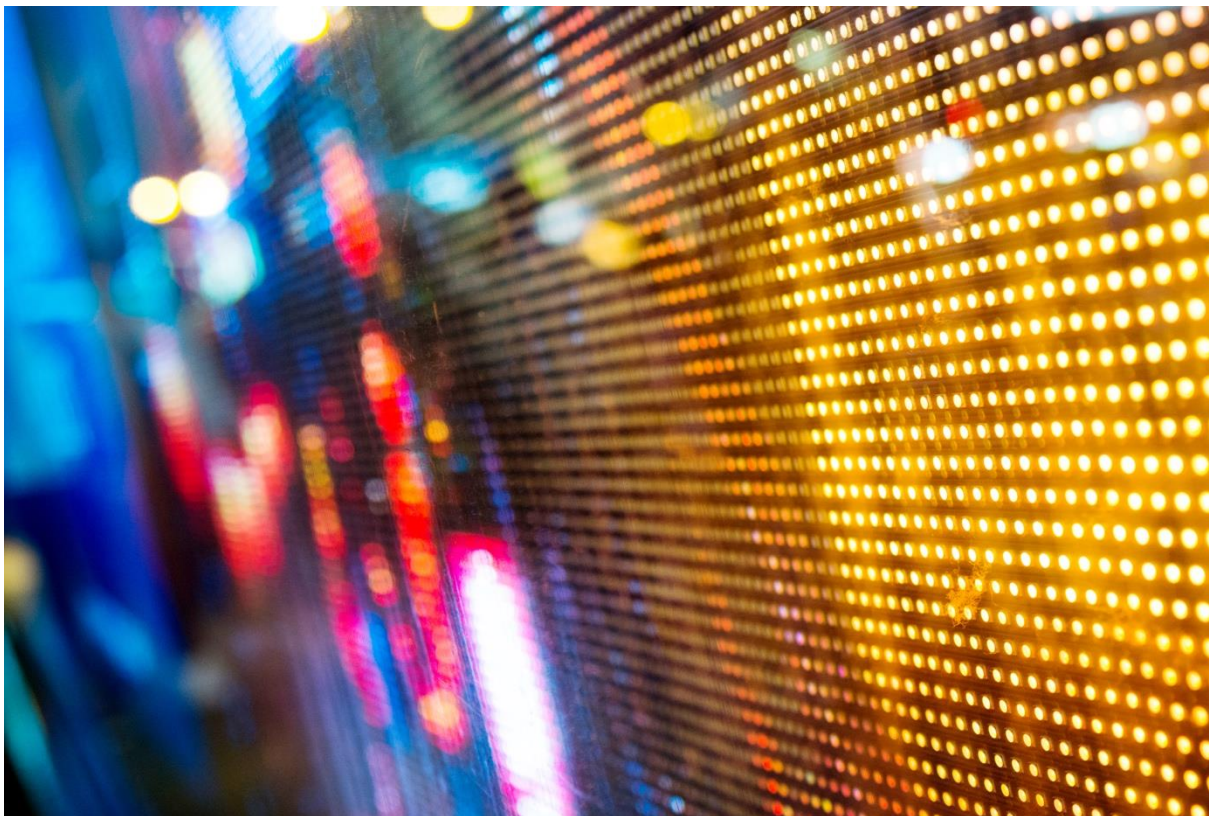
Barings Strategic Bond Fund: In 2020, due to the COVID-19 pandemic, the fund manager had to rebalance the portfolio which caused higher portfolio turnover and transaction costs. The rebalance was amid a transaction environment of extremely poor liquidity and very wide bid/offer spreads. We expect transaction costs to drop significantly post the pandemic. The fund will undergo further analysis to determine suitable and appropriate actions.

As part of the review process, we have also negotiated with the fund's trustee/depositary and agreed a lower fee rate. The reduced trustee/depositary fees have been applied to the funds since 1 January 2020.

OVERALL CONCLUSION

We have concluded that all our funds are actively managed and the annual management fee we charge to our investors are fair and reasonable given the service we provide. The annual management fees paid to Barings cover the costs to provide active investment management services, as well as other operating costs that are not paid directly from the funds. In terms of other costs, we have also concluded that we provided value in **six out of 10** funds.

We are performing a full review of **Barings Global Agriculture Fund**, with the aim of lowering overall costs in the future. We have already seen portfolio turnover and transaction costs of **Barings Eastern Trust** and **Barings Korea Trust** reduce recently, while simultaneously delivering outperformance. We also expect the high transaction costs of **Barings Strategic Bond Fund** to fall as outlined above.



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Economies of Scale

HOW IS THIS MEASURED?

There are two main categories of fund costs: variable costs and fixed costs. While variable costs might increase when a fund's size increases, fixed costs can usually be shared with a larger investor base. In other words, when a fund's size increases, there are certain efficiencies that can be achieved through economies of scale. Since economies of scale can be achieved by reducing operating-related costs, which apply at a fund rather than a specific Unit Class level, we assessed economies of scale at the fund level. Where cost savings can be achieved via economies of scale, we aim to pass on these benefits to investors.

Economies of scale can also be achieved by leveraging the size of the wider Barings business. Our outsourced service providers' fee rates are negotiated, not only by using our U.K.-domiciled fund range's scale, but also the scale of all of our other fund ranges. The scale of Barings' entire business enables us to negotiate better fee rates for investors in our U.K. fund range.

We have assessed our ability to spread fixed costs or obtain lower variable costs across a large investor base when a fund grows, and measure whether the savings are reflected in lower fund costs charged to our investors.

ASSESSMENT SUMMARY

We have reviewed the variable costs and fixed costs and assessed them relative to the size of the funds. Sharing of fixed costs is reflected in the ongoing charge calculation process and savings are automatically passed on to investors as the fund size increases. We have a strong knowledge pool across our teams to ensure this calculation process is robust and fair to all investors.

Utilising our size and global reputation, as the subsidiary of MassMutual Financial Group, we negotiate on terms with external service providers, seeking to ensure investors pay less for the services our funds provide. On 1 January 2020, we applied a reduction in trustee costs after a successful fee negotiation with the trustee. The fee is also on a "tiering scale" where the fee will decrease on an overall basis when the aggregate fund size of the fund range increases. This charging scale ensures the funds benefit and achieve savings whenever the funds reach a meaningful size to generate economies of scale.

OVERALL CONCLUSION

We have concluded that we have delivered value as savings have been achieved through economies of scale and we have passed on these savings to investors. We have also leveraged Barings' business scale to achieve savings for investors in our U.K. fund range, and negotiated tiering fees based on fund size so savings can be automatically passed on to our investors as and when the funds grow.

We will continually look to negotiate the best possible pricing with service providers and ensure maximum fee reductions can be achieved via economies of scale and passed on to investors.

Comparable Services

HOW IS THIS MEASURED?

We manage investments for different clients, ranging from individuals to institutions such as pension funds and charities. It is our responsibility to ensure all investors—from individual to institutional—are paying a fair level of fees for similar services that we provide, regardless of whether they are investing via our mutual fund platforms or via the use of segregated accounts.

As such, we have compared our funds' costs of services to other funds within Barings of the same strategy with similar investment objectives and policies. In order to fairly compare costs that are paid by investors, we have used ongoing charge as the measure to compare the cost our investors pay for funds with the same strategy but different domicile or fund structure e.g. where there is a different split between the annual management fee and other charges.

We also compare our service with segregated accounts, which are bespoke portfolios run on behalf of large institutional investors and which have a similar investment objective to our pooled funds. For these accounts, operating costs are usually borne directly by the clients and not included in the portfolio. We will therefore only compare the annual management fees, with consideration of factors such as portfolio size, investment horizon and the services required, to assess whether our Funds provide value.

If fees paid by our U.K. investors are similar or lower than the fees that are paid by other investors with similar services under similar conditions, U.K. investors are receiving value for money.

ASSESSMENT SUMMARY

Of the 10 funds under review, three have Irish-domiciled equivalents of the same strategy, and one has an Irish-domiciled feeder fund for overseas investors. These comparable services have the same or higher ongoing charges than their equivalent U.K. domiciled funds, mainly due to the difference in fund setup between the different domiciled funds.

For comparable services offered in the business, there were no segregated mandates managed to the same strategy as the U.K.-domiciled funds' strategies during the review period.

OVERALL CONCLUSION

We have concluded that we have provided value in our U.K. domiciled range considering the comparable services we provide.

Class of Units

HOW IS THIS MEASURED?

A key consideration throughout the value assessment process is whether investors are in the most appropriate Unit Class, taking account of their characteristics and fees. We analysed the investor base of our funds and assessed whether they were in the Unit Class that offered best value for them. If we believed investors could benefit from investing in a lower fee Unit Class of the same fund, we took the decision to compulsorily switch them to a lower fee Unit Class. The FCA allows us to conduct such compulsory switching in our U.K.-domiciled funds, and any such switch will not incur any tax liability to U.K. investors.

Since Barings' U.K.-domiciled funds are distributed globally, including in Asia and other European countries, the investor base and distribution process is different from many of our competitors who distribute their U.K.-domiciled fund range only to U.K. investors. As different countries' distribution and tax systems operate differently, it might not be beneficial to move non-U.K. investors to a cheaper class due to specific country concerns such as tax treatments.

ASSESSMENT SUMMARY

We rated this area amber as we concluded that some of our investors could benefit from holding a cheaper Unit Class. We decided to move appropriate U.K. individual and institutional investors from the more expensive Class A to the cheaper Class I, so these U.K. investors will be in the Unit Class that has the lowest fees available to them. Please see the section on Comparable Market Rates for further detail on the specific classes.

For investors who are investing in Class A via an advisor or investors who reside outside of the U.K., we have not made this change. Class A may continue to be the most appropriate Unit Class for those investors, taking into account rebates, the service fees paid to their advisor or the potential tax impact it might cause for investors who reside outside of the U.K.. We have concluded that it may not be in such investors' best interests to move them to Class I.

For investors who remain in the more expensive Class A, we have offered the option to switch to a cheaper Unit Class upon their specific instruction, if the investor/adviser believes it to be in their best interest to do so.

OVERALL CONCLUSION

We concluded that some of our investors could benefit from lower fees by investing in another Unit Class of the same fund. We have therefore moved appropriate U.K. investors from Class A or Class B to the cheaper Class I. This exercise was completed on 30 October 2020, amounting to around 3% of our funds' assets under management. This means that for seven equity funds, the annual management fee for these transferred investors has been reduced from 1.50% to 0.75% and as such, the annual management fee investors will pay on a holding of £1,000 will reduce from £15.00 to £7.50 per annum. For **Barings Strategic Bond Fund**, the annual management fee has been reduced from 1.25% to 0.65% and for **Barings Multi Asset Fund**, 1.50% to 0.55%.

For investors who remain in the more expensive Class A, we have offered the option for investors to switch to a cheaper Unit Class if they believe it to be in their best interest to do so. It is our aim that all investors in our funds hold the most appropriate Unit Class according to their circumstances.

Glossary

Active share—A measure of the % of stock holdings in a portfolio that differ from the comparative benchmark.

Annual management fee—Yearly fee the investment manager charges to investors to manage a fund. Usually a percentage of a fund's assets under management.

Authorised fund manager (AFM)—Barings Fund Managers Limited, the company with responsibility for managing the Funds.

Benchmark—A standard, usually an unmanaged index, used for comparative purposes in assessing performance of a portfolio or mutual fund.

Beta—A measure of the volatility of a portfolio compared to the market as a whole.

Board—The board of directors of the AFM.

ESG—Environmental, Social and Governance.

Financial Conduct Authority (FCA)—The Financial Conduct Authority of the United Kingdom.

Fund/Trust—Any of the unit trusts or funds of which this document forms the Value Assessment.

Investment manager—Baring Asset Management Limited, the entity to which Baring Fund Managers Limited has delegated its day to day investment management responsibilities in relation to each of the Trusts.

Key Investor Information Document (KIID)—A document that helps investors understand the key information of an investment fund.

Ongoing charges—Total charge to investors made up of AMC, administration charges and other operating costs including legal, audit and other professional fees.

Peer Group—A group of similar funds that are compared with each other based on investment strategy, as defined by Morningstar.

Performance fee—A payment made to the investment manager for generating positive returns. Most commonly, is as a percentage of investment profits.

Performance return—The return of an investment including interest, capital gains and dividends.

Risk-adjusted return—The return an investment makes relative to the amount of risk the investment has taken.

Tracking error—An indicator of how actively a fund is managed and its corresponding risk level.

U.K.—The United Kingdom.

Unit Class—A particular division of Units in a Trust.

Important Information

This document is approved and issued by Baring Asset Management Limited.

Investment involves risk. The value of any investments and any income generated may go down as well as up and is not guaranteed. You may get back less than you invest. Past performance is not a guide to future performance.

Any forecasts in this document are based upon Barings opinion of the market at the date of preparation and are subject to change without notice, dependent upon many factors. Any prediction, projection or forecast is not necessarily indicative of the future or likely performance.

The composition, size of, and risks associated with an investment may differ substantially from any examples set forth in this document. No representation is made that an investment will be profitable or will not incur losses. Where appropriate, changes in the currency exchange rates may affect the value of investments. Prospective investors should read the relevant Fund prospectus and Key Investor Information Document for the details and specific risk factors of any Fund discussed in this document.

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